IRESS Annual Report 2017

iress

delivering outcomes today, **developing** for tomorrow, **designing** for the future.

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Annual Report 2017

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AGM details

Thursday 3rd May 2018
11:30am AEST
RACV Club
501 Bourke Street
Melbourne, Victoria, Australia

On our cover

Binary code is the simplest form of computer code – the basis of every software engineering language and what makes technology work. As technology is the very core of our business, it's only fitting to explain what we are all about – **delivering outcomes today, developing for tomorrow and designing for the future** – in binary code.

IRESS LIMITED ABN 47 060 313 359

About Us

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

Whether our clients trade on global financial markets, manage investments, provide mortgages or help people plan their financial future and protect their family, they rely on our software and our team to help deliver the right outcomes for their business and their clients. With a solid financial track record, we continue to grow and adapt to meet the complex and changing needs of our clients.

As we enter our 25th year, we haven't forgotten our roots: keeping the entrepreneurial spirit and creative thinking that has driven us to success, and an unwavering focus on what's most important – delivering outcomes today, developing for tomorrow and designing for the future.

1,881 People

17 Offices

6 Countries

1 Ambition

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

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2017
A Snapshot

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A focus on clients and users

21 All-digital UK bank Atom processes a mortgage, from application to offer, in just 21 seconds using our Mortgage Sales and Origination (MSO) software.

3 Three key Australian wealth management clients took delivery of XPLAN Prime, changing the way advice professionals deliver scaled, objective-based advice.

1 Major milestones reached in the delivery of a single integrated private wealth technology platform and new digital client portal for prominent UK wealth manager Close Brothers Asset Management.

140k Statewide Super replaces multiple legacy systems with our Acurity platform enabling them to focus on the needs of its more than 140,000 members.

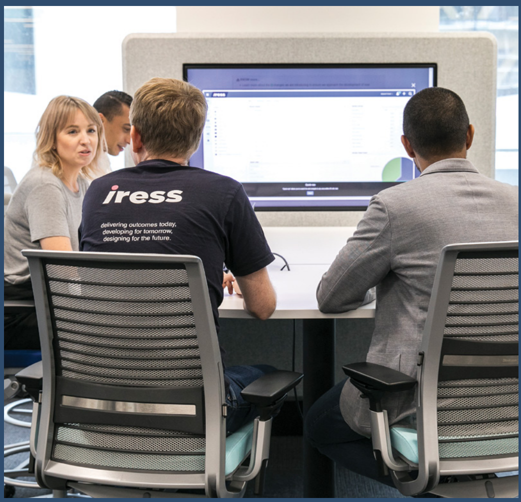
World-leading solutions

55% Continued investment in our product and technology capability where now 55% of our people are directly responsible for creating and deploying our world-leading solutions.

10 XPLAN named the best financial planning software for the tenth consecutive year in Investment Trends' (Australian) Planning Software Benchmark Report.

$108m Over $108 million was invested in product and technology, the heart of IRESS' success and market position, supporting client retention and future recurring revenue growth.

347 Our third Global Hackathon, held across 6 countries over 24 hours, saw more than 600 people in 161 teams develop, code and build 347 new ideas – many of which are now in production.



Planned and targeted growth

153 Our market data coverage continues to expand, with our clients able to access information from 153 global exchanges and macroeconomic data from 196 countries.

94 Continued penetration of the UK wealth management and advice sector, with 94 of the top 100 advisory firms now using our technology.

40%↑ South African operating revenue grew 40% in 2017, reflecting strong demand across our product suite and contribution from recently-acquired market data firm INET BFA.

4b Growth in the Canadian wealth management market with delivery of a complete solution to leading independent firm Echelon Wealth Partners, which has more than CAD 4 billion assets under management.

The best people working together

2020 2020 ambition and strategy shared with all IRESS people at events during March and April – the key theme being the relentless pursuit of becoming essential and desirable to our clients and users.

212 Our Sydney team of 212 people moved to new offices in Barangaroo, purpose built as a contemporary, cross-functional team workspace that fosters collaboration and creativity.

26 Industry leading parental leave entitlements introduced as part of our diversity and inclusion commitment – 26 weeks' paid leave for primary carers and four for secondary carers.

8 Eight of our people recognised externally for their achievements.

Andrew Walsh
Finalist, EY Australian Entrepreneur of the Year

Clare Wilkes
Finalist, HR Professional of the Year award

Ellen Sumbler
Winner, Goodacre Client Consultancy award

Jo Hopkins
Winner, IT Rising Star (SME) award

Kirsty Gross
Finalist, FinTech Leader of the Year award

Marnie Shervey
Finalist, IT Innovator of the Year award

Melanie Meadwell
Winner, Goodacre Product Specialist award.

Sally Padmore
Finalist, IT Hero of the Year (SME) award

Leading
Our People

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Our greatest asset at IRESS is our people – more than 1,800 – who make it happen for our business, our clients and our users.

Supporting them to deliver outcomes today, develop for tomorrow and design for the future are a leadership team who are committed to IRESS' goals, clients and people.

Back row (left to right)
John Harris Chief Financial Officer,
Glenn Wilson Executive General Manager Wealth & Trading,
Julia McNeill Group Executive – Human Resources,
Andrew Todd Chief Technology Officer,
Simon New Group Executive – Strategy,
Simon Badley Managing Director – United Kingdom,
Andrew Walsh Chief Executive Officer,
Peter Ferguson Group General Counsel,
Coran Lill Group Executive – Communications and Marketing.

Front row (left to right)
Tizzy Vigilante Managing Director – Australia & New Zealand (Wealth Management),
Aaron Knowles Group Executive – Product,
Kirsty Gross Managing Director – Australia & New Zealand (Financial Markets),
Jason Hoang Managing Director – Asia,
Ray Pretorius Managing Director – South Africa.

Our People Leading

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IRESS Foundation

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

We have a long history of people-led community engagement. In 2017 we established the IRESS Foundation to provide more support, structure and funding to these endeavours across our regions in two key areas - IRESS Opportunity Initiatives and IRESS Matching Initiatives.

IRESS Opportunity Initiatives

In each region, we have established IRESS Opportunity Initiatives in the form of long-term partnerships with community organisations to make a recognisable and significant contribution to the partner organisation.

In the United Kingdom we continued our relationships with the Myton Hospice and the James Hopkins Trust and started working with Cobalt, a charity that invests in medical equipment, research and education.

In South Africa, we continued our long-term relationship with Seeds of Africa, focused on early childhood development in previously disadvantaged communities, and the Klipheuwel Creche in Cape Town, which now has space for 40 children to learn, play and grow while receiving access to food, medicine and specialist support.

In Canada, we continued our support of the Holland Bloorview Rehabilitation Hospital.

In Sydney we have partnered with TABLE – connecting people from all walks of life with those from disadvantaged backgrounds through the sharing of a meal.

In Melbourne, we partnered with Whitelion – an organisation that assists at-risk young people to reach their full potential.

IRESS Matching Initiatives

We recognise that our people have personal interests in other social or health issues, so IRESS Matching Initiatives focus on harnessing enthusiasm for community engagement by matching funds raised by a team of IRESS people.

Some highlights included:

- In Canada, raising $25,000 in the Ride to Conquer Cancer.
- In the United Kingdom, taking on the Three Peaks Challenge, climbing the three highest mountains in Scotland, England & Wales within 24 hours.
- In Australia, completing the JDRF charity cycle in Adelaide, raising $23,000 for research into Type 1 diabetes.
- In South Africa, raising funds to purchase 60 food hampers for families at the Healing Word crèche.
- In Australia, raising $13,000 for the Cure Brain Cancer charity.

In 2017, the IRESS Foundation supported Opportunity Initiatives and Matching Initiatives to a total value of over $100,000.

Financial Highlights

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Solid revenue growth driven by the acquisitions of Financial Synergy and INET and underpinned by organic delivery to clients globally.

APAC

Resilient financial markets revenue.

Strong underlying growth in wealth management reflects ongoing XPLAN demand.

Full year contribution from Financial Synergy acquired in 2016.

Asia steady.

56%

United Kingdom

Revenue growth reflects successful client deliveries and increasing uptake.

Key milestones achieved on several key client projects to deliver integrated solutions.

Lending momentum increasing.

30%

South Africa

Strong underlying growth reflects client deliveries and ongoing demand across product suite.

Full year contribution from INET acquired in 2016.

10%

Canada

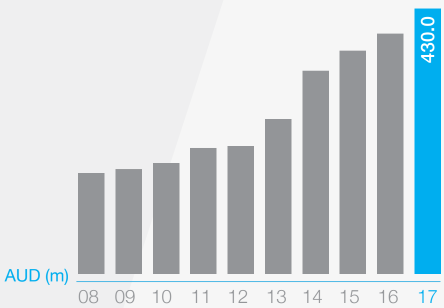
Revenue growth reflects successful client deliveries and strong client retention.

Successful wealth deployments increasing wealth footprint.

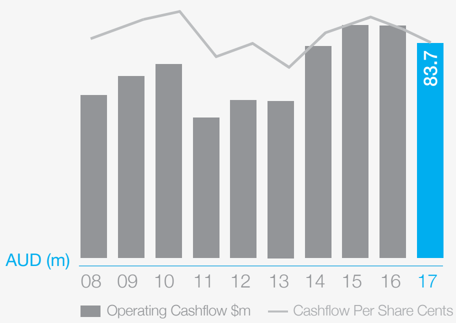
4%

Strong financial track record

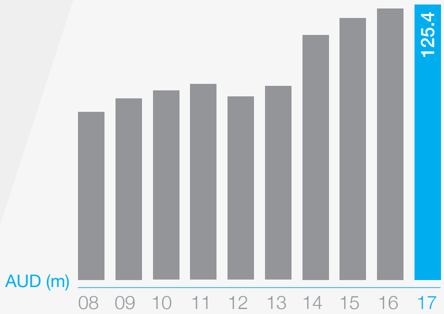
Operating Revenue



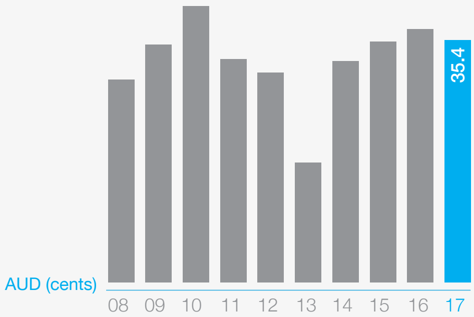
Operating Cash Flow



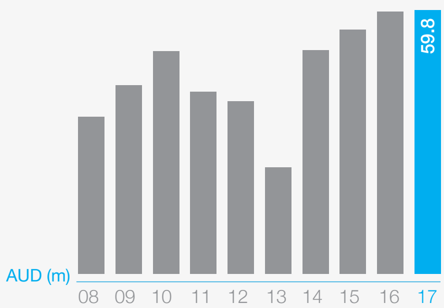
Segment Profit (1)



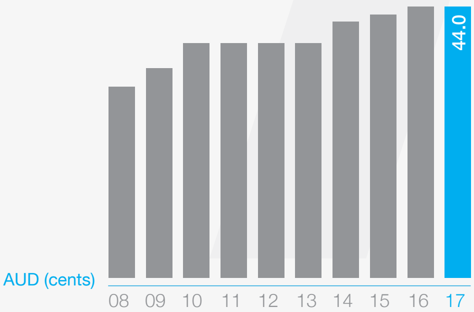
Earnings Per Share



NPAT



Dividends Per Share



Unless otherwise stated all comparisons are with the prior corresponding period on a reported currency basis.

Financial information in this report is extracted or calculated from the half year & annual financial statements which have been subject to review or audit.

(1) Segment Profit represents earnings before interest, tax, depreciation, amortisation, share based payments, non-operating items and unrealised FX gains/losses – see page 14 for a full reconciliation.

Chairman & CEO's Letter

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We are delivering on our strategy of providing integrated, market-leading products, with critical milestones achieved to existing and new clients.

2017 was a year of solid performance by IRESS.

As Australia's leading financial technology company, with a diversified international presence, IRESS continued to deliver growth and innovation - supported by targeted investments for the longer term.

In the United Kingdom, we delivered our integrated trading and wealth solution to leading financial services businesses. In Australia, we launched XPLAN Prime, our new scaled advice solution. In the second half we delivered Prime to three ASX-listed financial services businesses who are to use Prime to change the way they deliver advice to their clients. The theme of delivery was repeated in Singapore, South Africa and Canada where key client deployments were a feature in 2017.

We continued to invest in our people, our products and our technology while focusing on costs and operational efficiency and continued to maintain a conservative balance sheet and steady dividend.

Financial results

For the full year to 31 December 2017, group revenue was up 10% on 2016 to $430 million. On a constant currency basis, group revenue was up 13%. This included positive contribution to earnings from the Financial Synergy and INET BFA acquisitions in Australia and South Africa. Statutory net profit was $59.8 million, up 1% on 2016, after investment made during 2017 in client delivery capability for the longer term.

Group Segment Profit was $125.4 million, up 2% on 2016 (up 3% on a constant currency basis).

Our financial results for 2017 are at the higher end of the range of the revised guidance provided to the market in November 2017. We experienced increased business and revenue momentum in the second half, realising the benefit of investments made in prior periods. In particular, second half revenue increased 3% over the first half, with second half segment profit up 11% over the first half on a constant currency basis.

We are delivering on our strategy of providing integrated, market-leading products, with critical milestones achieved to existing and new clients.

Revenue growth in Australia, New Zealand and Asia was strong and included the impact of 2016 acquisitions. Our financial markets business shows continued resilience as clients continue to experience cost pressures. Our wealth management business also experienced solid underlying growth, underpinned by continuing demand for our solutions.

Tony D'Aloisio
Chairman

Andrew Walsh
Managing Director &
Chief Executive Officer

In the United Kingdom, we continue to experience strong demand from existing and new clients for integrated solutions across IRESS' trading and advice product suite. 2017 saw moderate revenue growth and one-off costs associated with the delivery of a large and strategically important client project impacting direct contribution. In the UK, recurring revenue represents approximately 93% of total revenue, while XPLAN sales contributed around 20% of total revenue highlighting its progress in the market.

Lending revenue in the UK was steady as this business continues to make good progress transitioning to a subscription revenue model. In 2017 recurring license fees contributed approximately 15% of total revenue, up from 10% in 2016, reflecting key client deliveries.

South Africa achieved solid underlying revenue and Segment Profit growth, which was accelerated by the positive impact of the first full year contribution from INET. Our business in Canada improved, reflecting successful client project deliveries, strong client retention and a strong focus on cost control.

Dividend and capital management

In respect of second half earnings, the 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 2017 of 44.0 cents per share, which is in line with 2016. IRESS' net debt balance at 31 December 2017 increased marginally to $165.8 million (2016: $155.9 million), equal to 1.3 times annualised Segment Profit, and continues to reflect a conservative balance sheet position.

Business activity

During the year IRESS achieved a number of business highlights, including:

- **XPLAN Prime:** During the second half of 2017, our new scaled advice solution, XPLAN Prime, was delivered to three ASX-listed financial services businesses. Market demand for this new solution is strong.
- **Integrated solutions:** Critical project milestones were achieved for Tilney Group and Close Brothers Asset Management in the United Kingdom, and Echelon Wealth Partners in Canada.
- **Superannuation:** Delivery of a managed technology service and adoption of Acurity by industry super fund, Statewide Super, significantly automating superannuation administration.
- **Portfolio management:** Increased demand for IRESS' portfolio management solution to new and existing retail and institutional buy-side clients.
- **Lending:** Major retail bank TSB went live in the second half with MSO V2 and we reached agreement with our first Australian client to deliver our mortgage solution during the first half of 2018. Lending recurring revenue increased from 10% to 15% of total revenue, reflecting client deliveries.
- **Client and user experience:** Investments in improving core products and technology for our clients and users to improve experience and ensuring greater leverage, simplicity, and scale.

People

In response to feedback from people and market research, during 2017 we reviewed and extensively tested a new non-executive remuneration framework. In 2018 we are implementing this model. This will see a greater focus on collective performance to drive increased collaboration as well as simplicity and transparency in how we reward and recognise our people. Under the new model, individual cash bonuses will not continue and will be replaced with a profit share arrangement for our people, with those who consistently excel being offered equity as a fixed percentage of their base salary.

Our focus in 2018

2018 will see IRESS continue to focus on growth in all of our markets. Our unique product and solution set, our strong track record and our real on-the-ground presence in each market we serve are strong competitive advantages.

External drivers including a demand for integration, market consolidation, regulatory change and a desire for business efficiency are strong drivers of our growth strategy.

We will continue to focus on scale and efficiency through operational leverage. We are well advanced with technology initiatives to improve delivery to our clients as well as support greater efficiency.

Thank you

We take this opportunity to thank you – IRESS' shareholders – as well as our clients, users and people, for your continued support.

Principal Activities

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IRESS is a leading provider of technology to the financial services industry. It was founded in Australia in 1993 and operates in Australia, New Zealand, the United Kingdom, South Africa, Canada and Asia. IRESS' revenue is primarily recurring and subscription based.

