

The Manager
Company Announcements Office
Australian Stock Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

17 August 2017

IRESS LIMITED - RESULTS FOR ANNOUNCEMENT TO THE MARKET

In accordance with the Listing Rules, please find enclosed for immediate release the following information: Appendix 4D Half Year Report incorporating the company's 2017 Half Year Financial Statements and associated Media Release.

Peter Ferguson

Group General Counsel and Company Secretary

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Half Year Profit Announcement 2017

Incorporating APPENDIX 4D
For the six months ended 30 June 2017



IRESS Limited ABN 47 060 313 359

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ASX Appendix 4D

Half Year Results for Announcement to the Market

Name of entity	ABN reference
IRESS Limited (IRE)	47 060 313 359

1. REPORTING PERIODS

Financial half year ended (‘current period’)	Financial half year ended (‘previous corresponding period’)
30 June 2017	30 June 2016

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	June 2017 \$'000	June 2016 \$'000	Chg \$'000	Chg %
Revenue from ordinary activities	211,826	194,342	17,484	9%
Profit before income tax expense	37,141	41,886	(4,745)	(11%)
Net profit attributable to the members of the parent entity	29,530	32,745	(3,215)	(10%)

3. DIVIDENDS

Dividend	Period	Payment date	Amount per security Cents	Franked amount per security at 30% tax
Interim dividend*	30 June 2017	29 September 2017	16.0	60%
Final dividend	31 December 2016	24 March 2017	28.0	60%
Interim dividend	30 June 2016	29 September 2016	16.0	50%

* The record date for the interim dividend is 7 September 2017.

4. NTA BACKING

Net tangible asset backing per ordinary share	Current period Cents	31 December 2016 Cents	Previous Corresponding Period Cents
Net tangible asset backing per ordinary share	(89.1)	(92.9)	(102.1)

NTA backing for the Group is negative reflecting the nature of a software company whereby the majority of the assets relate to recognised intangible assets and unrecognised human capital responsible for creating and maintaining IRESS products.

This Half Year Report should be read in conjunction with the Annual Report of IRESS Limited as at 31 December 2016 together with any public announcements made by IRESS Limited and its controlled entities during the half year ended 30 June 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Highlights of the 2017 half-year result

Group revenue was \$211.8 million, up 8% on 2H16 and up 9% on 1H16 (up 14% on a constant currency basis⁽¹⁾ against 1H16).

Reported NPAT was \$29.5 million, up 10% on 2H16. As a result of FX and acquisition-related amortisation, NPAT was down 10% on 1H16.

Group Segment Profit was \$59.6 million, down 1% on 2H16 and down 6% on 1H16 (down 3% and 2% on a constant currency basis against 1H16 and 2H16 respectively). Excluding the impact of one-off client and internal people activity, Segment Profit grew 3% on 2H16.

Achievement of critical milestones for strategic product goals in UK and Australia.

Positive contribution to earnings from Financial Synergy and INET BFA acquisitions.

IRESS Limited (IRE.ASX) today announced a statutory net profit after tax for the six months to 30 June 2017 of \$29.5 million, up 10% over the previous half (six months to 31 December 2016) and down 10% over the prior corresponding period (six months to 30 June 2016).

NPAT performance between recent halves reflects the impact of non-recurring items, movements in currency, amortisation charges on recently-acquired business and movements in interest and tax charges.

Operating revenue increased to \$211.8 million, up 8% on 2H16 and 9% on 1H16. As a result of one off costs associated with client and internal people activities, Segment Profit⁽²⁾, a measure of IRESS' core underlying performance, declined marginally to \$59.6 million, down 1% on 2H16 (down 2% on a constant currency basis against 2H16) and down 6% on 1H16 (down 3% on a constant currency basis against 1H16). Excluding these one-off costs, Segment Profit would have been up 3% on the previous half. Cashflow conversion⁽³⁾ remained high at 91%, in line with the previous half.

The impact of currency movements on revenue and Segment Profit over the previous period was not material. However, the impact over the prior corresponding period was more visible.

IRESS Chief Executive Officer, Andrew Walsh, said: "The first half has seen the successful delivery of critical milestones for several benchmark client, product and technology projects, particularly in the United Kingdom and Australia. I am pleased with the investment decisions we have made in the first half to set up for continued success."

