Annual Report 2016

iress

About Us

1,790
PEOPLE

17
OFFICES

6
COUNTRIES

1
VISION

To be the most innovative, reliable and respected technology partner, regarded by our clients as essential and desirable.

AGM DETAILS
Thursday 4th May 2017
11:30am AEST

RACV Club
501 Bourke Street
MELBOURNE VIC 3000

IRESS Limited
ABN 47 060 313 359

We design, develop and deliver software solutions for the financial services industry in Asia, Australia, Canada, New Zealand, South Africa and the United Kingdom.

Whether our clients trade on global financial markets, manage investments, provide mortgages or help people plan their financial future; they rely on our software and our team, to deliver commercial outcomes for their business and clients.

Our complete end-to-end solutions allow our clients to engage and service their clients across all channels, achieve operational efficiencies, make considered decisions, and monitor and manage risk.

Our proven track record means that businesses of all sizes choose to partner with us – from the world's most iconic financial services brands to small businesses.

A start-up 23 years ago, today we have over 1,700 highly valued and exceptionally talented people across five continents delivering financial solutions to our growing client base.

Above all else, we have an unwavering focus on what's most important: deliver outcomes today, develop for tomorrow and design for the future.

Delivering outcomes today

Digitising mortgage lending for a digital only bank

In December 2016, we successfully completed the implementation of our latest Mortgage Sales and Originations (MSO) solution for Atom Bank, the UK's first digital-only bank. This has enabled Atom's Digital Mortgages proposition, providing an enterprise class omni-channel platform for lending.

Developed using the very latest technologies, MSO V2 delivers a highly configurable and functionally rich solution to support efficient end-to-end mortgage workflow for the full mortgage sales and origination process.

Operated as a managed service, MSO V2 releases Atom Bank from the requirements of ongoing maintenance and support whilst providing their intermediaries and customers with the best possible service and ability to engage at the time and in the manner that suits them.

Simplify IT architecture and deliver a multi-channel capability

Following a period of significant growth, Tilney Group was operating across a broad national network with manual processes, legacy technologies and inconsistencies between the online and offline client experiences. During 2016, Tilney Group acquired established national financial planning and wealth advice business Towry, resulting in a network of more than 30 offices and over 300 financial planners.

Working closely with Tilney Group, within 12 months we delivered a single wealth technology platform to meet their needs across financial planning, portfolio management, trading and market data, client engagement and reporting. The solution also incorporates integration to third-party platforms and executing custodians.

Manual processes have been unified and automated which will both improve efficiency and enhance the services provided to Tilney Group clients; the business has a centrally managed investment process to reduce risk and a technology platform that provides a single client view across channels.

Developing for tomorrow

Tomorrow's superannuation fund technology

With the acquisition of Financial Synergy in October 2016, we are developing solutions for the evolving needs of the Australian superannuation fund sector.

Leveraging IRESS technology we are connecting the market leading Acurity fund registry administration software with XPLAN's wealth management and advice capability, enabling a superannuation fund to meet the spectrum of their members' advice needs from an integrated platform.

Deep integration between the core registry and advice components provides substantial benefits to superannuation funds, without the need to manage significant integration.

Continued investment in development

IRESS continues to invest in technology that maintains the relevance and efficiency of its trading and market data solutions. ViewPoint is the next generation of IRESS' retail online trading platform and delivers a platform that supports rapid and incremental deployment options; modular enablement of third-party components; and the utmost focus on user experience.

Testament to IRESS' focus on developing market leading technologies is the investment we place in product and development. Our product and development teams are highly skilled people in critical roles which include UX designers, software engineers, system architects, systems testers, product and implementation managers. 2016 saw a continued increase in our product and development teams, now accounting for 49% of our people.

Designing for the future

Power, passion and purpose

2016 saw IRESS' second annual Global Hackathon take place where, for 24 hours, IRESS' engineers, testers, designers and business people came together to collaborate intensively on projects and bringing ideas to life.

In the lead-up, 268 ideas to deliver a demonstrable benefit to either clients or the IRESS business were proposed by 840 contributors. Teams formed around 99 of those ideas and for 24 hours, 412 people worked on designing the future.

Since then, 32 of those projects have been sponsored by business and product owners and 11 are now in production.

Hackathon is a celebration of IRESS' innovation culture. Collaboration has emerged as the defining characteristic of creativity and growth in nearly all sectors and industries. Today, the biggest breakthroughs happen when groups of self-motivated people with a collective vision join and share ideas, information and work together – the exact environment the Global Hackathon creates.

The people who make it happen

IRESS' talented and passionate people are our greatest asset and they are the ones who make it happen for our business and our clients.

However, our people are more than skilled software engineers, client relationship professionals and business managers - they are passionate about making a difference in the communities in which we operate.

A program of corporate social responsibility activities featured heavily again on the IRESS calendar in 2016, supporting organisations such as Seeds of Africa, Oxfam, Myton Hospice, Blessings in a Backpack, St.Vincents and a host of others across Australia, Canada, New Zealand, Singapore, South Africa and the United Kingdom.

Most importantly, whilst supported by IRESS, these programs are driven entirely by our people.

Another year of sustainable growth in revenue and earnings

	Operating Revenue (AUD)	Segment Profit (AUD)
Asia Pacific (53% of Group revenue) The result was underpinned by continuing resilience of financial markets revenue, strong demand for XPLAN, and the contribution of the recently acquired Financial Synergy (FS) business. The acquisition of FS extends the range of services and solutions IRESS provides to the superannuation industry.	+8%	+4%
United Kingdom (35% of Group revenue) Revenue growth reflects strong underlying demand for XPLAN and IRESS' integrated wealth management platforms as well as a full year's contribution from businesses acquired in 2015. The integration of these businesses is progressing well and unlocking new client opportunities. Transition of the lending business to a subscription revenue model is progressing well. The first delivery of the next generation mortgage solution was completed in 2016.	+10%	+5%
South Africa (7.5% of Group revenue) Strong demand across the IRESS product suite continued in 2016. The acquisition of INET BFA expands IRESS' market data offering and client base in South Africa.	+8%	+15%
Canada (4.5% of Group revenue) Challeging conditions in Canadian financial markets continued in 2016. Diversification into wealth continues with focus on 2017 client deliveries. Margin impacted in 2016.	-13%	-71%
Total Group	+8%	+4%

2016 – Revenue growth driven by continuing strong demand for IRESS Wealth Management solutions in Australia and the United Kingdom; strong growth in South Africa across the entire product suite; and the contribution of recent acquisitions. FX had a significant adverse impact.

Operating revenue (AUD)

$390m

2015 – Revenue underpinned by resilient financial markets revenue in Australia and strong growth in wealth management in South Africa and Australia. Strong revenue momentum in UK wealth management. Acquisitions and FX made significant contributions.

Operating revenue (AUD)

$362m

2014 – First full year of revenue from Avelo acquisition in 2013. Offshore revenue now 45% of total. Growth in financial markets and wealth management in Australia reflected continued strong demand for key products, particularly XPLAN.

Operating revenue (AUD)

$329m

2013 – Acquisition of Avelo established a new platform for growth in the UK. Continued high demand for XPLAN in Australia to address FoFA initiatives.

Operating revenue (AUD)

$251m

IRESS delivered a strong financial result in 2016, underpinned by strategic, diversified growth.

We are committed to further, sustained growth and will achieve this by being innovative and reliable, and the respected technology partner of choice, regarded by our clients as both essential and desirable.

IRESS performed strongly in 2016, reflecting the strategic focus and investment in prior periods and in 2016. During the year we delivered major client projects across our geographies and market segments.

We continued to diversify our business, including through acquisition. During 2016, we acquired two new businesses: South African market data provider INET BFA and superannuation software provider Financial Synergy in Australia. Forty seven per cent of IRESS revenue is from outside Australia & New Zealand.

IRESS' business continues to reflect the broad range of participants and needs of the financial services industry in the markets we operate: from small, boutique providers to large global companies.

We also continued to strengthen our business with focused ongoing investment in solutions for clients, users, our core systems and our people.

Strong financial result

For the full year to 31 December 2016, IRESS revenue was up 8% on 2015 to $389.7 million. Statutory net profit was $59.5 million, also up 7%.

Segment Profit, a measure of core underlying business performance, was up 4% to $123.5 million. On a constant currency basis, this is an increase of 7% on 2015 (6% excluding 2016 acquisitions).

Our strong financial performance reflects our continued strategic and focused approach to service and growth. Growth in the Asia-Pacific (Australia, New Zealand and Asia) was strong with pleasing, ongoing performance in delivery in wealth management and continued resilience in financial markets. South Africa's strong performance reflected strong client delivery in 2016.

We are very pleased with progress and delivery in the United Kingdom. The results reflect strong sales and delivery, particularly in wealth management. IRESS is well positioned for continued strong performance and growth in this market.

The reported results of South Africa and the United Kingdom were negatively impacted by foreign exchange movements during 2016. Aside from the impact of the weakening British pound, IRESS' revenue has not been impacted to date by the United Kingdom's decision in 2016 to leave the European Union (Brexit). The nature of our client base and its largely domestic focus, our recurring subscription revenue model, our differentiated products, and wealth management trends (regulatory complexity, change and sector growth) continue to drive IRESS' growth in the United Kingdom.

Despite slower-than-expected diversification in Canada, we continue to progress a number of wealth implementations in that market.

Delivering value through innovation is an important, ongoing focus for IRESS. The 2016 result positively reflects past investments we have made in designing, developing and delivering solutions to meet our clients' needs. We are committed to ongoing investment and innovation to ensure the solutions we offer continue to lead the markets we operate in and offer clients greater opportunities to support their businesses.

The result was also positively impacted by the first full-year of results following two acquisitions in the United Kingdom in 2015, and the 2016 acquisitions in Australia and South Africa. The reported results of South Africa and the United Kingdom were negatively impacted by foreign exchange movements during 2016, although we do not rely on these as indicators of underlying performance.

Dividend and capital management

In respect of second half earnings, directors determined to pay a final dividend of 28.0 cents per share franked to 60% at a 30% corporate tax rate. This represents a total dividend for the year ended 31 December 2016 of 44.0 cents per share, an increase from 2015 of 3%.

IRESS' net debt balance[1] at 31 December 2016 decreased to $154.6 million (2015: $184.9 million), equal to 1.3 times annualised Segment Profit, and reflecting a conservative balance sheet position.

Business activity

During 2016, there were a number of key business highlights including:

- **Successful delivery in the United Kingdom.** Delivery of IRESS' Mortgage Sales and Originations (MSO) solution to Atom Bank, the United Kingdom's first all-digital bank. In addition, IRESS reached a major milestone under its long-term strategic partnership with leading United Kingdom financial planning and investment management group Tilney.

(1) Calculated as borrowings and net derivatives liabilities/assets less cash and cash equivalents.

- **Our leading solution XPLAN** was voted the number one financial planning software in Australia for the ninth consecutive year. It achieved a 94.3% score, the highest in the eleven year history of the report by Investment Trends.
- **Acquisitions completed.** The acquisitions of superannuation software provider Financial Synergy in Australia and leading market data provider INET BFA in South Africa strongly complement and extend IRESS' existing capabilities and the range and scale of services and solutions IRESS can provide.
- **Financial Markets growth.** Our financial markets business in Australia grew 2.1% in revenue in 2016 reflecting increased sales of portfolio solutions to existing and several new buy-side clients, and resilient sell-side revenue despite continuing market pressures.
- **South Africa delivery.** Our business delivered major financial markets and wealth management projects, including the ongoing migration of high net worth retail clients from our Trader to ViewPoint product. A prominent tier-one bank announced it will replace its proprietary premium online trading solution with ViewPoint.

INET BFA and Financial Synergy

IRESS acquired two new businesses in late 2016, in line with our diversification and growth strategy. The acquisitions of Financial Synergy in Australia and INET BFA in South Africa were completed on 31 October and 10 November respectively. The Financial Synergy acquisition was funded by a fully underwritten institutional placement and a non-underwritten share purchase plan. The placement raised $85 million and the share purchase plan raised $15.1 million.

Financial Synergy is a leading and established provider of software to the Australian superannuation industry. Financial Synergy's flagship product, Acurity, is the core registry system for leading industry and retail super funds and third party administrators. The acquisition strongly complements IRESS' existing business in Australia, and also increases the range and scale of services and solutions IRESS can provide to clients of both businesses. Integration is progressing well with an initial focus on incorporating IRESS' advice capability into Acurity Online that is used by superannuation funds as a primary member portal.

INET BFA delivers terminals, data feeds and analysis tools covering South African, African and global, pricing, company financial information and research to investment managers, auditors, corporations and government institutions.

The acquisition of INET BFA further strengthens IRESS' capability in South Africa, adding to its existing operations providing trading, market data, portfolio and wealth management solutions. The addition of INET BFA's solutions will see IRESS able to offer clients a broader and deeper range of complementary solutions, supported by an expanded and experienced on-the-ground team. The integration is proceeding well.

Our focus in 2017

We remain confident of our positioning for opportunities that stem from regulatory and structural change. We believe that ongoing successful client delivery and an environment of technology demand will translate to strong revenue and segment profit growth in 2017 on a constant currency basis. The key drivers underpinning this are momentum in wealth management, resilient financial markets performance and the full year impact of, and opportunities from, recent acquisitions.

Executive team

During 2016, we announced the appointment of Andrew Todd as IRESS' new Chief Technology Officer. Andrew succeeds David Walker, who stood down from the executive team to continue at IRESS as Chief Architect. We thank David for his significant contribution during his 15 years in this role.

We also announced the appointment of Coran Lill as our new Group Executive for Communications & Marketing.

Andrew and Coran commenced their roles in January 2017.

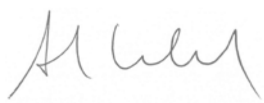
Our people, clients and shareholders

Thank you to our people for their dedication and efforts. Your commitment and focus as we continue to deliver to our clients, end users and shareholders is greatly appreciated by the board and the executive team.

And thank you to our clients and users, and to you, our shareholders. Without your support, IRESS would not be as strongly positioned for the future as it is today.

Tony D'Aloisio
Chairman

Andrew Walsh
Managing Director & Chief Executive Officer



Principal Activities

The acquisitions of Financial Synergy and INET BFA in 2016 expand the range of solutions IRESS offers its clients.

IRESS was founded in Australia and the continued strength of its Australian business remains central to its success. Over time, IRESS has diversified and grown by geography, and a material financial contribution now comes from overseas operations.

In October 2016 and November 2016 the Group acquired Financial Synergy and INET BFA respectively.

The acquisition of Financial Synergy will increase the range and scale of services and solutions IRESS can provide to superannuation clients in Australia. The INET acquisition expands the Group's market data and trading offering in South Africa.

IRESS' revenue is primarily recurring and subscription based.

	Financial Markets	Wealth Management	Lending	Private Wealth Management	Superannuation
Solutions	Global market data and trading software including market data, order and execution management, smart order routing, FIX services, portfolio management, securities lending, analytical tools and connectivity.	Integrated wealth management platform offering client management, business automation, portfolio management, research, financial planning tools, digital engagement portal and scaled advice.	Multi-channel mortgage sales and origination platform including automated workflow and mortgage intermediary advice solution.	Integrated software solution offering market data, order management, portfolio management, CRM and wealth management.	Superannuation administration including fund flow, member management and online member engagement.
Clients	Sell-side and buy-side institutions, retail advisory, online brokers and platforms.	Institutional and independent advisory, wealth managers, mortgage intermediaries.	Lenders, mortgage intermediaries.	Discretionary retail fund managers, private client advisers, wealth managers.	Superannuation funds and administrators, wealth advisors and financial institutions.

Material business risks

The material business risks that have the potential to impact the Group are outlined below, together with mitigating actions undertaken to minimise these risks.

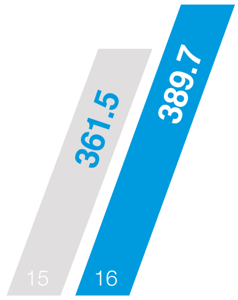
Risk	Nature of risk	Mitigation
Information security breach and failure of critical systems	Due to the nature of IRESS' business, the Group could be impacted significantly by the failure of critical systems, whether caused by error or malicious attack.	Dedicated information security functions across jurisdictions. Board oversight through the Audit & Risk Committee and executive oversight via information security governance committee. Controls, audit and governance provides a framework for actively identifying gaps, new exposures and the development of appropriate treatment plans. Network and malware scanning and mandatory information security awareness training across the business. Comprehensive disaster recovery procedure in place. Focus on redundancy for internal and critical systems.
Economic climate	Economic conditions, domestically and internationally, can impact client revenue and accordingly, client demand for IRESS' systems.	This risk is mitigated by IRESS' diverse geographic presence and diverse product portfolio.
Foreign Exchange	IRESS is exposed to foreign exchange movements which may affect the value of profits repatriated to Australia.	IRESS' presence in several jurisdictions and the increase in relative revenue contributions from those jurisdictions tends to ameliorate some of this exposure. IRESS reports foreign exchange movements transparently in its periodic financial statements in order to enable investors to better understand the performance of the underlying business.
Regulation	Regulation can impact IRESS and its clients because regulation increases the cost of doing business, or because regulation results in structural changes, including consolidation or fragmentation, both of which can negatively impact IRESS client engagements.	IRESS' risk management strategy includes the close monitoring of regulatory developments globally. IRESS is pro-actively engaged in the development of new and existing relationships with relevant regulatory stakeholders, policy makers, and media groups to monitor the regulatory landscape. This strategy is focused on limiting potential impacts of regulatory development so that IRESS may continue to service its global markets and efficiently respond to compliance requests.
Market or technology risk	The risk that a pronounced shift in technology or a pronounced change in the way market-segments organise themselves and make use of IRESS' products or solutions.	IRESS endeavours to manage this risk by maintaining a highly skilled and educated technology organization and by exploring the potential utilization or impact of emerging technologies. In the same way, IRESS endeavours to manage market change by maintaining a high degree of engagement with its customers. In that regard IRESS is fortunate that its customer base, being distributed geographically and being comprised of highly sophisticated industry representatives, is likely to be at the forefront of industry change and evolution.

Operating and Financial Review

IRESS reported strong results in 2016, driven by ongoing momentum in wealth markets globally and the resilience of the Australian financial markets business.

AUD (m)	2016	2015	Movement from 2015 %
Operating Revenue	**389.7**	**361.5**	**7.8**
Constant currency basis[1]	409.9	361.5	13.4
Segment Profit	**123.5**	**119.2**	**3.7**
Constant currency basis	127.8	119.2	7.2
Segment Profit after share based payment expense	112.7	109.3	3.1
Reported Profit (Net profit after tax)	**59.5**	**55.4**	**7.3**
Basic earnings per share (cents)	37.0	35.2	5.1
Dividend per share (cents)	44.0	42.7	3.0

1. Constant currency basis assumes FY2015 and FY2016 results are converted at the average foreign currency exchange rate used for FY2015. This allows comparison of Group operating performance in Australian dollars before the impact of changes in foreign currency rates.



7.8%
OPERATING REVENUE

3.7%
SEGMENT PROFIT

7.3%
REPORTED PROFIT

Operating revenue

On a reported basis, revenue from ordinary activities grew 7.8% to $389.7 million in 2016 (2015: $361.5 million). This outcome was impacted by adverse foreign currency fluctuations (particularly the depreciation of the British Pound against the Australian dollar) which reduced the group's revenue expressed in Australian dollars by approximately $20.1 million.

On a constant currency basis, revenue grew 13.4% to $409.9 million which reflects strong growth in Australia, the United Kingdom and South Africa, in addition to a full year revenue contribution from businesses acquired in 2015 (Pulse and Proquote). There was also part year revenue contribution from the two businesses acquired in October and November 2016 (Financial Synergy in Australia and INET BFA in South Africa respectively).

In Australia, revenue growth was driven by:

- Continuing strong underlying demand for IRESS' XPLAN wealth management platform. The sector globally continues to balance the demands and opportunity of technology in order to meet client service and value and expectations, while reducing the cost of doing business, and managing risk in an increasingly complex regulatory environment.
- Implementation of XPLAN Prime, IRESS' scaled advice solution.
- Increased demand for IRESS' portfolio management solution to new and existing buy-side financial markets clients. Despite continuing market pressures on sell-side participants, revenue in this area of our financial markets business remains resilient.
- The acquisition of Financial Synergy, which contributed $4.4 million to revenue in 2016.

Growth in the United Kingdom was also driven by demand for IRESS wealth solutions, underpinned by consistent themes in the wealth management segment. In addition, increasing consolidation of participants in the United Kingdom is driving strong demand for technology to solve business issues such as consolidated reporting, compliance and technology simplification.

In South Africa, revenue growth was driven by continuing strong demand for IRESS' suite of trading solutions and market data (particularly from existing large corporate clients) and a part-year contribution from recently acquired INET BFA. The continued rollout of XPLAN to new and existing clients also drove growth, notably the completion of an XPLAN migration for a tier one institution.

Review of segment results

AUD (m)	Operating revenue		Movement from 2015		Segment Profit		Movement from 2015	
				Local Currency[1]				Local Currency[1]
	2016	2015	%	%	2016	2015	%	%
Financial Markets – APAC	113.5	111.1	2.1	–	41.7	42.5	(2.0)	–
Wealth Management – ANZ	93.8	80.3	16.8	–	42.7	38.3	11.7	–
Total APAC	**207.3**	**191.5**	**8.3**	**–**	**84.4**	**80.8**	**4.5**	**–**
UK	110.8	91.1	21.6	35.5	27.1	19.9	36.3	53.2
UK Lending	26.0	32.8	(20.7)	(13.0)	1.3	7.3	(81.6)	(84.8)
Total UK	**136.8**	**123.9**	**10.4**	**22.7**	**28.5**	**27.2**	**4.6**	**15.7**
South Africa	28.7	26.6	7.8	23.6	9.9	8.6	15.3	30.5
Canada	16.9	19.5	(13.0)	(10.3)	0.8	2.6	(70.8)	(70.2)
Group[2]	**389.7**	**361.5**	**7.8**	**13.4**	**123.5**	**119.2**	**3.7**	**7.3**

(1) Local currency movement reflects the change in operating revenue and segment profit in the local currency of the segment before translation to Australian dollars.
(2) The Group 'local currency' movement is calculated on a constant currency basis.