Our unified technology capability

We partner with and support clients from small retail to large institutional firms across multiple segments of the financial services industry. Our solutions sit at the centre of our clients' businesses, supporting their core operations, providing end-to-end functionality and connectivity through back, middle and front office operations and to our clients' customers.

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

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 and Chief Information Security Officer. IRESS' 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 organisation and by exploring the potential utilisation 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 & Financial Review

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IRESS' financial performance is underpinned by a focus on client service and support, ongoing investment in products and technology, increasing product and geographical diversification and a recurring subscription revenue model.

REPORTED (AUDm)		2016	2017	Movement from 2016
Operating Revenue - reported		389.7	430.0	10%
	- constant currency basis	389.7	439.8	13%
Segment Profit	- reported	123.5	125.4	2%
	- constant currency basis	123.5	126.6	3%
Segment Profit after Share Based Payments		112.7	116.1	3%
EBITDA		103.5	107.3	4%
Reported NPAT		**59.5**	**59.8**	**1%**
Basic EPS (cents per share)		37.0	35.4	(4%)
Dividend (cents per share)		44.0	44.0	-

Operating Revenue

On a reported basis, revenue from ordinary activities grew 10% to $430.0m in 2017 (2016: $389.7m) which primarily reflects a full year contribution from businesses acquired in 2016 and underlying growth in all geographies, most notably Australia, South Africa and the UK. On a constant currency basis, total revenue growth in 2017 was 13% and 4% excluding 2016 acquisitions.

In Australia, revenue growth was driven by:

– Continuing strong underlying demand for IRESS' wealth management platform, XPLAN. The financial services sector globally continues to look to technology to increase efficiency, manage risk in an increasingly complex regulatory environment and deliver improved client experience;

– Deployment of XPLAN Prime to three ASX listed clients, two of whom have gone live and are actively using this product to change the way they deliver scaled wealth advice to their customers;

– Increased demand for IRESS' portfolio management solution to new and existing buy-side financial markets clients, reflecting increased focus on transparency and efficiency; and

– Full year revenue contribution from Financial Synergy, which was acquired in October 2016.

In the United Kingdom, full year revenue growth of 3% (in local currency) reflected increased revenue in the second half following successful client deliveries and increased uptake from existing customers. The UK is underpinned by similar global wealth management themes, with the evolving regulatory environment and industry landscape continuing to heighten demand for broader IRESS solutions that support integrated wealth and trading capabilities and unify diverse internal technology needs.

In South Africa, revenue growth was driven by a full year revenue contribution from INET BFA, which was acquired in November 2016, and continuing strong underlying demand for IRESS' suite of trading, market data and advice solutions.

Segment Profit

IRESS uses Segment Profit as a measure of underlying earnings to aid inter-period comparability of results. In 2017, reported Segment Profit increased 2%, reflecting revenue growth, particularly from business acquired in 2016 and from Australia and the UK in the second half, and targeted investment in the delivery of strategically important client deployments, global product development, migration of clients to latest product releases with enhanced functionality and increased delivery capability to support future growth.

On a constant currency basis, Segment Profit increased 3% in 2017 reflecting 11% growth in the second half from increased revenue with only marginal cost growth. Excluding the impact of 2016 acquisitions constant currency Segment Profit was down 3% in 2017 reflecting the targeted cost investment that exceeded underlying revenue growth.

APAC Financial Markets

Financial Markets revenue grew 1% in 2017 ($1.6m) which reflects growth in demand for portfolio management solutions amidst continuing challenging market pressures, particularly on the institutional sell side.

REPORTED (AUDm)	OPERATING REVENUE 2016	2017	Movement from 2016	DIRECT CONTRIBUTION 2016	2017	Movement from 2016
APAC Financial Markets	113.5	115.1	1%	84.1	83.8	(0%)
ANZ Wealth Management	93.8	125.1	33%	75.7	93.9	24%
UK	110.8	105.5	(5%)	73.2	67.3	(8%)
Lending	26.0	23.8	(9%)	21.1	18.6	(12%)
South Africa	28.7	42.8	49%	22.4	32.8	47%
Canada	16.9	17.7	5%	7.8	9.0	15%
Total Group	**389.7**	**430.0**	**10%**	**284.4**	**305.4**	**7%**
Product and Technology				(98.4)	(108.3)	10%
Operations				(34.2)	(38.7)	13%
Corporate				(28.2)	(33.0)	17%
Segment Profit				**123.5**	**125.4**	**2%**

Revenue from Asia remained in line with the prior year but is expected to grow in 2018 as Maybank Kim Eng continues to roll out IRESS' online trading solution to its retail clients.

The small decline in Direct Contribution reflects wage inflation. Increases in other costs, including external market data, are largely passed onto clients.

ANZ Wealth Management

Momentum in Wealth Management remained strong in 2017 with revenue growth of 33% from 2016 reflecting the full year contribution from Financial Synergy, and 7% underlying growth from the increase in the uptake of services by IRESS' existing clients in response to business challenges and opportunities and regulatory complexity.

During 2017, three key Australian Wealth Management clients took delivery of IRESS' scaled advice solution, XPLAN Prime, changing the way advice professionals deliver scaled advice. Interest in XPLAN Prime remains strong and provides strong efficiency opportunities for each of large wealth advice businesses, superannuation funds, and independent financial advice businesses.

During the year, the Superannuation business successfully rolled out its Acurity managed superannuation platform to Statewide Super, replacing multiple legacy systems and enabling the fund to focus on the needs of their more than 140,000 members.

IRESS also completed development of a digital superannuation solution that provides increased functionality and engagement for members. This solution is attracting strong interest from industry superannuation funds in Australia.

In 2017, XPLAN was voted the number one financial planning software in Australia for the tenth consecutive year.

UK

In local currency, revenue increased 3% from 2016 to 2017 which reflects delivery of a number of client projects and client retention. Revenue was slightly down in the first half of 2017, when compared to the second half of 2016 reflecting the focus on key project delivery. Revenue grew 3% in the second half reflecting client deliveries and increased uptake from existing clients across services, including revenue growth for services provided by IRESS' The Exchange. Recurring revenue represents approximately 93% of total revenue, while XPLAN contributed approximately 20% of total revenue reflecting progress in the market.

In local currency, direct contribution was flat on the prior year which reflects investment in delivery capacity and one-off costs associated with the delivery of a large and strategically important client project in an accelerated time-frame.

During 2017, IRESS successfully delivered a major milestone with prominent wealth manager Close Brothers Asset Management (CBAM) to deliver an integrated private wealth technology platform and new digital client portal that replaces a number of existing systems and processes with a unified technology solution.

IRESS continues to experience strong demand from existing and new clients for integrated solutions across IRESS' trading and advice product suite, reflecting broader industry challenges to support integrated wealth and trading capabilities and unify diverse internal technology stacks.

Lending[1]

In local currency, revenue and direct contribution remained largely in line with the prior year. The Lending business continues to make good progress transitioning to a subscription revenue model with recurring licence fees contributing approximately 15% of total revenue in 2017, up from 10% in 2016.

In the second half of the year, prominent high street bank, TSB, went live with version 2.0 of IRESS' Mortgage Sourcing and Origination product and IRESS reached agreement to deliver our mortgage solution to an Australian client, the first client for this product outside the UK.

(1) Previously called UK Lending

Operating & Financial Review continued

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South Africa

Growth momentum remained strong in South Africa in 2017. In local currency, Operating Revenue and Direct Contribution grew 40% and 38% respectively, reflecting the full year contribution from recently-acquired INET BFA and continuing double digit underlying revenue and direct contribution growth due to demand across IRESS' product suite.

Revenue growth was underpinned by increasing demand from existing clients for trading solutions, trading algorithms and automation, market data and SmartHub trading connectivity. Variable revenues, which represent approximately 5% of total revenue in South Africa, were slightly down due to reduced trading volumes on the JSE, which were 5% below the prior year.

Canada

In local currency, Operating Revenue increased 6% while Direct Contribution increased 16%. This result reflects successful client project deliveries coupled with sell-side client retention and some increased uptake from existing clients. IRESS' footprint in the Canadian wealth management market continues to progress well and grow following delivery of a number of wealth solution deployments including a complete solution to leading Canadian independent firm Echelon Wealth Partners which has more than CAD 4 billion assets under management.

Product and Technology

The scale of investment in product and technology is at the heart of IRESS' success and market position, supporting client retention and future recurring revenue growth.

Product and Technology cost is primarily made up of people costs and reflects IRESS' ongoing investment in existing and new technology. Costs increased from $98.4m in 2016 to $108.3m in 2017 which reflects the cost contribution by the acquisitions of Financial Synergy and INET BFA, and headcount and wage increases, much of which resulted from recruitment in the prior year. Cost growth in the second half was approximately 1% (when compared to the first half).

Operations

Operational costs include core business infrastructure and people, such as internal and external communications technology, information security, operating hardware and software, and help desk.

Costs increased from $34.2m in 2016 to $38.7m in 2017 reflecting the cost contribution by acquisitions of Financial Synergy and INET BFA, headcount and wage increases.

Corporate

Corporate costs include IRESS' central business functions including human resources, finance, communications & marketing, legal and other general corporate costs.

Costs increased from $28.2m in 2016 to $33.0m in 2017 reflecting the cost contribution by the acquisitions of Financial Synergy and INET BFA, headcount and wage increases and costs associated with a series of IRESS people conferences held as part of a continued focus in investing and developing our people and alignment to our strategic direction and priorities. Corporate costs declined marginally in the second half of 2017.

Net Profit after Tax (NPAT)

IRESS' reported NPAT increased 1% on the prior year. The increase in Segment Profit and reduction in share based payments, non-recurring items and interest was offset by higher depreciation and amortisation charges that are discussed in more detail below.

The cost of issuing share-based remuneration to employees is amortised to the P&L over the vesting period (generally three years). Share-based payments expense declined from the previous year as a result of a higher forfeiture rate in 2017.

REPORTED (AUDm)	2016	2017	Movement from 2016
Segment Profit	**123.5**	**125.4**	**2%**
Share based payments	(10.8)	(9.3)	(14%)
Segment Profit after Share based payments	**112.7**	**116.1**	**3%**
Other non-operating items	(9.2)	(8.8)	(4%)
Profit before interest and income tax expense	**103.5**	**107.3**	**4%**
Depreciation and amortisation	(21.1)	(25.1)	19%
EBIT	**82.5**	**82.2**	**(0%)**
Net interest and financing costs	(5.5)	(4.4)	(19%)
Tax	(17.5)	(18.0)	3%
Reported NPAT	**59.5**	**59.8**	**1%**

Non-operating items are primarily related to:

– Integration of businesses acquired in 2016 and 2015;
– Business restructuring, including re-organisation of the senior leadership team;
– Relocating and refurbishment of the Sydney and Melbourne offices; and
– Implementation of new corporate core systems.

Depreciation and amortisation represents depreciation of operating fixed assets and amortisation of intangible assets acquired within business acquisitions. The increase from 2016 reflects higher depreciation costs on the new Sydney office and amortisation charges in respect of the software acquired as part of the acquisition of Financial Synergy and INET BFA in 2016.

Net interest and financing costs reduced by 19% from the prior year which reflects lower average debt levels and a higher proportion of debt in GBP which attracted a lower interest rate.

The Group's effective tax rate of 23.2% is the aggregate of tax rates in the jurisdictions in which the business operates, deductions associated with employee share plans and previously unrecognised tax losses and other true-up adjustments to historical items.

Dividends

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

Balance Sheet

The Sydney office was successfully moved to a new, upgraded premises during the year and substantial progress was made on the upgrade of the Melbourne office. The new office environment will facilitate new, more agile ways of working and represents an investment in IRESS' culture and people.

IRESS' debt facilities were refinanced during the year extending tenor.

The increase in net debt by $9.9 million was due to an increase in borrowings used to fund the fit out of IRESS' new Sydney premises and investment in computer equipment and systems during the year. As a result, gearing increased marginally, but remains conservative at 1.3x Segment Profit at the end of the year. IRESS continues to actively manage cash holdings to reduce interest costs.

The disposal of part of the funds administration business that services customer owned banks and the amortisation of intangibles recognised from past acquisitions has resulted in a decrease in the carrying amount of intangible assets. Plant and equipment has increased, mainly from the fitout of our new Sydney premises and investment in computer equipment and systems during the year.

Following a successful reassessment of our prior period tax returns, the Group received a refund during the year resulting in the reduction of current tax payables.

Included in provisions are deferred considerations for prior acquisitions. Payments were made during the year for the Pulse acquisition following successful achievement of required milestones. The remaining deferred consideration is expected to be paid in 2018.

DIVIDENDS	$m 2016	**$m 2017**	Cents per share 2016	**Cents per share 2017**
Interim dividend franked to 60% (2016: 60%)	25.8	27.4	16.0	16.0
Final dividend declared after balance sheet date franked to 60% (2016: 60%)	47.6	48.0	28.0	28.0
Total	**73.4**	**75.4**	**44.0**	**44.0**

Board of Directors

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TONY D'ALOISIO

Independent Non-Executive Director since June 2012, Chairman since August 2014

Tony has 45 years' experience as a senior executive in government, corporate and legal roles. Tony became Chairman of Perpetual in May 2017, following his appointment as independent non-executive director in December 2016. He was appointed as a Commissioner for the Australian Securities and Investment 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.

GEOFF 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 from March 2000 to December 2014, including Chairman of its wealth management division MLC. Other companies he has been a director of include Amcor, Suncorp, Dyno Nobel, Programmed Management Services and Neverfail Springwater. Geoff is Chairman of Growthpoint Properties Australia, Calibre and Wingate Asset Management, and a director of Wingate Group Holdings.

ANDREW WALSH

Executive Director and Chief Executive Officer since October 2009

After a career as an actuarial consultant, Andrew co-founded and spearheaded the development of market leading financial planning software XPLAN and joined IRESS when it acquired XPLAN Technology in 2003.

Andrew became IRESS' CEO in 2009 and has since led the growth of the group. Under Andrew's leadership IRESS' market capitalisation has doubled to approximately $2 billion.

Since Andrew became CEO, IRESS has expanded organically and made several local and international acquisitions and now has more than 1,800 people designing, developing and delivering software solutions for the financial services industry in Australia, New Zealand, the United Kingdom, South Africa, Canada and Asia.

JENNY SEABROOK

Independent Non-Executive Director since 2008, Chair of the People & Performance Committee since May 2011

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 senior advisor to Gresham Advisory Partners and a non-executive director of listed entities, Iluka Resources and MMG and of federal government corporation Australian Rail Track Corporation and Western Australian Treasury Corporation. Former directorships include Alinta Gas, Amcor, 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.

JOHN 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 United Kingdom, France, the United States 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. John now works for the global refugee initiative Talent Beyond Boundaries.

JULIE FAHEY

Independent Non-Executive Director since October 2017

Julie has over 30 years of experience in technology, including in major organisations such as Western Mining, Exxon, Roy Morgan, General Motors and SAP, covering consulting, software vendor and chief information officer roles. In addition to her industry experience, Julie spent 10 years at KPMG as a partner with the firm, during which time she held roles as national lead partner telecommunications, media and technology, and national managing partner - markets. Julie was also a member of the KPMG National Executive Committee. Julie is a non-executive director of SEEK, Datacom Group, CenITex, Vocus Group and non-profit disability services organisation Yooralla, and a member of the Emergency Services Telecommunications Authority's ICT Advisory Board.

JOHN 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 Chair of the Audit & Risk Committee. A Fellow of CPA Australia with over 40 years' experience in financial services. Senior roles included CFO of both ASX and Advance Bank Australia and Vice President Financial Services with BT Australia. John's previous directorships include ASX Perpetual Registry (now Link Market Services) and Orient Capital as well as executive director roles with the Australian Clearing House, ASTC (CHESS) and ASX Operations. He was also previously a member of the Advisory Council of Comcover, a federal government entity, for six years.

NIKI BEATTIE

Independent Non-Executive Director since February 2015

Niki has more than 25 years' experience in financial technology and capital markets. She currently runs Market Structure Partners, a strategic consulting firm. Niki spent more than a decade in senior positions at Merrill Lynch International. She is currently non-executive chairman of pan-European share trading platform, Aquis Exchange and of XTX Markets, a quantitative-driven, electronic global market-maker. She is also non-executive director of European financial services company Kepler Cheuvreux International and Borsa Istanbul, the Turkish stock exchange. She was previously on the board of MOEX, the Moscow Exchange. She serves on the Regulatory Decisions Committee of the UK Financial Conduct Authority and the Secondary Markets Advisory Committee to the European Securities Markets Authority.

COMPANY SECRETARY

Peter Ferguson

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' Report
For the year ended 31 December 2017

The Directors of IRESS Limited and its subsidiaries ("the Group") submit the annual financial report for the year ended 31 December 2017.

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 2017, 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	6	6	5	5	6	6
Niki Beattie	6	6	*	*	6	6
John Cameron	6	6	*	*	6	6
Julie Fahey (1)	2	2	1	1	1	1
John Hayes	6	5	5	5	*	*
Jenny Seabrook	6	6	5	5	6	6
Geoff Tomlinson	6	6	5	5	*	*
Andrew Walsh	6	6	*	*	*	*

(1) Julie Fahey was appointed as a Director on 6 October 2017.
* Not a member of this committee.