"Milestones recently achieved include deployment to the Commonwealth Bank of Australia (CBA), Close Brothers Asset Management and expansion to Tilney Group."

"Our financial results for the first half of 2017 reflect our investment in these critical client projects, the financial benefit of which will be realised during the second half and in future periods."

"I am particularly pleased with the continued strong progress against our strategy, notably the increase in recurring revenue we are experiencing in key markets, including growth in recurring intermediary software revenue in the United Kingdom, and the demand for our integrated solutions."

"We are well positioned to support clients in a changing industry, including through the introduction of significant new regulatory requirements and demands. This includes during a period of the heightened focus on regulatory changes by clients in the short-term. Based on our view of current client and project timings, we are confident of strong revenue and Segment Profit growth in the second half on a constant currency basis."

DIVIDEND

In respect of first half earnings, the Directors determined to pay an interim dividend of 16.0 cents per share franked to 60% at a 30% corporate tax rate.

BALANCE SHEET

IRESS' net debt balance at 30 June 2017 was \$175 million at a leverage ratio of 1.47x Segment Profit, and continues to reflect a conservative balance sheet position.

(1) Constant currency basis assumes 1H16 and 1H17 results are converted at the average foreign exchange rate used for 2H16. This allows comparison of Group operating performance in Australian Dollars before the impact of changes in foreign currency rates.

(2) IRESS considers inter-period comparability of results is best presented as the underlying operating results of the relevant businesses calculated excluding share-based payments, non-recurring items, and the foreign exchange impact on the revaluation of cash balances.

(3) Cashflow conversion is calculated as (Operating cashflow + net interest paid + tax paid) / Segment Profit.

BUSINESS HIGHLIGHTS

During the half we achieved a number of business highlights, including:

- **XPLAN Prime:** Deployment of the first phase of our scaled-advice solution to CBA, and agreement reached with additional Australian financial services providers including ASX-listed advice, superannuation and insurance group, ClearView.
- **Private Wealth Management:** Delivering on our strategy of integrated solutions including successful achievement of project milestones for Tilney Group and Close Brothers Asset Management in the United Kingdom, and Echelon Wealth Partners in Canada.
- **ViewPoint:** Strong take-up of our active trading platform to replace Trader, with rollout completed to nabtrade and to a number of clients in South Africa.
- **Asia:** Online equities trading solution for Maybank Kim Eng on track for delivery in 2017.
- **Superannuation:** Deploying an IRESS-hosted and managed Acurity platform to Statewide Super.

SEGMENT RESULTS

Change in segment reporting

As previously outlined, IRESS has changed its approach to segment reporting to provide greater insight into its financial performance, reduce the complexity of cost allocations, and to better reflect IRESS' strategy to develop and deploy technology on a global basis.

IRESS previously outlined segment profit for each reportable segment, that included the allocation of all group functional costs and on a basis that more reflected the relative size of the segment than the benefit obtained. IRESS now discloses direct attributable revenue and costs for each reportable geographical or strategic segment.

Asia-Pacific

APAC FINANCIAL MARKETS

Operating revenue for APAC Financial Markets was in line with 2H16 and up 3% on 1H16. This reflects continued core demand, and growth in demand for portfolio management solutions. Continued investment in our financial markets solutions plays an important role in our integrated product strategy and offering, where market data and trading are immediately leveraged in our integrated wealth solutions.

"Despite resilient revenue during the half supported by recent buy-side client wins, sell-side pressures are driving cost decisions by clients. We expect this to continue through the second half and into FY18 and have a visible, but not material, impact on revenue."

"During the half we successfully deployed ViewPoint to nabtrade. Implementation of an online equities trading solution for Maybank Kim Eng continues to be a key focus in Asia and is on track for delivery in 2017."

AUSTRALIA & NEW ZEALAND WEALTH MANAGEMENT

Operating revenue and direct contribution increased 22% and 15% on the previous half, reflecting organic strength and contribution from Financial Synergy, which was acquired in November 2016 as well as a strong focus on product and client deliveries.