Segment Profit

IRESS uses Segment Profit as a measure of underlying earnings to aid inter-period comparability of results.

APAC

Operating Revenue grew 8.3% to $207.3 million (2015: $191.5 million) and Segment Profit increased 4.5% to $84.4 million (2015: $80.8 million). Operating Revenue growth reflects continuing strong performance in Wealth Management and the acquisition of Financial Synergy during the year. Segment Profit growth reflects revenue growth partially offset by IRESS' continuing investment in its solutions and people.

FINANCIAL MARKETS – APAC

As a reflection of its materiality to group financial results, Asia is now included in Financial Markets.

Financial Markets revenue grew 2.1% in 2016 which reflects increased sales of portfolio solutions to existing and new buy-side clients, and resilient sell-side revenue despite continuing market pressures.

Revenue from Asia in 2016 (largely sales of IRESS' CFD solution) remained in line with the prior year. During 2016, the business in Asia successfully delivered an end-to-end equity solution for leading investment bank Maybank Kim Eng. This solution will generate visible revenue growth in 2017 and adds an important credential for IRESS in the Singapore broking market.

Segment Profit declined from $42.5 million in 2015 to $41.7 million in 2016 which reflects wage cost increases and continuing investment in product development which is also deployed across IRESS' international businesses.

WEALTH MANAGEMENT – ANZ

Momentum in ANZ Wealth Management remained strong in 2016 with Operating Revenue and Segment Profit growth of 16.8% and 11.7% respectively.

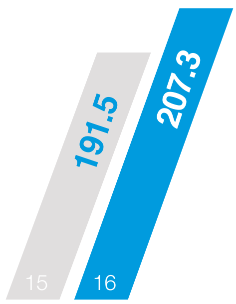
Growth was driven primarily by increased revenue from existing customers as they continue to turn to IRESS, solutions in response to business challenges and opportunities, as well as regulatory complexity.

Also contributing to revenue growth were significant client projects and the contribution from Financial Synergy, which was acquired on 31 October 2016.

Financial Synergy is a leading provider of software to the Australian superannuation industry. Financial Synergy's flagship product, Acurity, is the core registry system for industry and retail super funds and third party administrators. Acurity complements IRESS' existing product capability and increases the range and scale of services and solutions that IRESS can offer superannuation industry participants. Integration is progressing well with an initial focus on integrating advice capabilities into Acurity's online portal. Financial Synergy contributed revenue of $4.4 million and Segment Profit of $0.9 million in 2016.

During 2016, IRESS successfully re-signed a number of top 10 clients to multi-year contracts, in many cases with an expanded service offering.

In 2016, XPLAN was voted the number one financial planning software in Australia for the ninth consecutive year. It achieved a 94.3% score, the highest score in the eleven year history of the report by Investment Trends.



8.3%
APAC OPERATING REVENUE AUD (MILLION)

Operating and Financial Review (continued)

United Kingdom

Aside from impact of the weakening British pound, the United Kingdom's decision to leave the European Union (Brexit) has, to date, had no direct impact on IRESS' business in the United Kingdom. The client need and wealth management industry trends underpinning IRESS' strategy, including regulatory complexity, change and growth demands in the sector, continued to drive growth in 2016.

UK(1)

In local currency, revenue increased 35.5% from 2015 to 2016. The depreciation of the British Pound against the Australian dollar reduced revenue growth to 21.6% when expressed in Australian dollars.

Revenue growth in 2016 was driven largely by a number of XPLAN implementation projects in 2016, additional delivery to existing clients and a full year revenue contribution from the 2015 acquisitions of Proquote and Pulse. Client retention across our United Kingdom businesses remains strong.

During 2016, IRESS successfully delivered a major milestone under a long-term partnership with prominent wealth manager Tilney Group to deliver an integrated private wealth technology platform that replaces a number of existing systems and processes with a unified technology solution.

The integration of Pulse and Proquote into the UK business, both acquired in 2015, is progressing well with client retention remaining high. IRESS' ability to offer integrated solutions to new and existing clients continues to be sought after in this market.

In July, IRESS was appointed strategic wealth technology partner to an existing Pulse client, Close Brothers Asset Management, which is a leading financial advice and investment services provider. The partnership will see IRESS deliver its integrated and flexible private wealth solution, including a leading and new digital client portal.

Segment Profit margins improved from 21.8% in 2015 to 24.5% in 2016, which reflects changing revenue composition and scaled revenue growth as client projects come on line and begin generating licence fees.

UK LENDING(2)

As previously signalled, UK Lending operating revenue and segment profit (in local currency) decreased substantially in 2016 as the business continues its transition from a one-off licence fee model to a recurring subscription revenue.

The financial results do not reflect the momentum built in the lending business in 2016. The first implementation of the latest version of IRESS' Mortgage Sourcing and Origination (MSO V2) solution was successfully completed for Atom Bank, the United Kingdom's first digital-only bank. IRESS also secured a contract with TSB Bank, a leading retail and commercial bank in the United Kingdom to implement MSO V2 in 2017. These client wins demonstrate the opportunity for this solution in the United Kingdom and its flexibility to meet the needs of a broad range of businesses.

South Africa

In local currency, Operating Revenue grew 23.6% to R311.8 million and segment profit increased 30.5% to R107.7 million. In AUD, revenue grew 7.8% to $28.7 million and segment profit increased 15.3% to $9.9 million.

Revenue growth was driven by strong demand across the product suite from existing large corporate clients and the revenue contribution from recently-acquired INET BFA.

Financial markets revenue growth was underpinned by increased sales of trading solutions to existing customers and new market entrants and demand for market data and SmartHub connectivity.

The migration of clients from Trader to IRESS ViewPoint is progressing well and expected to be complete in 2017. ViewPoint continues to receive positive feedback in the South African market. In October, prominent tier one bank Standard Bank announced it will offer ViewPoint to its premium customers which is a strong endorsement for this product in the South African market.

Wealth management revenue growth was underpinned by increased uptake in services from large corporates including the completion of a significant XPLAN migration at a tier one institution.

The integration of INET BFA, acquired on 10 November 2016, is progressing well. INET contributed approximately R21.0 million of revenue and R3.3 million of segment profit in 2016.

Segment profit growth reflects margin improvement from 32.3% in 2015 to 34.5% in 2016, driven by increasing scale, product mix and pricing.

Canada

In local currency, Operating Revenue was 10.3% lower than prior year, which reflects ongoing challenges in the institutional sell side market and slower than anticipated progress in diversifying the revenue base into retail wealth.

Towards the end of 2016, a wealth implementation at MD Financial was discontinued. While this is a disappointing outcome, IRESS continues to actively pursue a number of wealth opportunities in Canada. The investment in the wealth management business adversely impacted Canada's segment profit margin in 2016.

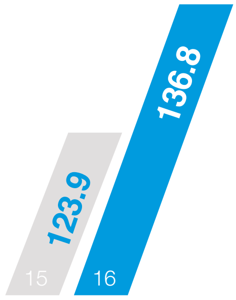
Net Profit after tax (NPAT)

IRESS' reported NPAT for the year was $59.5 million (2015: $55.4 million) an increase of $4.1 million (7.3%) on the prior year. IRESS' financial performance is underpinned by a focus on client service and support, ongoing investment in products and technology, and a recurring subscription revenue model.

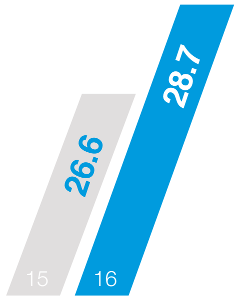
The cost of issuing share based remuneration to employees is amortised to the income statement over the vesting period (generally three years). The 9.8% increase in share based payments expense reflects an increase in share based awards as a result of higher IRESS employee numbers and higher earnings.

Non-operating expenses are primarily in relation to:

- Transaction and integration costs associated with the acquisition of Proquote and Pulse in 2015 and INET BFA and Financial Synergy in 2016; and



10.4%
TOTAL UK
OPERATING REVENUE
AUD (MILLION)



7.8%
SOUTH AFRICA
OPERATING REVENUE
AUD (MILLION)

(13.0%)
CANADA
OPERATING REVENUE
AUD (MILLION)

(1) Previously UK ex-Lending.
(2) Previously UK Enterprise Lending.

The table below shows the reconciliation between Segment Profit and Reported Net profit after tax.

AUD (m)	Results 2016	2015	Movement from 2015 %
Segment Profit	**123.5**	**119.2**	**3.7%**
Share based payment expenses	(10.8)	(9.9)	9.8%
Segment Profit after share based payment expenses	**112.7**	**109.3**	**3.1%**
Non-operating expenses	(8.5)	(6.7)	27.5%
Unrealised foreign exchange gain/(loss)	(0.7)	2.3	(129.6%)
Earnings before interest, tax, depreciation and amortisation	**103.5**	**104.9**	**(1.3%)**
Depreciation and amortisation – Operational	(10.7)	(10.3)	3.7%
Depreciation and amortisation – Acquisition Related	(10.4)	(16.0)	(34.9%)
Earnings before interest and tax	**82.4**	**78.6**	**4.9%**
Net Interest and Financing Costs	(5.5)	(9.7)	(43.6%)
Profit before tax	**77.0**	**68.9**	**11.7%**
Tax	(17.5)	(13.5)	29.6%
Reported net profit after tax	**59.5**	**55.4**	**7.3%**

- One-off costs associated with the implementation of new corporate core systems.

Foreign exchange loss of $0.7 million (2015: gain of $2.3 million) relate predominately to the funding arrangements associated with the Group's investment into the UK.

Depreciation and amortisation – Operational represents depreciation of operating fixed assets and has remained in line with the prior year.

Depreciation and amortisation – Acquisition Related declined by $5.6 million in 2016 largely as a result of software acquired as part of the Peresys acquisition in South Africa in 2010 being fully written off in 2015, partially offset by increased amortisation of intangible assets acquired with businesses purchased in 2015 (Proquote and Pulse) and 2016 (INET and Financial Synergy).

The decrease in net interest and financing costs is due primarily to the improved pricing and terms of the debt facilities established in 2015 and the repayment of borrowings from positive operating cash flows. In addition, 2015 costs included the write-off of approximately $1.8 million in capitalised debt costs relating to the debt facilities that were refinanced. These costs were not repeated in 2016.

The effective tax rate of 22.8% reflects the jurisdictions in which the business operates and deductions associated with previous acquisitions.

Dividends

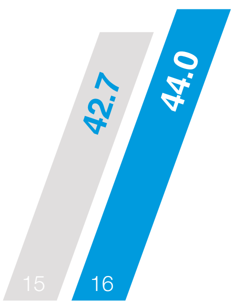
The IRESS dividend policy is to maintain a payout ratio of not less than 80% of underlying earnings on an annualised basis. The dividend policy may be modified by the board in the future, where it is felt appropriate. Dividends continue to be franked to the fullest extent possible, while reflecting the geographical context of the business.

Balance Sheet

External borrowings decreased to $179.1million (2015: $202.4million) as a result of excess cash from strong operating cash flow generation and additional capital raised in association with the Financial Synergy acquisition being used to repay debt. Foreign currency movements also reduced the value of GBP loans. The Group remains conservatively geared with a net debt[1] at 31 December 2016 of $154.6 million (2015: $184.9 million).

Due to movements in foreign currency between the AUD and GBP, the derivative liability position of $21.1 million at 31 December 2015 became a small derivative asset position of $0.2 million as at 31 December 2016. The income statement impact was a fair value gain of $21.1 million which offset a foreign currency loss of $21.0 million on GBP loans associated with UK acquisitions.

Intangibles increased $29.2 million during the year to $558.8 million (2015: $529.6 million). This increase predominantly relates to $109.3 million of intangibles acquired from INET BFA and Financial Synergy, offset by a reduction of $70.0 million relating to the translation of UK intangibles held in GBP to AUD and current year amortisation of $14.6 million.



44.0
DIVIDENDS
CENTS PER SHARE

	$m 2016	$m 2015	Cents per share 2016	Cents per share 2015
Interim dividend franked to 60% (2015: 50%)	25.8	25.6	16.0	16.0
Final dividend declared after balance date franked to 60% (2015: 60%)	47.6	42.7	28.0	26.7
Total	**73.3**	**68.3**	**44.0**	**42.7**

(1) Calculated as borrowings excluding capitalised borrowing costs, and net of derivative liabilities/ assets less cash and cash equivalents.

Board of Directors

TONY D'ALOISIO NIKI BEATTIE JOHN CAMERON JOHN HAYES

MR A D'ALOISIO

INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE JUNE 2012, CHAIR SINCE AUGUST 2014

Tony has 35 years' experience as a senior executive in government, corporate and legal roles. He was appointed as a Commissioner for the Australian Securities and Investments Commission (ASIC) in late 2006 and then as Chairman in 2007 for a four-year term. He was Chairman of the (International) Joint Forum of the Basel Committee on Banking Supervision from 2009 to 2011. Prior to ASIC, he was Managing Director and Chief Executive Officer at the Australian Securities Exchange (ASX) from 2004 to 2006. Tony was Chief Executive Partner at Mallesons Stephen Jaques between 1992 and 2004, having first joined the firm in 1977. Tony has a depth of experience in executive and non-executive roles, which are directly relevant as we grow our international footprint in financial markets and wealth management.

MS N BEATTIE

INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE FEBRUARY 2015

Niki has more than 25 years' experience working in financial technology and capital markets in management, board and advisory capacities. She currently runs Market Structure Partners, a strategic consulting firm that advises capital markets participants on the impact of regulation, technology and competition in financial markets. Prior to that Niki spent 14 years in senior positions at Merrill Lynch International, based in Europe. In addition to her consulting work, she undertakes a number of Board roles. She is currently Non-Executive Chairman of pan-European share trading platform, Aquis Exchange, Non-Executive Director of European financial services company Kepler Cheuvreux International and Non-Executive Director of Borsa Istanbul, the Turkish stock exchange. She was previously on the Board of MOEX, the Moscow Exchange during the period it went through an IPO and became the largest free float stock in Russia. She also serves on two regulatory committees; as a member of the Regulatory Decisions Committee of the UK Financial Conduct Authority (FCA) and as a member of the Secondary Markets Advisory Committee to the European Securities Markets Authority (ESMA).

MR J CAMERON

INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE MARCH 2010

John is one of the pioneers of electronic trading. He was a key member of the team that first automated the trading floor of the Australian Securities Exchange, one of the first in the world. He has designed and developed information systems for major financial institutions in the UK, France, USA and Australia. In 1997, John created what was to become the world's leading FIX solution, CameronFIX. It was acquired by Orc Software in 2006 where John served as CTO. John left Orc in 2009 and created the Cameron Foundation.

MR J HAYES

INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE JUNE 2011, CHAIR OF THE AUDIT & RISK COMMITTEE SINCE JUNE 2011

John has been a Non-Executive Director since June 2011 and the Chair of the Audit & Risk Committee. He is a Fellow of CPA Australia with over 40 years' experience in Financial Services. Senior roles included CFO of both ASX Limited and Advance Bank Australia Limited and Vice President Financial Services with BT Australia Ltd. John's previous directorships include ASX Perpetual Registry Ltd (now Link Market Services) and Orient Capital Ltd. Executive Director roles with the Australian Clearing House Ltd, ASTC Ltd (CHESS) and ASX Operations Pty Ltd. He was a member of the Advisory Council of Comcover, a Federal Government entity for six years until December 2013.

JENNY SEABROOK GEOFF TOMLINSON ANDREW WALSH PETER FERGUSON

MS J SEABROOK

INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE 2008, CHAIR OF THE PEOPLE & PERFORMANCE COMMITTEE

Jenny has more than 30 years' experience as a chartered accountant, investment banker and capital markets adviser. She is highly experienced in mergers and acquisitions and has extensive public company board experience. She is a special advisor to Gresham Partners and a Non-Executive Director of Iluka Resources Limited, MMG Limited (a Hong Kong listed entity) and Western Australian Treasury Corporation. Jenny was recently appointed to the board of the Federal Government corporation Australian Rail Track Corporation. Former directorships include Alinta Gas, Amcor Limited, Australia Post, Edith Cowan University, Export Finance and Insurance Corporation, Bankwest, MG Kailis, Princess Margaret and King Edward Hospital, West Australian Newspapers and Western Power. Jenny has been a member of ASIC's external advisory group and was a member of the Takeovers Panel from 2000 to 2012.

MR G TOMLINSON

INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE FEBRUARY 2015

Geoff has more than 40 years' experience in financial services. His executive career encompassed 29 years with the National Mutual Group, including six years as Group Managing Director and Chief Executive Officer. He was a Non-Executive Director of National Australia Bank (NAB) from March 2000 to December 2014, including Chairman of its wealth management division MLC. Other companies he has been a director of include Amcor Limited, Suncorp Limited, Dyno Nobel Limited, Programmed Maintenance Services Limited and Neverfail Springwater Limited. Geoff is Chairman of Growthpoint Properties Australia Limited, Calibre Limited and Wingate Asset Management, and a Director of Wingate Group Holdings.

MR A WALSH

CHIEF EXECUTIVE OFFICE AND EXECUTIVE DIRECTOR SINCE OCTOBER 2009

Andrew was an original founder of XPLAN Technology Pty Ltd, which was acquired by IRESS in 2003. Andrew managed the transition of XPLAN from an independent start-up organisation to a fully integrated and material division of the Group until taking up his current role as CEO in 2009.

MR P FERGUSON

GROUP GENERAL COUNSEL AND COMPANY SECRETARY SINCE JUNE 2011

Peter joined IRESS in 2011 and has many years' experience in international legal and commercial appointments in the financial technology sector, with prior international and domestic appointments including seven years with Nasdaq OMX, located in Stockholm and later Sydney, GBST and SIRCA.

DIRECTORS MEETINGS

The following table sets out the number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2016, and the number of meetings attended by each Director.

	BOARD MEETINGS		AUDIT & RISK		PEOPLE & PERFORMANCE	
Director	Eligible	Attended	Eligible	Attended	Eligible	Attended
Tony D'Aloisio	10	10	4	4	7	7
Niki Beattie	10	9	–	–	7	7
John Cameron	10	10	–	–	7	7
John Hayes	10	10	4	4	–	–
Jenny Seabrook	10	10	4	4	7	7
Geoff Tomlinson	10	9	4	4	–	–
Andrew Walsh	10	10	–	–	–	–

SUBSEQUENT EVENTS

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

CHANGES IN OPERATIONS DURING THE YEAR

During the year, the operations of the Group were not modified in any material way.

CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year are outlined below:

Acquisitions

During the period, the Group undertook the following acquisitions:

i) On 31 October 2016, IRESS completed the acquisition of Financial Synergy (FS) for $90.0 million. FS was a privately-owned Australian company providing fund administration software to the superannuation and wealth management industries. FS software and online solutions are core to the operations of its clients, helping them service members efficiently, address ongoing legislative change and to deliver superior services to their members.

ii) On 10 November 2016, IRESS completed the acquisition of INET BFA for $14.8 million (R149.6 million) from Media 24. INET BFA is a long-standing provider of market data, analysis tools, pricing, company financial information and research covering South Africa, African and global markets. INET BFA delivers data feeds and financial analysis solutions to South Africa's investment managers, corporations and government institutions.

Share issue

During the year, the Group successfully undertook a $100.2 million capital raising via an $85.0 million institutional placement and $15.1 million share purchase plan. Net proceeds received of $98.2 million were used to fund the acquisition of Financial Synergy, with the excess used to repay outstanding borrowings.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the year, the Company paid a premium in respect of a contract insuring each of the Directors of the Company (as named above), the Company Secretary and each of the Executive Officers of the Company and of any related body corporate against a liability or expense incurred as such a Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*. Further details have not been disclosed due to confidentiality provisions in the insurance contract.

In addition, the Company has entered into a Deed of Indemnity which ensures that generally the Directors of the Company will incur no monetary loss as a result of defending actions taken against them as a Director. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by the law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred in their capacity as an officer or auditor.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for audit services provided during the year by the auditor are outlined in Note 1.5 to the financial statements. During the year the Company's auditor has performed certain other services in addition to its audit responsibilities. The Board is satisfied that the provision of 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 to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity of the Company, acting as an advocate of the Company or jointly sharing risks or rewards.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001*, is set out on page 41.

ROUNDING OF AMOUNTS

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest thousand dollars, the Company being in a class specified in the ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission.

CORPORATE GOVERNANCE

The Corporate Governance Statement is located on the IRESS website https://www.iress.com/global/company/corporate-governance/corporate-governance-statement/.

AUDITED REMUNERATION REPORT

This remuneration report provides detail of IRESS' remuneration policy and practice for Key Management Personnel (KMP) for the 2016 financial year. The information presented in this report has been audited as required under section 308(3C) of the *Corporations Act 2001* and forms part of the Directors' Report.