SUBSEQUENT EVENTS

On 22 February 2018, the directors declared a final dividend of 28.0 cents per share franked to 60% totalling $48.0 million.

Other than the dividend declared, there has been no other matter or circumstances which has arisen since the end of the financial year which 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 subsequent 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:

(i) Extension of borrowings

On 21 November 2017, the Group successfully refinanced its $300 million debt facility of which $181.25 million was expiring in September 2018 and $118.75 million was expiring in September 2020, to a four-year maturity expiring in November 2021.

(ii) Divestments

On 13 July 2017, IRESS entered into an agreement with Mainstream BPO to divest part of its superannuation administration business that provides services to customer-owned banks for $3.3 million. The transaction was completed on 9 November 2017, with the sale proceeds received in full during the 2017 year. No gain or loss (before transaction costs) was recognised on the transaction.

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 any related body corporate against a liability or expense incurred in their capacity as 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 a Director or an officer of the Company will generally incur no monetary loss as a result of defending actions taken against them as a Director or an officer. Certain actions are specifically excluded, for example, 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 45.

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 2017 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.

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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 non-financial 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 6.2 of this report details the Board's assessment of the Group's performance in 2017 against the financial and non-financial objectives it established at the beginning of the year. In summary, performances against financial objectives and some non-financial objectives were below the 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 contribution 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 2017 was $4,832,885 (2016: $5,005,625). The decrease of 3% primarily reflects changes to the operating structure during 2017, which reduced the number of Executive KMP from nine (as at 1 January 2017) to seven (as at 31 December 2017). The resulting decrease in fixed remuneration was partially offset by the full year impact of 2016 pay rises and a 2017 increase in base salary that reflected a change in role.
Short-term incentive (STI) *An incentive delivered in cash and equity based on the performance against financial and non-financial objectives*	The STI to be awarded to Executive KMP for 2017 performance (see Section 6.4) totals $1,819,952 (2016: $2,476,282), including: • Cash STI to be paid following the release of annual results in February 2018 of $332,510 (2016: $843,765); and • Equity STI of $1,487,442 (2016: $1,632,517) to be delivered in Deferred Share Rights in May 2018 that vest in May 2021 subject to ongoing service and satisfactory performance (Equity STI award is subject to shareholder approval for the MD/CEO). • The decrease is reflective of a reduced number of Executive KMP, and the below target Segment Profit performance of the Group.
Long-term incentive (LTI) *An incentive delivered in performance rights that vest subject to a relative Total Shareholder Return (TSR) performance*	(a) The LTI to be awarded to Executive KMP for performance in 2017 is performance rights with a face value of $2,095,000 (2016: $2,335,968), inclusive of $1,000,000 (2016: $1,340,000) 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 2017, Executive KMP LTI awards from prior years vested due to superior TSR performance, as outlined in Section 6.3.

Section 1 Overview continued

1.3 KEY CHANGES TO REMUNERATION STRUCTURE

2017

In 2017, the Board refined the guidelines it uses when determining executive STI outcomes. This initiative was intended to:

- Further enhance the process for assessing Group and Executive performance and the impact on remuneration.
- Increase transparency for shareholders and executives regarding remuneration outcomes.

The following elements were further defined:

- Target remuneration outcomes were formalised for each executive with reference to the nature of the role, local market practice and total remuneration opportunity.
- The Cash STI pool for the executive group is adjusted based on the Group's financial performance against budget.
- Final Cash STI outcomes for each executive are then determined with a 50% weighting to the performance of the Group against non-financial objectives and a 50% weighting to the executive's performance against their individual financial and non-financial objectives.

The final determination of STI outcomes continues to be subject to overall Board discretion.

Additionally, there were several changes made to simplify administration of equity schemes effective for grants made in 2017:

- Equity grants will generally be made one week after the AGM.
- Deferred share rights and performance rights are now automatically exercised (converted to shares) on the vesting date in all locations.
- Participants are no longer required to pay a nominal amount of $1 at the point of exercise of a parcel of rights.

2018

In 2018, a new model for non-executive employee remuneration will be introduced. The goal of this new model is to ensure that IRESS can continue to attract, retain, motivate and reward the exceptional talent that is needed to execute its strategy. This new model is supported by a performance management framework that is focused on collective rather than individual success. The revised model has been based on internal and external research and reflects the changing nature of IRESS' workforce, and specifically, the competitive landscape in technology globally.

The revised model consists of base salary, a profit share component in which all employees receive the same cash award if the company meets or exceeds the budget set by the Board at the start of the year and an equity award, vesting over three years, for individuals who continually exceed expectations. Variable cash bonus payments based on individual performance will not form part of the revised remuneration model. The profit share, combined with equity for key employees, will tangibly align employee and shareholder interests.

In light of the work underpinning changes to non-executive employee remuneration, the Board will also review IRESS' executive remuneration model. However, no significant changes are expected to executive remuneration in 2018.

Section 2 Key Management Personnel (KMP)

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 2017, 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 Fahey	Non-executive Director (1)	Part 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 (2)	Part year
P Ferguson	Group General Counsel and Company Secretary	Full year
J Harris	Chief Financial Officer	Full year
A Knowles	Group Executive, Product	Full year
J McNeill	Group Executive, Human Resources	Full year
S New	Group Executive, Strategy	Full year
M Rady	Group Executive, Financial Markets (2)	Part year
A Todd	Chief Technology Officer (3)	Part year

(1) J Fahey was appointed to the Board 5 October 2017.
(2) S Barnes and M Rady ceased employment on 30 September 2017.
(3) A Todd was appointed to the role of Chief Technology Officer effective 27 January 2017. David Walker, the prior incumbent, changed roles and ceased to be KMP on 31 December 2016.

Section 3 Remuneration approach

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 is competitively positioned against comparable companies (based on sector and market capitalisation).

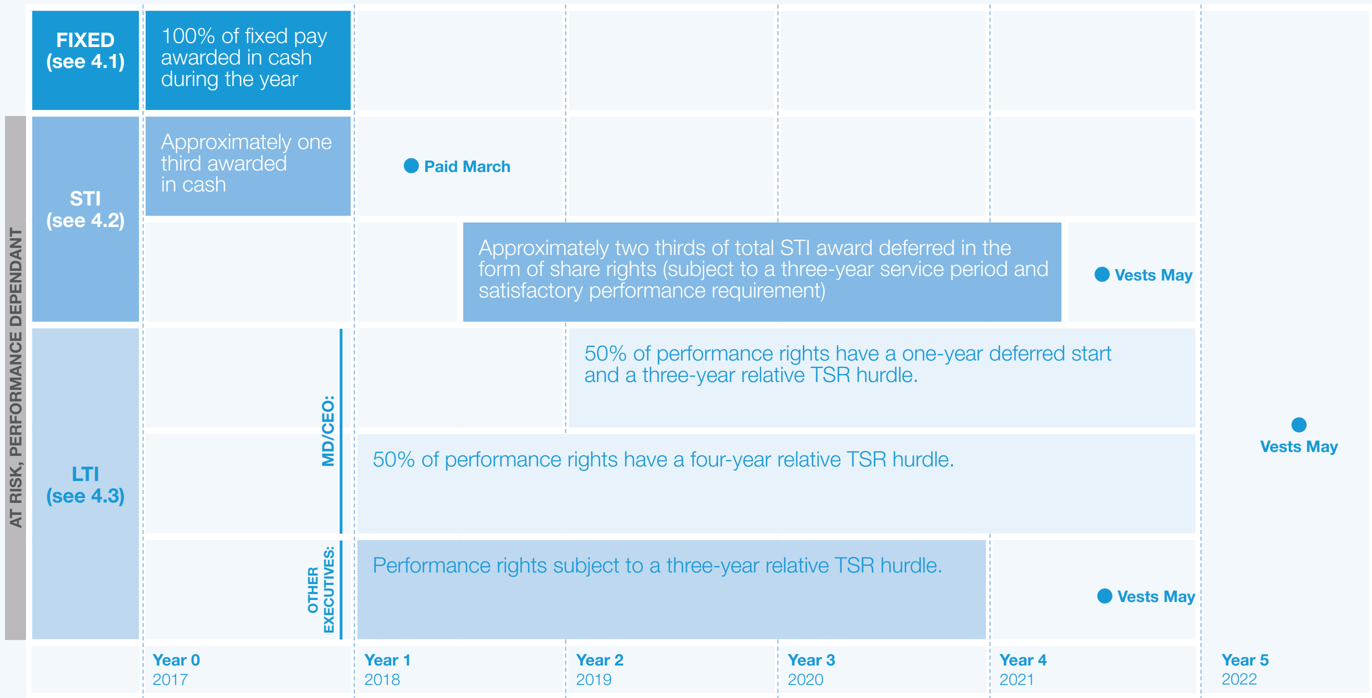
In determining 'at risk' remuneration outcomes IRESS considers the individual's contribution to the business (based on individual performance and future potential), policy remuneration mix, total remuneration and the value of unvested equity held by the individual.

3.2 SUMMARY OF IRESS' EXECUTIVE REMUNERATION PROCESS

AT THE BEGINNING OF THE YEAR	1. The Board sets the financial budget for the Group. The financial budget is the primary driver of Cash STI outcomes.	Section 4.2(d)
	2. The Board approves non-financial objectives for the Group.	Section 4.2(d)
	3. The Board sets individual objectives for the CEO and other executives which include financial targets specific for each executive's role.	Section 4.2(d)
	4. The Board approves target remuneration (Cash STI, Equity STI, LTI) for each executive.	Section 4.2(d)
DURING THE YEAR	5. The Board assesses the financial performance of the Group and adjusts the Cash STI pool for executives up or down.	Process: Section 4.2(e) Outcome: Section 6.2
	6. The Board assesses the performance of the Group against non-financial objectives. This outcome is given a 50% weighting in the determination of the Cash STI for each executive.	Process: Section 4.2(e) Outcome: Section 6.2
	7. The Board assesses the performance of each executive against individual non-financial objectives. This outcome is given a 50% weighting in the determination of the Cash STI for each executive.	Process: Section 4.2(e)
	8. The Board determines a Cash STI outcome for each executive based on points 4-7 above. The Board applies discretion to establish the final Cash STI outcome.	Outcome: Section 6.4
	9. The Board determines the deferred equity (STI & LTI) for each executive with reference to: the performance measures in points 5-7 above, their potential future contribution to the organisation and the value of their unvested equity.	Outcome: Section 6.4
THE FOLLOWING YEAR	10. Executive KMP receive any Cash STI in March after the Group's full-year results have been finalised. Cash STI amounts are subject to revision up to this point in the event of material change to company performance.	Section 4.2 (h)
	11. The MD/CEO's Equity STI and LTI grants are subject to shareholder approval at the AGM in May each year. Equity STI and LTI are issued after the AGM.	Section 4.2 (h)
	12. Equity STI and LTI grants for other Executive KMP are issued after the AGM, subject to Board approval. Equity grants are subject to revision up to this point in the event of material change to company performance.	Section 4.2 (h)
	13. LTI grants from prior years are tested against the vesting conditions in May (with the portion not vesting eligible for re-testing in November).	Process: Section 4.3 Outcome: Section 6.3

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).

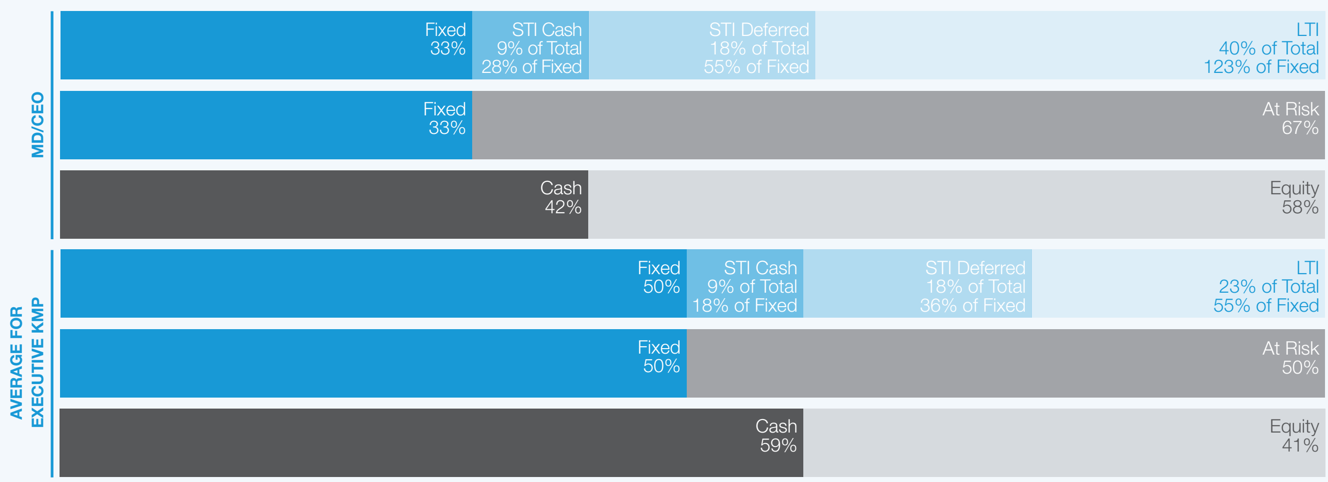


IRESS also encourages employee share ownership through the award of deferred shares or deferred share rights to high performing employees, and by offering an employee share ownership plan to all employees in Australia and the UK (see Section 4.4). The objective of the broad reach of IRESS' equity programs 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 (67%) 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. More than two-thirds of deferred equity has further vesting hurdles based on IRESS' relative TSR performance; and
- **Other Executive KMP:** Half of total remuneration (50%) is at risk and 41% is delivered in deferred equity. More than half of deferred equity has further vesting hurdles based on IRESS' relative TSR performance.

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



There are minor differences in the remuneration mix table above to that depicted in the 2016 Annual Report. The 2016 table showed a lower portion of total remuneration as LTI and a higher portion as Fixed and STI. When LTI was converted from fair value to face value in 2016, the face value was incorrect (LTI as a percentage of Total Remuneration was previously shown as 38% for the MD/CEO and 20% for other Executive KMP).

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
- 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 (STI)

a. What is the STI plan?

The STI is an 'at-risk' incentive awarded annually, subject to performance against pre-set financial and non-financial objectives (refer to Section 4.2(d) below).

b. Who participates in the STI plan?

The MD/CEO, other Executive KMP and high performing employees were eligible to participate in the STI plan in 2017.

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.
- 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) at no cost. DSRs vest subject to a three-year continuing service requirement and achievement of a satisfactory level of individual performance during these three years.

d. What are the performance measures and how are they established?

At the start of the year the Board sets the budget for the Group (and each business segment) having regard to business strategy and prior year performance.

The primary financial metric 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 Consolidated 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 metrics such as Earnings Before Interest, Tax, Amortisation and Depreciation (EBITDA) and Net Profit After Tax (NPAT). The Board also considers the impact of foreign exchange rate movements on financial performance.

The Board also confirms non-financial goals and specific targets for the Group at the start of the year in key focus areas:

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.

Individual targets in each of the focus areas are set for the MD/CEO and each Executive KMP. Individual targets include financial and non-financial objectives specific to that executive's role.

Finally, the Board establishes target remuneration (Cash STI, Equity STI and LTI) for the MD/CEO and each Executive KMP.

Target remuneration outcomes for each executive have regard to:

- The Group's financial budgets and and non-financial objectives for the year
- Policy remuneration mix (refer section 3.3) and an appropriate balance between cash and equity
- The nature of each executive's role and the individual financial and non-financial objectives they have been set for the year
- Market practice in the region where each executive is employed
- The total remuneration opportunity

The target STI outcomes for each executive KMP are shown in Section 6.4.

e. How is performance assessed and STI awarded at the end of the year?	The performance of the Group against budget (primarily segment profit, with consideration of other measures; see 4.2(d)) is used to adjust (up or down) the Cash STI pool for executives. In this way, the performance of the Group against financial budgets set at the beginning of the year is the primary driver of Cash STI outcomes. The Board also assesses the performance of the Group against non-financial objectives set at the beginning of the year and performance of each executive against individual objectives. The subsequent adjustment to each executive's Cash STI outcomes is 50% weighted to Group performance (see Section 6.2 for how the Group performed against these objectives in 2017) and 50% weighted to individual performance. The STI outcomes that resulted from this assessment (as compared to target) in 2017 are provided for Executive KMP in Section 6.4. The award of Equity STI is determined with reference to the executive's target outcome, the Group's performance against financial and non-financial objectives and each executive's performance against individual objectives. In determining equity awards, other considerations are the individual's expected future contribution to the organisation, the total value of an executive's remuneration and the value of their unvested equity. The Board reviews the allocation of STI (cash and equity) between executives and employees, and the total spend as a proportion of segment profit, to confirm that STI is being appropriately and fairly distributed. The final determination of STI outcomes is subject to Board discretion.
f. What is the maximum STI opportunity?	There is no policy maximum STI opportunity. However, STI outcomes are funded and constrained by the Group's profitability (Section 4.2(d) and (e)).
g. Why does the Group consider the STI an appropriate incentive plan?	IRESS' STI plan promotes a shared focus on the Group's financial performance and non-financial goals as well as allowing differentiation between individuals. The Equity STI component recognises ongoing contribution, acts as a retention mechanism for key employees and provides continuing alignment with shareholder interests.
h. When do executives receive STI?	Executives receive Cash STI after the Group's full year results have been finalised. Cash STI remain subject to Board approval and revision up to this point in the event of material change to company performance. Equity STI is granted to executives following the AGM in May each year and remains subject to Board approval and revision up to this point in the event of material change to company performance. The MD/CEO's equity grants are subject to shareholder approval at the AGM.
i. What is the vesting period for deferred share rights?	Deferred share rights vest three years after the Equity STI 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 Equity STI will be forfeited where there has been unsatisfactory individual performance.
l. Are participants entitled to dividends and voting rights?	Deferred Share Rights 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.
m. How is Equity STI 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 may receive a pro-rata amount (unless the Board determines otherwise) subject to applicable law and the satisfaction of any conditions imposed by the Board under the plan.
n. How is Equity STI 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.