"We continue to see strong opportunity in wealth management reflecting our position and ongoing investment. IRESS recently delivered the first phase of the Prime scaled-advice solution to CBA. Deployment of Prime to CBA is in addition to the migration of over 2,000 users from a competing product to XPLAN. We expect to deploy our Prime product more broadly in the second half of 2017, with agreements to date reached with two financial services providers, including ClearView, which was announced this week."

"During the half we successfully implemented our Acurity managed superannuation platform to Statewide Super, replacing the fund's multiple legacy systems. The technology and IRESS-managed service allows funds to focus on the needs of their members and provides a predictable, transparent cost structure for funds. We also recently completed development of integrated digital advice bringing together the capabilities of Acurity Online and XPLAN, which we expect will create client opportunities in the second half of the year. During the half we signed an agreement to divest the non-core superannuation administration business for customer-owned banks."

"Based on the current sales and project pipeline and timing, IRESS expects continued strong results for wealth management in 2017."

United Kingdom

Strategically important recurring intermediary software revenue grew by 6% in the half. Our success in winning and delivering to new clients, particularly with our integrated wealth and trading solution, is reinforcing our strategy and growth ambition. Based on current clients and the pipeline of future projects, IRESS expects strong growth in United Kingdom revenue and earnings in the second half.

In local currency, operating revenue and direct contribution increased 5% and 3% from 1H16 respectively reflecting client demand and delivery. Growth in recurring intermediary software revenue was offset by declines in one-off and Exchange Portal revenue when compared to 2H16. As a result, operating revenue and direct contribution declined 2% and 7% respectively from 2H16.

"In the first half, focus on and successful delivery of key milestones of significant and strategic client projects had a visible impact on revenue and earnings growth as internal and external resources were deployed to ensure successful delivery. While this has impacted short-term opportunities, accelerated revenue and earnings growth is expected in the second half."

UK Lending

In local currency, operating revenue and direct contribution increased 9% and 8% respectively when compared to the previous half, reflecting increased client activity to support growth in subscription revenue. In local currency, operating revenue and direct contribution was down 22% and 28% respectively on 1H16, reflecting the ongoing transition to a recurring revenue model.

"We are on track with our latest implementation to leading retail bank, TSB, and have a positive pipeline of opportunities. We remain confident in the opportunity for our lending platform in the United Kingdom, and observe promising opportunities outside the United Kingdom."

Media Release (continued)

Iress Half Year Result to 30 June 2017

South Africa

In local currency, South Africa achieved strong revenue and Segment Profit growth, up 30% and 27% on the previous half respectively.

"Earnings growth in South Africa reflects the contribution from the recently acquired INET, in addition to continued demand across IRESS' suite of products despite reduced market trading volumes in South Africa and subsequent impact on volume-based fees during the half."

"There was substantial focus on several key client deliveries involving trading, portfolio management and advice activity during the half that are either completed or nearing completion. The integration of INET BFA, which was acquired in November 2016, is progressing well and the ability to offer clients a broader product suite with deeper data content is strengthening IRESS' position in South Africa."

Canada

In local currency, operating revenue and direct contribution increased 4% and 10% respectively from the previous half, reflecting client retention and client project deliveries.

"In addition to strengthening our presence in financial markets through ongoing product investment and delivery, we have also maintained our focus on opportunities to build revenue diversity and momentum within our Canadian business. We recently announced deployment of our integrated wealth platform for Echelon Wealth Partners. This demonstrates IRESS' end-to-end integrated wealth offering in Canada bringing together portfolio management, trade execution and post-trade data."

Product and Technology

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

Product and technology investment is made up of people and related costs. IRESS doesn't separate research and development, and expenses all product and technology costs, and therefore considers this the primary indicator of investment for current and future revenue.

On a constant currency basis, these costs increased approximately 8% from \$49.7 million in the previous half to \$53.9 million in 1H17. The increase is heavily influenced by 2016 acquisitions, remuneration and headcount increase that reflect investment in people and products.

Product and technology costs have remained at a consistent percentage of revenue over time, and specifically from the previous half and prior corresponding half.

Operations

Operational costs include core business infrastructure and people, such as internal and external communications technology, information security, hardware, and software and help desk. Operational costs in 1H17 were largely in line with 2H16.

Corporate

Corporate costs include IRESS' central business functions including finance, people, communications & marketing, and legal. IRESS continues to focus on ensuring a scalable corporate model to support efficiency and regional differences.