CONTENTS

Section 1 Overview

1.1 REMUNERATION APPROACH

IRESS' remuneration objectives are to attract, retain and reward the people needed to deliver its strategy and to align the interests of shareholders and employees. There are three key aspects to IRESS' remuneration approach:

- IRESS offers total remuneration (comprised of fixed remuneration and 'at risk' incentive opportunity) at market rates to attract and retain individuals who collectively possess the capability IRESS requires to succeed (see **Section 3.1**);
- IRESS establishes financial and strategic objectives for the Group and individual executives at the start of the year, which are used at the end of the year to assess Group and individual performance and to determine incentive outcomes based on performance (see **Section 3.2**); and
- IRESS delivers a significant proportion of remuneration in equity (IRESS shares and rights to IRESS shares subject to satisfaction of conditions) to further align the interests of executives and staff with shareholders' long-term interests (see **Section 3.3**).

1.2 PERFORMANCE AND REMUNERATION OUTCOMES

Section 6 of this report details the Board's assessment of the Group's performance in 2016 against the financial and strategic objectives it established at the beginning of the year. In summary, performance against financial and strategic objectives was in line with targets set by the Board at the start of the year.

The Board's assessment of the performance of Executive KMP (as listed in Section 2) and their future value to the Group has translated into the following remuneration outcomes:

Fixed remuneration *Base salary, superannuation, and non-monetary benefits*	Total fixed remuneration paid to Executive KMP in 2016 was $5,005,625 (2015: $4,259,742). The increase of 18% reflects a full-year contribution from J Harris and S New, as well as the addition of A Knowles to the Executive KMP (Group Executive Product).
Short-term incentive (STI) *An incentive delivered in cash and equity based on the Group's performance against financial and strategic goals and performance against individual objectives*	Executive KMP STI awarded for 2016 performance (see **Section 6.4**) totalled $2,476,281 (2015: $2,119,643), including: • Cash STI to be paid following annual results in February 2017 of $843,765 (2015: $684,643); and • Deferred STI of $1,632,517 (2015: $1,435,000) to be delivered in Deferred Share Rights in May 2017 that could vest in May 2020 subject to ongoing service and satisfactory performance (Deferred STI award is subject to Shareholder approval for the MD/CEO). • The increase was primarily the result of an expanded KMP group.
Long-term Incentive (LTI) *An incentive delivered as performance rights that vest subject to a relative Total Shareholder Return (TSR) performance*	a) It is proposed that Executive KMP be awarded, for performance in 2016, performance rights with a face value of $2,335,968 (2015: $2,376,968), inclusive of $1,340,000 (2015: $1,422,000) for the MD/CEO (subject to shareholder approval). The performance rights may or may not vest in future years, subject to the conditions described in Section 4.3. b) In 2016, Executive KMP LTI awards from prior years vested as outlined in Section 6.3.

1.3 KEY CHANGES TO REMUNERATION STRUCTURE

As noted in the 2015 remuneration report, the following changes to the Executive LTI plan became effective for grants made in 2016:

Change	Rationale
In granting awards, IRESS now primarily considers their 'face value' (number of units that may vest multiplied by the current share price), rather than 'fair value' (discounted for factors such as dividends foregone and the likelihood of performance conditions being met).	To simplify the presentation to employees and shareholders of the full potential value of the award. The number of units awarded for any given performance outcome has not changed nor has the security awarded changed. Accordingly, there is no change to the underlying benefit being awarded to Executive KMP.
Performance period for the relative TSR measure now reflects financial years (e.g. the performance period for the 2016 award commences 1 January 2016 rather than the grant date of 5 May 2016 as would have been used in previous years). The vesting period continues to be measured from grant date (e.g. 5 May 2016 for the 2016 awards).	To align the performance period on which executives are measured and rewarded with the period most relevant to shareholders.
The comparator peer group used to measure IRESS' relative TSR performance no longer removes companies that were in the S&P/ASX200 Index at grant date, but subsequently exit the Index.	To measure returns relative to all comparable companies in which shareholders could have invested at the start of the performance period.
Franking credits are now excluded from TSR calculations.	To remove complexity, align with prevailing market practice and reflect the increasingly global nature of IRESS' business.

Section 2 Key Management Personnel

IRESS' KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. KMP comprises the Executive KMP (the MD/CEO and Group Executives) as well as Non-Executive Directors (NEDs).

For the year ended 31 December 2016, the KMP were:

KMP	Position	Term as KMP
Non-executive Directors		
A D'Aloisio	Non-executive Chairman	Full year
N Beattie	Non-executive Director	Full year
J Cameron	Non-executive Director	Full year
J Hayes	Non-executive Director	Full year
J Seabrook	Non-executive Director	Full year
G Tomlinson	Non-executive Director	Full year
Executive Director		
A Walsh	Managing Director and CEO (MD/CEO)	Full year
Executives		
S Barnes	Chief Operating Officer	Full year
P Ferguson	Group General Counsel and Company Secretary	Full year
J Harris	Chief Financial Officer	Full year
A Knowles	Group Executive Product(1)	Full year
J McNeill	Group Executive, Human Resources	Full year
S New	Group Executive, Strategy	Full year
M Rady	Group Executive, Financial Markets	Full year
D Walker	Chief Technical Officer(2)	Full year

(1) Aaron Knowles was appointed Group Executive Product and become a KMP on 1 January 2016.
(2) David Walker moved to the part-time role of Chief Architect and ceased to be KMP effective 1 January 2017. Andrew Todd is the incoming Chief Technical Officer, effective January 2017.

3.1 APPROACH TO SETTING REMUNERATION

IRESS considers the size and complexity of the role, the skills and experience of the individual and market pay levels of comparable roles in determining fixed remuneration and 'at risk' remuneration opportunity. IRESS believes that the fixed and total remuneration it offers executives is competitively positioned against comparable companies (based on sector and market capitalisation).

In determining 'at risk' remuneration outcomes IRESS considers the individual's value to the business (based on individual performance and future potential), policy remuneration mix, total remuneration and the value of unvested equity held by the individual.

3.2 HOW IRESS LINKS 'AT RISK' REMUNERATION TO PERFORMANCE

IRESS' variable remuneration process is underpinned by rigorous performance objectives and performance assessment, with active Board involvement and judgement, as outlined below:

Targets supporting IRESS' business strategy are set at the commencement of the financial year…

- The Board sets financial targets for the Group (and each business segment) having regard to business strategy and prior year performance (see Section 4.2 (g)).
- The Board confirms strategic goals and specific objectives for the Group in key focus areas (Clients, Growth, People, Products/ Technology and Group/Corporate) (see Section 4.2 (g)).
- The Board sets the targeted STI (Cash and Deferred) and LTI pools for the year (see Section 4.2 (d)). The Board considers the size of the pools in the context of financial performance to ensure that the value of employee incentives is appropriate in the context of IRESS' projected financial performance[(1)].
- The Board determines a set of individual objectives for the MD/CEO and retains flexibility to adjust objectives during the year, where required, to adapt to the changing business environment.
- Executive KMP's individual objectives are set by the MD/CEO and are reviewed by the People & Performance Committee (PPC). Achievement of the Group's financial targets is a specific objective for all Executive KMP and, where appropriate, Executive KMP will have additional financial targets for the business for which they are responsible.

…with performance against targets assessed at year end to inform remuneration decisions…

- The Board adjusts the final STI pools considering a range of measures, but primarily, financial performance against targets (see Section 4.2 (d)).
- The STI pool is allocated by the MD/CEO to different parts of the business based on performance against financial and strategic targets (see Section 6.2). The PPC reviews and confirms the pool allocation.
- The Board assesses the MD/CEO's performance against the agreed targets and on this basis, determines his remuneration outcomes.
- The individual performance assessment and remuneration outcomes for other Executive KMP are submitted by the MD/CEO to the PPC for ratification and recommendation to the Board.
- The Board reviews the allocation of STI pools between executives and employees to confirm they are appropriately and fairly distributed[(2)].

…resulting in STI and LTI delivered after year end

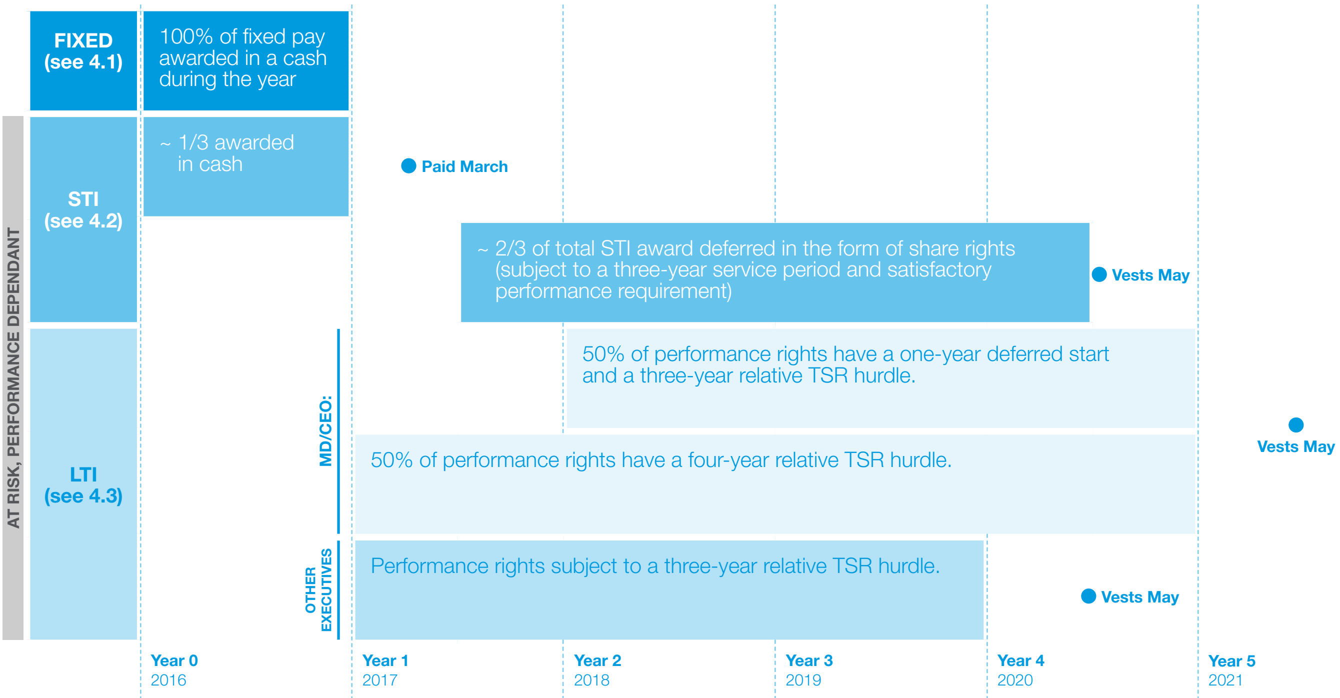
- Executive KMP receive any cash STI after the Group's full-year results have been finalised and are subject to revision in the event of material change to company performance.
- The MD/CEO's STI equity and LTI grants are subject to shareholder approval at the AGM in May each year.
- STI Equity and LTI grants for other Executive KMP are subject to Board approval immediately following the AGM in May each year.
- STI equity and LTI are issued after the AGM.
- LTI grants from prior years are tested against the vesting conditions in May (with the portion not vesting eligible for select re-testing until November – see Section 4.3 (j)).

(1) The size of the combined STI (Cash and Deferred) pools relative to segment profit has remained stable over time.
(2) The proportion of STI pools (Cash and Deferred) awarded to executives has remained stable over time.

Section 3 Remuneration approach (continued)

3.3 REMUNERATION FRAMEWORK AND MIX

As shown in the diagram below: IRESS uses a mix of fixed and 'at risk' remuneration to reward employees and drive performance. IRESS' Executive remuneration framework (applying to Executive KMP and other senior executives) consists of fixed remuneration, short term and long term incentives (STI and LTI).

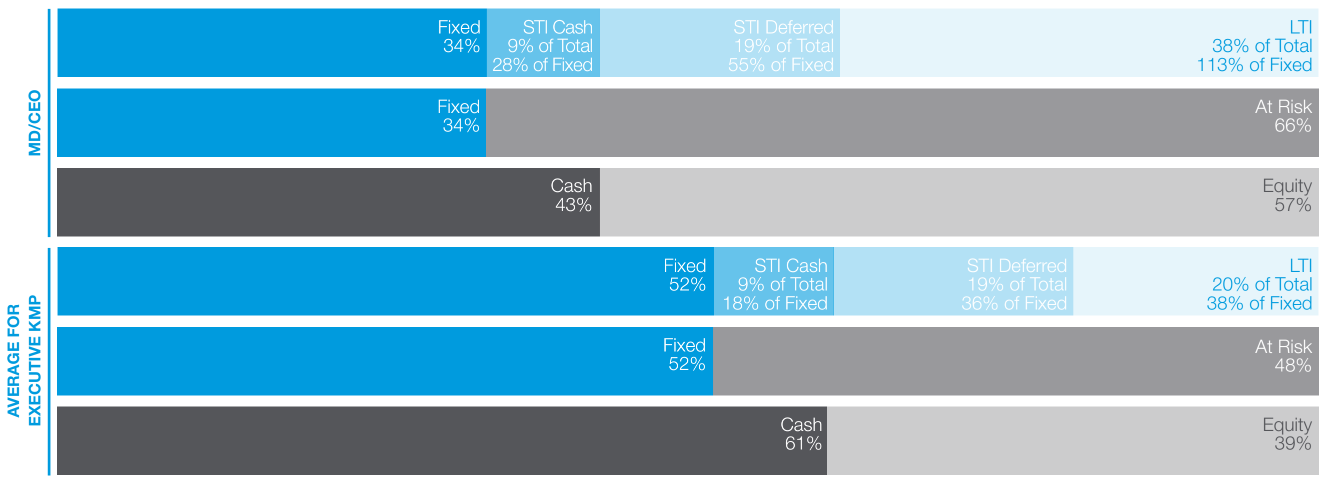


IRESS also encourages employee share ownership through the award of deferred shares or deferred share rights to high performing employees, and by offering an employee share ownership plan to all employees in Australia and the UK (see Section 4). The objective of the broad reach of IRESS' equity programs is to retain employees, motivate their long-term commitment to the company and align their interests with those of shareholders.

The diagram below shows the mix of total remuneration that would typically be awarded to Executive KMP for a target level of performance ("policy remuneration mix"). A significant portion of total Executive KMP remuneration is variable and at-risk:

- **MD/CEO:** Two-thirds (66%) of total remuneration is at risk (i.e. will not be received if service and performance criteria are not met) and 58% is delivered in deferred equity; and
- **Other Executive KMP:** Nearly half (48%) is at risk and 39% is delivered in deferred equity.

The Board believes that this remuneration mix is effective in aligning the interests of Executive KMP with shareholders.



The remuneration mix depicted in the 2015 Annual Report had a lower proportion of LTI (and higher Fixed/STI) as the LTI was included at fair value; whereas the above chart includes LTI at face value, which is higher. The underlying benefit of the LTI and the policy remuneration mix has not changed. If the LTI had been included at face value in 2015, the mix would have been the same as depicted above.

Section 4 Remuneration components in detail

4.1 FIXED REMUNERATION

a. What is fixed remuneration?	Base salary, superannuation, and other benefits (e.g. health insurance)
b. How is fixed remuneration determined?	As noted in Section 3.1, the following factors are considered when setting fixed remuneration: • The size and complexity of the role; • Skills and experience of the individual; and • Market pay levels for comparable roles. Any decision to increase fixed remuneration is considered in the context of the resulting change in total remuneration.

4.2 SHORT-TERM INCENTIVES

a. What is the STI plan?	The STI is an 'at-risk' incentive awarded annually, subject to performance against pre-set financial and strategic targets (refer to (g) below).
b. Who participates in the STI plan?	The MD/CEO, other Executive KMP and high performing employees are eligible to participate in the STI plan.
c. How are STI awards delivered?	The STI is delivered in a combination of cash and deferred equity, which for Executive KMP, as shown in Section 3.3, is typically as follows: • One-third of the STI award is made in cash; and • Two-thirds of the award is made in deferred share rights. A deferred share right (DSR) is a deferred right issued by IRESS to acquire one fully paid ordinary share in IRESS (subject to adjustment for certain capital actions) for a nominal exercise price of $1 for all DSRs exercised on a particular day. DSRs vest subject to a three-year continuing service requirement and achievement of a satisfactory level of individual performance.
d. How is the STI plan funded and allocated?	The STI plan is funded by a Group-wide bonus pool. The target Cash and Deferred STI pools are determined at the beginning of each financial year, taking into consideration expected financial performance. At the end of the financial year, the actual Cash and Deferred STI pools available for allocation are determined primarily with reference to the Group's financial performance relative to target. The primary financial measure used to determine the STI pools is segment profit, which is a measure of underlying operating performance. The measure (as shown in Note 1.1 to the financial statements) excludes items that may fluctuate year-on-year for reasons not related to core business performance in the current year. Consideration is also given to other financial targets such as Earnings Before Interest, Tax, Amortisation and Depreciation (EBITDA) and Net Profit After Tax (NPAT). The Board also considers the Group's performance against strategic targets (see 4.2(g)) and the impact of foreign exchange rate movements on financial performance (given such movements are outside the control of executives). The pools are then allocated to business segments and functions, based on financial performance, achievement towards strategic goals of the Group throughout the year, and relative performance by segment and function. The factors considered in determining STI to be awarded to Executive KMP are outlined in Section 4.1(g) below.
e. What is the target and maximum STI opportunity?	As described in Section 3.3, the Board has established a policy remuneration mix for target performance for the MD/CEO and for other Executive KMP. There is no policy maximum STI opportunity. However, STI outcomes for Executive KMP and employees are constrained by the size of the STI pools, which are directly linked to financial performance.
f. Why does the Group consider the STI an appropriate incentive plan?	The STI pool available at the end of the financial year directly reflects Group performance for that financial year. The Cash STI component supports the Group's focus on a high performing culture by rewarding performance in areas critical to the Group, allowing differentiation between businesses and individuals. The deferred STI component recognises ongoing contribution, enables retention of key employees and provides continuing alignment with shareholder interests.

Section 4 Remuneration components in detail (continued)

g. What are the performance measures?	STI awards are delivered subject to performance against financial targets (segment profit, NPAT) and strategic targets (see table below).

Strategic focus area	Performance goals
Clients	Maintain resilient leadership in existing markets.
Growth	Grow revenue organically and pursue inorganic opportunities where appropriate.
People	Position IRESS as an employer of choice globally.
Products/Technology	Anticipate trends and innovate to maintain product leadership.
Group/Corporate	Enhance IRESS' brand through strong stakeholder relationships and communication. Enhance and scale internal systems to support client service, delivery and growth.

Performance in each of the strategic focus areas are used to adjust the STI pool and allocate it to business segments and functions (see Section 4.2(d)). Section 6.2 outlines how the Group performed against these goals in 2016.

Targets in each of the focus areas are cascaded from the MD/CEO to other Executive KMP, and to all employees. Weightings are tailored to the scope and focus of the individual's role. The resulting individual targets are used when assessing individual performance and determining individual STI outcomes (as discussed for Executive KMP in Section 6.4).

h. How is performance assessed?	At the end of the financial year, the Board assesses the Group's performance and that of individual Executive KMP against objectives set at the start of the year. The Board retains discretion in its assessment of performance to allow for changes in priorities and deliverables over the course of the year.
i. What is the vesting period for deferred share rights?	Deferred share rights vest three years after the STI award is granted, provided the Board is satisfied that the individual's performance is satisfactory and the service condition is met.
j. How will shares to satisfy deferred share rights be sourced?	The Board assesses annually whether to issue new shares or buy shares on market based on which would deliver a better outcome for shareholders. The Board considers a range of factors such as share price, balance sheet capacity and debt funding rates.
k. Is there a clawback provision?	The Board may exercise discretion to determine that the deferred equity component of STI will be forfeited where there has been unsatisfactory individual performance.
l. Are participants entitled to dividends and voting rights?	DSRs do not carry any voting rights or entitle the holder to dividends. Shares allocated upon the vesting of DSRs carry the same rights as any other IRESS share. Deferred Shares carry voting rights and receive dividends in the same manner as any other IRESS share.
m. How are Deferred STI awards treated upon termination?	If less than six months of the vesting period has elapsed at the date of cessation of employment: any unvested deferred share rights will lapse. If six months or more of the vesting period has elapsed at the date of cessation of employment: any unvested deferred share rights will lapse, unless the Board exercises its discretion not to lapse the unvested deferred share rights, in which case participants will be entitled to receive a pro-rata amount subject to applicable law and the satisfaction of any conditions imposed by the Board under the plan.
n. How are Deferred STI awards treated upon a change of control?	In the event of a takeover bid, change of control, compromise or arrangement involving a scheme of arrangement, voluntary winding up or compulsory winding up of IRESS, the Board has discretion to allow unvested deferred share rights to vest.