Section 4 Remuneration Components in Detail continued

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.
d. How does IRESS determine the amount of the LTI opportunity awarded?	The award of LTI is at the Board's discretion and is determined with reference to the executive's target remuneration outcome and performance against individual objectives, as well as the Group's performance against financial and non-financial objectives. Other factors such as the individual's future contribution to the organisation, retention considerations, the total value of the executive's remuneration and the value of unvested equity held by the individual are considered as part of the determination of equity awards.
e. How does IRESS determine how many rights to grant?	The number of LTI Performance Rights 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 1 January of the year of grant 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 and given the composition of the IRESS share register, relative TSR is the most appropriate way to align executive and shareholder interests. The TSR calculation for IRESS and companies in the comparator group includes franking credits for grants prior to 2015. For the 2016 and subsequent 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 2017 to 31 December 2020 for the 2017 grant). The vesting period begins on the date of grant, which is 5-trading days after the Annual General Meeting (AGM) (e.g. 11 May 2017 to 11 May 2021 for the 2017 grant). 2) 50% of performance rights have a one-year deferred start and are assessed over a three-year period (e.g. 1 January 2018 to 31 December 2020 for the 2017 grant); with vesting over the four-year period following grant (e.g. 11 May 2017 to 11 May 2021 for the 2017 grant). **Other Executive KMP** Performance is assessed over a three-year performance period commencing at the start of the financial year (e.g. 1 January 2017 to 31 December 2019 for the 2017 grant); the vesting period begins on the date of grant, which commences 5-trading days after the Annual General Meeting (AGM) (e.g. 11 May 2017 to 11 May 2020 for the 2017 grant). For all grants prior to 2016 the Group performance period was aligned with the vesting period.
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 supplements this with approximately one share for every two shares the employee acquires up to a maximum value of $300 (share matching).
b. How many shares were issued under this plan in 2017?	The Australian plan has been operating since 2013. In 2017, 358 employees participated (52% of eligible employees), subscribing to 30,072 shares including 9,022 matched shares. The UK plan was established in 2015. In 2017, 311 employees participated (45% of eligible employees), subscribing to 51,163 shares including 6,860 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?	1. 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 for the integration and development of the business opportunity in the United Kingdom. Vesting is subject to commercially sensitive performance criteria over two tranches: - Tranche 1: 1 January 2014 - 31 December 2017. As at 31 December 2017, the performance conditions were still being assessed. Accordingly, the DSRs had not yet vested. - Tranche 2 (executives only): 1 January 2014 - 31 December 2018. The additional year of vesting was to provide extended executive alignment with IRESS’ non-financial goals in the UK. 2. Select IRESS employees (including P Ferguson: 5,160 DSRs) whose roles and responsibilities increased during and after the acquisition. These DSR vested 2 January 2017.

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 Executive KMP increased by 3% in 2017, primarily due to termination payments made to executives whose roles were made redundant. The components included in actual remuneration and the reasons for this increase are summarised below:

Component	2017 Inclusions	Change on 2016	Key driver of change
Fixed remuneration	Base salary, superannuation, and non-monetary benefits paid in 2017.	**(3%)**	• M Rady and S Barnes were part year in 2017.
Cash STI	2017 Cash STI (which has been earned and is scheduled for payment in March 2018 following the release of financial results)	**(61%)**	• Below target Segment Profit result in 2017 and consequent impact on Cash STI pool. • M Rady and S Barnes were not eligible for STI for 2017.
Equity STI	Equity STI that was granted May 2014 in relation to 2013 performance and vested May 2017.	**3%**	• Executives had increases to target remuneration in 2013 and J McNeill was included in the IRESS STI plan following the Avelo acquisition.
LTI	LTI awards that vested in 2017 relating to the May 2013 grants (MD/CEO) and May 2014 grants (Other Executive KMP).	**(9%)**	• 2017 vesting outcome from the MD/CEO four-year performance rights was lower than the 2016 vesting outcome largely due to the 2012 award being for more rights than the 2013 award. • D Walker had LTI vesting in 2016, whereas A Todd's first LTI will be granted May 2018 (subject to Board approval).
Termination payments	Payments to S Barnes and M Rady on cessation of employment.	**n/a**	• No termination payments in 2016.

			STI $				
Position	Financial Year	Fixed remuneration $	Cash STI earned	Equity STI vested [a]	LTI vested [a] $	Termination payments [c] $	Total remuneration realised $
MD/CEO							
A Walsh	2017	1,025,000	110,000	707,600	1,465,464	–	3,308,064
	2016	1,030,000	300,000	647,900	1,746,772	–	3,724,672
Other Executive KMP							
S Barnes	2017	355,525	–	218,746	277,818	597,198	1,449,288
	2016	445,000	60,000	191,072	207,930	–	904,002
P Ferguson	2017	403,951	29,000	212,651	177,815	–	823,417
	2016	367,123	55,000	124,632	129,906	–	676,661
J Harris [b]	2017	570,721	42,500	–	–	–	613,221
	2016	552,429	70,000	–	–	–	622,429
A Knowles [d]	2017	547,620	36,770	244,000	291,751	–	1,120,141
	2016	536,398	75,000	195,195	205,919	–	1,012,512
J McNeill [b, d]	2017	432,880	32,120	58,926	97,210	–	621,136
	2016	389,927	63,950	–	–	–	453,877
S New [b, d]	2017	562,398	32,120	–	–	–	594,518
	2016	600,962	54,815	–	–	–	655,777
M Rady [b]	2017	413,750	–	–	–	579,978	993,728
	2016	530,000	80,000	–	–	–	610,000
A Todd [b, e]	2017	521,040	50,000	–	–	–	571,040
D Walker [f]	2016	553,785	85,000	235,364	259,812	–	1,133,961
Total Executive KMP	**2017**	**4,832,885**	**332,510**	**1,441,923**	**2,310,058**	**1,177,176**	**10,094,552**
	2016	**5,005,625**	**843,765**	**1,394,163**	**2,550,339**	**–**	**9,793,891**

(a) The value of equity that vested is calculated as the share price at vesting date multiplied by the number of rights that vested. There was no clawback of awards in 2017, i.e. no awards eligible for vesting in 2017 were forfeited due to unsatisfactory individual performance during the vesting period.
(b) Executive KMP who joined the Group since 2013 did not hold DSRs or PRs that were eligible for vesting in 2017.
(c) The termination payments did not require shareholder approval under the Corporations Act.
(d) Fixed remuneration and Cash STI of J McNeil, S New, and (as of Dec 2017) A Knowles 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 0.5915 (2016: 0.5473).
(e) A Todd joined the group and became KMP effective 27 January 2017.
(f) D Walker, the prior Chief Technology Officer, changed roles and ceased to be KMP on 31 December 2016.

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 2017.

Measure	2017	2016	2015	2014	2013
Company Performance					
Net Profit After Tax (NPAT) ($'000s)	59,755	59,452	55,385	50,671	24,241
Segment profit ($'000s) [a]	125,383	123,531	119,175	111,444	88,201
Statutory EPS – basic (cents)	35.4	37.0	35.2	32.3	17.5
Dividends per share – ordinary (cents) [b]	44.0	44.0	42.7	41.5	38.0
Share price at 31 December	11.58	11.87	10.00	10.71	9.44
Annual TSR [c]	1.26%	22.97%	(2.79%)	16.33%	19.97%
Annual TSR ASX200 [c]	7.05%	6.99%	(2.15%)	1.09%	14.09%

(a) 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.

(b) 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.

(c) Total Shareholder Return (TSR) amounts have been included above as an indicator of IRESS' performance relative to the ASX200 index. These TSR amounts are sourced from IRESS' market data product and are different from that used to determine LTI vesting, which is specific to the IRESS LTI plan. It excludes franking credits (whereas for LTI grants made prior to 2016, franking credits are included). It is shown for IRESS and the ASX200 index (whereas for LTI grants, IRESS is compared to the constituents of the ASX200, excluding mining and resources companies and listed property trusts (see Section 4.2(f)).

6.2 TRANSLATION OF GROUP PERFORMANCE INTO STI AWARDS

The Board's assessment of the Group's performance against 2017 financial and non-financial 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:

Key focus area	Performance goal	Performance outcome	Result
Financial measures			
Financial	**Achievement of the Board approved budget** (see Section 4.2(d)).	In 2017, the consolidated financial performance of the company (segment profit, EBITDA and NPAT) was below the budget set by the board at the start of the year.	Below target
Non-financial measures			
Clients	**Maintain resilient leadership in existing markets**, client service excellence, new client implementations and retention of existing clients	The APAC financial markets business demonstrated continued resilience and delivered revenue growth despite the ongoing macro challenges being faced by the segment. In 2017 XPLAN was voted the number one financial planning software in Australia for the tenth consecutive year. The APAC wealth management business delivered the scaled advice solution (XPLAN Prime), to three ASX listed financial services businesses and continues to see strong demand for IRESS' broad range of technology solutions. IRESS' superannuation solution, Acurity, went live at Statewide Super. The UK business achieved a major milestone as part of the roll-out of IRESS' integrated wealth solution to Close Brothers Asset Management. In the second half, prominent high street bank, TSB, went live with version 2.0 of IRESS' Mortgage Sourcing and Origination solution. The South African business continued to experience strong underlying demand, confirming its leading market position. XPLAN was deployed to production for major South African financial services firm Old Mutual. Canada delivered a number of wealth solution deployments following success with independent firm Echelon Wealth Partners.	Above target
Growth	**Grow revenue organically and pursue inorganic opportunities where appropriate**	Integration of the 2016 acquisitions of Financial Synergy and INET BFA are progressing well. The completion of an integrated advice solution for superannuation funds in Australia is generating strong interest. Despite achieving a number of significant client milestones in the roll-out of IRESS' integrated wealth solution, revenue growth in the UK was below target. This outcome was largely driven by the timing of implementation projects and slower than expected pipeline conversion.	Below target

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

6.2 TRANSLATION OF GROUP PERFORMANCE INTO STI AWARDS CONTINUED

Key focus area	Performance goal	Performance outcome	Result
People	**Position IRESS as an employer of choice globally**	IRESS has actively invested in its position as an attractive employer of the best people. During the year IRESS completed an independent survey to measure engagement, following an extensive program to deliver its oneIRESS message globally. The results showed a significant increase in positive engagement since the last all people survey in 2014.	Above target
Products/ Technology	**Anticipate trends and innovate to maintain product leadership**	IRESS continued to respond to regulatory and market changes, as well as client demand, with product updates and releases during the year. Significant investments were also made in XPLAN Prime; digital advice for the superannuation industry; IOS+ migration and the rollout of ViewPoint; and MSO V2.	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.**	During the year the IRESS Foundation was established as a vehicle for IRESS people around the globe to contribute their time, talent and money to support local communities and not-for-profit causes. Significant investments have been made during the year into software development and deployment processes, particularly automation, and client and end-user support. The Sydney office was moved to a new, upgraded premises during the year and substantial progress was made on the upgrade of the Melbourne office. IRESS' debt facilities were refinanced during the year achieving an extension of tenor. External communication was enhanced during the year through social, news media and direct channels as well as hosted and trade-based events. In addition, additional emphasis on internal communications increased alignment between teams to better support client outcomes and company brand. The implementation of new payroll and expense management systems was completed during the year. The implementation of a new Enterprise Resource Planning (ERP) system is also materially progressed with go-live expected in early 2018.	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 independently verified vesting outcomes for those LTI grants eligible to vest in 2017 based on the Group's relative TSR performance.

LTI Award	Performance Period	Relative TSR Performance [a]	Vesting Outcome
MD/CEO – 2013 Four-year performance rights	7 May 2013 to 8 May 2017	67.4th percentile	84.8% of performance rights vested
MD/CEO – 2013 Deferred three-year performance rights	7 May 2014 to 8 May 2017	78.3rd percentile [b]	100% of performance rights vested
Other Executive KMP – 2014 performance rights	7 May 2014 to 8 May 2017	72.6th percentile [b]	95.2% of performance rights vested

(a) Based on maximum relative TSR performance as measured on 8 May 2017 and subsequent retest dates.
(b) The Relative TSR differs for these two awards due to changes to TSR calculation methodology that became effective for grants made in 2014. Specifically, for the 2013 MD/CEO award, the TSR calculation is based on closing share price at the start and end of the performance period, with monthly re-tests for six months. Conversely, for the 2014 other Executive KMP award, the TSR calculation is based on a 20-trading-day volume weighted average share price, with one re-test after six months.

6.4 TRANSLATION OF GROUP AND INDIVIDUAL PERFORMANCE INTO REMUNERATION AWARDED TO EXECUTIVE KMP FOR 2017

The following table shows the 2017 STI and LTI outcomes awarded for each of the Executive KMP in relation to their performance in 2017 (to be paid/granted in 2018). Remuneration awarded to Executive KMP decreased by 11% in 2017, primarily due to the below target Segment Profit result in 2017 and consequent impact on 2017 Cash STI pool. Cash STI amounts are subject to Board approval in February 2018. Equity STI and LTI are subject to Board and shareholder approval in May 2018 (by shareholders for the MD/CEO and by the Board for other Executive KMP). The Board retains the discretion to increase or decrease the Cash STI and equity amounts up to the approval date should the performance of the Group or of individual KMP vary materially.

STI AWARDED $

Executive	Year	Fixed remuneration paid $	Cash STI	Equity STI [a] $	LTI[b] $	Total remuneration awarded $
MD/CEO						
A Walsh	2017	1,025,000	110,000	500,000	1,000,000	2,635,000
	2016	1,030,000	300,000	510,000	1,340,000	3,180,000
Other Executive KMP						
S Barnes	2017	355,525	–	–	–	355,525
	2016	445,000	60,000	150,000	152,778	807,778
P Ferguson	2017	403,951	29,000	123,500	140,000	696,451
	2016	367,123	55,000	115,000	118,056	655,179
J Harris	2017	570,721	42,500	180,500	210,000	1,003,721
	2016	552,429	70,000	175,000	180,556	977,985
A Knowles [c]	2017	547,620	36,770	175,750	200,000	960,140
	2016	536,398	75,000	175,000	180,556	966,954
J McNeill [c]	2017	432,880	32,120	132,724	150,000	747,724
	2016	389,927	63,950	76,258	82,378	612,513
S New [c]	2017	562,398	32,120	165,968	175,000	935,486
	2016	600,962	54,815	76,258	94,146	826,181
M Rady	2017	413,750	–	–	–	413,750
	2016	530,000	80,000	180,000	187,500	977,500
A Todd [d]	2017	521,040	50,000	209,000	220,000	1,000,040
D Walker [e]	2016	553,785	85,000	175,000	–	813,785
Total Executive KMP	**2017**	**4,832,885**	**332,510**	**1,487,442**	**2,095,000**	**8,747,837**
	2016	**5,005,624**	**843,765**	**1,632,516**	**2,335,970**	**9,817,875**

(a) Equity STI is shown at grant value. The number of deferred share rights granted to each executive is based on the fair value of a deferred share right. For grant purposes this is the five-trading-day volume weighted average share price in the week up to and including the grant date adjusted for ineligibility to receive dividends.

(b) LTI is shown at grant value. The number of performance rights granted to each executive is based on the five-trading-day volume weighted average share price in the week up to and including the grant date.

(c) Fixed remuneration and Cash STI of J McNeil, S New and (as of December 2017) A Knowles 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 0.5915 (2016: 0.5473).

(d) A Todd joined the group and became KMP effective 27 January 2017.

(e) D Walker, the prior Chief Technology Officer, changed roles and ceased to be KMP on 31 December 2016. In accordance with the change in role, he was not eligible for an LTI award in 2016.

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

6.4 TRANSLATION OF GROUP AND INDIVIDUAL PERFORMANCE INTO REMUNERATION AWARDED TO EXECUTIVE KMP FOR 2017 CONTINUED

The table below shows the actual remuneration awarded to Executive KMP for 2017 against each executive's target remuneration.

The Cash STI outcome for each executive resulting from the Board's assessment of financial performance of the Group against budget, performance of the Group against non-financial objectives and performance against individual objectives is shown in the table below. As noted in Section 6.2 above, the company's financial performance was below the budget set by the Board at the start of the year. As a result, the cash STI awarded to Executive KMP was substantially less than target.