On a constant currency basis, corporate costs increased 26% from \$14.0 million in the prior half to \$17.6 million in 1H17, reflecting the impact of acquisitions of Financial Synergy and INET, and one-off costs associated with a series of internal people conferences bringing continued focus on investing and developing our people and aligning to our strategic direction and priorities. Excluding these acquisitions and one-off items, Corporate costs would have been up 5% on the previous half.

Current trading

"While period on period revenue and cost remains subject to the timing of client implementations and significant regulatory change, we remain confident of our strategy and make investment decisions for the medium-long term."

"We expect that ongoing successful client delivery and an environment of technology demand will translate to strong revenue and Segment Profit growth in the second half on a constant currency basis."

"With regard to the full year view, we continue to expect strong revenue and Segment Profit growth in 2017 on a constant currency basis including the full year impact of, and opportunities from, recent acquisitions."

INVESTOR ENQUIRIES

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Chief Executive Officer

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Chief Financial Officer

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MEDIA ENQUIRIES

Coran Lill

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Media Release (continued)

Iress Half Year Result to 30 June 2017

Segment results presented below reflect the AUD equivalent of local currency results. Amounts and percentage changes shown below are based on whole numbers which may give rise to rounding differences when presented in millions.

	OPERATING REVENUE			MOVEMENT 1H17		DIRECT CONTRIBUTION			MOVEMENT 1H17	
Reported (AUDm)	1H16	2H16	1H17	v2H16	v1H16	1H16	2H16	1H17	v2H16	v1H16
APAC Financial Markets	56.0	57.4	57.5	0%	3%	41.8	42.3	42.0	(1%)	1%
ANZ Wealth Management	43.5	50.3	61.6	22%	42%	35.9	39.9	46.0	15%	28%
UK	57.4	53.4	51.6	(3%)	(10%)	37.2	36.1	32.8	(9%)	(12%)
UK Lending	15.9	10.1	10.7	7%	(33%)	13.3	7.8	8.2	5%	(38%)
South Africa	12.8	15.9	21.8	37%	71%	9.9	12.5	16.7	34%	69%
Canada	8.7	8.2	8.5	3%	(3%)	4.1	3.7	4.0	9%	(2%)
Total Group	194.3	195.4	211.8	8%	9%	142.1	142.3	149.7	5%	5%
Product and Technology						(48.7)	(49.7)	(53.8)	8%	10%
Operations						(16.1)	(18.1)	(18.8)	4%	17%
Corporate						(14.2)	(14.0)	(17.5)	25%	23%
Segment Profit						63.1	60.4	59.6	(1%)	(6%)
Share-based payments						(5.2)	(5.7)	(4.9)	(14%)	(6%)
Segment Profit after Share-based payments						57.9	54.8	54.7	(0%)	(6%)
Non-recurring items						(4.1)	(5.1)	(3.8)	(26%)	(8%)
Profit before interest and income tax expense						53.8	49.7	50.9	2%	(5%)
Depreciation and amortisation						(10.4)	(10.6)	(12.1)	14%	16%
EBIT						43.4	39.1	38.8	(1%)	(10%)
Net interest and financing costs						(1.5)	(4.0)	(1.7)	(57%)	13%
Tax						(9.1)	(8.4)	(7.6)	(9%)	(17%)
Reported NPAT						32.7	26.7	29.5	10%	(10%)

Segment results presented below reflect the assumption that 1H16 and 1H17 results are converted at the average exchange rate used to convert 2H16.

	OPERATING REVENUE			MOVEMENT 1H17		DIRECT CONTRIBUTION			MOVEMENT 1H17	
Reported (AUDm)	1H16	2H16	1H17	v2H16	v1H16	1H16	2H16	1H17	v2H16	v1H16
APAC Financial Markets	56.0	57.4	57.5	0%	3%	41.8	42.3	42.0	(1%)	1%
ANZ Wealth Management	43.5	50.3	61.6	22%	42%	35.9	39.9	46.0	15%	28%
UK	50.0	53.4	52.4	(2%)	5%	32.4	36.1	33.3	(8%)	3%
UK Lending	13.9	10.1	10.9	8%	(21%)	11.6	7.8	8.4	7%	(28%)
South Africa	13.5	15.9	20.6	30%	53%	10.4	12.5	15.8	26%	51%
Canada	8.6	8.2	8.5	4%	(0%)	4.1	3.7	4.1	10%	1%
Total Group	185.5	195.4	211.7	8%	14%	136.1	142.3	149.6	5%	10%
Product and Technology						(46.0)	(49.7)	(53.9)	8%	17%
Operations						(15.4)	(18.1)	(18.7)	3%	22%
Corporate						(13.6)	(14.0)	(17.6)	26%	30%
Segment Profit						61.2	60.4	59.3	(2%)	(3%)