4.3 LONG-TERM INCENTIVES

a. What is the purpose of the LTI plan?	The purpose of the Executive LTI plan at IRESS is to: • Closely link executives' interests with those of shareholders; and • Promote the delivery of sustainable returns to shareholders.
b. Who participates in the LTI plan?	LTI grants are limited to the MD/CEO and Executives who are most able to influence shareholder value.
c. How are LTI awards delivered?	LTI awards are granted in the form of performance rights (PRs). A performance right is a right issued by IRESS to acquire one fully paid ordinary share in IRESS, provided specific company performance hurdles are achieved, for a nominal exercise price of $1 for all PRs exercised on a particular day.
d. How does IRESS determine the amount of the LTI opportunity awarded?	The factors considered in determining LTI to be awarded to KMP (which apply for all LTI participants) are outlined in Section 6.4.
e. How does IRESS determine how many rights to grant?	The number of PRs granted to each executive is calculated using a face value approach – total LTI amount divided by the five-trading-day volume weighted average share price in the week up to and including the grant date.
f. What are the vesting conditions?	Vesting of performance rights is determined based on relative TSR performance over the performance period. Relative TSR provides an objective assessment of the returns from an investment in IRESS (share price growth and dividends), relative to other companies in which shareholders could have invested. IRESS' TSR performance is measured against a comparator group consisting of companies listed in the S&P/ASX 200 Index, excluding mining and resources companies, and listed property trusts. The comparator group companies are determined as at the grant date of the awards and represent alternative investment options available to shareholders. Prior to 2016 grants, the comparator group was adjusted to exclude companies that exited the S&P/ASX200 Index during the performance period. While there are few ASX companies directly comparable to IRESS, the Board continues to believe that, at this time, relative TSR is the most appropriate way to align executive and shareholder interests, and reward executives for the Group's performance against peers. The TSR calculation for IRESS and companies in the comparator group includes franking credits for grants prior to 2015. Effective for the 2016 grants, franking credits will be excluded from calculations.
g. What is the vesting schedule?	Performance rights vest on the following basis:

IRESS' relative TSR ranking	Percentage of performance rights to vest
Below 50th percentile	Nil.
50th percentile	50% of performance rights vest.
51st percentile to 74th percentile	Pro-rata vesting between 50% and 100%.
75th percentile or higher	100% of performance rights vest.

h. What is the performance and vesting period?	*MD/CEO* The LTI grant for the MD/CEO consists of two tranches: 1) 50% of performance rights are assessed over a four-year period, commencing at the start of the financial year (e.g. 1 January 2016 to 31 December 2019 for the 2016 grant). The vesting period begins on the date of grant, which commences on the date of the Annual General Meeting (AGM) (e.g. 5 May 2016 to 5 May 2020 for the 2016 grant). 2) 50% of performance rights have a one-year deferred start and are assessed over a three-year period (e.g. 1 January 2017 to 31 December 2019 for the 2016 grant); with vesting over the three-year period following grant (e.g. 5 May 2016 to 5 May 2019 for the 2016 grant). The purpose of the two tranches is to extend the performance measurement period consistent with shareholder feedback, while still retaining alignment with Other Executive KMP, who have a three-year performance period. *Other Executive KMP* Performance is assessed over a three-year performance period commencing at the start of the financial year (e.g. 1 January 2016 to 31 December 2018 for the 2016 grant); the vesting period begins on the date of grant, which commences on the date of the Annual General Meeting (AGM) (e.g. 5 May 2016 to 5 May 2019 for the 2016 grant). For all grants prior to 2016 the Group performance period was aligned with the vesting period.

Section 4 Remuneration components in detail (continued)

i. How will shares to satisfy the rights be sourced?	If shares are to be provided on vesting, the Board assesses at the time of vesting whether to issue new shares or buy shares on market based on which would deliver a better outcome for shareholders. The Board considers a range of factors such as share price, balance sheet capacity and debt funding rates.
j. Are awards subject to re-testing if they do not vest on initial testing?	To the extent any portions of awards do not vest on the first test date, the awards are retested once, six months after the initial test date. Rights granted before 2014, are subject to six, monthly retests.
k. What happens to unvested LTI grants if an executive leaves the Group?	*Reason other than resignation, termination for cause or gross misconduct:* Unvested LTI grants will lapse in full (if less than 6 months of the performance period has elapsed at the date of cessation of employment) or pro rata (if 6 months or more of the performance period has elapsed), unless the Board determines otherwise. Performance rights that do not lapse will remain eligible to vest in accordance with the terms of the plan. *Resignation, termination for cause or gross misconduct:* All unvested LTI awards at the time of cessation of employment will lapse.
l. How are unvested LTI awards treated upon a change of control?	In the event of a takeover bid, change of control, compromise or arrangement involving a scheme of arrangement, voluntary winding up or compulsory winding up of IRESS, the Board has the discretion to allow unvested performance rights to vest.
m. Are participants entitled to dividends and voting rights?	Performance rights do not carry any voting rights or receive dividends. Shares allocated upon the vesting of rights carry the same rights as any other IRESS share.
n. Are there restrictions on dealing with securities allocated under the LTI plan?	Consistent with the *Corporations Act 2001*, participants are prohibited from hedging their unvested performance rights.

4.4 EMPLOYEE SHARE PLAN

a. How does IRESS encourage share ownership for employees?	IRESS has an employee share plan covering the two major employee populations of Australia and the UK. Eligible participants are invited to acquire IRESS shares by salary sacrifice and IRESS provides approximately one share for every two shares the employee acquires up to a maximum value (share matching).
b. How many shares were issued under this plan in 2016?	The Australian plan has been operating since 2013. In 2016, 290 employees participated (55% of eligible employees), subscribing to 25,230 shares including 7,540 matched shares. The UK plan was established in 2015. In 2016, 272 employees participated (47% of eligible employees), subscribing to 40,382 shares including 5,299 matched shares.

4.5 SPECIAL ACQUISITION-RELATED INCENTIVES ('AVELO AWARDS')

a. Does IRESS have any other equity plans with awards outstanding?	As disclosed in the 2013 Annual Report, a special set of deferred share rights awards were made in September 2013 in relation to the acquisition of Avelo FS Holdings Limited and its subsidiaries in the United Kingdom.
b. Who participated in the Avelo awards and what are the vesting criteria?	A core group of former Avelo Senior Management (including J McNeill: 54,981 DSRs) and staff to secure their retention and to ensure ongoing support of the integration and development of the business opportunity in the United Kingdom. Vesting is subject to commercially sensitive performance criteria over the four-year period 1 January 2014 – 31 December 2017 (including the 1-year extension disclosed in the 2014 Annual Report). Select IRESS employees (including P Ferguson: 5,160 DSRs) whose roles and responsibilities increased during and after the acquisition. These DSRs vested subsequent to the date of this report.

Section 5 Actual remuneration realised

Actual remuneration is provided in addition to statutory remuneration (refer to Section 10) to increase transparency of the remuneration actually received by executives during the year. Actual remuneration realised by IRESS' Executive KMP increased by 4% on 2015. The components included in actual remuneration and the reasons for this increase are summarised below:

Component	2016 Inclusions	Change on 2015	Key driver of change
Fixed remuneration	Base salary, superannuation, and non-monetary benefits paid in 2016.	**Increase**	• Addition of A Knowles to the Executive KMP • J Harris and S New joined the Group in 2015 and pro-rated remuneration was disclosed in 2015 reporting
STI	2016 Cash STI (which has been earned and is scheduled for payment in March 2017 following the release of financial results), plus Deferred STI that was granted May 2013 and vested May 2016 in relation to 2012 performance.	**Increase**	• Addition of A Knowles to the Executive KMP • Full-year contributions from J Harris and S New • Change in policy remuneration mix in 2012 (smaller LTI grants and larger Deferred STI grants), resulting in the May 2013 Deferred STI grants (that vested in 2016) being larger than those vesting in 2015
LTI	LTI awards that vested in 2016 relating to the May 2012 grants (MD/CEO) and May 2013 grants (Other Executive KMP).	**Slight decrease**	• While the 2016 vesting LTI grants were smaller than those vesting in 2015 due to the above-mentioned policy remuneration mix change, the decrease on 2015 was offset by a higher proportion of the 2013 awards vesting in 2016 based on performance (see Section 6.3)
Other	Not applicable.	**Decrease**	• No termination payments in 2016

Section 5 Actual remuneration realised (continued)

Position	Financial Year	Fixed remuneration $	Cash STI earned $	Deferred STI vested $(1)	LTI vested $(1)	Termination payments $	Total remuneration realised $
MD/CEO							
A Walsh	**2016**	**1,030,000**	**300,000**	**647,900**	**1,746,772**	**–**	**3,724,672**
	2015	1,095,373	300,000	661,700	1,330,665	–	3,387,738
Other Executive KMP							
S Barnes	**2016**	**445,000**	**60,000**	**191,072**	**207,930**	**–**	**904,002**
	2015	445,000	54,000	206,248	222,661	–	927,909
S Bland (2)	2015	443,361	–	143,623	418,891	563,378	1,569,253
P Ferguson (3)	**2016**	**367,123**	**55,000**	**124,632**	**129,906**	**–**	**676,661**
	2015	345,824	40,000	131,240	141,674	–	658,738
J Harris (4)	**2016**	**552,429**	**70,000**	**–**	**–**	**–**	**622,429**
	2015	413,928	55,000	–	–	–	468,928
A Knowles (5)	**2016**	**536,398**	**75,000**	**195,195**	**205,919**	**–**	**1,012,512**
J McNeill (6)	**2016**	**389,927**	**63,950**	**–**	**–**	**–**	**453,877**
	2015	365,122	40,429	–	–	–	405,551
S New (6),(7)	**2016**	**600,962**	**54,815**	**–**	**–**	**–**	**655,777**
	2015	106,395	20,214	–	–	–	126,609
M Rady	**2016**	**530,000**	**80,000**	**–**	**–**	**–**	**610,000**
	2015	527,625	75,000	–	–	–	602,625
D Walker	**2016**	**553,785**	**85,000**	**235,364**	**259,812**	**–**	**1,133,962**
	2015	517,114	100,000	157,122	458,374	–	1,232,610
Total Executive KMP	**2016**	**5,005,625**	**843,765**	**1,394,163**	**2,550,339**	**–**	**9,793,892**
	2015	**4,259,742**	**684,643**	**1,299,933**	**2,572,265**	**563,378**	**9,379,961**

(1) The value of equity that vested is calculated as the share price at vesting date of $11.78 multiplied by the number of shares/rights that vested. There was no clawback of awards in 2016, i.e. no awards eligible for vesting in 2016 were forfeited due to unsatisfactory individual performance during the vesting period. A number of executive KMP who joined the Group since 2013 did not hold DSRs or PRs that were eligible for vesting in 2016.

(2) S Bland ceased employment with the Group on 1 October 2015 (termination payment: $563,378).

(3) P Ferguson's salary was overstated in the 2015 report by $27,500. 2015 Fixed remuneration and total remuneration have been restated to correct this.

(4) J Harris joined the Group 20 April 2015 and became KMP on 11 May 2015.

(5) A Knowles changed role and became a KMP on 1 January 2016.

(6) Fixed remuneration and Cash STI of J McNeil and S New is denominated in British Pounds and is subject to foreign exchange movements. The Australian dollar amounts shown in the table have been converted at an average exchange rate of 0.5473 (2015: 0.4919).

(7) S New joined the group and became KMP on 1 November 2015.

Section 6 Remuneration awarded and the link between performance and reward

6.1 OVERVIEW OF GROUP PERFORMANCE

The table below provides summary information on the Group's earnings for the five years to 31 December 2016.

Measure	2016	2015	2014	2013	2012
Company Performance					
Net Profit After Tax (NPAT) ($'000s)	**59,452**	55,385	50,671	24,241	39,228
Segment profit ($'000s)(1)	**123,531**	119,175	111,444	88,201	83,404
Statutory EPS – basic (cents)	**37.0**	35.2	32.3	17.5	30.6
Dividends per share – ordinary (cents)(2)	**44.0**	42.7	41.5	38.0	38.0
Share price at 31 December ($)	**11.87**	10.00	10.71	9.44	8.24
Annual TSR(3)	**22.97%**	(2.79%)	16.33%	19.97%	21.76%
Annual TSR ASX200(3)	**6.99%**	(2.15%)	1.09%	14.09%	13.63%

(1) Segment profit (calculation as set out in Note 1.1 to the Consolidated Financial Statements) is a measure of core underlying business performance and the basis on which the Cash STI Pool is determined.
(2) Dividend per share is calculated based on the total of the interim dividend and the announced (but not yet paid) final dividend relating to the financial year.
(3) TSR calculations exclude franking credits. TSR used for LTI vesting for grants made pre-2016 includes the impact of franking credit.

6.2 TRANSLATION OF GROUP PERFORMANCE INTO STI AWARDS

The Board's assessment of the Group's performance against 2016 financial and strategic objectives is summarised in the table below. This assessment formed the basis for the determination of STI awards for the year, consistent with the process outlined in Section 3.2:

- Financial performance is the gateway to and the primary driver of the Cash and Deferred STI pools (see Section 4.2(d))
- Allocation of the STI pools to different parts of the business is based on Financial & Strategic Performance (see Section 4.2(g)).

Key focus area	Performance target	Performance outcome	Result
Financial measures			
Financial	**Achievement of the Board approved budget for the year.** The 2016 budget was based on 2015 actuals and an appropriate growth target that reflects the momentum of the business and the group's strategic goals. Group Segment Profit performance is the primary financial measure for determining STI funding and outcomes. However, in addition, the Board considers a range of financial metrics including divisional performance, EBITDA and NPAT. In assessing performance against budget the board also considers the impact of FX rates at which offshore earnings are translated to Australian dollars (which are outside the control of management).	In 2016 the consolidated financial performance of the company was in line with segment profit growth targets set at the beginning of the year on a constant currency basis. As a result, the final STI pools determined by the Board were also in line with budget. EBITDA and NPAT performance was below target as a result of acquisition related costs. Both acquisitions were closely aligned to the strategy. The impact of 2016 acquisitions on short term EBITDA and NPAT was considered by the Board as part of their approval of the transactions. Excluding the impact of foreign exchange rates on the translation of offshore earnings ("constant currency basis"), segment profit grew 7%, EBITDA grew 3% and NPAT grew 16% compared to 2015. Although consolidated results were in line with budget, some divisional results were below budget. This was considered in the allocation of the Group STI pools. In 2015, the STI pools were reduced because the financial performance of the company was below the targets set by the board at the start of the year. This assessment was made excluding the positive impact that FX rates had on 2015 results.	At target

Section 6 Remuneration awarded and the link between performance and reward (continued)

Key focus area	Performance target	Performance outcome	Result
Strategic measures			
Clients	**Maintain resilient leadership in existing markets**, client service excellence, new client implementations and retention of existing clients	In Australia, the contracts of several existing wealth management clients were successfully renegotiated and extended. In addition, client retention rates in the financial markets business remained strong despite cost pressure on the industry generally. The UK business continued to grow strongly with significant implementations to new and existing clients and the full year impact of 2015 acquisitions. The financial success of this business in 2016 was underpinned by a portfolio of successful wealth and PWM client implementations and retention of existing customers in line with expectations. Although the UK financial markets business under performed, the overall result for the UK was in line with expectations. The UK Lending business completed the implementation of MSO V2 at Atom Bank and built its pipeline of positive prospective engagement leading to negotiating agreements for implementations. In South Africa, new wins and strong retention of existing clients also drove a positive revenue outcome. The Canadian and Asian businesses performed below target against this focus area. In Canada, this was driven by ongoing attrition in the institutional equities business and a project with MD Financial being discontinued. In Asia, this outcome was driven by project delays. The below target financial performance and the relevant contribution by IRESS' people were considered in the allocation of the final STI pools. However, the size of these businesses meant that the consolidated group target was still met.	At target
Growth	**Grow revenue organically and pursue inorganic opportunities where appropriate**	IRESS successfully completed the acquisitions of INET BFA in South Africa and Financial Synergy in Australia during the year. Both acquisitions are closely aligned with existing strategy and will accelerate progress towards strategic goals in these markets. The financial metrics of both transactions were in line with the Board's acquisition criteria. The Operating and Financial Review (page 11) contains detail on the financial performance of each segment. Overall revenue grew 13% on a constant currency basis, which was ahead of the target set by the board at the start of the year. Excluding the impact of the Financial Synergy and INET acquisitions, revenue growth was 12%. Double digit revenue growth was delivered in the key markets of UK wealth management, Australian wealth management and South Africa, driven by new client implementations and retention of existing clients. This outcome was at or above the targets set at the beginning of the year. The resilience of the Australian financial markets revenue and wins with buy side customers led to 2% revenue growth in 2016 which was above target. Revenue growth in Canada and Asia was below expectations for the reasons noted above. This was considered in the allocation of the STI pools.	Above target
People	**Position IRESS as an employer of choice globally**	The acquisitions of Financial Synergy and INET BFA led to the successful integration of over 200 new people to the IRESS team in Australia and South Africa. The Board has set multi-year goals focussed on the development of leadership capability, capacity and scalability across the group, and increasing diversity. Good progress was made towards these goals in 2016 with the roll-out of a diversity awareness program and the development of new global leadership program. Several other activities were undertaken in 2016 to strengthen the People foundation at IRESS; including, successful graduate programs, the delivery of a unified HR platform; an improved on-boarding process for new employees; commercial awareness training; and improvements to the succession planning and performance feedback processes. There has also been a significant focus on internal communications and collaboration. Over 80% of recruitment is now undertaken directly by IRESS which has significantly reduced external recruitment costs for the group.	At target

Key focus area	Performance target	Performance outcome	Result
Products/ Technology	**Anticipate trends and innovate to maintain product leadership**	IRESS responded quickly to regulatory and market changes through regular product updates and releases throughout 2016. Ongoing architectural enhancements continued in 2016 to ensure that IRESS technology remains relevant in a fast changing environment. In addition, material progress was made towards the successful development and deployment of XPLAN Prime, ViewPoint, MSO V2, XPLAN Mortgage and the IRESS Private Wealth Management (PWM) solution along with meaningful enhancements to connectivity and content services with third-parties. These are market leading solutions that drove positive revenue outcomes in 2016 and are expected to underpin client attraction and retention in future years. In many cases product and technology development involves multiyear projects and the board's assessment is based on progress delivered in 2016 towards longer term objectives.	At target
Group/ Corporate	**Enhance IRESS brand through strong stakeholder relationships and communication.** **Enhance and scale internal systems to support client service, delivery and growth.**	Internal and external communication and engagement was enhanced during the year. Specific initiatives included social media engagement, trade shows and other client focussed events, an investor day, internal communications and the relaunch of IRESS' website. Significant enhancements were made to the technology and tools used to manage global software development and implementation projects and to collaborate across geographically dispersed teams. During 2016, IRESS teams across the globe donated their time, talent and money to initiatives that support their local communities and through their efforts enhanced the IRESS brand.	At target

6.3 TRANSLATION OF GROUP PERFORMANCE INTO LTI AWARDS

IRESS' dividends and share price performance directly affect the vesting of LTI awards as all performance rights granted under the Executive LTI plan are subject to a relative TSR performance measure.

The table below illustrates the vesting outcomes for those LTI grants eligible to vest in 2016 based on the Group's relative TSR performance.

LTI Award	Performance Period	Relative TSR Performance[1]	Vesting Outcome
MD/CEO – 2012 Four-year performance rights	7 May 2012 to 7 May 2016	Percentile rank: 79th percentile	100% of performance rights vested
MD/CEO – 2012 Deferred three-year performance rights	7 May 2013 to 7 May 2016	Percentile rank: 68th percentile	85% of performance rights vested
Other Executives – 2013 performance rights *Issued to executives including Executive KMP*	7 May 2013 to 7 May 2016	Percentile rank: 68th percentile	85% of performance rights vested

(1) Based on maximum relative TSR performance as measured on 7 May 2016 and subsequent retest dates.

6.4 TRANSLATION OF GROUP AND INDIVIDUAL PERFORMANCE INTO REMUNERATION AWARDED TO EXECUTIVE KMP FOR 2016

The following table shows the proposed 2016 STI and LTI outcomes for each of the Executive KMP in relation to their performance in 2016 (as compared to the actual amounts awarded for 2015). Cash STI amounts have been accrued but not paid as at the time of release of this report. Deferred STI and LTI are subject to shareholder approval in May 2017 for the MD/CEO and Board approval for Other Executive KMP. The Board retains the discretion to increase or decrease these amounts up to that day should the performance of the Group or of individual KMP vary materially.

In awarding STI and LTI to Executive KMP, the Board considers the following:

- The performance of the Group against financial and strategic targets.
- The performance of each executive against their individual targets (refer 4.2 (g)) and their contribution to the Group outcomes described in Section 6.2;
- Policy remuneration mix (see Section 3.3);
- Total remuneration of each executive; and
- The value of unvested equity for each executive to ensure sufficient exposure to IRESS equity and resulting shareholder alignment. Their potential to create long term value is also considered.

As noted in section 4.2(e), there is no maximum STI opportunity for individual executives; although STI outcomes are constrained by the size of the STI pools, which are directly linked to financial performance. As there are no STI maximums, IRESS is unable to state the proportion of total STI opportunity that was awarded versus foregone[1].

(1) Exception for S New, who, due to market practice in his location and the particulars of his employment, has a higher fixed remuneration and lower, capped 'at risk' opportunity. In 2016, he was awarded 94% of his maximum STI and 93% of his maximum LTI due to meeting his stretch targets. Due to the capped nature of his 'at risk' opportunity, S New does not receive incentive above the capped amount for out-performance.