STI equity and LTI equity awards are determined at the discretion of the Board with reference to Group financial performance, performance of the Group against non-financial objectives and the executive's performance against individual objectives. In addition, the award of equity reflects retention considerations, the expected long-term contribution of the individual and their unvested equity exposure. On average, the award of deferred equity represents 85% of target. The Board considers that this reflects an appropriate balance between long-term goals and short-term financial performance.

	BASE	CASH STI			EQUITY STI		
Executive	Actual[a]	Actual	Target	Actual as a % of target	Actual	Target	Actual as a % of target
MD/CEO							
A Walsh	1,000,000	110,000	275,000	40%	500,000	550,000	91%
Executive KMP [b]							
P Ferguson	365,000	29,000	66,364	44%	123,500	132,727	93%
J Harris	540,000	42,500	98,182	43%	180,500	196,364	92%
A Knowles	507,153	36,770	92,210	40%	175,750	184,419	95%
J McNeill	371,912	32,120	67,620	48%	132,724	135,241	98%
S New	507,153	32,120	92,210	35%	165,968	184,419	90%
A Todd [c]	603,900	50,000	109,800	46%	209,000	219,600	95%
Total	**3,895,118**	**332,510**	**801,386**	**41%**	**1,487,442**	**1,602,770**	**93%**

(a) Target remuneration is based on base salary at 31 December 2017. It excludes allowances, non-monetary benefits and superannuation. Amounts therefore vary from the Fixed Remuneration disclosed elsewhere in this report.
(b) S Barnes and M Rady are not included in the table above as they ceased to be KMP during the year and were not eligible for an award of STI or LTI.
(c) A Todd had a salary increase effective 1 October to reflect the increased size of his role.

TOTAL STI			LTI			TOTAL REMUNERATION		
Actual	**Target**	**Actual as a % of target**	Actual	Target	Actual as a % of target	**Actual**	**Target**	**Actual as a % of target**
610,000	825,000	74%	1,000,000	1,227,273	81%	2,610,000	3,052,273	86%
152,500	199,091	77%	140,000	171,630	82%	657,500	735,721	89%
223,000	294,545	76%	210,000	253,918	83%	973,000	1,088,464	89%
212,520	276,629	77%	200,000	238,473	84%	919,673	1,022,255	90%
164,844	202,861	81%	150,000	174,880	86%	686,756	749,654	92%
198,088	276,629	72%	175,000	238,473	73%	880,241	1,022,255	86%
259,000	329,400	79%	220,000	283,966	77%	1,082,900	1,217,266	89%
1,819,952	**2,404,155**	**76%**	**2,095,000**	**2,588,613**	**81%**	**7,810,070**	**8,887,888**	**88%**

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 exception that J Harris, J McNeill, S New and A Todd have non-compete clauses for the 12-months following employment (in addition to the non-compete arrangements during 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 the 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 for NEDs and the CEO.
- 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 arrangements for Directors.
- Approves remuneration arrangements for direct reports to the MD/CEO.
- 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 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 market practice and 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.

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.

Section 9 Non-executive Director fees

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 2017 was $903,342 (2016: $800,096). The increase on 2016 is due to an increase to policy fees as well as an additional NED joining the Board (J Fahey, 5 October 2017).

NED FEE POLICY

The table below contains the fee policy for NEDs during 2017. Fees were increased for the first time since 2013 in July 2017. Fees include statutory superannuation contributions or fees in lieu of statutory superannuation contributions paid by the Group.

Role	Fee ($) – 1 January to 30 June 2017	Fee ($) – From 1 July 2017
IRESS Limited Board		
Board Chair	200,000	240,000
Board member	110,000	130,000
Audit & Risk Committee		
Chair	22,000	24,000
Member	Nil	Nil
People and Performance Committee		
Chair	22,000	24,000
Member	Nil	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 2017 and 2016 is as out in the table below:

		SHORT-TERM BENEFITS	POST-EMPLOYMENT ENTITLEMENTS	
Non-executive Directors	Financial year	Fees $	Superannuation $	Total $
A D'Aloisio	2017	200,913	19,087	220,000
	2016	182,648	17,352	200,000
N Beattie [(a)]	2017	120,000	6,175	126,175
	2016	110,000	6,096	116,096
J Cameron	2017	109,589	10,411	120,000
	2016	100,457	9,543	110,000
J Fahey [(b)]	2017	28,463	2,704	31,167
	2016	–	–	–
J Hayes	2017	130,594	12,406	143,000
	2016	120,548	11,452	132,000
J Seabrook	2017	130,594	12,406	143,000
	2016	120,548	11,452	132,000
G Tomlinson	2017	109,589	10,411	120,000
	2016	100,457	9,543	110,000
Total Non-executive Director fees	**2017**	**829,742**	**73,600**	**903,342**
	2016	**734,658**	**65,438**	**800,096**

(a) 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.

(b) J Fahey was appointed 5 October 2017.

Section 10 Additional Required Disclosures

EXECUTIVE KMP STATUTORY REMUNERATION

The table below presents details of Executive KMP remuneration prepared in accordance with statutory requirements and 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 [c]			POST-EMPLOYMENT BENEFITS [d]		LONG-TERM BENEFITS					
Executive	Year	Salary and fees $ [a]	Non monetary benefits $ [b]	STI $	Super-annuation $	Termin-ation payments $	Share-based payments Shares $ [e]	Share-based payments DSRs $	Share-based payments PRs $	Long-service leave $	Total Remun-eration $	Perform-ance-related remun-eration as % of total remun-eration
MD/CEO												
A Walsh	2017	1,000,000	–	110,000	25,000	–	–	529,590	668,554	20,741	2,353,885	56%
	2016	1,000,000	–	300,000	30,000	–	–	494,892	629,786	16,759	2,471,437	58%
Executive KMP												
S Barnes	2017	315,000	–	–	40,525	364,170	300	96,849	33,162	(6,253)	843,753	15%
	2016	410,000	–	60,000	35,000	–	–	137,869	106,233	6,253	755,355	40%
P Ferguson	2017	365,000	2,289	29,000	36,662	–	300	100,343	75,462	17,708	626,764	33%
	2016	330,000	2,123	55,000	35,000	–	300	106,370	72,542	7,043	608,378	38%
J Harris	2017	540,000	1,370	42,500	29,350	–	–	71,185	102,422	–	786,827	27%
	2016	520,000	529	70,000	31,900	–	–	21,918	66,339	–	710,686	22%
A Knowles [b, f]	2017	506,231	11,388	36,770	30,000	–	–	168,054	111,343	8,847	872,633	36%
	2016	500,000	2,123	75,000	34,275	–	–	158,139	109,983	25,528	905,048	38%
J McNeill [b,f]	2017	385,605	13,803	32,120	33,472	–	262	58,008	30,994	–	554,264	22%
	2016	319,021	14,038	63,950	27,380	–	241	183,313	22,631	–	630,574	43%
S New [f]	2017	507,153	4,530	32,120	50,715	–	262	36,496	25,043	–	656,319	14%
	2016	548,145	5,311	54,815	47,506	–	241	13,151	8,767	–	677,936	11%
M Rady	2017	382,500	–	–	31,250	302,893	–	119,284	25,601	–	861,528	17%
	2016	500,000	–	80,000	30,000	–	–	82,301	72,961	–	765,262	31%
A Todd [g]	2017	476,513	–	50,000	44,526	–	–	–	–	–	571,039	9%
D Walker [g]	2016	520,000	2,123	85,000	31,663	–	–	175,378	138,611	9,884	962,658	41%
Total	**2017**	**4,478,002**	**33,380**	**332,510**	**321,500**	**667,063**	**1,124**	**1,179,809**	**1,072,581**	**41,043**	**8,127,012**	**32%**
	2016	**4,647,166**	**26,247**	**843,765**	**302,724**	**–**	**782**	**1,373,331**	**1,227,853**	**65,467**	**8,487,335**	**41%**

(a) Salary includes allowances and short-term compensated absences paid during the 2016 and 2017 years.

(b) Non-monetary benefits include health and life insurance subsidies. The value of non-monetary benefits for J McNeill was overstated in 2016 and has been restated above. Non-monetary benefits for A Knowles additionally includes $9,156 for temporary accommodation and furnishings following his relocation to the UK. Excluded from non-monetary benefits for A Knowles is $35,587 in reimbursed relocation expenses that are not classified as remuneration, e.g. removalist fees and airfares.

(c) There were no other short-term employee benefits, provided to Executive KMP during the 2016 or 2017 years.

(d) Post-employment benefits for 2016 and 2017 included superannuation and termination payments. Termination payments for accounting purposes exclude equity that vested on termination. The share-based payment expense above includes amounts relating to equity that vested on termination.

(e) Share-based payments in Shares relate to matching shares delivered under Employee Share Plans (see Section 4.4).

(f) Remuneration of J McNeill, S New, and (from December 2017) A Knowles, is denominated in British Pounds and is subject to FX movements. The Australian dollar amounts shown in the table were converted at an average foreign exchange rate of 0.5915 (2016: 0.5473).

(g) A Todd joined the group and became KMP effective 27 January 2017 and D Walker ceased to be KMP on 31 December 2016.

Section 10 Additional Required Disclosures continued

RIGHTS HELD DURING THE FINANCIAL YEAR

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

Deferred Shares and Deferred Share Rights

	Balance as at 1 January 2017	Granted as compen-sation	Vested during the year (a)	Forfeited during the year	**Balance as at 31 December 2017**
MD/CEO					
A Walsh	173,000	47,575	(58,000)	–	162,575
Executive KMP					
S Barnes (b)	47,597	13,993	(38,389)	(23,201)	–
P Ferguson (c)	37,884	10,753	(17,570)	–	31,067
J Harris (d)	9,756	16,325	–	–	26,081
A Knowles (d)	55,366	16,325	(20,000)	–	51,691
J McNeill	71,261	7,138	(4,830)	–	73,569
S New	5,876	7,138	–	–	13,014
M Rady (b)	31,552	16,792	(24,327)	(24,017)	–
A Todd	–	–	–	–	–
Total	**432,292**	**136,039**	**(163,116)**	**(47,218)**	**357,997**

(a) All deferred share rights that vest during the year are exercisable. No deferred share rights were, as at 31 December 2017, vested and not yet exercised.
(b) On termination, a proportion of unvested deferred share rights vested, and the remainder were forfeited.
(c) The opening balance has been reinstated to include Deferred Shares granted under Employee Share Plans (share matching).
(d) The opening balance has been reinstated as J Harris and A Knowles Deferred Share Rights granted in 2016 were transposed.

Performance Rights

	Balance as at 1 January 2017	Granted as compen-sation	Vested during the year (a)	Forfeited during the year	**Balance as at 31 December 2017**
MD/CEO					
A Walsh	496,000	109,478	(120,120)	(9,880)	475,478
Executive KMP					
S Barnes (b)	57,616	12,482	(22,772)	(24,670)	22,656
P Ferguson	39,461	9,646	(14,575)	(735)	33,797
J Harris	36,760	14,752	–	–	51,512
A Knowles	59,993	14,752	(23,914)	(1,206)	49,625
J McNeill	14,252	6,731	(7,968)	(402)	12,613
S New	4,706	7,692	–	–	12,398
M Rady (b)	40,410	15,319	–	(28,679)	27,050
A Todd	–	–	–	–	–
Total	**749,198**	**190,852**	**(189,349)**	**(65,572)**	**685,129**

(a) All performance rights that vested during the year are exercisable. No performance rights were, as at 31 December 2017, vested and not yet exercised.
(b) On termination, a proportion of unvested Performance Rights lapsed, and the remainder were retained and remain subject to the original vesting period and performance conditions.

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 2017, in relation to performance in 2016.

No rights vest if the conditions are not satisfied, hence the minimum value yet to vest is nil. Rights granted in 2017 that subsequently vest will be automatically exercised on or around the time IRESS notifies them that their rights have vested. The maximum value of the grants yet to vest has been determined as the fair value of awards at grant date. Deferred share rights and performance rights are granted for no consideration, and upon vesting, can be exercised at no cost.

Executive	Vehicle	Grant date	Number of rights granted	Fair value at grant date ($)	Vesting date	Expiry date
A Walsh	Deferred share rights	11–May–17	47,575	$10.86	11–May–20	11–May–20
	Performance rights	11–May–17	54,739	$6.64	11–May–21	11–May–21
		11–May–17	54,739	$7.05	11–May–21	11–May–21
S Barnes	Deferred share rights	11–May–17	13,993	$10.86	11–May–20	11–May–20
	Performance rights	11–May–17	12,482	$7.13	11–May–20	11–May–20
P Ferguson	Deferred share rights	11–May–17	10,728	$10.86	11–May–20	11–May–20
	Performance rights	11–May–17	9,646	$7.13	11–May–20	11–May–20
J Harris	Deferred share rights	11–May–17	16,325	$10.86	11–May–20	11–May–20
	Performance rights	11–May–17	14,752	$7.13	11–May–20	11–May–20
A Knowles	Deferred share rights	11–May–17	16,325	$10.86	11–May–20	11–May–20
	Performance rights	11–May–17	14,752	$7.13	11–May–20	11–May–20
J McNeill	Deferred share rights	11–May–17	7,114	$10.86	11–May–20	11–May–20
	Performance rights	11–May–17	6,731	$7.13	11–May–20	11–May–20
S New	Deferred share rights	11–May–17	7,114	$10.86	11–May–20	11–May–20
	Performance rights	11–May–17	7,692	$7.13	11–May–20	11–May–20
M Rady	Deferred share rights	11–May–17	16,792	$10.86	11–May–20	11–May–20
	Performance rights	11–May–17	15,319	$7.13	11–May–20	11–May–20
A Todd	Deferred share rights		–			
	Performance rights		–			

Section 10 Additional Required Disclosures continued

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. 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.

Executive	Vehicle	Grant date	Number of rights granted	Fair value at grant date
A Walsh	Deferred share rights	07–May–14	58,000	$7.25
	Performance rights	07–May–13	65,000	$5.03
	Performance rights	07–May–13	65,000	$4.76
S Barnes [(a)]	Deferred share rights	07–May–14	17,930	$7.25
		07–May–15	15,521	$9.02
		05–May–16	14,146	$10.25
		11–May–17	13,993	$10.86
	Performance rights	07–May–14	23,920	$4.18
		07–May–15	20,755	$5.30
		05–May–16	12,941	$8.50
		11–May–17	12,482	$7.13
P Ferguson	Deferred share rights	30–Sep–13	5,160	$7.75
	Deferred share rights	07–May–14	12,410	$7.25
	Performance rights	07–May–14	15,310	$4.18
J Harris	Deferred share rights		–	
	Performance rights		–	
A Knowles	Deferred share rights	07–May–14	20,000	$7.25
	Performance rights	07–May–14	25,120	$4.18
J McNeill	Deferred share rights	07–May–14	4,830	$7.25
	Performance rights	07–May–14	8,370	$4.18
S New	Deferred share rights		–	
	Performance rights		–	
M Rady [(a)]	Deferred share rights	07–May–15	14,967	$9.02
		05–May–16	16,585	$10.25
		11–May–17	16,792	$10.86
	Performance rights	07–May–15	24,528	$5.30
		05–May–16	15,882	$8.50
		11–May–17	15,319	$7.13
A Todd	Deferred share rights		–	
	Performance rights		–	

(a) On their termination date of 30 September 2017, a proportion of the deferred share rights granted to S Barnes and M Rady in 2015 and 2016 vested, and the remainder were forfeited. The original vesting dates were 7 May 2018 and 5 May 2019 respectively.

Vesting date [a]	Expiry date	Number of rights vested [a]	Number of rights lapsed/forfeited	Proportion rights vested	Proportion forfeited
08–May–17	08–May–17	58,000	–	100.0%	0.0%
08–May–17	08–May–17	55,120	9,880	84.8%	15.2%
08–May–17	08–May–17	65,000	–	100.0%	0.0%
08–May–17	08–May–17	17,930	–	100.0%	0.0%
30–Sep–17	30–Sep–17	15,521	–	100.0%	0.0%
30–Sep–17	30–Sep–17	4,938	9,208	34.9%	65.1%
11–May–20	11–May–20	–	13,993	0.0%	100.0%
08–May–17	08–May–17	22,772	1,148	95.2%	4.8%
07–May–18	07–May–18	–	4,162	0.0%	20.1%
05–May–19	05–May–19	–	6,878	0.0%	53.1%
11–May–20	11–May–20	–	12,482	0.0%	100.0%
02–Jan–17	02–Jan–17	5,160	–	100.0%	0.0%
08–May–17	08–May–17	12,410	–	100.0%	0.0%
08–May–17	08–May–17	14,575	735	95.2%	4.8%
		–	–		
		–	–		
08–May–17	08–May–17	20,000	–	100.0%	0.0%
08–May–17	08–May–17	23,914	1,206	95.2%	4.8%
08–May–17	08–May–19	4,830	–	100.0%	0.0%
08–May–17	08–May–19	7,968	402	95.2%	4.8%
		–	–		
		–	–		
30–Sep–17	30–Sep–17	14,967	–	100.0%	0.0%
30–Sep–17	30–Sep–17	9,360	7,225	56.4%	43.6%
11–May–20	11–May–20	–	16,792	0.0%	100.0%
07–May–18	07–May–18	–	4,919	0.0%	20.1%
05–May–19	05–May–19	–	8,441	0.0%	53.1%
11–May–20	11–May–20	–	15,319	0.0%	100.0%
		–	–		
		–	–		

Section 10 Additional Required Disclosures continued

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.