Directors' Report

The Directors present their report together with the consolidated financial statements of IRESS Limited ('Group'), comprising the Company and its controlled entities, for the half year ended 30 June 2017.

DIRECTORS

The Directors of IRESS Limited during the half year ended 30 June 2017 and up to the date of this report are set out below. All Directors held their position as a Director throughout the entire period up to the date of this report.

Name	Tenure
A D'Aloisio	Chairman since August 2014, Director since June 2012
A Walsh	Chief Executive Officer and Managing Director since October 2009
N Beattie	Director since February 2015
J Cameron	Director since March 2010
J Hayes	Director since June 2011
J Seabrook	Director since August 2008
G Tomlinson	Director since February 2015

PRINCIPAL ACTIVITIES

IRESS was founded in Australia and the continued strength of its Australian business remains an important component of its growth strategy. Over time, IRESS has diversified and grown by geography, and a material financial contribution is now from overseas operations.

IRESS' revenue is primarily recurring and subscription based.

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

There were no significant changes in the state of affairs of the Group during the financial period other than those referred to in the financial statements or notes thereto.

REVIEW OF OPERATIONS AND OUTLOOK

Please refer to the Media Release on pages 4 to 7 for details.

DIVIDENDS

On 16 August 2017, the Board declared an interim dividend to ordinary shareholders of 16.0 cents per share, franked at 60%.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Agreement to divest the business that provides superannuation administration to customer-owned banks

On 13 July 2017, IRESS entered into an agreement with MainstreamBPO to divest a part of its superannuation administration business that provides services to customer-owned banks. These assets were acquired as part of the purchase of Financial Synergy in October 2016. These assets, comprising of intangibles, have been classified as non-current assets held-for-sale. No gain or loss (before transaction costs) is expected on the transaction.

Other than noted above, and the declaration of the interim dividend, there has been no other matter nor circumstance which has arisen since the end of the financial period 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 the subsequent year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)*, is set out on page 10.

ROUNDING OFF

The amounts shown in this report and in the half year 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.

Signed in accordance with a resolution of the Directors made pursuant to S. 306(3) of the *Corporations Act 2001 (Cth)*.

On behalf of the Directors



Mr A D'Aloisio

Chairman

Melbourne

17 August 2017



Mr A Walsh

Chief Executive Officer and Managing Director



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

17 August 2017

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 review of the financial statements of IRESS Limited for the half year ended 30 June 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Chris Biermann".

Chris Biermann
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Comprehensive Income

For the Half Year Ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue		211,826	194,342
Customer data fees		(16,355)	(16,086)
Communication and other technology expenses		(12,429)	(11,397)
Employee benefit expenses		(115,822)	(98,697)
Other expenses		(16,294)	(14,332)
Profit before depreciation, amortisation, interest and income tax expense		50,926	53,830
Depreciation and amortisation expense		(12,085)	(10,442)
Profit before interest and income tax expense		38,841	43,388
Interest revenue		201	393
Financing costs		(1,901)	(1,895)
Net interest and financing costs		(1,700)	(1,502)
Profit before income tax expense	4	37,141	41,886
Income tax expense		(7,611)	(9,141)
Profit after income tax expense		29,530	32,745
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		3,717	(30,254)
Tax related to exchange differences recognised directly in foreign currency translation reserve ⁽¹⁾		(90)	(1,288)
Total other comprehensive income/(loss) for the period		3,627	(31,542)
Total comprehensive income for the period		33,157	1,203
		Cents per share	Cents per share
Earnings per share			
Basic earnings per share		17.66	20.69
Diluted earnings per share		17.38	20.39

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

(1) Relates to the tax effect on exchange differences arising from intercompany monetary items that are treated as part of a net investment in a foreign operation. Under accounting standards, the foreign exchange gain or loss on these monetary items is recognised directly in other comprehensive income rather than the profit or loss.