Section 6 Remuneration awarded and the link between performance and reward (continued)

Position	Financial Year	Fixed remuneration paid $	Cash STI awarded $	Deferred STI awarded at fair value $[9]	LTI awarded at face value $	Total remuneration awarded $
MD/CEO						
A Walsh[1]	**2016**	**1,030,000**	**300,000**	**510,000**	**1,340,000**	**3,180,000**
	2015	1,095,373	300,000	615,000	1,422,000	3,432,373
Other Executive KMP						
S Barnes	**2016**	**445,000**	**60,000**	**150,000**	**152,778**	**807,778**
	2015	445,000	54,000	145,000	153,351	797,351
S Bland[2]	2015	443,361	–	–	–	443,361
P Ferguson[3]	**2016**	**367,123**	**55,000**	**115,000**	**118,056**	**655,179**
	2015	345,824	40,000	100,000	118,500	604,324
J Harris[4]	**2016**	**552,429**	**70,000**	**175,000**	**180,556**	**977,985**
	2015	413,928	55,000	100,000	167,298	736,226
A Knowles[5]	**2016**	**536,398**	**75,000**	**175,000**	**180,556**	**966,954**
J McNeill[6]	**2016**	**389,927**	**63,950**	**76,258**	**82,378**	**612,513**
	2015	365,122	40,429	60,000	69,702	535,253
S New[6,7]	**2016**	**600,962**	**54,815**	**76,258**	**94,146**	**826,181**
	2015	106,395	20,214	60,000	55,766	242,375
M Rady	**2016**	**530,000**	**80,000**	**180,000**	**187,500**	**977,500**
	2015	527,625	75,000	170,000	188,202	960,827
D Walker[8]	**2016**	**553,785**	**85,000**	**175,000**	**–**	**813,785**
	2015	517,114	100,000	185,000	202,149	1,004,263
Total Executive KMP	**2016**	**5,005,625**	**843,765**	**1,632,517**	**2,335,968**	**9,817,874**
	2015	**4,259,742**	**684,643**	**1,435,000**	**2,376,968**	**8,607,683**

(1) A Walsh's 2015 Deferred STI awarded has been restated from the 2015 Annual Report to reflect that the share price increased after the date of the Annual Report and thus, so did the fair value of the 60,000 Deferred Share Rights approved at the AGM.
(2) S Bland ceased employment with the Group on 1 October 2015.
(3) P Ferguson's salary was overstated in the 2015 report by $27,500. 2015 Fixed remuneration and total remuneration have been restated to correct this.
(4) J Harris joined the Group 20 April 2015 and became KMP on 11 May 2015.
(5) A Knowles changed role and became a KMP on 1 January 2016.
(6) Fixed remuneration and Cash STI of J McNeil and S New is denominated in British Pounds and is subject to foreign exchange movements. The Australian dollar amounts shown in the table have been converted at an average exchange rate of 0.5473 (2015: 0.4919).
(7) S New joined the group and became KMP on 1 November 2015.
(8) David Walker moved to a new role in January 2017 and was not eligible for a LTI award.
(9) The fair value of a DSR approximates face value but reflects the DSRs ineligibility to receive dividends.

The table below shows the actual mix of remuneration awarded for 2016 and 2015 performance compared to the policy remuneration mix (see Section 3.3). For Other Executive KMP, actual remuneration shows a higher weighting to fixed remuneration because of the:

- Lower weighting to STI (2015 and 2016) – This is due to market practice for higher weighting to fixed remuneration for the two UK-based executives (J McNeill and S New),
- Lower weighting to LTI (2016) – This is due to D Walker moving to the part-time role of Chief Architect effective January 2017, and thus, no longer being eligible for LTI.

	2016			**2015[1]**		
	Fixed	STI	LTI	Fixed	STI[2]	LTI
MD/CEO						
Policy remuneration mix	**34%**	**28%**	**38%**	34%	28%	38%
Actual remuneration mix	**32%**	**26%**	**42%**	31%	27%	42%
Average of other Executive KMP						
Policy remuneration mix	**52%**	**28%**	**20%**	52%	28%	20%
Actual remuneration mix	**60%**	**25%**	**15%**	55%	25%	20%

(1) 2015 policy and actual remuneration mix have been restated from the 2015 Annual Report to reflect LTI face values.
(2) A Walsh's 2015 Deferred STI awarded has been restated from the 2015 Annual Report to reflect that the share price increased after the date of the Annual Report and thus, so did the fair value of the 60,000 Deferred Share Rights approved at the AGM.

Section 7 Executive KMP service agreements

All IRESS Executive KMP have a formal contract, known as a service agreement. These agreements are of an ongoing nature and have no set term of service.

The key terms of the service agreements for the MD/CEO and other Executive KMP are summarised below. Executive KMP termination entitlements are limited to 12 months' base salary.

MD/CEO

Criterion	Arrangements
Term of contract	Ongoing.
Notice period	Six months (from the employee and Group).
Resignation	The MD/CEO may resign by giving six months' written notice.
Retirement	There are no additional financial entitlements due from IRESS on retirement.
Termination on notice by IRESS	IRESS may terminate the employment agreement by providing six months' written notice, or payment in lieu of the notice period.
Redundancy	If IRESS terminates employment for reasons of bona fide redundancy, a severance payment will be made. The quantum of the payment will be determined subject to the Board's discretion, considering matters such as statutory requirements, the executive's contribution, position and length of service.
Termination for serious misconduct	IRESS may terminate the employment agreement at any time without notice.
Non-compete	A non-compete arrangement exists during the MD/CEO's employment and for a period of six months following his employment with the Group.

EXECUTIVE KMP

Details of the contractual terms for the other Executive KMP members are aligned with the terms set out above for the MD/CEO, with the key points of differences as follows:

Criterion	Arrangements
Notice period	Six months, except for A Knowles and M Rady whose notice period is a minimum of three months.
Non-compete	In addition to all executive KMP having non-compete arrangements during employment, J Harris, J McNeill and S New have non-compete clauses for the 12-months following employment.

Section 8 Remuneration governance

The Board and People & Performance Committee (PPC) work closely to apply the Group's remuneration philosophy and ensure the company's remuneration strategy supports he creation of sustainable shareholder value.

HOW REMUNERATION DECISIONS ARE MADE – ROLES AND RESPONSIBILITIES

Board

- Oversees remuneration
- Ultimately responsible for recommendations and decisions made by the PPC
- Approves remuneration policy for NEDs, CEO and other senior executives
- Reviews PPC charter annually

With advice from

People and Performance Committee

- Reviews remuneration taking into account a wide variety of information including internal budgets, general and specific global and regional market factors, and peer review
- Makes recommendations to the Board on remuneration matters
- Where relevant, approves the remuneration arrangements for Executives
- Governed by PPC charter

Based on input from

External advisors

- At IRESS' request, external advisors provide both information on current market practice and independent input into key remuneration decisions
- The terms of engagement for external advisors include specific measures designed to protect to independence
- External advisors interact with members of IRESS' management team

Management

- Management makes relevant proposals to the PPC for consideration by the Board, taking into consideration external advice

Individual executives, including the MD/CEO, do not participate in PPC meetings where their own remuneration is being discussed.

To ensure independence, IRESS' management team is precluded from requesting services from an external advisor that would be considered a 'remuneration recommendation' as defined by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*.

No remuneration recommendations (as defined by the Corporations Act 2001) were provided to the IRESS Board during the reporting period.

Section 9 Non-Executive Director fees

To ensure objective and independent oversight of the Group, Non-executive Directors (NEDs) do not participate in performance-based incentives or receive post-employment benefits.

APPROACH TO SETTING NED FEES

The Group's NEDs receive fees for their services plus the reimbursement of reasonable expenses. The NED fee structure considers the responsibilities of NEDs and the time spent by NEDs on IRESS matters.

NED fees are reviewed at appropriate intervals and are determined by the Board in consideration of fees paid to NEDs by comparable companies. The Board seeks external advice on this subject where considered necessary.

MAXIMUM AGGREGATE NED FEE POOL

The total amount of remuneration provided to all NEDs is determined by shareholders at the Annual General Meeting in accordance with the Group's Constitution. The maximum aggregate remuneration for NEDs is set around the median level for comparable companies, to provide the ability for IRESS to attract and retain appropriately qualified and experienced directors.

The maximum aggregate remuneration of $1,200,000 per annum was approved at the Annual General Meeting held on 5 May 2016. The total amount of remuneration paid to NEDs in 2016 was $800,096.

NED FEE POLICY

The table below contains the fee policy for NEDs during 2016. No changes to fees were made from 2015 to 2016. Fees include statutory superannuation contributions or fees in lieu of statutory superannuation contributions paid by the Group.

Role	Fee ($)
IRESS Limited Board	
Board Chair	200,000
Board member	110,000
Audit & Risk Committee	
Chair	22,000
Member	Nil
People and Performance Committee	
Chair	22,000
Member	Nil

The Chairman is entitled to the Board Chair fee only (no additional Committee fees).

NON-EXECUTIVE DIRECTOR STATUTORY REMUNERATION

The total statutory remuneration paid to NEDs during 2016 and 2015 is as set out in the table below.

		SHORT-TERM BENEFITS	POST-EMPLOYMENT ENTITLEMENTS	
Non-Executive Directors	Financial year	Fees $	Superannuation $	Total $
A D'Aloisio	**2016**	**182,648**	**17,352**	**200,000**
	2015	182,648	17,352	200,000
N Beattie[(1),(2)]	**2016**	**110,000**	**6,096**	**116,096**
	2015	100,833	8,957	109,790
J Cameron	**2016**	**100,457**	**9,543**	**110,000**
	2015	100,457	9,543	110,000
J Hayes	**2016**	**120,548**	**11,452**	**132,000**
	2015	120,548	11,452	132,000
J Seabrook	**2016**	**120,548**	**11,452**	**132,000**
	2015	120,548	11,452	132,000
G Tomlinson[(2)]	**2016**	**100,457**	**9,543**	**110,000**
	2015	92,085	8,748	100,833
Total Non-Executive Director fees	**2016**	**734,658**	**65,438**	**800,096**
	2015	717,119	67,504	784,623

(1) NED fees are paid inclusive of superannuation for all NEDs except for N Beattie. N Beattie is paid superannuation on-top of fees based on the percentage of total fees relating to work performed in Australia.
(2) N Beattie and G Tomlinson were appointed 1 February 2015.

Section 10 Additional required disclosures

DEFERRED SHARE RIGHTS AND PERFORMANCE RIGHTS AWARDED DURING THE YEAR

The table below discloses deferred share rights and performance rights granted to the Executive KMP during the year. No rights vest if the conditions are not satisfied, hence the minimum value yet to vest is nil. The maximum value of the grants yet to vest has been determined as the fair value of awards at grant date that is yet to be expensed. None of the rights granted during the year either vested or lapsed in 2016.

Deferred share rights and performance rights are granted for no consideration and have a total exercise price of $1 for all deferred share rights or performance rights exercised on a particular day.

Executive	Vehicle	Grant date	Number of rights granted	Fair value at grant date ($)	Vesting date(1)	Expiry date(1)
A Walsh	Deferred share rights	05–May–16	60,000	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	60,000	8.00	05–May–20	05–Nov–20
		05–May–16	60,000	6.24	05–May–20	05–Nov–20
S Barnes	Deferred share rights	05–May–16	14,146	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	12,941	8.50	05–May–19	05–Nov–19
A Knowles	Deferred share rights	05–May–16	9,756	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	10,000	8.50	05–May–19	05–Nov–19
P Ferguson	Deferred share rights	05–May–16	9,756	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	14,118	8.50	05–May–19	05–Nov–19
J Harris	Deferred share rights	05–May–16	17,073	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	14,118	8.50	05–May–19	05–Nov–19
J McNeill	Deferred share rights	05–May–16	5,854	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	5,882	8.50	05–May–19	05–Nov–19
S New	Deferred share rights	05–May–16	5,854	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	4,706	8.50	05–May–19	05–Nov–19
M Rady	Deferred share rights	05–May–16	16,585	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	15,882	8.50	05–May–19	05–Nov–19
D Walker	Deferred share rights	05–May–16	18,049	10.25	05–May–19	05–May–19
	Performance rights	05–May–16	17,059	8.50	05–May–19	05–Nov–19

(1) Vested rights will be automatically exercised for Australian Executive KMP on or around the time IRESS notifies them that their rights have vested. For Executive KMP outside Australia, vested rights may be exercised at any time before 5 May 2021.

DEFERRED SHARE RIGHTS AND PERFORMANCE RIGHTS VESTED AND LAPSED DURING THE YEAR

The table below discloses deferred share rights and performance rights that had vesting determinations made during the year for the Executive KMP.

Executive	Vehicle	Grant date	Number of rights granted	Fair value at grant date ($)	Vesting date	Expiry date	Number of rights vested[(1)]	Number of rights lapsed/ forfeited	Proportion rights vested	Proportion forfeited
A Walsh	Deferred share rights	07–May–13	55,000	8.51	06–May–16	06–May–16	55,000	–	100.0%	0.0%
	Performance rights	07–May–12	80,000	3.64	06–May–16	06–Nov–16	80,000	–	100.0%	0.0%
	Performance rights	07–May–12	80,000	3.56	06–May–16	06–Nov–16	68,283	11,717	85.4%	14.6%
S Barnes	Deferred share rights	07–May–13	16,220	8.51	06–May–16	06–May–16	16,220	–	100.0%	0.0%
	Performance rights	07–May–13	20,680	5.03	06–May–16	06–Nov–16	17,651	3,029	85.4%	14.6%
P Ferguson	Deferred share rights	07–May–13	10,580	8.51	06–May–16	06–May–16	10,580	–	100.0%	0.0%
	Performance rights	07–May–13	12,920	5.03	06–May–16	06–Nov–16	11,028	1,892	85.4%	14.6%
A Knowles	Deferred share rights	07–May–13	16,570	8.51	06–May–16	06–May–16	16,570	–	100.0%	0.0%
	Performance rights	07–May–13	20,480	5.03	06–May–16	06–Nov–16	17,480	3,000	85.4%	14.6%
D Walker	Deferred share rights	07–May–13	19,980	8.51	06–May–16	06–May–16	19,980	–	100.0%	0.0%
	Performance rights	07–May–13	25,840	5.03	06–May–16	06–Nov–16	22,055	3,785	85.4%	14.6%

(1) One ordinary share is provided for each vested right, subject to adjustment for certain capital actions. Shares provided on vesting of rights are fully paid and accordingly there is no unpaid amount.

There were no share rights and performance rights that had vesting determinations during the year year for J Harris, J McNeil, S New or M Rady.

Section 10 Additional required disclosures (continued)

EXECUTIVE KMP STATUTORY REMUNERATION

The table below presents details of Executive KMP remuneration prepared in accordance with statutory requirements and AASB 2 accounting standards. Under this standard deferred share rights and performance rights are expensed based on the grant date fair value over the vesting period.

		SHORT-TERM BENEFITS			POST-EMPLOYMENT ENTITLEMENTS	LONG-TERM BENEFITS					
Position	Financial Year	Salary and Fees $(1)	Non-Monetary $(2)	Cash incentive $(3)	Super-annuation $(4)	Share based payments – Deferred Shares Rights $	Share based payments – Performance Rights $	Long-service Leave accrual $	Termination payments $	Total Remuneration $	Performance-related remuneration as % of total remuneration
MD/CEO											
A Walsh	**2016**	**1,000,000**	**–**	**300,000**	**30,000**	**494,892**	**629,786**	**16,759**	**–**	**2,471,437**	**58%**
	2015	1,000,000	65,373	300,000	30,000	450,149	681,230	10,048	–	2,536,800	56%
Executive KMP											
S Barnes	**2016**	**410,000**	**–**	**60,000**	**35,000**	**137,869**	**106,233**	**6,253**	**–**	**755,355**	**40%**
	2015	410,000	–	54,000	35,000	134,201	102,753	–	–	735,954	40%
S Bland	2015	420,000	1,449	–	21,913	(71,782)	44,203	–	563,378	979,161	N/A
P Ferguson(5)	**2016**	**330,000**	**2,123**	**55,000**	**35,000**	**106,370**	**72,542**	**7,043**	**–**	**608,078**	**38%**
	2015	310,000	2,099	40,000	33,725	102,123	66,192	4,870	–	559,009	37%
J Harris	**2016**	**520,000**	**529**	**70,000**	**31,900**	**21,918**	**66,339**	**–**	**–**	**710,686**	**22%**
	2015	350,641	29,976	55,000	33,311	–	26,035	–	–	494,963	16%
A Knowles	**2016**	**500,000**	**2,123**	**75,000**	**34,275**	**158,139**	**109,983**	**25,528**	**–**	**905,048**	**38%**
J McNeill(6)	**2016**	**319,021**	**43,526**	**63,950**	**27,380**	**183,313**	**22,631**	**–**	**–**	**659,821**	**41%**
	2015	330,226	6,661	40,429	28,235	163,908	11,641	–	–	581,100	37%
S New(6)	**2016**	**548,145**	**5,311**	**54,815**	**47,506**	**13,151**	**8,767**	**–**	**–**	**677,696**	**11%**
	2015	106,127	268	20,214	–	–	–	–	–	126,609	16%
M Rady	**2016**	**500,000**	**–**	**80,000**	**30,000**	**82,301**	**72,961**	**–**	**–**	**765,262**	**31%**
	2015	500,000	–	75,000	27,625	29,289	28,204	–	–	660,118	20%
D Walker	**2016**	**520,000**	**2,123**	**85,000**	**31,663**	**175,378**	**138,611**	**9,884**	**–**	**962,659**	**41%**
	2015	485,000	1,948	100,000	30,166	161,728	141,154	7,663	–	927,659	43%
Total	**2016**	**4,647,166**	**55,735**	**843,765**	**302,723**	**1,373,330**	**1,227,853**	**65,467**	**–**	**8,516,039**	**40%**
	2015	**3,911,994**	**107,774**	**684,643**	**239,975**	**969,616**	**1,101,412**	**22,581**	**563,378**	**7,601,373**	**36%**

(1) Includes short-term compensated absences during the 2015 or 2016 financial years.
(2) Non-Monetary benefits relate to health insurance subsidies received, 2015 reflects A Walsh UK secondment allowance and relocation costs; and J Harris relocation costs.
(3) There were no other short term profit sharing and other bonuses, or other short term employee benefits, provided to the Executive KMP during the 2015 or 2016 financial years.
(4) There were no pension benefits or other post-employment benefits provided to the Executive KMP in the 2015 or 2016 financial years.
(5) P Ferguson's salary was overstated in the 2015 report by $27,500. 2015 Salary and total remuneration have been restated to correct this.
(6) Remuneration of J McNeill and S New are denominated in British Pounds and are subject to FX movements. The Australian dollar amounts shown in the table were converted at an average foreign exchange rate of 0.5473 (2015: 0.4919).

SHAREHOLDINGS

The number of ordinary shares held in the Company during the financial year by each KMP is set out below. Included are shares held on their behalf by the trustee of the IRESS Limited Equity Plans Trust and their personally related parties is set out below.

	Balance as at 1 January 2016[1]	Shares acquired during the year[2]	Other changes	Balance as at 31 December 2016
NEDs				
A D'Aloisio	35,534	1,321	–	36,855
N Beattie	–	–	–	–
J Cameron	36,668	–	–	36,668
J Hayes	12,467	1,321	–	13,788
J Seabrook	36,667	1,321	–	37,988
G Tomlinson	–	–	–	–
Executive KMP				
A Walsh	323,521	320,660	(275,000)	369,181
S Barnes	20,320	53,047	(42,257)	31,110
P Ferguson	12,930	33,840	(17,788)	28,982
J Harris	–	–	–	–
J McNeill	–	–	–	–
A Knowles	–	31,316	(22,000)	9,316
S New	–	–	–	–
M Rady	–	–	–	–
D Walker	508,477	83,745	(184,019)	408,203
Total	**986,584**	**526,571**	**(541,064)**	**972,091**

(1) Opening balances have been restated for A Walsh, S Barnes, P Ferguson and D Walker as Performance Rights that vested in 2015 were not exercised until 2016. A portion of performance rights vesting in 2016 have not been included as they have not yet been exercised.

(2) Shares acquired by Executive KMP during the year were acquired on the vesting of deferred shares, exercise of deferred share rights and exercise of performance rights (including those that vested in 2015 that were exercised in 2016).

OPTIONS

There were no listed options held in the Company by KMP during the financial year ended 31 December 2016.

Section 10 Additional required disclosures (continued)

RIGHTS HELD DURING THE FINANCIAL YEAR

The number of deferred shares, deferred share rights (deferred STI) and LTI performance rights held in the Company by each Executive KMP is set out below. No rights are granted to NEDs or related parties.

Performance Rights

	Balance as at 1 January 2016	Granted as compensation	Vested during the year[1]	Forfeited during the year	Balance as at 31 December 2016[2]
MD/CEO					
A Walsh	536,000	120,000	(148,283)	(11,717)	496,000
Executive KMP					
S Barnes	65,355	12,941	(17,651)	(3,029)	57,616
P Ferguson	42,381	10,000	(11,028)	(1,892)	39,461
J Harris	22,642	14,118	–	–	36,760
A Knowles	66,355	14,118	(17,480)	(3,000)	59,993
J McNeill	8,370	5,882	–	–	14,252
S New	–	4,706	–	–	4,706
M Rady	24,528	15,882	–	–	40,410
D Walker	84,555	17,059	(22,055)	(3,785)	75,774
Total	**850,186**	**214,706**	**(216,497)**	**(23,423)**	**824,972**

(1) All performance rights that vested during the financial year are exercisable. No shares that vested during the year are not yet exercisable.
(2) No performance rights were, as at 31 December 2016 vested (or vested and exercisable) and not yet exercised; or vested and not yet exercisable.

Deferred Shares / Deferred Share Rights

	Balance as at 1 January 2016	Granted as compensation	Vested during the year[1]	Forfeited during the year	Balance as at 31 December 2016[2]
MD/CEO					
A Walsh	168,000	60,000	(55,000)	–	173,000
Executive KMP					
S Barnes	49,671	14,146	(16,220)	–	47,597
A Knowles	54,863	9,756	(16,570)	–	48,049
P Ferguson	38,682	9,756	(10,580)	–	37,858
J Harris	–	17,073	–	–	17,073
J McNeill	65,354	5,854	–	–	71,208
S New	–	5,854	–	–	5,854
M Rady	14,967	16,585	–	–	31,552
D Walker	62,696	18,049	(19,980)	–	60,765
Total	**454,233**	**157,073**	**(118,350)**	**–**	**492,956**

(1) All deferred share rights that vest during the financial year are exercisable. No shares that vested during the year are not yet exercisable.
(2) No deferred share rights were, as at 31 December 2016 vested (or vested and exercisable) and not yet exercised; or vested and not yet exercisable.