KMP	Balance as at 1 Jan 2017	Shares acquired during the year [c]	Other changes	Balance as at 31 Dec 2017
NEDs				
A D'Aloisio	36,855	10,629	–	47,484
N Beattie	–	–	–	–
J Cameron	36,668	–	–	36,668
J Fahey	–	–	–	–
J Hayes	13,788	–	–	13,788
J Seabrook	37,988	510	–	38,498
G Tomlinson	–	8,000	–	8,000
Executive KMP				
A Walsh [a]	370,502	191,843	(150,000)	412,345
S Barnes	31,110	64,007	–	95,117
P Ferguson [b]	29,082	33,955	(35,868)	27,169
J Harris	–	–	–	–
A Knowles	9,316	46,649	(23,701)	32,264
J McNeill [b]	697	9,951	(7,207)	3,441
S New [b]	293	315	–	608
M Rady	–	24,327	–	24,327
A Todd	–	–	–	–
Total	**566,299**	**390,186**	**(216,776)**	**739,709**

(a) Opening balance has been restated for A Walsh to include shares acquired on acquisition of Financial Synergy.
(b) Opening balances have been restated for P Ferguson, J McNeill and S New to include shares purchased under Employee Share Plans in prior years. A portion of performance rights vesting in 2016 have not been included as they have not yet been exercised.
(c) Shares acquired by Executive KMP during the year were acquired on the exercise of deferred share rights, exercise of performance rights (including those that vested in 2016 that were exercised in 2017) and acquisition of shares under Employee Share Plans.

The aggregate number of shares, deferred share rights and performance rights held by each executive is shown below.

Executive	Shareholdings at 31 Dec 2017	Deferred share rights at 31 Dec 2017	Performance rights at 31 Dec 2017	Total shares/ rights at 31 Dec 2017
A Walsh	412,345	162,575	475,478	1,050,398
S Barnes	95,117	-	22,656	117,773
P Ferguson	27,169	31,016	33,797	91,982
J Harris	-	26,081	51,512	77,593
A Knowles	32,264	51,691	49,625	133,580
J McNeill	3,441	73,492	12,613	89,546
S New	608	12,968	12,398	25,974
M Rady	24,327	-	27,050	51,377
A Todd	-	-	-	-
Total	**595,271**	**357,823**	**685,129**	**1,638,223**

Note: Excludes equity instruments that will be issued in May 2018 related to 2017 performance year.

TRANSACTIONS WITH KMP

No transactions (excluding share-based payment compensation) occurred between KMP and the Company during 2017.

LOANS TO KMP OR RELATED PARTIES

No loans to KMP or related parties were provided during 2017.

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

A WALSH
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

22 February 2018

Auditor's Independence Declaration

Deloitte.

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22 February 2018

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 2017, 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

Tom Imbesi

DELOITTE TOUCHE TOHMATSU

Deloitte Touche Tohmatsu

Tom Imbesi
Partner
Chartered Accountants

Financial Statements
For the year ended 31 December 2017

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 2017.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Revenue		429,952	389,737
Customer data fees		(33,333)	(31,385)
Communication and other technology expenses		(24,516)	(23,026)
Employee benefit expenses	1.3	(232,838)	(202,428)
Other expenses	1.5	(31,880)	(29,389)
Profit before depreciation, amortisation, interest and income tax expense		**107,385**	**103,509**
Depreciation and amortisation expense	1.6	(25,075)	(21,063)
Profit before interest and income tax expense		**82,310**	**82,446**
Interest revenue		382	937
Financing costs		(4,827)	(6,406)
Net interest and financing costs	3.1(d)	**(4,445)**	**(5,469)**
Share of loss of equity-accounted investments, net of tax	4.2	(100)	–
Profit before income tax expense		**77,765**	**76,977**
Income tax expense	4.1	(18,010)	(17,525)
Profit after income tax expense		**59,755**	**59,452**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		10,089	(38,931)
Tax related to exchange differences recognised directly in foreign currency translation reserve (1)		88	(1,610)
Total other comprehensive income/(loss) for the period		10,177	(40,541)
Total comprehensive income for the period		**69,932**	**18,911**
		Cents per share	Cents per share
Earnings per share			
Basic earnings per share	1.2	35.4	37.0
Diluted earnings per share	1.2	34.9	36.4

(1) These are exchange differences on monetary items that form part of a reporting entity's net investment in a foreign operation.

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 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents		28,615	22,951
Trade and other receivables	2.2	55,839	50,102
Derivative assets	3.1(b)	306	–
Total current assets		**84,760**	**73,053**
Non-current assets			
Intangibles	2.1	547,285	553,610
Plant and equipment	1.6	19,773	12,096
Investment in associate	4.2	1,400	–
Deferred tax assets	4.1	18,337	23,276
Derivative assets	3.1(b)	–	205
Total non-current assets		**586,795**	**589,187**
Total assets		**671,555**	**662,240**
LIABILITIES			
Current liabilities			
Trade and other payables	2.3	38,310	44,168
Provisions	2.4	12,893	10,979
Total current liabilities		**51,203**	**55,147**
Non-current liabilities			
Trade and other payables	2.3	4,205	7,517
Provisions	2.4	6,854	8,040
Borrowings	3.1	192,865	177,805
Deferred tax liabilities	4.1	8,881	12,905
Total non-current liabilities		**212,805**	**206,267**
Total liabilities		**264,008**	**261,414**
Net assets		**407,547**	**400,826**
EQUITY			
Issued capital	3.2	376,309	375,287
Share based payments reserve		24,213	23,006
Foreign currency translation reserve		(6,426)	(16,603)
Retained earnings		13,451	19,136
Total equity		**407,547**	**400,826**

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 2017

	Issued capital $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2016	275,983	21,155	23,938	18,235	339,311
Profit for the period	–	–	–	59,452	59,452
Other comprehensive loss	–	–	(40,541)	–	(40,541)
Total comprehensive (loss) / income	**–**	**–**	**(40,541)**	**59,452**	**18,911**
Transactions with owners in their capacity as owners:					
Shares issued during the year (1)	101,214	–	–	–	101,214
Share raising costs	(1,910)	–	–	–	(1,910)
Dividends declared or paid	–	–	–	(68,439)	(68,439)
Share-based payment expense, net of tax (3)	–	11,739	–	–	11,739
Transfer of share-based payments reserve (4)	–	(9,888)	–	9,888	–
	99,304	**1,851**	**–**	**(58,551)**	**42,604**
Balance at 31 December 2016	**375,287**	**23,006**	**(16,603)**	**19,136**	**400,826**

	Issued capital $'000	**Share based payments reserve $'000**	**Foreign currency translation reserve $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 January 2017	375,287	23,006	(16,603)	19,136	400,826
Profit for the period	–	–	–	59,755	59,755
Other comprehensive income	–	–	10,177	–	10,177
Total comprehensive income	**–**	**–**	**10,177**	**59,755**	**69,932**
Transactions with owners in their capacity as owners:					
Shares issued during the year (1)	486	–	–	–	486
Dividends declared (2)	536	–	–	(74,990)	(74,454)
Share-based payment expense, net of tax (3)	–	10,757	–	–	10,757
Transfer of share-based payments reserve (4)	–	(9,550)	–	9,550	–
	1,022	**1,207**	**–**	**(65,440)**	**(63,211)**
Balance at 31 December 2017	**376,309**	**24,213**	**(6,426)**	**13,451**	**407,547**

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

(1) 2017 shares issued to satisfy employee share plan obligations. 2016 shares issued in respect of institutional placements and share offer plan to fund acquisition of Financial Synergy, and satisfy employee share plan obligations. Refer Note 3.2.
(2) Shares issued under the Dividend Reinvestment.
(3) Share-based payment expense includes the tax impact of $1.4 million (2016: $0.6 million) on vesting of employees share based payments.
(4) The movement from share-based payment reserves to retained earnings represents the fair value of share-based payments that have vested or lapsed during the year. The amount has been recognised as a share-based payment expense over the vesting period. Details of share-based payment arrangements are provided in Note 1.4.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		464,319	428,672
Payments to suppliers		(130,397)	(123,322)
Payments to employees		(223,168)	(189,940)
Interest received		382	937
Interest and borrowing costs paid		(6,043)	(6,080)
Income taxes paid		(21,350)	(19,699)
Net cash inflow from operating activities	1.7	**83,743**	**90,568**
Cash flows from investing activities			
Payments for plant and equipment		(18,945)	(7,240)
Payments for intangibles	2.1	(3,279)	(4,575)
Proceeds from sale of intangible assets		3,250	–
Payment of deferred consideration	2.4	(1,132)	–
Net cash paid for acquisition for investments and subsidiaries	4.2	(1,500)	(101,692)
Acquisition and integration costs paid		–	(7,656)
Net cash outflow from investing activities		**(21,606)**	**(121,163)**
Cash flows from financing activities			
Proceeds from borrowings		167,156	48,084
Repayments of borrowings		(154,175)	(65,313)
Proceeds from share issue		–	100,623
Share issue costs paid		–	(1,910)
Proceeds from employee share plan repayments		487	591
Dividends paid		(74,644)	(68,376)
Net cash (outflow) / inflow from financing activities		**(61,176)**	**13,699**
Net increase / (decrease) in cash and cash equivalents		**961**	**(16,896)**
Cash and cash equivalents at the beginning of the financial year		22,951	39,233
Effects of exchange rate changes on cash and cash equivalents		4,703	614
Cash and cash equivalents at the end of the year		**28,615**	**22,951**

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 segments listed below. Any transactions directly between segments are charged on an arm's length basis.

CHANGE TO A GROSS MARGIN PRESENTATION

IRESS has previously reported the financial performance of client-facing segments after the allocation of centrally incurred costs ('post cost allocation view'). More than 50% of IRESS cost base is incurred centrally with the largest component of these costs being the Product and Technology team.

Given the material size of centrally incurred costs, IRESS believes that separate specific disclosure of expenditure in these areas will provide greater transparency to users of the financial statements. In addition, the benefit that each client segment derives from these central costs, and in particular product and technology activity, varies over time. As a result, it was becoming increasingly difficult to assess the performance of each business using the post cost allocation view.

In response, IRESS has changed the presentation of segment results to show the financial performance of client segments excluding centrally incurred costs and to separately disclose key centrally incurred costs. The revised segments comprise:

Client Segments

Client segments which include revenue less the direct costs of customer-facing teams that oversee this revenue generation, are:

APAC Financial Markets

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

ANZ Wealth Management

Provides financial planning systems, fund administration software and related tools to Superannuation and Wealth Management professionals located in Australia and New Zealand.

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.

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.

Cost Segments

Product and Technology

All costs associated with product and technology will be reported under this segment giving a clear view of the quantum of investment made by IRESS in maintaining and enhancing its products.

Operations

Includes costs to run client-facing and corporate operations activity, including hosting and networks, information security, client help desks and property infrastructure.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

Section 1. Financial Results continued

1.1 SEGMENT INFORMATION CONTINUED

Corporate

All other corporate functions including legal, finance and administration, human resources, marketing, board of directors and executives.

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

		OPERATING REVENUE		DIRECT CONTRIBUTION	
		2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
SEGMENT RESULTS	APAC Financial Markets	115,059	113,457	83,763	84,092
	ANZ Wealth Management	125,131	93,825	93,935	75,743
	Total APAC	**240,190**	**207,282**	**177,698**	**159,835**
	UK	105,526	110,830	67,323	73,230
	Lending	23,759	25,994	18,590	21,102
	Total UK	**129,285**	**136,824**	**85,913**	**94,332**
	South Africa	42,754	28,687	32,784	22,357
	Canada	17,723	16,944	8,987	7,841
	Total Group	**429,952**	**389,737**	**305,382**	**284,365**
COST SEGMENTS	Product and Technology			(108,323)	(98,428)
	Operations			(38,707)	(34,216)
	Corporate			(32,969)	(28,190)
	Total indirect costs			**(179,999)**	**(160,834)**
GROUP RESULTS	**Group Segment Profit**			**125,383**	**123,531**
	Share-based payment expense			(9,327)	(10,836)
	Segment Profit after share-based payment expense			**116,056**	**112,695**
	Other non-operating expenses (1)			(8,671)	(9,186)
	Profit before interest and tax, depreciation and amortisation			**107,385**	**103,509**
	Depreciation and amortisation			(25,075)	(21,063)
	Profit before interest and tax			**82,310**	**82,446**
	Net interest and financing costs			(4,445)	(5,469)
	Share of loss of equity-accounted investments, net of tax			(100)	–
	Tax expense			(18,010)	(17,525)
	Net profit after tax			**59,755**	**59,452**

(1) Predominately relates to office move costs, business acquisition and integration expenses and unrealised foreign exchange gains and losses.

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)	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Australia and New Zealand	237,416	204,671	372,857	165,784
Asia	2,774	2,611	30	56
Total APAC	**240,190**	**207,282**	**372,887**	**165,840**
United Kingdom	129,285	136,823	173,454	377,207
South Africa	42,754	28,687	12,099	12,072
Canada	17,723	16,945	10,018	10,588
Grand total	**429,952**	**389,737**	**568,458**	**565,707**

(1) Excludes financial instruments and deferred taxes, and predominately relates to intangible assets (Note 2.1).

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 2017	Cents per share 2016
Earnings per share	35.4	37.0
Diluted earnings per share	34.9	36.4
Dividends per share:		
Interim dividend franked to 60% (2016: 60%)	16.0	16.0
Final dividend declared after balance sheet date franked to 60% (2016: 60%)	28.0	28.0

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

	Number of shares 2017 ’000	Number of shares 2016 ’000
Weighted average number of ordinary shares used in basic earnings per share	168,800	160,777
Effect of potentially dilutive shares	2,535	2,543
Weighted average number of ordinary shares used in diluted earnings per share	**171,335**	**163,320**

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

	2017 $’000	2016 $’000
Dividends recognised and paid during the year		
Final dividend for 2016 28.0 cents per share franked to 60% (2015: 26.7 cents per share franked to 60%)	47,588	42,664
Interim dividend for 2017 16.0 cents per share franked to 60% (2016: 16.0 cents per share franked to 60%)	27,402	25,775
	74,990	**68,439**
Dividends declared after balance date		
Since the end of the year, the directors declared a final dividend of 28.0 cents per share franked to 60% (2016: 28.0 cents per share franked to 60%)	48,022	47,588
Franking credit balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016: 30%)	3,141	4,771

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

Section 1. Financial Results continued

1.3 EMPLOYEE BENEFIT EXPENSES

Short-term employee benefits, mainly comprising of base salary, bonus payments and annual leave costs are expensed as the employee renders services.

Post-employment benefits which comprise IRESS contribution to defined contribution retirement plans are expensed as the service is received from the employee.

Termination benefits are amounts paid to employees when their employment is terminated. These are expensed when IRESS can no longer withdraw the offer of the termination benefit.

	Notes	2017 $'000	2016 $'000
Short term and other employee benefits		197,177	169,237
Post employment benefits		14,183	11,988
Termination benefits		2,433	1,427
Share-based payment expense	1.4	9,327	10,836
Employee administration expense		9,718	8,940
		232,838	**202,428**

Key management personnel

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

	2017 $'000	2016 $'000
Short term employee benefits	5,673	6,252
Long term employee benefits	41	65
Post employment benefits	395	368
Share based payments	2,254	2,602
Termination payments	667	–
	9,030	**9,287**

Detailed remuneration disclosures are provided in the Remuneration Report.

The following changes in the composition of key management personnel occurred during the year:

- In January 2017, Andrew Todd commenced as Chief Technology Officer.
- Following an executive team restructure in September 2017, Steve Barnes – Chief Operating Officer, and Matt Rady – Group Executive, Financial Markets ceased to be KMP in September and exited the business.
- In October 2017, Julie Fahey was appointed to the Board of Directors.

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	Generally 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 (Board discretion may apply)
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 2017, the total unvested shares in the General Employee Share Plan/ UK Share Incentive Plan were 37,768 (2016: 29,750).