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 \$'000	31 December 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		20,653	22,951
Trade and other receivables		60,236	50,103
Non-current assets held for sale	3	3,250	–
Total current assets		84,139	73,054
Non-current assets			
Intangibles		545,012	558,759
Plant and equipment		16,596	12,096
Deferred tax assets		14,083	18,127
Derivative assets		1,230	205
Total non-current assets		576,921	589,187
Total assets		661,060	662,241
LIABILITIES			
Current liabilities			
Trade and other payables		43,795	44,169
Provisions		12,189	10,979
Total current liabilities		55,984	55,148
Non-current liabilities			
Trade and other payables		5,743	7,517
Provisions		6,289	8,040
Borrowings		194,580	177,805
Deferred tax liabilities		6,085	12,905
Total non-current liabilities		212,697	206,267
Total liabilities		268,681	261,415
Net assets		392,379	400,826
EQUITY			
Issued capital		375,287	375,287
Reserves		7,180	6,403
Retained earnings		9,912	19,136
Total equity		392,379	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 Half Year Ended 30 June 2017

	Issued capital ⁽¹⁾ \$'000	Retained earnings \$'000	Share- based payments reserve \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
2017					
Balance at 1 January 2017	375,287	19,136	23,006	(16,603)	400,826
Profit for the period	–	29,530	–	–	29,530
Other comprehensive loss	–	–	–	3,627	3,627
Total comprehensive income	–	29,530	–	3,627	33,157
<i>Transactions with owners in their capacity as owners:</i>					
Dividends declared	–	(47,588)	–	–	(47,588)
Share-based payments expense ⁽³⁾	–	–	5,984	–	5,984
Transfer of share-based payments reserve ⁽²⁾	–	8,834	(8,834)	–	–
	–	(38,754)	(2,850)	–	(41,604)
Balance at 30 June 2017	375,287	9,912	20,156	(12,976)	392,379
	Issued capital \$'000	Retained earnings \$'000	Share- based payments reserve \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
2016					
Balance at 1 January 2016	275,983	18,235	21,155	23,938	339,311
Profit for the period	–	32,745	–	–	32,745
Other comprehensive loss	–	–	–	(31,542)	(31,542)
Total comprehensive income	–	32,745	–	(31,542)	1,203
<i>Transactions with owners in their capacity as owners:</i>					
Dividends declared	–	(42,664)	–	–	(42,664)
Share-based payments expense ⁽³⁾	–	–	6,544	–	6,544
Transfer of share-based payments reserve ⁽²⁾	–	8,912	(8,912)	–	–
	–	(33,752)	(2,368)	–	(36,120)
Balance at 30 June 2016	275,983	17,228	18,787	(7,604)	304,394

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

(1) During the period, the total number of ordinary shares in issue increased by 1,308,680 to 171,265,680, arising from the vesting of share rights and performance rights relating to 2013 and 2014 plans, as well as issue of 2017 deferred shares for nil consideration. This issue does not adjust the total value of Issued Capital as it relates to equity-settled share-based payments.

The number of treasury shares outstanding as at 30 June 2017 is 2,109,983 (31 December 2016: 1,932,807). The movement is attributable to issue of shares to employees under the employee share plans.

(2) The movement from share-based payment reserves to retained earnings represents the fair value of share-based payments that have vested in May 2017 or lapsed during the half year. This amount has been recognised as a share-based payment expense over the vesting period which ranged from May 2013 to May 2017.

(3) The share-based payment expense includes the tax impact of \$1.0 million (2016: \$1.4 million) on vesting of employee share-based payments.