TRANSACTIONS WITH KMP

No transactions involving an equity instrument (excluding share based payment compensation) occurred between KMP and the Company during 2016.

LOANS TO KMP OR RELATED PARTIES

No loans to KMP or related parties were provided during 2016.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001 (Cth).

TONY D'ALOISIO
CHAIRMAN

21 February 2017

ANDREW WALSH
CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR

Auditor's Independence Declaration

Deloitte.

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21 February 2017

The Board of Directors
IRESS Limited
Level 18, 385 Bourke Street
MELBOURNE VIC 3000

Dear Board Members

IRESS Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of IRESS Limited.

As lead audit partner for the audit of the financial statements of IRESS Limited for the financial year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants

Financial Statements

For the Year Ended 31 December 2016

This is the financial report for IRESS Limited (the 'Company') and its controlled entities (collectively referred to as the 'Group' or 'IRESS') for the year ended 31 December 2016.

IRESS has enhanced the disclosures within this report compared to the previous year to improve the relevance and readability for users of the financial report. As a result:

- Certain line items within the primary financial statements have been combined and re-stated in the comparative period
- Information that was considered by the directors to be immaterial has been removed, as its inclusion may undermine the usefulness of this report by obscuring important information
- The notes to the financial statements have been rearranged into sections to assist users in understanding IRESS' performance.

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2016

	Notes	**2016 $'000**	2015 $'000
Revenue		389,737	361,464
Customer data fees		(31,385)	(29,192)
Communication and other technology expenses		(23,026)	(17,601)
Employee benefit expenses	1.3	(202,428)	(185,062)
Other expenses	1.5	(29,389)	(24,731)
Profit before depreciation, amortisation, interest and income tax		**103,509**	**104,878**
Depreciation and amortisation expense	1.5	(21,063)	(26,267)
Profit before interest and income tax expense		**82,446**	**78,611**
Interest revenue		937	849
Financing costs		(6,406)	(10,554)
Net interest and financing costs	3.1	(5,469)	(9,705)
Profit before income tax		**76,977**	**68,906**
Income tax expense	4.1	(17,525)	(13,521)
Profit after income tax		**59,452**	**55,385**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(38,931)	8,782
Tax impact of exchange differences recognised in other comprehensive income	4.1	(1,610)	–
Total other comprehensive income for the period		(40,541)	8,782
Total comprehensive income for the period		**18,911**	**64,167**

		Cents per share	Cents per share
Earnings per share			
Basic earnings per share	1.2	37.0	35.2
Diluted earnings per share	1.2	36.4	34.7

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents		22,951	39,233
Receivables and other assets	2.2	50,103	37,358
Total current assets		**73,054**	**76,591**
Non-current assets			
Intangibles	2.1	558,759	529,552
Plant and equipment	1.5	12,096	9,998
Deferred tax assets	4.1	18,127	26,197
Derivative assets	3.1	205	–
Total non-current assets		**589,187**	**565,747**
Total assets		**662,241**	**642,338**
Liabilities			
Current Liabilities			
Payables and other liabilities	2.3	44,169	41,541
Provisions	2.4	10,979	8,713
Derivative liabilities	3.1	–	10,069
Total current liabilities		**55,148**	**60,323**
Non-current liabilities			
Payables and other liabilities	2.3	7,517	8,000
Provisions	2.4	8,040	7,580
Borrowings	3.1	177,805	200,488
Derivative liabilities	3.1	–	11,055
Deferred tax liabilities	4.1	12,905	15,581
Total non-current liabilities		**206,267**	**242,704**
Total liabilities		**261,415**	**303,027**
Net assets		**400,826**	**339,311**
Equity			
Issued capital	3.2	375,287	275,983
Reserves		6,403	45,093
Retained earnings		19,136	18,235
Total equity		**400,826**	**339,311**

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

	Issued capital $'000	Retained earnings $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Total equity $'000
Balance at 1 January 2015	275,315	23,709	16,604	15,156	330,784
Profit for the period	–	55,385	–	–	55,385
Other comprehensive income	–	–	–	8,782	8,782
Total comprehensive income	**–**	**55,385**	**–**	**8,782**	**64,167**
Transactions with owners in their capacity as owners:					
Dividends declared	–	(66,175)	–	–	(66,175)
Share-based payment expense	–	–	9,867	–	9,867
Employee share payments	668	–	–	–	668
Transfer share-based payments reserve (1)	–	5,316	(5,316)	–	–
	668	(60,859)	4,551	–	(55,640)
Balance at 31 December 2015	**275,983**	**18,235**	**21,155**	**23,938**	**339,311**
Profit for the period	–	59,452	–	–	59,452
Other comprehensive income	–	–	–	(40,541)	(40,541)
Total comprehensive income	**–**	**59,452**	**–**	**(40,541)**	**18,911**
Transactions with owners in their capacity as owners:					
Shares issued during the year (2)	101,214	–	–	–	101,214
Share raising costs	(1,910)	–	–	–	(1,910)
Dividends declared	–	(68,439)	–	–	(68,439)
Share-based payment expense (3)	–	–	11,739	–	11,739
Transfer share-based payments reserve (1)	–	9,888	(9,888)	–	–
	99,304	(58,551)	1,851	–	42,604
Balance at 31 December 2016	**375,287**	**19,136**	**23,006**	**(16,603)**	**400,826**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

(1) The movement from share-based payment reserves to retained earnings represents the fair value of share based payments that have vested in May 2016 or lapsed during the year. This amount has been recognised as a share based payment expense over the vesting period which ranged from May 2012 to May 2016. Details of share based payment arrangements are provided in Note 1.4.

(2) Shares issued during the year from institutional placement, share purchase plan and vesting of employee share based payments. Refer Note 3.2.

(3) Share-based payment expense includes the tax impact of $0.6 million (2015: nil)) on vesting of employee share based payments.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		428,672	403,176
Payments to suppliers		(123,322)	(111,836)
Payments to employees		(189,940)	(175,404)
Interest received		937	1,776
Interest paid		(6,080)	(10,921)
Income taxes paid		(19,699)	(16,045)
Net cash inflow from operating activities	1.6	**90,568**	**90,746**
Cash flows from investing activities			
Net payments for plant and equipment		(7,240)	(5,889)
Payments for intangibles	2.1	(4,575)	(4,557)
Acquisition of subsidiaries & businesses, net of cash acquired	4.2	(101,692)	(70,880)
Business acquisition and restructure costs paid	1.5	(7,656)	(3,500)
Net cash outflow from investing activities		**(121,163)**	**(84,826)**
Cash flows from financing activities			
Proceeds from borrowings		48,084	250,849
Repayments to borrowings		(65,313)	(224,805)
Proceeds from employee share plan repayments		591	668
Proceeds from share issue		100,623	–
Share issue costs paid		(1,910)	–
Dividends paid		(68,376)	(66,288)
Net cash outflow from financing activities		**13,699**	**(39,576)**
Net decrease in cash and cash equivalents		(16,896)	(33,656)
Cash and cash equivalents at the beginning of the financial year		39,233	74,914
Effects of exchange rate changes on cash and cash equivalents		614	(2,025)
Cash and cash equivalents at end of the year		**22,951**	**39,233**

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Section 1. Financial Results

1.1 SEGMENT INFORMATION

IRESS has a global presence, with the Managing Director and Chief Executive Officer, who is IRESS' Chief Operating Decision Maker, receiving internal reporting split by the following segments: Any transactions directly between segments are charged on an arm's length basis.

The Group's operating segments have been updated from those presented at 31 December 2015 as follows:

(1) As a reflection of its materiality to group financial results, Asia is now included with ANZ Financial Markets and the new segment referred to as Financial Markets – APAC.

(2) UK Financial Markets and Wealth Management are combined and called "UK" to reflect the increasing convergence of our financial markets and wealth management businesses in the UK.

2015 comparatives have been re-presented to provide better comparability.

The Group's segments are outlined below:

Financial Markets – APAC

Provides information, trading, compliance, order management, portfolio systems and related tools to financial markets participants in Australia, New Zealand and Asia.

Wealth Management – ANZ

Provides financial planning systems and related tools to Wealth Management professionals located in Australia and New Zealand. And with the acquisition of Financial Synergy, will also provide fund administration software to the superannuation and wealth management industries.

UK

Incorporates the financial markets business which provides information, trading, compliance, order management, portfolio systems and related tools to cash equity participants; and the wealth management business which provides financial planning systems and related tools to Wealth Management professionals located in the United Kingdom.

UK Lending

The Lending segment operates in the United Kingdom to provide mortgage origination software and associated consulting services to banks.

South Africa

Provides information, trading, compliance, order management, portfolio systems and related tools to financial markets participants and provides financial planning systems and related tools to Wealth Management professionals located in South Africa.

Canada

Provides information, trading, compliance, order management, portfolio systems and related tools to financial markets participants in Canada.

The revenue, segment profit and reconciliation to the Group results are shown below.

		OPERATING REVENUE		SEGMENT PROFIT	
		2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
SEGMENT RESULTS	Financial Markets – APAC (1)	113,457	111,134	41,666	42,514
	Wealth Management – ANZ (2)	93,825	80,322	42,732	38,260
	Total APAC	**207,282**	**191,456**	**84,398**	**80,774**
	UK	110,830	91,144	27,131	19,900
	UK Lending	25,994	32,768	1,348	7,323
	Total UK	**136,824**	**123,912**	**28,479**	**27,223**
	South Africa (3)	28,687	26,614	9,895	8,580
	Canada	16,944	19,482	759	2,598
	Total Group	**389,737**	**361,464**	**123,531**	**119,175**

		2016 $'000	2015 $'000
GROUP RESULTS	**Group Segment Profit**	**123,531**	**119,175**
	Share based payments (SBP)	(10,836)	(9,867)
	Segment Profit after SBP	**112,695**	**109,308**
	Other non-operating expenses (4)	(9,186)	(4,430)
	Profit before interest and tax, depreciation and amortisation	**103,509**	**104,878**
	Depreciation and amortisation	(21,063)	(26,267)
	Profit before interest and tax	**82,446**	**78,611**
	Net interest and financing costs	(5,469)	(9,705)
	Tax expense	(17,525)	(13,521)
	Net profit after tax	**59,452**	**55,385**

(1) As a reflection of its materiality to the Group, the Asia segment which was previously disclosed as a separate segment has now been aggregated into the Australia Financial Markets segment. Going forward, the Australia and Asia Financial Market segments will be referred to as Financial Markets – APAC. Asia segment contributed operating revenue of $2.6 million (2015:$2.5 million), and segment loss of $4.5 million (2015: loss of $4.0 million).

(2) Financial Synergy has been included in the Wealth Management – ANZ segment. Revenue contribution for the period since acquisition was $4.4 million with segment profit contribution of $0.9 million.

(3) INET BFA has been included in South Africa. Revenue contribution for the period since acquisition was $2.0 million with segment profit contribution of $0.3 million.

(4) Other non-operating expenses comprise business acquisition expenses, restructure costs, project related expenses and other unrealised foreign exchange gains and losses. Refer Note 1.5.

Section 1. Financial Results (continued)

1.1 SEGMENT INFORMATION (CONTINUED)

The below table outlines revenue and non-current assets by geographical area, being Australia and New Zealand, United Kingdom, South Africa, Canada and Asia:

	EXTERNAL REVENUES		NON-CURRENT ASSETS [1]	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Australia and New Zealand	204,671	188,915	170,932	59,709
Asia	2,611	2,541	56	76
Total APAC	**207,282**	**191,456**	**170,988**	**59,785**
United Kingdom	136,824	123,912	377,207	457,538
South Africa	28,687	26,614	12,072	12,172
Canada	16,944	19,482	10,588	10,055
Grand total	**389,737**	**361,464**	**570,855**	**539,550**

(1) Excludes financial instruments and deferred taxes.

1.2 EARNINGS PER SHARE AND DIVIDENDS PER SHARE

(a) Basic and diluted earnings per share, and dividends per share for the period are:

	Cents per share 2016	Cents per share 2015
Earnings per share	37.0	35.2
Diluted Earnings per share	36.4	34.7
Dividends per share:		
Interim dividend franked to 60% (2015: 50%)	16.0	16.0
Final dividend declared after balance sheet date franked to 60% (2015: 60%)	28.0	26.7

(b) The weighted average number of shares used to calculate earnings per share is as follows:

	NUMBER OF SHARES	NUMBER OF SHARES
	2016 '000	2015 '000
Weighted average number of ordinary shares used in basic earnings per share	160,777	157,462
Effect of potentially dilutive shares	2,543	2,332
Weighted average number of ordinary shares used in diluted earnings per share	**163,320**	**159,794**

(c) Dividends recognised during the year and after the balance sheet date were as follows:

	2016 $'000	2015 $'000
Dividends recognised and paid during the year		
Final dividend for 2015 of 26.7 cents per share franked to 60% (2014: 25.5 cents per share franked to 40%)	42,664	40,570
Interim dividend for 2016 of 16.0 cents per share franked to 60% (2015: 16.0 cents per share franked to 50%)	25,775	25,605
	68,439	**66,175**
Dividends declared after balance sheet date		
Since the end of the year, the directors declared a final dividend of 28.0 cents per share franked at 60% (2015: 26.7 cents per share franked to 60%)	47,588	42,740
Franking credit balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2015: 30%)	4,771	5,673

1.3 EMPLOYEE BENEFIT EXPENSES

Short-term employee benefits are expensed as the related service is provided. A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Contributions to defined contribution superannuation plans are expensed when incurred.

	Notes	2016 $'000	2015 $'000
Short term and other employee benefits		169,236	152,398
Post employment benefits		11,988	10,715
Termination benefits		1,427	2,078
Share-based payment expense	1.1	10,836	9,867
Employee administration expense		8,941	10,004
		202,428	**185,062**

Key management personnel

Key Management Personnel compensation included in total employee benefits for the year is set out below:

	2016 $'000	2015 $'000
Short term employee benefits	6,281	5,422
Long term employee benefits	65	586
Post employment benefits	368	307
Share based payments	2,601	2,071
	9,315	**8,386**

Detailed remuneration disclosures are provided in the Remuneration report.

1.4 SHARE BASED PAYMENTS

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(a) Details of share plans

To assist in the attraction, retention and motivation of employees, the Group operates the following share based payment plans:

Plan	Key terms	Performance condition	Performance / Restriction period	Dividends received before vesting	If participant leaves before end of performance period
Executive LTI Plan – CEO	CEO receives performance rights at no cost.	Total shareholder return (TSR) against peer group	3 years and 4 years	No	Rights forfeited (Board discretion may apply)
Executive LTI Plan	Eligible participants receive performance rights at no cost.		3 Years	No	
Employee Deferred Share Plan	Eligible participants receive deferred shares at no cost.	Individual performance criteria	3 years	Yes	Generally forfeited
Employee Deferred Share Rights Plan	Eligible participants receive deferred rights at no cost.		3 years	No	
General Employee Share Plan/ UK Share Incentive Plan	Eligible participants are invited to acquire IRESS shares, IRESS matches this participation to a set value.	Nil	3 years	Yes	Matched shares are forfeited under the UK share incentive plan and granted under the general employee share plan.

As at 31 December 2016, the total unvested shares in the General Employee Share Plan/ UK Share Incentive Plan were 24,273 (2015: 26,321).

1.4 SHARE BASED PAYMENTS (CONTINUED)

(b) Grant date fair value

The grant date fair value of the Executive LTI Plans and the Employee Deferred Share Rights Plan shares are independently determined using a Monte Carlo simulation option pricing model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk free rates and expected share price volatility. Key inputs are summarised below:

Key inputs in determining grant date fair value	Executive LTI Plan	Employee Deferred Share Rights Plan
Model used	Monte Carlo	Monte Carlo
Risk free rate	2–3%	2–3%
Share price volatility	25–30%	25–30%
Dividend yield	4–5%	4–5%

As the Employee Share Plan grants are based on non-market vesting conditions and dividends received during the vesting period, the grant date fair value approximates the share price at the date of grant.

(c) Details of shares or rights on issue during the year is shown below:

			NUMBER OF SHARES					
Type	Grant Date	Vesting date	Opening Balance	Granted	Forfeited	Vested	Closing Balance	Fair value $
Executive LTI Plan – CEO								
2012 Grant – 3 year	7/5/12	7/5/16	80,000	–	–	(80,000)	–	$3.64
2012 Grant – 4 year	7/5/12	7/5/16	80,000	–	(11,717)	(68,283)	–	$3.56
2013 Grant – 3 year	7/5/13	7/5/17	65,000	–	–	–	65,000	$5.03
2013 Grant – 4 year	7/5/13	7/5/17	65,000	–	–	–	65,000	$4.76
2014 Grant – 3 year	7/5/14	7/5/18	63,000	–	–	–	63,000	$4.05
2014 Grant – 4 year	7/5/14	7/5/18	63,000	–	–	–	63,000	$3.89
2015 Grant – 3 year	7/5/15	7/5/19	60,000	–	–	–	60,000	$5.17
2015 Grant – 4 year	7/5/15	7/5/19	60,000	–	–	–	60,000	$5.13
2016 Grant – 3 year	7/5/16	7/5/19	–	60,000	–	–	60,000	$8.00
2016 Grant – 4 year	7/5/16	7/5/20	–	60,000	–	–	60,000	$6.24
			536,000	120,000	(11,717)	(148,283)	496,000	
Executive LTI Plan								
2013 Grant	7/5/13	7/5/16	190,667	–	(27,926)	(162,741)	–	$5.03
2014 Grant	7/5/14	7/5/17	211,964	–	–	–	211,964	$4.18
2015 Grant	7/5/15	7/5/18	220,002	–	–	–	220,002	$5.30
2016 Grant	5/5/16	5/5/19	–	161,413	–	–	161,413	$8.50
			622,633	161,413	(27,926)	(162,741)	563,379	
Employee Deferred Share Plan								
2012 Grant(1)	7/5/12	7/12/16	223,607	–	–	(62,575)	161,032	$6.18
2013 Grant	7/5/13	7/5/16	677,650	–	(5,580)	(672,070)	–	$8.51
2014 Grant	7/5/14	7/5/17	560,800	–	(19,240)	–	541,560	$8.27
2015 Grant	7/5/15	7/5/18	576,677	–	(20,307)	–	556,370	$10.15
2016 Grant	5/5/16	5/5/19	–	595,523	(21,407)	–	574,116	$11.87
			2,038,734	595,523	(66,534)	(734,645)	1,833,078	
Employee Deferred Share Rights Plan								
2012 Grant(2)	7/5/12	7/12/17	108,559	–	(5,769)	(18,270)	84,520	$5.26
2012 Grant(2)	7/5/12	7/12/17	110,306	–	–	–	110,306	$4.99
2013 Grant	7/5/13	7/5/16	36,530	–	–	(36,530)	–	$7.35
2013 Grant – Special	30/9/13	2/1/17	51,540	–	(1,290)	–	50,250	$7.75
2014 Grant – Special	1/1/14	1/1/17	560,598	–	(17,250)	–	543,348	$7.73
2014 Grant	7/5/14	7/5/17	257,179	–	(1,400)	(9,989)	245,790	$7.25
2015 Grant	7/5/15	7/5/18	257,434	–	(114)	–	257,320	$9.02
2016 Grant	5/5/16	5/5/19	–	270,272	–	–	270,272	$10.25
			1,382,146	270,272	(25,823)	(64,789)	1,561,806	

The weighted average remaining contractual life of the above grants is 1.2 years (2015:1.2 years).

(1) Although the vesting period ended 7/12/16, the non-market vesting conditions of 161,032 units are still to be tested in order to determine the number of shares that vest or are forfeited.

(2) The vesting date was extended from 7/5/16 to 7/12/17. Under the accounting standards, an extension of a vesting date does not result in a change in the fair value of the instrument nor a re-measurement of the share based payment expense.

1.5 OTHER EXPENSES

(a) Included in other operating and other non-operating expenses are the following items:

	Notes	**2016 $'000**	2015 $'000
Other operating expenses			
General operating expenses		14,061	11,259
Provision for doubtful debts		(1,499)	1,077
Rental expense relating to operating leases		6,899	6,804
Fees to auditors	1.5(c)	742	1,161
		20,203	**20,301**
Other non-operating expenses			
Unrealised losses/(gains) on foreign balances		666	(2,251)
Business acquisition and restructure expenses		7,656	3,500
Other project related expenses(1)		864	3,181
		9,186	**4,430**

(1) Comprises project related expenses from the implementation of corporate core systems.

(b) Depreciation and amortisation:

	Notes	**2016 $'000**	2015 $'000
Depreciation and amortisation expense			
Amortisation	2.1	14,628	20,131
Depreciation – Computer Equipment(1)		3,910	4,081
Depreciation – Other Plant and equipment(2)		2,525	2,055
		21,063	**26,267**

Computer and other plant and equipment are measured at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight line basis over its expected useful life of between 3 to 10 years.

(1) Cost of computer equipment as at 31 December 2016 was $34.9 million (2015:$27.5 million) and accumulated depreciation was $27.1 million (2015: $21.3 million).
(2) Cost of other plant and equipment as at 31 December 2016 was $18.8 million (2015:$15.4 million) and accumulated depreciation was $14.5 million (2015: $11.6 million).

(c) Fees to auditors, Deloitte Touche Tohmatsu, for services rendered are as follows:

	2016 $	2015 $
Auditors of the parent entity		
Audit or review of the financial report	346,037	343,151
Other non-audit services (1)	22,769	288,070
	368,806	**631,221**
Network firms of the parent entity auditor		
Audit or review of the financial report	373,316	331,476
Other non-audit services (1)	–	198,394
	373,316	**529,870**
Total fees to auditors	**742,122**	**1,161,091**

(1) Other services comprise assurance and other compliance reviews.