(b) Grant date fair value

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

Grant date fair value

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	1.68 – 3%	1.68 – 3%
Share price volatility	22.5 – 30%	22.5 – 30%
Dividend yield	4 – 5%	4 – 5%

As the vesting conditions of the Employee Deferred Share Plan grants are not linked to company performance and participants receive dividends during the vesting period, the grant date fair value approximates the share price at the date of grant.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

Section 1. Financial Results continued

1.4 SHARED BASED PAYMENTS CONTINUED

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

Type	Grant date	Vesting date	NUMBER OF SHARES At 1 Jan 2017	Granted	Forfeited	Vested	At 31 Dec 2017	AT GRANT DATE Share price $	Fair value $	2017 $'000
Executive LTI Plan – CEO										
2013 Grant – 3 year	7/5/13	8/5/17	65,000	–	–	(65,000)	–	8.51	5.03	29
2013 Grant – 4 year	7/5/13	8/5/17	65,000	–	(9,880)	(55,120)	–	8.51	4.76	27
2014 Grant – 3 year	7/5/14	7/5/18	63,000	–	–	–	63,000	8.27	4.05	64
2014 Grant – 4 year	7/5/14	7/5/18	63,000	–	–	–	63,000	8.27	3.89	61
2015 Grant – 3 year	7/5/15	7/5/19	60,000	–	–	–	60,000	10.15	5.17	77
2015 Grant – 4 year	7/5/15	7/5/19	60,000	–	–	–	60,000	10.15	5.13	77
2016 Grant – 3 year	5/5/16	5/5/20	60,000	–	–	–	60,000	11.87	8.00	120
2016 Grant – 4 year	5/5/16	5/5/20	60,000	–	–	–	60,000	11.87	6.24	94
2017 Grant – 3 year	11/5/17	11/5/21	–	54,739	–	–	54,739	12.24	6.64	58
2017 Grant – 4 year	11/5/17	11/5/21	–	54,739	–	–	54,739	12.24	7.05	62
			496,000	**109,478**	**(9,880)**	**(120,120)**	**475,478**			**669**
Executive LTI Plan										
2014 Grant	7/5/14	8/5/17	211,964	–	(10,174)	(201,790)	–	8.27	4.18	103
2015 Grant	7/5/15	7/5/18	220,002	–	(9,081)	–	210,921	10.15	5.30	346
2016 Grant	5/5/16	5/5/19	161,413	–	(18,326)	–	143,087	11.87	8.50	371
2017 Grant	11/5/17	11/5/20	–	144,559	(27,801)	–	116,758	12.24	7.13	178
			593,379	**144,559**	**(65,382)**	**(201,790)**	**470,766**			**998**
Employee Deferred Share Plan										
2012 Grant – Special (1)	7/5/12	7/12/16	161,032	–	(28,180)	(132,852)	–	6.18	6.18	(174)
2014 Grant (2)	7/5/14	8/5/17	541,560	–	(7,260)	(534,300)	–	8.27	8.27	417
2015 Grant	7/5/15	7/5/18	556,370	–	(29,827)	(8,713)	517,830	10.15	10.15	1,623
2016 Grant	5/5/16	5/5/19	574,116	–	(58,749)	(3,915)	511,452	11.87	11.87	1,907
2017 Grant – Special	11/5/17	11/5/19	–	47,907	(3,726)	–	44,181	12.24	12.39	175
2017 Grant	11/5/17	11/5/20	–	653,238	(30,875)	–	622,363	12.24	12.39	1,646
			1,833,078	**701,145**	**(158,617)**	**(679,780)**	**1,695,826**			**5,594**
Employee Deferred Share Rights Plan										
2012 Grant – Special (3)	7/5/12	7/12/17	194,826	–	(25,328)	(72,085)	97,413	6.18	5.26	(129)
2013 Grant	7/5/13	7/12/17	50,250	–	–	(50,250)	–	8.51	5.26	–
2014 Grant – Special (4)	1/1/14	31/12/17	486,104	–	(26,952)	–	459,152	8.27	7.73	(202)
2014 Grant – Special	1/1/14	31/12/18	57,244	–	–	–	57,244	8.27	7.73	1
2014 Grant	7/5/14	8/5/17	245,790	–	(660)	(245,130)	–	8.27	7.25	212
2015 Grant	7/5/15	7/5/18	257,320	–	(1,150)	(30,488)	225,682	10.15	9.02	796
2016 Grant	5/5/16	5/5/19	270,272	–	(22,377)	(15,707)	232,188	11.87	10.25	869
2017 Grant	11/5/17	11/5/20	–	254,924	(30,785)	–	224,139	12.39	10.86	519
			1,561,806	**254,924**	**(107,252)**	**(413,660)**	**1,295,818**			**2,066**
Total										**9,327**

The weighted average remaining contractual life of the above grants is 1.2 years (2016: 1.2 years)

(1) The award was fully expensed by 2016. Testing of the non-market based vesting conditions early in 2017 resulted in a partial forfeiture and a negative expense.
(2) Opening balance was restated by 230 units to correct an error in the 2016 opening and closing balance.
(3) The award was fully expensed by 2016. Testing of non-market based vesting conditions was completed for half of the awards in 2017, resulting in a partial forfeiture and a negative expense. The vesting conditions of the remaining half of awards will be completed early in 2018.
(4) Testing of the non-market based vesting conditions will be completed early in 2018 in order to determine the number vested and forfeited. Any forfeiture will result in a negative expense in 2018.

1.5 OTHER EXPENSES

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

	Notes	2017 $'000	2016 $'000
Other operating expenses			
General operating expenses		13,528	14,061
Reversal of provision for doubtful debts		(502)	(1,499)
Rental expense relating to operating leases		9,352	6,899
Fees to auditors	1.5(b)	831	742
		23,209	**20,203**
Other non-operating expenses			
Unrealised (gains)/losses on foreign balances		(426)	666
Business acquisition and restructure expenses		1,305	7,423
Other project related expenses (1)		7,792	1,097
		8,671	**9,186**
Other expenses		**31,880**	**29,389**

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

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

	2017 $	2016 $
Auditors of the parent entity		
Audit or review of the financial report	374,418	346,037
Other non-audit services (1)	83,625	22,769
	458,043	**368,806**
Network firms of the parent entity auditor		
Audit or review of the financial report	372,773	373,316
	372,773	**373,316**
Total fees to auditors	**830,816**	**742,122**

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

1.6 DEPRECIATION AND AMORTISATION

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.

	Notes	2017 $'000	2016 $'000
Depreciation and amortisation expense			
Amortisation	2.1	17,119	14,628
Depreciation – computer equipment (1)		4,551	3,852
Depreciation – other plant and equipment (2)		3,405	2,583
		25,075	**21,063**

(1) Cost of computer equipment as at 31 December 2017 was $40.5 million (2016: $35.1 million) and accumulated depreciation was $30.3 million (2016: $27.1 million).

(2) Cost of other plant and equipment as at 31 December 2017 was $18.2 million (2016: $18.6 million) and accumulated depreciation was $8.7 million (2016: $14.5 million).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

Section 1. Financial Results continued

1.7 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.

	2017 $'000	2016 $'000
Profit for the financial year	59,755	59,452
Adjustments for non-cash items and non-operating cash flow items		
Depreciation and amortisation	25,075	21,063
Share based payment expense	9,327	10,836
Foreign exchange (gain)/loss	(426)	21,925
Amortisation of prepaid loan establishment fees	751	579
Business combination and restructure expenses	–	7,656
Share of loss of equity-accounted investments, net of tax	100	–
Change in working capital and tax balances, net of effects from acquisition of controlled entities		
Increase in receivables	(5,736)	(4,804)
Decrease in payables	(922)	(3,321)
Net change in derivatives	(723)	(21,124)
Net change in tax balances	(3,340)	(2,170)
(Decrease) / increase in provisions	(118)	476
Net cash inflow from operating activities	**83,743**	**90,568**

Section 2. Core Assets and Working Capital

2.1 INTANGIBLES

Intangibles for the Group comprise of 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 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 business combinations. 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 will be recognised if the cost of actual development can be reliably measured and clearly distinguished from research and ongoing operating and maintenance 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. Accordingly, the expenditure related to development activity cannot be reliably measured accordingly. No internally generated computer software assets have been recognised during the period.

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

	GOODWILL		CUSTOMER RELATIONSHIPS		COMPUTER SOFTWARE		OTHER INTANGIBLES		TOTAL	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Cost	442,802	435,300	52,873	52,484	200,181	201,670	7,834	6,236	**703,690**	695,690
Accumulated amortisation	–	–	(18,867)	(12,437)	(133,399)	(125,676)	(4,139)	(3,967)	**(156,405)**	(142,080)
Carrying value	**442,802**	**435,300**	**34,006**	**40,047**	**66,782**	**75,994**	**3,695**	**2,269**	**547,285**	**553,610**
Opening carrying value	435,300	467,315	40,047	33,719	75,994	26,385	2,269	2,133	**553,610**	529,552
Separately acquired	–	–	–	–	1,778	4,575	1,501	–	**3,279**	4,575
Acquired through business combinations (i)	–	31,135	–	17,070	–	55,639	–	284	**–**	104,128
Disposal (ii)	(3,250)	–	–	–	–	–	–	–	**(3,250)**	–
Amortisation	–	–	(6,181)	(5,981)	(10,859)	(8,586)	(79)	(61)	**(17,119)**	(14,628)
Foreign currency translation	10,752	(63,150)	140	(4,761)	(131)	(2,019)	4	(87)	**10,765**	(70,017)
Closing carrying value	**442,802**	**435,300**	**34,006**	**40,047**	**66,782**	**75,994**	**3,695**	**2,269**	**547,285**	**553,610**
Expected useful life (years)			**1 to 10**		**3 to 15**		**1 to 10**			

i) Completion of provisional accounting of prior year acquisitions

In 2016, the Group acquired Financial Synergy and INET BFA Pty Ltd. The amount of deferred tax liability and goodwill recognised on the 2016 acquisition of Financial Synergy had been provisionally calculated as the tax values had not been finalised at the last reporting date. These values were finalised during the year and resulted in a reduction in the deferred tax liability recognised of $5.1 million, and a corresponding decrease in goodwill from $33.7 million to $28.6 million. Under accounting standards, such adjustments are recognised in 2016 and not 2017. Accordingly, the 2016 goodwill and deferred tax liability recognised on the acquisition of Financial Synergy have been adjusted. There were no other material changes to the assets and liabilities recognised as previously disclosed on the 2016 annual report.

ii) Divestment during the period

On 13 July 2017, IRESS entered into an agreement with Mainstream BPO to divest part of its superannuation administration business that provides services to customer-owned banks for $3.3 million. The transaction was completed on 9 November 2017, with the sale proceeds received in full during the 2017 year. No gain or loss (before transaction costs) was recognised on the transaction.

Section 2. Core Assets and Working Capital continued

2.1 INTANGIBLES CONTINUED

(b) Impairment testing for goodwill

Goodwill is tested for impairment annually or more frequently whenever indicators of impairment are identified. 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 an appropriate after tax discount rate 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 the long term outlook of the business.

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		POST-TAX DISCOUNT RATES		LONG TERM GROWTH RATES	
Cash generating unit	2017 $'000	2016 $'000	2017 %	2016 %	2017 %	2016 %
ANZ Wealth Management	45,486	48,706	8.6	9.0	2.7	2.7
UK	299,258	289,544	8.5	8.7	2.7	2.7
UK Lending	76,325	75,495	8.5	8.7	2.7	2.7
South Africa	13,041	12,730	15.5	15.4	4.7	4.7
Canada	8,692	8,825	8.1	10.6	0.5	0.5
	442,802	**435,300**				

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.

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. During the year, new client wins in Canada has reduced the risk of Canada not meeting its strategic outlook, as reflected by the reduction in the discount rate used for the Canada business.

An unforeseen loss in material customers or inability to realise forecast growth targets in the UK Lending or Canada CGUs may result in a decrease in the recoverable amount, and possibly an impairment of the goodwill.

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 over 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:

	2017 $'000	2016 $'000
Trade receivables	34,058	32,303
Allowance for doubtful debts	(668)	(1,086)
	33,390	**31,217**
Unbilled income	11,465	3,722
Prepayments	8,374	11,913
Other assets	2,610	3,250
	55,839	**50,102**

(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:

	2017 $'000	2016 $'000
Balance 1 January	1,086	2,275
Provision reversed during the period	(418)	(1,189)
Balance 31 December	**668**	**1,086**

(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:

	2017 $'000	2016 $'000
Neither past due nor impaired – less than 30 days	20,479	23,010
Past due but not impaired:		
+31 to 90 days	6,847	7,039
+91 days	6,064	1,168
Impaired	668	1,086
	34,058	**32,303**

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 and 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 the acquisition of 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.

	2017 $'000	2016 $'000
Current		
Trade payables	6,736	4,063
Accruals	13,079	14,692
Deferred revenue	6,228	6,256
Current tax payable	661	4,915
GST payable	2,713	4,005
Finance arrangements	3,076	3,076
Employee related liabilities	5,212	6,047
Accrued interest	598	734
Other	7	380
	38,310	**44,168**
Non-current		
Finance arrangements	4,205	7,517
	4,205	**7,517**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

Section 2. Core Assets and Working Capital continued

2.3 PAYABLES AND OTHER LIABILITIES CONTINUED

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 arises 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 represents purchase consideration payable for acquisitions once certain conditions are met as stipulated in the contracts. These are measured at the discounted value of the best estimate of the cash payable based on conditions existing at the balance date.

	2017 $'000	2016 $'000
Current provisions		
Employee benefits	8,766	8,161
Deferred consideration	3,265	2,362
Other provisions	862	456
	12,893	**10,979**
Non-current provisions		
Employee benefits	6,267	5,137
Deferred consideration	–	1,884
Other provisions	587	1,019
	6,854	**8,040**

The decrease in deferred consideration is due to the payment of $1.1 million in February 2017 relating to the Pulse acquisition in 2016, as the required conditions were fulfilled, as well as foreign currency movements.

2.5 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

IRESS leases office facilities with lease terms between 2 to 10 years of which some are supported by bank guarantees of $8.2 million (2016: $3 million).

On renewal, the terms of the leases are negotiated. The below summarises IRESS' commitments for minimum lease payments in relation to non-cancellable operating leases.

	2017 $'000	2016 $'000
Payable within one year	11,175	8,520
Payable later than one year, no later than five years	32,762	21,782
Payable later than five years	19,960	6,165
	63,897	**36,467**

The increase in contractual lease commitments is due to the new Sydney and Melbourne office leases executed during the year.

The adoption of AASB 16 Leases will have an impact on the accounting for operating leases. Refer Note 4.6.

(b) Capital commitments

No capital expenditure has been contracted or provided for at balance date (2016: Nil).

(c) Contingencies

There are no material contingent liabilities or capital expenditure that have been contracted or provided for at the reporting date.

Section 3. Debt and Equity

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:

	2017 $'000	2016 $'000
Non-current		
4 year $300 million bank facility to November 2021		
AUD	90,000	–
GBP	104,753	–
3 year $181.25 million bank facility to September 2018		
AUD	–	48,000
GBP	–	59,086
5 year $118.75 million bank facility to September 2020		
AUD	–	27,000
GBP	–	44,528
3 year $0.5 million facility to August 2018	–	495
Total amount drawn	**194,753**	**179,109**
Borrowing costs capitalised	(1,888)	(1,304)
Total borrowings	**192,865**	**177,805**

On 21 November 2017, the Group successfully refinanced its $300 million debt facility of which $181.25 million was expiring in September 2018 and $118.75 million was expiring in September 2020, to a four-year maturity expiring in November 2021.

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 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:

	2017 $'000	2016 $'000
Assets at fair value		
5 year Receive AUD / Pay GBP to September 2018	306	205

The fair value of the derivatives is determined by first calculating the future cash flows that are 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.

No credit risk adjustments have been recognised on the fair value of the derivative assets as these are not material.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

Section 3. Debt and Equity continued

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 2017 Outflows/(inflows)	within 1 year $'000	1–3 years $'000	Greater than 3 years $'000
4 year facilities – principal	–	–	194,753
Interest on borrowings	3,938	11,814	3,610
5 year cross currency swap – principal exchange (1)	(249)	–	–
5 year cross currency swap – interest (1)	(288)	–	–

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
3 year and 5 year cross currency swap – principal exchange (1)	–	(14)	–
3 year and 5 year cross currency swap – interest (1)	313	834	–

(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 expenses are recognised using the effective interest rate method. Interest expenses 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:

	2017 $'000	2016 $'000
Interest revenue	382	937
Interest expense	(4,799)	(5,897)
Other financing costs comprising:		
Amortisation of borrowing costs	(751)	(580)
Translation losses on intragroup financing arrangements	621	(20,993)
Fair value changes on cross currency swaps	102	21,064
Net interest expense and financing costs	**(4,445)**	**(5,469)**

3.2 ISSUED CAPITAL

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

	2017 Number of shares '000	2016 Number of shares '000
Balance at 1 January	169,957	160,074
Shares issued under the Employee Share Plan (1)	1,505	1,059
Shares issued (2)	45	8,824
	171,507	**169,957**
Less Treasury Shares (3)	(1,964)	(1,933)
Number of shares on issue	**169,543**	**168,024**

(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 current year for Dividend Reinvestment Plan. In 2016 shares issued as part of the Institutional Placement and Share offer plan to fund acquisitions.
(3) The change is due to the net movement in shares issued and 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 (2016: $0.9 million decrease).

Foreign currency risk

GBP borrowings do not give rise to foreign currency risk to the Group as they are ultimately 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	25,158	58,248
AUD impact on profit or loss of a 1% change in foreign currency rates	(431)	(60)

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 shareholders.

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.