Consolidated Statement of Cash Flows

For the Half Year Ended 30 June 2017

	HALF YEAR ENDED 30 JUNE	
	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Receipts from customers	208,782	193,116
Payments to suppliers	(43,720)	(45,210)
Payments to employees	(111,031)	(88,051)
Interest received	201	392
Interest paid	(1,970)	(2,967)
Income taxes paid	(12,517)	(10,650)
Net cash inflow from operating activities	39,745	46,631
Cash flows from investing activities		
Payments for plant and equipment	(9,776)	(2,438)
Acquisition of subsidiaries and businesses, net of cash acquired ⁽¹⁾	(1,132)	–
Net cash outflow from investing activities	(10,908)	(2,438)
Cash flows from financing activities		
Proceeds from borrowings	59,059	34,000
Repayments of borrowings	(41,500)	(38,345)
Dividends paid	(47,531)	(42,632)
Net cash outflow from financing activities	(29,972)	(46,977)
Net decrease in cash and cash equivalents	(1,135)	(2,785)
Cash and cash equivalents at the beginning of the half year	22,951	39,233
Effects of exchange rate changes on cash and cash equivalents	(1,163)	(3,189)
Cash and cash equivalents at the end of the half year	20,653	33,259

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

(1) This is a deferred consideration paid during the year in relation to the 2015 acquisition of Pulse Software Systems Limited.

Notes to the Consolidated Financial Statements

For the Half Year Ended 30 June 2017

1 BASIS OF PREPARATION

IRESS Limited (the 'Company') is a for profit Company domiciled in Australia. The half year financial report is a general purpose financial report comprising the Company and its subsidiaries (collectively referred to as the 'Group' or 'IRESS') which has been prepared in accordance with the *Corporations Act 2001 (Cth)*, Australian Accounting Standards and Interpretations, and International Financial Reporting Standards (IFRS) including AASB 134 *Interim Financial Reporting*.

The half year financial report does not include all notes of the type normally included within the annual financial report. Accordingly, it should be read in conjunction with the annual financial report of IRESS for the year ended 31 December 2016 and any public announcements made by IRESS during the half year ended 30 June 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001 (Cth)*.

The accounting policies used are consistent with those applied in the 2016 annual report.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods commencing on or after 1 January 2017. The adoption of these new and revised standards and Interpretations has not resulted in changes to the Group's policies.

The half year financial statements were authorised for issue by the Directors on 17 August 2017.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets which have been measured at fair value. All amounts are presented in Australian dollars, unless otherwise stated.

The amounts have been 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).

Significant estimates made – goodwill

During the half year, and at the date of this report, no indicators were identified that would require a reassessment of the recoverable amount of goodwill. As disclosed in the 2016 full year annual report, the following significant assumptions have been made relating to the UK Lending and Canada cash-generating units CGUs.

UK LENDING

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

CANADA

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

2 SEGMENT INFORMATION

Change to a gross margin presentation during the period

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 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 is 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:

(a) Client segments

Client segments which include the 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 and related tools to Wealth Management professionals located in Australia and New Zealand. With the acquisition of Financial Synergy, Wealth Management – ANZ also provides fund administration software to the superannuation and wealth management industries.

UK

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

Notes to the Consolidated Financial Statements (continued)

For the Half Year Ended 30 June 2017

UK LENDING

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

SOUTH AFRICA

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

CANADA

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

(b) 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.

CORPORATE

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

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

Comparative periods

All comparative periods have been restated to reflect this new reporting view.

The Chief Operating Decision Maker measures the performance of the segments based on comparison to the previous half (in this case 2H16) rather than the previous corresponding half (1H16) as required by accounting standards. As such, both the previous half (1H16) and the previous corresponding period (2H16) segment results have been presented.

		OPERATING REVENUE			DIRECT CONTRIBUTION		
		1H17 \$'000	2H16 \$'000	1H16 \$'000	1H17 \$'000	2H16 \$'000	1H16 \$'000
CLIENT SEGMENTS	APAC Financial Markets	57,544	57,439	56,018	42,008	42,304	41,788
	ANZ Wealth Management	61,624	50,336	43,489	45,967	39,870	35,873
	Total APAC	119,168	107,775	99,507	87,975	82,174	77,660
	UK	51,625	53,426	57,404	32,808	36,080	37,150
	UK Lending	10,727	10,070	15,923	8,227	7,806	13,296
	Total UK	62,352	63,496	73,327	41,035	43,885	50,446
	South Africa	21,841	15,889	12,799	16,687	12,472	9,885
	Canada	8,465	8,234	8,710	4,043	3,719	4,122
	Total Group	211,826	195,394	194,342	149,740	142,250	142,113
COST SEGMENTS	Product and technology				(53,826)	(49,698)	(48,730)
	Operations				(18,808)	(18,129)	(16,087)
	Corporate				(17,540)	(13,980)	(14,208)
	Total indirect costs				(90,174)	(81,807)	(79,025)
GROUP RESULTS	Group Segment Profit				59,566	60,443	63,088
	Share-based payments (SBP)				(4,867)	(5,650)	(5,186)
	Segment Profit after SBP				54,699	54,793	57,902
	Non-recurring items ⁽¹⁾				(3,773)	(5,114)	(4,072)
	Profit before interest and tax, depreciation and amortisation				50,926	49,679	53,830
	Depreciation and amortisation				(12,085)	(10,621)	(10,442)
	Profit before interest and tax				38,841	39,058	43,388
	Net interest and financing costs				(1,700)	(3,967)	(1,502)
	Tax expense				(7,611)	(8,384)	(9,141)
	Net profit after tax				29,530	26,707	32,745