1.6 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit attributable to members of the parent entity to net cash flows from operating activities.

	2016 $'000	2015 $'000
Profit for the financial year	59,452	55,385
Adjustments for non-cash and non-operating cashflow items		
Depreciation and amortisation	21,063	26,267
Share based payment expense	10,836	9,867
Foreign exchange gain	21,925	(9,831)
Amortisation of prepaid loan establishment fees	579	827
Business combination and restructure expenses	7,656	3,500
Loss on sale of assets	–	167
Change in working capital and tax balances, net of effects from acquisition of controlled entities		
(Decrease)/increase in receivables	(4,804)	2,362
(Increase) in payables	(3,321)	(2,452)
Net change in derivatives	(21,124)	8,214
Net change in tax balances	(2,170)	(3,062)
Decrease/(increase) in provisions	476	(498)
Net cash inflow from operating activities	**90,568**	**90,746**

2.1 INTANGIBLES

Intangibles for the Group comprise goodwill arising from business combinations, customer relationships, computer software and other intangibles (mainly acquired databases and brands). Intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Goodwill recognised arose from business combinations where the fair value of the consideration paid exceeded the fair value of the net assets acquired. Goodwill is considered to have an indefinite life and is not amortised as it represents the synergistic benefits of bringing the businesses together.

Customer relationships, some computer software and other intangibles were acquired as part of a business combination. These intangible assets are initially recognised at their fair value at the acquisition date.

Some of the computer software was separately acquired, and initially recognised at cost. Subsequent to initial recognition, intangible assets other than goodwill are amortised over the expected useful lives noted below.

Internally generated assets can only be recognised if the cost of actual development can be reliably measured and clearly separated from research and daily operating activities. Given the development and research phases inherent in software development occur contemporaneously, the separation of these phases is imprecise, other than on an arbitrary basis. During the period, no internally generated intangible assets have been recognised.

(a) The carrying value of intangibles is shown below:

	GOODWILL		CUSTOMER RELATIONSHIPS		COMPUTER SOFTWARE		OTHER INTANGIBLES		TOTAL	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Cost	440,448	467,315	52,484	41,800	201,671	146,253	6,236	5,570	700,839	660,938
Accumulated impairment and amortisation	–	–	(12,436)	(8,081)	(125,677)	(119,868)	(3,967)	(3,437)	(142,080)	(131,386)
Carrying value	**440,448**	**467,315**	**40,048**	**33,719**	**75,994**	**26,385**	**2,269**	**2,133**	**558,759**	**529,552**
Opening carrying value	467,315	398,462	33,719	14,021	26,385	19,320	2,133	1,540	529,552	433,343
Separately acquired	–	–	–	–	4,575	14,690	–	–	4,575	14,690
Acquired through business combinations	36,283	52,591	17,070	24,020	55,639	8,926	284	642	109,276	86,179
Disposal	–	–	–	–	–	(166)	–	–	–	(166)
Amortisation	–	–	(5,981)	(3,637)	(8,586)	(16,486)	(61)	(8)	(14,628)	(20,131)
Foreign currency translation	(63,150)	16,262	(4,760)	(685)	(2,019)	101	(87)	(41)	(70,016)	15,637
Closing carrying value	**440,448**	**467,315**	**40,048**	**33,719**	**75,994**	**26,385**	**2,269**	**2,133**	**558,759**	**529,552**
Expected useful life (years)			**1 to 15**		**3 to 20**		**1 to 10**			

(b) Impairment testing for goodwill

Goodwill is tested for impairment annually or more frequently whenever indicators for impairment are indentified. In testing for impairment, the carrying amount of each Cash Generating Unit (CGU) is compared against the recoverable amount.

The recoverable amount has been calculated based on the value in use, using a discounted cash flow (DCF) approach. The DCF uses post-tax cashflow projections that are based on the most recent five year financial plan approved by the Board, and is discounted at appropriate after tax discount rates taking into account the Group's weighted average cost of capital adjusted for any risks specific to the CGU.

Terminal growth rates applied in the DCF take into account historic growth trends, future strategy and long term outlook of the business.

Section 2. Core Assets and Working Capital (continued)

2.1 INTANGIBLES (CONTINUED)

(b) Impairment testing for goodwill (continued)

The allocation of goodwill to each cash generating unit and assumptions applied in calculating the recoverable amounts of the goodwill in testing for impairment are as follows:

	ALLOCATED GOODWILL		AFTER-TAX DISCOUNT RATES		LONG TERM GROWTH RATES	
Cash generating unit	2016 $'000	2015 $'000	2016 %	2015 %	2016 %	2015 %
Wealth Management – ANZ	51,416	17,670	9.0	9.6	2.7	2.7
UK	287,302	338,038	8.7	7.8	2.7	2.7
UK Lending	77,760	91,780	8.7	7.8	2.7	2.7
South Africa	15,146	11,359	15.4	13.6	4.7	4.7
Canada	8,824	8,468	10.6	7.4	0.5	1.0
	440,448	**467,315**				

SIGNIFICANT ESTIMATES MADE

UK Lending

A new version of an existing product is being rolled out within the UK Lending CGU. The financial performance of the UK Lending CGU is sensitive to the success of this product. A change in financial performance may cause the recoverable amount of the CGU to fall below carrying value resulting in an impairment to the Group.

SENSITIVITY ANALYSIS

The recoverable amount supported the carrying value of the goodwill for each cash generating unit. Other than as noted for Canada below, there are no other reasonably possible changes in the assumptions applied that would result in an impairment of goodwill.

Canada

The continued profitability and growth of the Canada business is dependent on securing large-scale clients in the financial markets business and introducing wealth products to Canadian clients. If either of these initiatives is stalled or unsuccessful, this is likely to result in the impairment of the goodwill of $8.8 million allocated to the Canada segment.

2.2 RECEIVABLES AND OTHER ASSETS

Receivables arise from revenue that has been billed, but not yet settled by the customer. Unbilled income arises where revenue has been earned but the invoice has not been issued.

Revenue arises from providing access to IRESS software, rendering of services or recharging for access to capital markets data. Revenue is measured at the fair value of the consideration received or receivable. Where services rendered spans more than one accounting period, revenue is only recognised based on a percentage of completion basis with reference to specific milestones.

IRESS credit terms are generally 30 days from the date of invoice. As such, the carrying amount of receivables approximates their fair value.

(a) Receivables and other assets comprises:

	2016 $'000	2015 $'000
Trade receivables	32,303	25,300
Allowance for doubtful debts	(1,086)	(2,275)
	31,217	**23,025**
Unbilled income	3,722	5,017
Prepayments	11,913	6,164
Other assets	3,251	3,152
	50,103	**37,358**

(b) Credit risk and allowance for doubtful debts

Credit risk refers to the risk a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The maximum exposure to credit risk is the carrying value of the receivables. The Company actively manages this exposure by dealing only with counterparties with good credit standing and not having any significant credit risk with any single counterparty.

The credit risk exposure arising from customers is monitored on a monthly basis. Where an event of default is identified, a provision is raised against the amount owed by the customer to the estimated amount not considered recoverable in the normal course of business. The movement in the allowance for doubtful debts during the period is as follows:

	2016 $'000	2015 $'000
Balance 1 January	2,275	1,974
Allowances (written back)/made	(1,189)	301
Balance 31 December	**1,086**	**2,275**

(c) Quality of trade receivables

The quality of debtors is best monitored by the ageing of open invoices in accounts receivable. The ageing at the end of the year is as follows:

	2016 $'000	2015 $'000
Neither past due nor impaired – less than 30 days	23,010	13,550
Past due but not impaired:		
+31 to 90 days	7,039	6,708
+91 days	1,168	2,767
Impaired	1,086	2,275
	32,303	**25,300**

Receivables that are neither past due nor impaired comprise customers with a long term record of timely payments and/or no recent history of default arising from financial difficulty.

Receivables that are past due but not impaired comprise customers which do not have any objective evidence that the receivable may be impaired. IRESS has actively engaged these customers and reasons for the invoices remaining outstanding are being actively resolved.

An allowance for doubtful debts is recognised where IRESS has identified objective evidence that an amount owing may not be recoverable, mainly arising from observed financial difficulty of a customer.

2.3 PAYABLES AND OTHER LIABILITIES

Payables and other liabilities are initially measured at fair value. Subsequent to initial measurement, these are recognised at amortised cost. Deferred revenue represents amounts received from customers for which revenue has not been earned nor recognised.

Finance arrangements relate to certain funding arrangements relating to software licences.

Liabilities are classified as current where IRESS does not have an unconditional right to defer settlement beyond 12 months.

Due to the short term nature of current liabilities, the carrying amount approximates fair value.

	2016 $'000	2015 $'000
Current		
Trade payables	9,876	10,086
Accruals	12,735	11,945
Deferred revenue	6,256	5,080
Current tax payable	4,915	5,275
GST Payable	4,005	3,645
Finance arrangements	3,076	2,133
Other	3,306	3,377
	44,169	**41,541**
Non-current		
Finance arrangements	7,517	8,000
	7,517	**8,000**

The Group's exposure to foreign currency risk arising from translating payables and other liabilities to a Group entity's functional currency is not considered material. The exposure is monitored on a net working capital basis as disclosed in Note 3.3.

Liquidity risk arising from current payables and other liabilities that are payable in less than one year, as well as the Finance arrangements with certain software providers that have an average annual contractual payment of $3.1 million per annum, over the life of the arrangements of 3 to 5 years. The Group manages this liquidity risk by maintaining sufficient cash and current assets to meet the contractual obligations as they arise.

2.4 PROVISIONS

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Employee benefits comprise mainly annual leave and long service leave entitlements to employees.

Deferred consideration are purchase consideration payable for acquisition once certain conditions are met as stipulated in the contracts. These are measured at the discounts value of the best estimate of the cash payable based on conditions existing at the balance sheet date.

	2016 $'000	2015 $'000
Current provisions		
Employee benefits	8,161	6,332
Deferred consideration	2,362	2,085
Other provisions	456	296
	10,979	**8,713**
Non-current provisions		
Employee benefits	5,137	3,994
Deferred consideration	1,884	3,078
Other provisions	1,019	508
	8,040	**7,580**

The decrease in deferred consideration is from the payment of $0.8 million relating to the acquisition of Innergi upon certain conditions being satisfied, as well as foreign currency movements from the deferred consideration held in relation to the Pulse acquisition.

2.5 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

IRESS leases office facilities with lease terms of between 2 to 10 years of which some are supported by bank guarantees of $3.0 million (2015: $3.0 million). On renewal, the terms of the leases are renegotiated. The below summarises IRESS' commitments for minimum lease payments in relation to non-cancellable operating leases.

	2016 $'000	2015 $'000
Payable within one year	8,520	6,525
Payable later than one year, no later than five years	21,782	23,575
Payable later than five years	6,165	4,438
	36,467	**34,538**

The adoption of AASB 16 Leases will have an impact on the accounting for operating leases. Refer Note 4.7.

(b) Capital commitments

No Capital expenditure has been contracted or provided for at balance date (2015: Nil).

(c) Contingencies

There are no material contingent liabilities that need to be disclosed at the reporting date.

3.1 DEBT FACILITIES AND DERIVATIVES

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any gains or losses are recognised in the statement of profit or loss in the event the borrowings are derecognised.

(a) Details of borrowings held by the Group are as follows:

	2016 $'000	2015 $'000
Non-current		
3 year $181.25 million bank facility to September 2018		
AUD	48,000	89,700
GBP	59,086	39,419
5 year $118.75 million bank facility to September 2020		
AUD	27,000	48,500
GBP	44,528	24,257
3 year $0.5 million facility to August 2018	495	495
Total amount drawn	**179,109**	**202,371**
Borrowing costs capitalised	(1,304)	(1,883)
Total borrowings	**177,805**	**200,488**

The facilities allow multi-currency drawdowns and are at variable interest rates based on LIBOR and BBSY benchmark rates plus a market margin. As such, the amount drawn approximates fair value.

Not included in the table above is a $10 million multi-currency guarantee facility that is available in September 2018, and is used for any bank guarantees required by the Group.

The borrowings are unsecured, and the Group has complied with the financial covenants of its borrowing facilities during the year.

(b) Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently revalued to fair value at the end of each reporting period.

The AUD and GBP borrowings were utilised to fund acquisitions in the UK. To minimise the risk of loss due to unfavourable foreign exchange rate movements that arises from funding a foreign acquisition with AUD debt, the Group entered into cross currency swaps as follows:

	2016 $'000	2015 $'000
Assets at fair value		
5 year receive AUD / pay GBP to September 2018	205	–
Liabilities at fair value		
3 year receive AUD / pay GBP to September 2016	–	10,069
5 year receive AUD / pay GBP to September 2018	–	11,055

The fair value of the derivatives is determined by first calculating the future cash flows estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, and then discounting the future cash flows at a rate that reflects the credit risk of various counterparties.

The fair value is classified as Level 2 as the calculation is based on observable inputs.

The change in the fair value during the year is due to the impact of the depreciation of the British pound against the Australian dollar and the maturity of the three year cross currency swap.

The fair value of the derivatives includes credit risk adjustments of $0.02 million credit (2015: $0.42 million debit).

3.1 DEBT FACILITIES AND DERIVATIVES (CONTINUED)

(c) Contractual maturity analysis

Contractual cash outflow maturity analysis is shown based on undiscounted cashflows. An estimate – based on forward interest rates and foreign currency rates – has been applied in determining interest and foreign cash outflows/(inflows). The actual contractual outflow may vary to the amounts disclosed.

31 December 2016 Outflows/(inflows)	within 1 year $'000	1-3 years $'000	Greater than 3 years $'000
3 year facilities – principal	–	107,085	–
3 year working capital facilities – principal	–	495	–
5 year facilities – principal	–	–	71,528
Interest on borrowings	3,887	9,721	3,467
5 year cross currency swap – principal exchange (1)	–	(14)	–
5 year cross currency swap – interest (1)	313	834	–

31 December 2015 Outflows/(inflows)	within 1 year $'000	1-3 years $'000	Greater than 3 years $'000
3 year facilities – principal	–	129,119	–
3 year working capital facilities – principal	–	495	–
5 year facilities – principal	–	–	72,757
Interest on borrowings	6,354	12,709	4,569
3 year and 5 year cross currency swap – principal exchange (1)	10,139	16,115	–
3 year and 5 year cross currency swap – interest (1)	(295)	791	–

(1) Represents expected net cash exchange in AUD that occurs at settlement. Under the terms of the swap, the settlements are on a gross basis where IRESS receives AUD and pays GBP.

(d) Interest expense and financing costs

Interest expense is recognised using the effective interest rate method. Interest expense includes exchange differences arising from foreign currency borrowings to the extent they are regarded as adjustments to interest costs.

Net interest expense and financing costs for the year comprised the following:

	2016 $'000	2015 $'000
Interest revenue	937	849
Interest expense	(5,897)	(6,998)
Other financing costs comprising:		
Amortisation of borrowing costs	(579)	(3,149)
Foreign currency translation of intercompany borrowings	(20,994)	7,580
Fair value changes on cross currency swaps	21,064	(7,987)
Net interest expense and financing costs	**(5,469)**	**(9,705)**

3.2 ISSUED CAPITAL

The number of ordinary shares outstanding at the end of the year is as follows:

	2016 Number of shares '000	2015 Number of shares '000
Balance at 1 January	160,074	159,097
Shares issued under the Employee Share Plan [(1)]	1,059	977
Shares issued [(2)]	8,824	–
	169,957	**160,074**
Less Treasury Shares [(3)]	(1,933)	(2,217)
Number of shares on issue	**168,024**	**157,857**

(1) New shares issued to meet obligations in relation to Performance Rights, Deferred Shares and Deferred Share Rights for employees.
(2) Shares issued during the year for the Institutional Placement and Share Offer Plan.
(3) Movement relates to shares vested under the Employee Share Plan.

3.3 MANAGING FINANCIAL RISKS

(a) Market risks

INTEREST RATE RISK

The Group's exposure to interest rate risk mainly arises from its variable rate borrowings and cross currency swaps. A decrease in the benchmark interest rates of 50 basis points (0.5%), with all other factors held constant, would result in a decrease in the annual interest cost of the Group by $0.9 million (2015: $1.8 million). This should not be considered a prediction.

FOREIGN CURRENCY RISK

GBP borrowings do not give rise to foreign currency risk to the Group as they are held in entities that have a GBP functional currency.

However, the Group is also exposed to foreign currency risk mainly from intercompany loans denominated in foreign currency, the majority of which is mitigated by cross currency derivatives. Additional foreign currency risk arises from cash balances, receivables and payables denominated in foreign currency.

The Group's exposures to foreign currency arise from monetary balances in a currency other than the functional currency of each of the Group's subsidiary (assessed from the context of that subsidiary). The material exposure to foreign currency movements arises from working capital balances as summarised below:

	GBP '000	ZAR '000
Working capital denominated in foreign currency	24,956	66,040
AUD impact on profit or loss of a 1% change in foreign currency rates	(423)	(66)

The above excludes the exposure of the Group from translating its foreign operations to the Group presentation currency.

(b) Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any regulatory capital requirements.

Management reviews the capital structure of the Group on a regular basis. As part of this review, the cost of capital and the risks associated with each class of capital is considered.

The Group's year end gearing ratio is outlined below.

	2016 $'000	2015 $'000
Net debt [(1)]	154,649	184,927
Net debt plus total equity	555,678	524,238
Gearing ratio	**27.8%**	**35.3%**

(1) Calculated as borrowings excluding capitalised borrowing costs, and net of derivative liabilities/assets less cash and cash equivalents.

Section 4. Other Disclosures

4.1 TAXATION

Current tax

Current tax comprises expected tax payable/receivable on taxable income/loss for the year and any prior period adjustments. Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised on all temporary differences other than those not permitted by accounting standards.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used, which is usually based on projected taxable profits.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated Group under Australian Taxation Law. IRESS Limited is the head entity in the tax-consolidated Group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the 'stand-alone taxpayer' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated Group are recognised by the Company (as head entity in the tax-consolidated Group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated Group in accordance with the arrangement.

(a) Income tax for the year including current and deferred tax is as follows:

	2016 $'000	2015 $'000
Income tax expense recognised in profit or loss		
Current income tax		
Current income tax charge	22,190	20,475
Adjustments in respect of current income tax of the previous year	(1,991)	(848)
	20,199	**19,627**
Deferred income tax		
Origination and reversal of temporary differences	(3,424)	(6,106)
Adjustments in respect of deferred income tax of the previous year	750	–
	(2,674)	**(6,106)**
Total income tax expense recognised in profit or loss	**17,525**	**13,521**
Income tax expense recognised in other comprehensive income		
Arising from gains or losses on long term monetary intercompany balances	1,610	–
Income tax expense recognised directly in equity		
Arising from the vesting of share based payments and share raising costs	(1,463)	–
Total income tax expense recognised in other comprehensive income and equity	**147**	**–**

(b) The reconciliation of income tax expense at the Australian tax rate to total tax payable is as follows:

	2016 $'000	2015 $'000
Profit from continuing operations before income tax expense	**76,977**	**68,906**
Tax at the Australian tax rate of 30% (2015: 30%)	23,093	20,672
Income tax adjustments:		
Effect of different tax rates in foreign jurisdictions	(534)	751
Effect of non-assessable income and non-deductible expenses	(2,411)	(4,013)
Adjustments for current and deferred tax of prior periods	(1,241)	(848)
Employee share plan	(623)	(1,391)
Previously unrecognised tax losses	(759)	(1,650)
Income tax expense	**17,525**	**13,521**

(c) Deferred income tax assets and liabilities recognised in the statement of financial position are as follows:

	Opening Balance $'000	Charged to income $'000	Charged to OCI/Equity $'000	From business combinations $'000	Exchange differences $'000	Closing balance $'000
For the year ended 31 December 2016						
Deferred tax assets						
Trade and other receivables	733	(582)	–	–	8	159
Plant and equipment	6,859	(1,318)	–	(111)	(309)	5,121
Computer Software	1,614	(132)	–	(1,482)	–	–
Trade and other payables	359	220	–	244	–	823
Provisions and accruals	3,075	406	–	744	24	4,249
Derivative Liabilities	6,337	(6,276)	–	–	–	61
Carry forward tax losses	4,700	(1,863)	–	1,719	(520)	4,036
Capital transaction costs	1,633	1,451	(603)	–	–	2,481
Share based payments	883	1,107	(860)	–	–	1,130
Other	4	62	–	–	1	67
Total deferred tax assets	**26,197**	**(6,925)**	**(1,463)**	**1,114**	**(796)**	**18,127**
Deferred tax liabilities						
Computer software	(2,206)	1,234	–	(2,961)	281	(3,652)
Intangibles	(7,038)	2,089	–	(5,159)	934	(9,174)
Other financial assets	(6,337)	6,276	–	(18)	–	(79)
Total deferred tax liabilities	**(15,581)**	**9,599**	**–**	**(8,138)**	**1,215**	**(12,905)**

	Opening Balance $'000	Charged to income $'000	Charged to OCI/Equity $'000	From business combinations $'000	Exchange differences $'000	Closing balance $'000
For the year ended 31 December 2015						
Deferred tax assets						
Trade and other receivables	–	733	–	–	–	733
Plant and equipment	4,596	2,263	–	–	–	6,859
Computer Software	1,746	(132)	–	–	–	1,614
Trade and other payables	4,416	(4,057)	–	–	–	359
Provisions and accruals	5,085	(2,010)	–	–	–	3,075
Derivative Liabilities	–	6,337	–	–	–	6,337
Carry forward tax losses	3,180	1,520	–	–	–	4,700
Capital transaction costs	2,363	(730)	–	–	–	1,633
Share based payments	–	883	–	–	–	883
Other	–	4	–	–	–	4
Total deferred tax assets	**21,386**	**4,811**	**–**	**–**	**–**	**26,197**
Deferred tax liabilities						
Computer software	–	(2,206)	–	–	–	(2,206)
Intangibles	(4,950)	3,436	–	(5,524)	–	(7,038)
Employee share plan	(2,528)	2,528	–	–	–	–
Other financial assets	(3,873)	(2,464)	–	–	–	(6,337)
Total deferred tax liabilities	**(11,351)**	**1,294**	**–**	**(5,524)**	**–**	**(15,581)**

(d) Unused tax losses incurred during the year for which no deferred tax asset has been recognised are outlined below:

	2016 $'000	2015 $'000
United Kingdom (Tax rate 19%, 2015: 20%)	7,964	15,548
Potential tax benefit	**1,513**	**3,110**

Subject to satisfying the various tax loss continuity rules per UK tax legislation, these unrecognised tax losses do not expire.