	2017 $'000	2016 $'000
Net debt (1)	165,832	155,953
Net debt plus total equity	573,379	556,779
Gearing ratio	**28.9%**	**28.0%**

(1) Measured as borrowings excluding capitalised borrowing costs, and net derivatives assets less cash and cash equivalents.

Section 4. Other Disclosures

4.1 TAXATION

Total income tax expense or revenue is comprised of current and deferred tax recognised in the income statement in the period. Current and deferred tax is also recognised directly in equity, and not in the income statement, to the extent it is attributable to amounts and movements which have also been recognised directly in equity.

Current tax

Current tax represents the businesses expected tax payable/receivable for the period in respect of income and expenses which have been recognised in the income statement.

Current tax comprises expected tax payable/receivable on the businesses taxable income/loss which is recognised in the income statement in the current period, as well as any adjustments to tax payable/receivable recognised in the current period which relate to taxable income/loss recognised in the income statement in prior periods.

Current tax is measured using the applicable income tax rates which are enacted, or substantively enacted, at the reporting date in the countries where the Company's subsidiaries and associates operate.

Deferred tax

Deferred tax represents the movements in deferred tax assets and liabilities which have been recognised in the period and which are attributable to amounts recognised in the income statement in the current period, as well as amounts recognised in the income statement in prior periods. Deferred tax assets and liabilities are attributable to temporary timing differences between the carrying amount of assets and liabilities recognised for financial reporting purposes and the tax base of assets and liabilities recognised for tax purposes.

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

Deferred tax liabilities are recognised for all assessable temporary differences as required by accounting standards.

Deferred tax is determined using tax rates which are expected to apply when the deferred tax asset/liability is expected to be realised/settled based on laws which have been enacted or substantively enacted at the reporting date. The measurement of deferred tax also reflects the tax consequences flowing from the manner in which the Group expects, at the reporting date, to realise or settle the carrying amount of its assets and liabilities.

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 of the tax consolidated group. Tax expense, tax revenue, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial accounts of the members of the tax consolidated group using the 'stand-alone taxpayer' approach. Current and deferred tax assets and liabilities arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity of 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:

	2017 $'000	2016 $'000
Income tax expense recognised in profit or loss		
Current income tax		
Current income tax charge	18,547	22,190
Adjustments in respect of current income tax of the previous year	(1,371)	(1,991)
	17,176	**20,199**
Defered income tax		
Origination and reversal of temporary differences	2,538	(3,424)
Adjustments in respect of deferred income tax of the previous year	(1,704)	750
	834	**(2,674)**
Total income tax expense recognised in profit or loss	**18,010**	**17,525**
Income tax expense recognised in other comprehensive income		
Arising from gains or losses on long term monetary intercompany balances	(88)	1,610
Income tax expense recognised directly in equity		
Arising from the vesting of share based payments and share raising costs	(1,430)	(1,463)
Total income tax expense recognised in other comprehensive income and equity	**(1,518)**	**147**

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

	2017 $'000	2016 $'000
Profit from continuing operations before income tax expense	77,765	76,977
Tax at the Australian tax rate of 30% (2016: 30%)	23,330	23,093
Income tax adjustments:		
Effect of different tax rates in foreign jurisdictions	(91)	(534)
Effect of non-assessable income and non-deductible expenses	(403)	(2,411)
Adjustments for current and deferred tax of prior periods	(3,075)	(1,241)
Employee share plan	(221)	(623)
Previously unrecognised tax losses	(1,530)	(759)
Income tax expense	**18,010**	**17,525**

(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 2017						
Deferred tax assets						
Trade and other receivables	159	(67)	–	–	(2)	90
Plant and equipment	5,121	(1,064)	–	–	(123)	3,934
Computer software	4,443	(2,656)	–	–	–	1,787
Trade and other payables	823	171	–	–	–	994
Provisions and accruals	4,249	496	–	–	16	4,761
Derivative liabilities	61	(31)	–	–	–	30
Carry forward tax losses	4,036	(26)	–	–	64	4,074
Capital transaction costs	3,186	(1,354)	(121)	–	–	1,711
Share based payments	1,130	(662)	–	–	(6)	462
Other	68	426	–	–	–	494
Total deferred tax assets	**23,276**	**(4,767)**	**(121)**	**–**	**(51)**	**18,337**
Deferred tax liabilities						
Computer software	(3,652)	3,028	–	–	114	(510)
Intangibles	(9,174)	936	–	–	(24)	(8,262)
Other financial assets	(79)	(31)	–	–	1	(109)
Total deferred tax liabilities	**(12,905)**	**3,933**	**–**	**–**	**91**	**(8,881)**
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)	–	2,961	–	4,443
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)	705	–	3,186
Share based payments	883	1,107	(860)	–	–	1,130
Other	4	62	–	–	2	68
Total deferred tax liabilities	**26,197**	**(6,925)**	**(1,463)**	**6,262**	**(795)**	**23,276**
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)**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

Section 4. Other Disclosures continued

4.1 TAXATION CONTINUED

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

	2017 $'000	2016 $'000
United Kingdom (Tax rate 19%, 2016: 19%)	–	7,964
Potential tax benefit	**–**	**1,513**

The Group had unused tax losses in the prior year relating to its businesses in the United Kingdom. No deferred tax asset had previously been recognised on the losses on the basis it was not sufficiently probable whether the Group would derive assessable income of a sufficient quantum or nature to enable the temporary difference to be realised. The unused losses were all realised against assessable income in the current period. The Group does not have any unused losses for which no deferred tax asset has been recognised as at the reporting date.

4.2 BUSINESSES AND INVESTMENTS ACQUIRED AND DIVESTED

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.

Investment in associate

On 19 September 2017 and 27 December 2017, the Group acquired 10% and 5% equity interest in Lucsan Capital Proprietary Limited ('Lucsan') for $1 million and $0.5 million respectively. Under the acquisition agreement, the Group is contracted to acquire a further 5% for $0.5 million to bring its total investment to 20% by 31 July 2018.

IRESS has significant influence on the operations of Lucsan due to the contractual rights under the shareholders agreement. Lucsan is an established, Australian-owned RegTech and data analytics company providing leading technology solutions to a wide range of companies, including Australia's major banks.

As at 31 December 2017, Lucsan's net liabilities are $0.1 million with IRESS share being $0.02 million. During the period, Lucsan's net loss after tax was $1 million, with IRESS share being $0.1 million. Goodwill of $1.4 million is included as part of the investment in the associate and represents the synergy benefit and future growth envisaged in Lucsan in the regulatory technology space. There were no indicators of impairment identified at year end.

4.3 IRESS LIMITED – PARENT ENTITY FINANCIAL INFORMATION

The ultimate controlling entity 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:

	2017 $'000	2016 $'000
Current assets	34,246	26,723
Non-current assets	746,488	635,537
Total assets	**780,734**	**662,260**
Current liabilities	31,803	25,360
Non-current liabilities	207,994	193,222
Total liabilities	**239,797**	**218,582**
Net assets	**540,937**	**443,678**
Equity		
Issued capital	376,309	375,287
Reserves	24,213	23,006
Retained earnings	140,415	45,385
Total equity	**540,937**	**443,678**
Profit for the year	160,470	33,281
Total comprehensive income	**160,470**	**33,281**

(b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 31 December 2017.

(c) Related party transactions

During the period, the parent entity undertook an internal legal restructure of its subsidiary holdings to reduce complexity in the Group's corporate structure. As part of this restructure, the parent disposed of its investments in Apollo III UK Holdings Limited to IRESS International Holdings Pty Ltd, realising a gain of $101 million and received dividends from subsidiaries of $39 million.

The above transactions are all between wholly-owned subsidiaries and have no impact on the reported IRESS Group results.

4.4 SUBSIDIARIES

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

Australia	
IRESS International Pty Ltd (formerly: Apollo I Australia Pty Ltd) (1),(2)	IRESS Data Pty Ltd (1)
Apollo II Australia Pty Ltd (1)	IRESS Information Pty Ltd
Financial Synergy Pty Ltd (1)	IRESS Wealth Management Pty Ltd (1)
Financial Synergy Actuarial Pty Ltd (1)	IRESS South Africa (Australia) Pty Ltd (1)
Financial Synergy Holdings Pty Ltd (1)	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 (1)
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) Limited	IRESS Financial Markets (Pty) Ltd
IRESS Hosting (Pty) Ltd (formerly: EDM Solutions Pty Ltd) (3)	IRESS Wealth MNGT(Pty) Ltd
IRESS MD RSA (Pty) Ltd (formerly: 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 Systems Limited
IRESS Mortgage Services Limited	Pulse Software Management Limited
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.
(2) Change of name for this entity occurred on 17 January 2018.
(3) Change of name for this entity occurred on 10 February 2017.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017

Section 4. Other Disclosures continued

4.5 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 relevant 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

	2017 $'000	2016 $'000
Profit before tax [(1)]	62,493	76,899
Income tax expense	(20,842)	(19,966)
Net profit after tax	**41,651**	**56,933**
Retained earnings at beginning of the year	42,766	44,384
Transfers from reserves	9,550	9,888
Dividends declared / profit repatriation	(74,990)	(68,439)
Retained earnings at end of the year	**18,977**	**42,766**

(1) Included in profit before tax is $39 million dividend received from a fellow subsidiary that is not part of the deed of cross guarantee group.

(b) Consolidated statement of financial position

	2017 $'000	2016 $'000
Assets		
Current assets		
Cash and cash equivalents	14,696	9,770
Trade and other receivables	29,364	140,310
Derivative assets	306	–
Total current assets	**44,366**	**150,080**
Non-current assets		
Intangibles	120,551	124,133
Plant and equipment	12,828	4,016
Investment in associate	1,400	–
Deferred tax assets	12,667	18,437
Derivative assets	–	205
Investment in subsidiaries	343,461	251,655
Other financial assets	161,809	117,235
Total non-current assets	**652,716**	**515,681**
Total assets	**697,082**	**665,761**
Current liabilities		
Trade and other payables	24,458	24,323
Provisions	8,611	11,097
Total current liabilities	**33,069**	**35,420**
Non-current liabilities		
Trade and other payables	55,057	7,517
Provisions	6,444	5,904
Borrowings	193,171	177,541
Deferred tax liabilities	4,262	12,267
Total non-current liabilities	**258,934**	**203,229**
Total liabilities	**292,003**	**238,649**
Net assets	**405,079**	**427,112**
Equity		
Issued capital	376,309	375,287
Reserves	9,793	9,059
Retained earnings	18,977	42,766
Total equity	**405,079**	**427,112**

4.6 BASIS OF PREPARATION

This is a 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 2017. 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 22 February 2018;
- 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 Australian 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 2017. 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 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 2017 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*, 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.

Management have commenced a detailed assessment of the impact of the adoption of AASB 15 and AASB 16 on the financial statements of the Group in future periods as noted below.

AASB 15 *Revenue*

AASB15 is effective for the years commencing 1 January 2018. IRESS has completed a review of their customer contracts and noted that the timing of recognition of non-recurring revenue may change.

Where previously, non-recurring revenue which predominately comprises implementation revenue was recognised over the period in which services were provided, some of this revenue may now only be recognised when certain milestones have been reached as prescribed by the contractual terms. Generally, this will align more closely with when billing occurs.

Except for additional disclosure required under AASB 15, the financial impact upon adoption is not expected to be material. Further analysis is ongoing to quantify the impact of this if any on prior periods.

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 required by AASB 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.

IRESS's operating leases with terms of more than 12 months relate to office facilities leases.

The adoption of AASB 16 will result in revised accounting for any operating leases that have a lease end date of 31 December 2019 or later (as per the transition periods). The impact on the opening balance sheet as at 1 January 2018 is expected to be as follows:

Balance sheet impact	$'000
Increase in non-current asset (recognition of lease assets)	37,351
Increase in deferred tax asset	979
Increase in liabilities from recognition of lease liabilities	40,613
Decrease in retained earnings (higher expense recognised under AASB 16)	(2,103)

The estimated impact to the 2018 income statement is estimated as follows:

Income statement impact	$'000
Decrease in rent expense resulting in an increase in segment profit	11,175
Increase in interest expense	3,710
Increase in depreciation expense	8,589
Decrease in net profit before tax	(1,124)

Section 4. Other Disclosures continued

4.6 BASIS OF PREPARATION 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 in line with the Group's accounting policies.

In reporting the consolidated financial statements, all intercompany balances and transactions, and unrealised profits or losses 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 are 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.

4.7 TRANSACTIONS WITH RELATED PARTIES

ASX Limited (''ASX") owns 18.76% 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 by ASX $9,661,438 (2016: $9,082,629), balances outstanding at the end of the year $2,262,630 (2016: $1,437,780).

4.8 SUBSEQUENT EVENTS

On 22 February 2018, the directors declared a final dividend of 28.0 cents per share franked to 60% totalling $48.0 million.

Other than the dividend declared, there has been no other matter or circumstances which has arisen since the end of the financial year which 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 subsequent years.

Directors' Declaration

31 December 2017

In the directors' opinion:

(a) the financial statements and notes set out on pages 47 to 72 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 2017 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 4.4 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 4.5.

Note 4.6 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

ANDREW WALSH
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Melbourne
22 February 2018

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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 2017, 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 the Group, 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 2017 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.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Carrying value of goodwill and non-current assets
 	
Refer to Note 2.1 - Impairment assessment.
 	
As at 31 December 2017, the Group's goodwill and intangible assets totalled $547.2 million which is allocated to the relevant Cash Generating Units (CGUs). Goodwill is required to be assessed for impairment on an annual basis or when any indicators of impairment exist.
 	
The Canadian and UK Lending CGU's have been identified as having a higher risk of impairment due to their dependency on securing key contracts and the achievement of forecast growth rates. Included within these CGU's is goodwill of $8.7 million and $76.3 million respectively.
 	
The Group has prepared value in use models to determine the recoverable amounts of the Canada and UK Lending CGUs.
 	
Due to the level of judgement involved in determining the recoverable amounts of the CGUs, this was considered to be a key audit matter.
	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.
	
	With the assistance of Deloitte valuation experts, we:
	
	• assessed key assumptions, including forecast growth rates by comparing to economic and industry growth rates
	
	• challenged the forecasted revenue for each CGU with reference to:
	  - review of the historical accuracy of forecasting of the Group
	  - evaluation of current pipeline and historical pipeline conversion rate
	
	• evaluated discount rates used to assess the cost of capital for each CGU against comparable organisations
	• verified 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 performed a 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.

Deloitte.

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 2017, 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 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 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

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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 which forms part of the directors' report and is included in the annual report the year ended 31 December 2017.

In our opinion, the Remuneration Report of IRESS Limited, for the year ended 31 December 2017, 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

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants
Melbourne 22 February 2018

Shareholder Information

The shareholder information set out below was applicable as at 31 December 2017.

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

	Number of shareholders	Number of shares	% of issued capital
1 to 1,000	3,502	1,565,128	0.91
1,001 to 5,000	3,052	7,324,937	4.27
5,001 to 10,000	597	4,219,124	2.46
10,001 to 100,000	351	8,036,391	4.69
100,001 and over	37	150,361,389	87.67
Total	**7,539**	**171,506,969**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	Number held	%
ASX LIMITED	32,181,994	18.76
HYPERION ASSET MANAGEMENT LIMITED	22,193,114	12.94
GREENCAPE CAPITAL PTY LIMITED	10,698,537	6.24
Total substantial shareholders	**65,073,645**	**37.94**
Balance of register	106,433,324	62.06
Total	**171,506,969**	**100.00**

20 LARGEST SHAREHOLDERS OF QUOTED EQUITY SECURITIES

Rank	Name	Number held	% of issued shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	47,365,740	27.62
2	ASX LIMITED	32,181,994	18.76
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	24,356,196	14.20
4	CITICORP NOMINEES PTY LIMITED	10,890,003	6.35
5	NATIONAL NOMINEES LIMITED	8,744,767	5.10
6	BNP PARIBAS NOMS PTY LIMITED	4,543,748	2.65
7	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,892,333	2.27
8	BNP PARIBAS NOMINEES PTY LIMITED	3,607,161	2.10
9	PACIFIC CUSTODIANS PTY LIMITED	3,091,404	1.80
10	CITICORP NOMINEES PTY LIMITED	1,497,302	0.87
11	PACIFIC CUSTODIANS PTY LIMITED	1,161,639	0.68
12	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,104,604	0.64
13	MIRRABOOKA INVESTMENTS LIMITED	840,000	0.49
14	ARGO INVESTMENTS LIMITED	791,884	0.46
15	AVANTEOS INVESTMENTS LIMITED	755,080	0.44
16	DJERRIWARRH INVESTMENTS LIMITED	515,702	0.30
17	AMCIL LIMITED	500,000	0.29
18	NAVIGATOR AUSTRALIA LIMITED	373,365	0.22
19	AMP LIFE LIMITED	333,036	0.19
20	NULIS NOMINEES (AUSTRALIA) LIMITED	300,638	0.18
Total top twenty shareholders		**146,846,596**	**85.62**
Balance of register		24,660,373	14.38
Total		**171,506,969**	**100.00**

Corporate Directory

Directors	A D'Aloisio – Chairman A Walsh – Chief Executive Officer and Managing Director N Beattie J Cameron J Fahey 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

www.iress.com.au