(1) Non-recurring items predominately comprises non-recurring expenses such as office move costs, business acquisition and integration expenses and unrealised foreign exchange gains and losses.

Notes to the Consolidated Financial Statements (continued)

For the Half Year Ended 30 June 2017

3 NON-CURRENT ASSETS HELD FOR SALE

On 13 July 2017, IRESS entered into an agreement with MainstreamBPO to divest a part of its superannuation administration business that provides services to customer-owned banks. These assets were acquired as part of the purchase of Financial Synergy in October 2016. These assets, comprising intangibles, have been reclassified as non-current assets held-for-sale. No gain or loss (before transaction costs) is expected on the transaction.

4 PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING:

	HALF YEAR ENDED 30 JUNE	
	2017 \$'000	2016 \$'000
Translation gains/(losses) on foreign currency trading accounts included in other expenses	681	(2,910)
Financing costs comprising:		
Translation losses on intragroup financing arrangements	(585)	(15,515)
Fair value changes on derivatives	1,026	16,935
Interest expense (net)	(2,342)	(3,315)
Total financing costs	(1,901)	(1,895)

5 DIVIDENDS

	HALF YEAR ENDED 30 JUNE	
	2017 \$'000	2016 \$'000
Dividends recognised and paid during the half 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
Dividends declared after balance date		
Interim dividend for 2017: 16.0 cents per share franked to 60% (2016: 16.0 cents per share franked to 60%)	27,403	25,775

6 PRIOR YEAR BUSINESS COMBINATIONS

During the period, the amount of deferred tax arising from the acquisition of Financial Synergy in October 2016 was finalised. This resulted in a reduction in deferred tax liabilities of \$5.1 million, and a corresponding decrease in goodwill. As a result, the goodwill recognised on the acquisition of Financial Synergy decreased from \$33.7 million to \$28.6 million.

There were no other changes to the fair value of assets and liabilities recognised on prior year acquisitions.

7 SUBSEQUENT EVENTS

Agreement to divest the business that provides superannuation administration to customer-owned banks

On 13 July 2017, IRESS entered into an agreement with MainstreamBPO to divest a part of its superannuation administration business that provides services to customer-owned banks. These assets were acquired as part of the purchase of Financial Synergy in October 2016. These assets, comprising intangibles, have been classified as non-current assets held-for-sale. No gain or loss (before transaction costs) is expected on the transaction.

Other than noted above, and the declaration of the interim dividend, there has been no other matter nor circumstance which has arisen since the end of the financial period 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 periods.

Directors' Declaration

The Directors declare that in the Directors' opinion:

- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) the attached half year financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including
 - (i) giving a true and fair view of the financial position as at 30 June 2017 and the performance of the Group for the half year ended on that date; and
 - (ii) compliance with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporation Regulations 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Mr A D'Aloisio

Chairman

Melbourne

17 August 2017



Mr A Walsh

Chief Executive Officer and Managing Director



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Independent Auditor's Review Report to the Members of IRESS Limited

We have reviewed the accompanying half year financial report of IRESS Limited, which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 11 to 18.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of IRESS Limited's financial position as at 30 June 2017 and its performance for the half year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IRESS Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

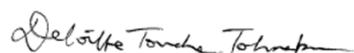
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of IRESS Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

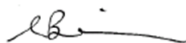
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of IRESS Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 17 August 2017