4.2 BUSINESSES ACQUIRED

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If any obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(a) Acquisition during the period

(I) FINANCIAL SYNERGY

On 26 September 2016, IRESS announced the agreement to purchase Financial Synergy (and its subsidiary companies) (FS) for $90.0 million. FS was a privately-owned Australian company providing fund administration software to the superannuation and wealth management industries. FS software and online solutions are core to the operations of its clients, helping them service members efficiently, and address ongoing legislative change and to deliver superior services to their members. The acquisition was formally completed on 31 October 2016.

(II) INET BFA

On 14 September 2016, IRESS announced the agreement to purchase INET BFA (and its subsidiary company, EDM Solutions) for $14.8 million (ZAR 149.6 million) from Media 24. INET BFA is a long-standing provider of market data, analysis tools and financial data feeds, covering South Africa, African and global markets, pricing and company financial information and research. INET BFA delivers data feeds and financial analysis solutions to South Africa's investment managers, corporations and government institutions. The acquisition was formally completed on 10 November 2016.

(b) Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Financial Synergy $'000	INET $'000
Consideration transferred		
Cash paid for software[1]	–	9,950
Cash paid or payable for shares	90,018	4,823
Total cash consideration paid	90,018	14,773
Net cash acquired	(2,181)	(918)
Total consideration transferred	**87,837**	**13,855**
The assets and liabilities recognised as a result of the acquisition are as follows:		
Trade and other receivables	6,454	1,690
Plant and equipment	699	866
Intangibles	63,042	9,950
Deferred tax (liabilities)/assets	(8,653)	1,629
Trade and other payables	(3,016)	(2,614)
Provisions	(4,417)	(220)
Net identifiable assets acquired[2]	**54,109**	**11,301**
Goodwill on acquisition[3]	33,728	2,554
Net assets acquired	**87,837**	**13,855**

(1) The acquisition of INET BFA was structured as an acquisition of the intangibles and a separate acquisition of shares of the underlying business which occurred contemporaneously and therefore are accounted for as a single business combination.

(2) The accounting for the above business combinations are provisional as the amounts for tax and deferred tax balances are to be finalised. Any changes to the fair value of the recognised assets and liabilities will result in a change to the goodwill recognised.

(3) Goodwill on acquisition is attributable to the expected revenue growth and cost synergies to be derived from integrating the businesses with the Group. Goodwill is not deductible for tax.

(c) Contributions of revenues and net profit of the acquisitions are as follows:

	Since acquisition completed $'000	If acquisition had completed at on 1 January 2016 $'000
Revenues	6,436	37,302
Segment profit	1,250	7,500
Net Profit	722	3,727

(d) Acquisition costs

	Recognised in profit or loss $'000	Recognised in equity $'000
Capital raising costs	–	1,910
Business combination expenses	6,179	–
	6,179	**1,910**

(e) Prior year acquisitions

The acquisition accounting for 2015 acquisitions was finalised in the year. There were no further material changes to the assets and liabilities recognised as previously disclosed on the 2015 annual report.

4.3 CHANGE IN PRESENTATION

The presentation of items in the financial statements for certain comparative information has been reclassified with the aim of providing more relevant information to users of the financial report and in particular a better understanding of the effect of the derivatives and intergroup financing arrangements on the Group's net interest and financing costs.

The change in presentation has no impact on the net profit or net position of the Group.

The reclassifications have affected the following line items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015:

	Before Reclass $'000	Finance arrangements reclass $'000	Other reclass $'000	After Reclass $'000
Revenue	361,464	–	–	361,464
Other income[(1)]	242	–	(242)	–
	361,706	–	(242)	361,464
Customer data fees	(29,192)	–	–	(29,192)
Communication and other technology expenses	(17,601)	–	–	(17,601)
Employee benefit expenses	(185,062)	–	–	(185,062)
Other expenses[(1),(2),(3)]	(27,224)	–	2,493	(24,731)
Foreign exchange gains[(2)]	9,831	(7,580)	(2,251)	–
Profit before depreciation, amortisation, interest and income tax	**112,458**	**(7,580)**	**–**	**104,878**
Depreciation and amortisation expense	(26,267)	–	–	(26,267)
Profit before interest and income tax expense	**86,191**	**(7,580)**	**–**	**78,611**
Interest revenue[(3)]	1,776	(927)	–	849
Interest expense[(3),(4)]	(10,847)	927	–	(9,920)
Financing expenses[(4)]	(8,214)	7,580	–	(634)
Net interest and financing costs	**(17,285)**	**7,580**	**–**	**(9,705)**
Profit before income tax	**68,906**	**–**	**–**	**68,906**
Income tax expense	(13,521)	–	–	(13,521)
Profit after income tax	**55,385**	**–**	**–**	**55,385**

(1) Other income which related to sundry rebates received has been reclassified to Other expenses.

(2) Foreign exchange gains, relating to the groups financing arrangements denominated in foreign currency of $7,580 thousand, have been reclassified to Financing costs. The remaining foreign exchange gains of $2,251 thousand relating to other monetary items in foreign currency (mainly cash) has been reclassified to Other expenses. This amount is separately disclosed in Note 1.5. The Foreign exchange gains line has now been removed from the face of the consolidated statement of comprehensive income.

(3) Of the $2,493 thousand change in Other expenses $242 thousand is Other income reclassified, $2,251 thousand are other foreign exchange (fx) gains from trading accounts reclassified from Foreign exchange gains. The remaining interest revenue is interest received on cash balances with banks.

(4) The line items Interest expense and Financing expenses have been combined and renamed as Financing costs. This now comprises the net impact of the reclassification of foreign exchange gains on the intergroup financing arrangements denominated in foreign currency ($7,580 thousand); interest revenue ($927 thousand); interest expense ($10,847 thousand) and Financing expenses – which represent the fair value loss on the cross currency swap ($8,214 thousand).

4.4 IRESS LIMITED – PARENT ENTITY FINANCIAL INFORMATION

The ultimate controlling party of the Group is IRESS Limited, which is a for profit entity listed on the Australian Securities Exchange.

(a) Summary financial information

The individual financial statements for the parent entity, IRESS Limited, show the following aggregate amounts:

	2016 $'000	2015 $'000
Balance sheet		
Current assets	26,723	72,075
Non-current assets	615,736	600,707
Total assets	**642,459**	**672,782**
Current liabilities	25,360	81,482
Non-current liabilities	193,222	236,045
Total liabilities	**218,582**	**317,527**
Net assets	**423,877**	**355,255**
Equity		
Issued capital	375,287	275,983
Reserves	3,205	8,617
Retained earnings	45,385	70,655
	423,877	**355,255**
Profit for the year	33,281	25,550
Total comprehensive income	**33,281**	**25,550**

(b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 31 December 2016.

4.5 SUBSIDIARIES

Details of the Group's wholly owned subsidiaries at the end of the year are as follows:

Australia	
Apollo I Australia Pty Ltd(1)	IRESS Data Pty Ltd(1)
Apollo II Australia Pty Ltd(1)	IRESS Information Pty Ltd
Financial Synergy Pty Ltd(2)	IRESS Wealth Management Pty Ltd(1)
Financial Synergy Actuarial Pty Ltd(2)	IRESS South Africa (Australia) Pty Ltd(1)
Financial Synergy Holdings Pty Ltd(2)	IRESS Spotlight Wealth Management Solutions (RSA) Pty Ltd(1)
Innergi Pty Ltd	Planning Resources Group Pty Ltd(1)
IRESS (AUS) Limited Partnership	Top Quartile Management Pty Ltd(2)
Canada	
IRESS (LP) Holdings Corp.	IRESS Market Technology Canada LP
IRESS (Ontario) Limited	KTG Technologies Corp
IRESS Canada Holdings Limited	
South Africa	
Advicenet Advisory Services (Proprietary) Limted	IRESS Financial Markets (Pty) Ltd
EDM Solutions Pty Ltd(3)	IRESS Wealth MNGT (Pty) Ltd
INET BFA Pty Ltd(3)	IRESS Wealth Management (RSA) (Proprietary) Ltd
United Kingdom	
Apollo III (UK) Limited	IRESS Technology Limited
Apollo III UK Holdings Limited	IRESS UK Holdings Limited
IRESS (UK) Limited	IRESS Web Limited
IRESS FS Group Limited	Proquote Limited
IRESS FS Limited	Pulse Software Limited
IRESS Mortgage Services Limited	Pulse Software Management Ltd
IRESS Portal Limited	TrigoldCrystal Limited
IRESS Solutions Limited	
Other countries	
IRESS Asia Holdings Limited (Hong Kong)	IRESS (NZ) Limited (New Zealand)
Peresys Software Limited (Ireland)	IRESS Market Technology (Singapore) Pte Ltd (Singapore)
IRESS Malaysia Holdings Sdn Bhd (Malaysia)	

(1) IRESS Limited and its Australian subsidiaries entered into an ASIC Class Order and Deed of Cross Guarantee with IRESS Limited on December 2014.
(2) Acquired during the year and added to the ASIC Class Order and Deed of Cross Guarantee on 30 December 2016.
(3) Acquired during the year.

4.6 DEED OF CROSS GUARANTEE

IRESS Limited, and some Australian wholly-owned subsidiaries as specified in the Subsidiaries note, are party to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned subsidiaries have been relieved from the requirement to prepare the financial report and Directors' report under ASIC Corporations (Wholly owned companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of profit or loss and retained earnings

	2016 $'000	2015 $'000
Profit before tax	76,899	55,094
Income tax expense	(19,966)	(16,084)
Net profit after tax	**56,933**	**39,010**
Retained earnings at beginning of the year	44,384	59,880
Transfers from reserves	9,888	5,316
Dividends declared	(68,439)	(59,822)
Retained earnings at end of the year	**42,766**	**44,384**

(b) Consolidated statement of financial position

	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	9,770	12,324
Trade and other receivables	140,310	227,558
Total current assets	**150,080**	**239,882**
Non-current assets		
Plant and equipment	4,016	4,052
Intangibles	129,281	23,273
Deferred tax assets	13,289	17,228
Derivative assets	205	–
Other financial assets	368,890	310,900
Total non-current assets	**515,681**	**355,453**
Total assets	**665,761**	**595,335**
Current liabilities		
Trade payables and other liabilities	24,323	12,098
Derivative liabilities	–	10,069
Current tax payables	3	5,512
Provisions	11,094	7,055
Total current liabilities	**35,420**	**34,734**
Non-current liabilities		
Borrowings	177,541	200,404
Other financial arrangements	7,517	8,000
Derivative liabilities	–	11,055
Provisions	5,904	6,439
Deferred tax liabilities	12,267	2,211
Total non-current liabilities	**203,229**	**228,109**
Total liabilities	**238,649**	**262,843**
Net assets	**427,112**	**332,492**
Equity		
Issued capital	375,287	275,983
Reserves	9,059	12,125
Retained earnings	42,766	44,384
Total equity	**427,112**	**332,492**

4.7 BASIS OF PREPARATION

This is the general purpose financial report for IRESS Limited (the 'Company') and its subsidiaries collectively referred to as the 'Group' or 'IRESS' for the year ended 31 December 2016. It:

- has been prepared in accordance with the Corporations Act 2001 (Cth), Australian Accounting Standards and Interpretations, and International Financial Reporting Standards (IFRS);
- was authorised for issue by the Directors on 21 February 2017;
- has been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets which have been measured at fair value;
- has all amounts presented in Australia dollars, unless otherwise stated;
- has amounts rounded off to the nearest thousand dollars, unless otherwise stated, as allowed under ASIC Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191 dated 24 March 2016 (ASIC guidance).

(a) Adoption of new standards

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods on or after 1 January 2016. None of these standards have had a material impact on IRESS in the current or future reporting periods or on foreseeable future transactions. The Group does not intend to early adopt any of the above pronouncements.

(b) Standards on issue but not yet effective

At the date of authorisation of the financial report, certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not yet been applied by IRESS within this financial report.

With the exception of AASB 16 *Leases* and AASB 15 *Revenue* as discussed below, IRESS does not believe these Accounting Standards and Interpretations in issue but not effective will have a material impact in future periods on the financial statements of the Group.

AASB 15 *REVENUE*

IRESS anticipates that the adoption of AASB15 may have an impact on the Group's financial statements. The impact is not expected to be material, however this impact is still being assessed and it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16 *LEASES*

AASB 16 is effective for years commencing 1 January 2019. AASB 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- amortisation of lease assets separately from interest on lease liabilities in the income statement.

At IRESS, operating leases with terms of more than 12 months relate to leases of our office facilities.

The adoption of AASB 16 will result in the accounting for any operating leases that have a lease end date of 31 December 2019 or later (as per the transition periods). The estimated impact on the opening balance sheet as at 1 January 2017 would be as follows:

Balance sheet impact	$'000
Increase in non current asset (recognition of lease assets)	12,294
Increase in deferred tax asset	379
Increase in liabilities from recognition of lease liabilities	(13,561)
Decrease in retained earnings (higher expense recognized under AASB 16)	(888)

The estimated impact to the FY2017 income statement would be as follows:

Income statement impact	$'000
Decrease in rent expense resulting in an increase in segment profit	3,834
Increase in interest expense	(1,331)
Increase in depreciation expense	(3,008)
Decrease in net profit before tax	(505)

Section 4. Other Disclosures (continued)

(c) Summary of general accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

I) CONSOLIDATION

The consolidated financial statements include the financial statements of the company, and the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

An entity is controlled when IRESS is exposed to, or has rights to, variable returns from involvement with the entity and has the ability to affect those returns through power over the entity.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

In reporting the consolidated financial statements, all intercompany balances and transactions, and unrealised profits within the Group are eliminated in full.

II) FOREIGN CURRENCY TRANSLATION

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise except that exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in profit or loss on disposal of the net investment.

Foreign operations

Assets and liabilities of foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Any exchange differences are recognised in equity. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

4.8 TRANSACTIONS WITH RELATED PARTIES

ASX Limited ("ASX") owns 18.94% ordinary shares in IRESS. ASX is a major supplier of Australian equity market data to the Group. All transactions with the ASX are conducted on an arm's length basis. Fees charged to ASX $9,082,629 (2015: $8,556,525), outstanding balances at the end of the year $1,437,780 (2015: $1,101,029).

4.9 SUBSEQUENT EVENTS

There has been no matter or circumstances which has arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent year.

Directors' Declaration

31 December 2016

In the directors' opinion:

(a) the financial statements and notes set out on pages 43 to 68 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 4.5 will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the deed of cross guarantees described in note 4.6.

Note 4.7 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

TONY D'ALOISIO
CHAIRMAN

A WALSH
CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR

Melbourne
21 February 2017

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Independent Auditor's Report

Independent Auditor's Report to the Members of IRESS Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IRESS Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, and the directors' declaration.

In our opinion:

the accompanying financial report of IRESS Limited, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and

(ii) 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* (the Code) that are relevant to our audit of the financial report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of Goodwill – impairment assessment As disclosed in Note 2.1 of the financial report Goodwill amounted to $440.4 million at 31 December 2016. The determination of the "Value in Use" of each cash generating unit (CGU) and whether or not an impairment charge is necessary, involved judgements by management about the future growth rates of the business in each CGU, discount rates applied to future cash flow forecasts for each CGU and sensitivities of inputs and assumptions used in the cash flow models.	Our procedures included but were not limited to: • Obtaining an understanding of the key controls associated with the preparation of the "Value in Use" models and critically evaluating management's methodologies and their documented basis for key assumptions which are described in Note 2.1 of the financial report. With the assistance of Deloitte valuation experts we: • challenged key assumptions, including forecast growth rates by comparing them to historical results, business trends, economic and industry forecasts and comparable organisations • evaluated discount rates used by assessing the cost of capital for each CGU, the company and comparable organisations by comparison to market data and industry research • assessed the consistency of the cash flows used with the latest Board approved five year financial plan for each CGU • tested on a sample basis the mathematical accuracy of the cash flow models • assessed the net present value of each CGU in local currency to their respective carrying values in local currency. We also performed sensitivity analysis to stress test the key assumptions used in the "Value in Use" models, including revenue growth, terminal growth rates and discount rates used. We have also assessed the appropriateness of the disclosures included in Note 2.1 of the financial report.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Acquisition Accounting – Financial Synergy As disclosed in Note 4.2 of the financial report during the year IRESS acquired Financial Synergy for a cash purchase price of $90.0 million (including $5.0 million of contingent consideration). The audit of the acquisition accounting is a key audit matter due to the extent of judgement and complexity involved in assessing the determination of the fair value of identifiable intangible assets and the final purchase price which included contingent deferred consideration.	Our procedures included but were not limited to: • reviewing the purchase contract to understand the entities being acquired and the consideration payable for the acquisition, and • obtaining a copy of the external valuation report to critically assess the determination of the fair values of the identifiable intangible assets associated with the acquisition. With the assistance of Deloitte valuation experts we: • assessed the identification of intangible assets acquired including software, customer contracts and relationships and brands along with the valuation methodologies used to value those assets • challenged the associated underlying forecast cash flows for the software and customer assets intangible asset valuations and compared key assumptions, including forecast growth rates and royalty rates applied, by comparing them to historical results, business trends, economic and industry forecasts and comparable transactions • evaluated discount rates used by assessing the cost of capital applied in each valuation by comparing them to market data and industry research • tested on a sample basis the mathematical accuracy of the cash flow models. We have also assessed the appropriateness of the disclosures of the acquisitions included in Note 4.2 of the financial report.

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Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 31 December 2016, 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 we do not express any form of assurance conclusion thereon.

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.

Directors' Responsibilities 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 Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and Group or to cease operations, or has 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

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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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 40 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of IRESS Limited, for the year ended 31 December 2016, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants
Melbourne 21 February 2017

Shareholder information

The shareholder information set out below was applicable as at 31 December 2016.

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

Holding	No. of shareholders	No. of shares	% of Issued capital
1 to 1,000	3,378	1,565,078	0.92%
1,001 to 5,000	3,048	7,344,178	4.32%
5,001 to 10,000	668	4,661,036	2.74%
10,001 to 100,000	387	9,029,115	5.31%
100,001 and over	38	147,357,498	86.71%
Total	**7,519**	**169,956,905**	**100.00%**

SUBSTANTIAL SHAREHOLDERS

	Number held	%
ASX Limited	32,181,994	18.94%
Hyperion Asset Management Limited	20,751,152	12.21%
Challenger Limited	12,144,543	7.15%
Greencape Capital Pty Ltd	8,778,308	5.16%
Total substantial shareholders	**73,855,997**	**43.46%**
Balance of register	96,100,908	56.54%
Total	**169,956,905**	**100.00%**

Shareholder information (continued)

20 LARGEST SHAREHOLDERS OF QUOTED EQUITY SECURITIES

Rank	Name	Number held	% of issued shared
1	HSBC Custody Nominees (Australia) Limited	35,510,288	20.89
2	ASX Ltd	32,181,994	18.94
3	JP Morgan Nominees Australia Limited	26,713,877	15.70
4	Citicorp Nominees Pty Limited	10,213,679	6.01
5	National Nominees Limited	9,494,897	5.59
6	RBC Investor Services Australia Nominees Pty Limited	7,087,245	4.17
7	BNP Paribas Nominees Pty Ltd	5,488,463	3.23
8	BNP Paribas Noms Pty Ltd	4,032,009	2.37
9	Australian Foundation Investment Company Limited	3,442,333	2.03
10	Pacific Custodians Pty Limited	3,428,258	2.02
11	Citicorp Nominees Pty Limited	1,747,783	1.03
12	Mirrabooka Investments Limited	840,000	0.49
13	Argo Investments Limited	791,884	0.47
14	Pacific Custodians Pty Limited	689,808	0.41
15	Avanteos Investments Limited	628,986	0.37
16	Avanteos Investments Limited	507,556	0.30
17	Navigator Australia Ltd	451,844	0.27
18	AMP Life Limited	373,398	0.22
19	Nulis Nominees (Australia) Limited	360,464	0.21
20	Amcil Limited	338,685	0.20
Total top twenty shareholders		**144,323,451**	**84.92**
Balance of register		25,633,454	15.08
Total		**169,956,905**	**100.00**

Corporate directory

Directors	A D'Aloisio – Chairman A Walsh – Chief Executive Officer and Managing Director N Beattie J Cameron J Hayes J Seabrook G Tomlinson
Company Secretary	P Ferguson
Registered Office	Level 18, 385 Bourke Street Melbourne VIC 3000 Phone: +61 3 9018 5800 Fax: +61 3 9018 5844
Share Registry	Link Market Services Limited Level 4, 333 Collins Street Melbourne VIC 3000
Stock Exchange Listings	IRESS Limited shares are quoted on the Australian Securities Exchange under the code: IRE
Auditor	Deloitte Touche Tohmatsu

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