

25 February 2015

ASX Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

ELECTRONIC LODGEMENT

Dear Sir or Madam

IRESS 2014 Full Year Results

In accordance with the Listing Rules, IRESS encloses for immediate release an Appendix 4E relating to its full year 2014 results.

Yours sincerely



Peter Ferguson

Group General Counsel
& Company Secretary

Appendix 4E

Preliminary final report

Name of entity	ABN reference
IRESS Limited	47 060 313 359

1. Reporting periods

Financial year ended (‘current period’)	Financial year ended (‘previous corresponding period’)
<u>31 December 2014</u>	<u>31 December 2013</u>

2. Results for announcement to the market

\$A'000

Key Information	Current Period	Previous Corresponding Period	% Change Increase/(Decrease)	Amount Increase/(Decrease)
Revenue from ordinary activities	329,073	251,132	31.0%	77,941
Net profit/(loss) for the period attributable to members	50,671	24,241	109.0%	26,430

Dividends /distributions			Amount per security	Franked amount per security at 30% tax
Final Dividend	Record Date Payable	13 March 2015 31 March 2015	25.5	40%
Interim Dividend	Paid	30 September 2014	16.0	40%

Supplementary Comments of any figures above:

For further information, please refer to the Audited Financial Statements for the year ended 31 December 2014.

3. Statement of Comprehensive Income

Please refer to the Audited Financial Statements for the year ended 31 December 2014.

4. Statement of Financial Position

Please refer to the Audited Financial Statements for the year ended 31 December 2014.

5. Statement of Changes in Equity

Please refer to the Audited Financial Statements for the year ended 31 December 2014.

6. Statement of Cash Flows

Please refer to the Audited Financial Statements for the year ended 31 December 2014.

7. Dividends

	Date paid/payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Final dividend: Current year	31 March 2015	25.5c	10.20c	—
Previous year	31 March 2014	24.5c	19.60c	—
Interim Dividend: Current year	30 September 2014	16.0c	6.40c	—
Previous year	27 September 2013	13.5c	12.15c	—

Total dividend (distribution) per security (interim, final plus special)

+ Ordinary securities
Preference + securities

Current year	Previous year
41.50c	38.00c

Total dividend (distribution) paid/payable (interim plus final)

+Ordinary securities (each class separately)

Interim Final
(a)
Special

Current period \$A'000	Previous corresponding period \$A'000
25,455	17,489
40,569	38,815
—	—
64,434	56,304
—	—
—	—
—	—
—	—
—	—
—	—
64,434	56,304

Preference + securities (each class separately)

Interim
Final

Other equity instruments (each class separately)

Interim
Final

Total

(a) The current period final dividend amount has been calculated based on the number of shares on issue as at 31 December 2014. The previous corresponding period final dividend amount has been updated to reflect the actual dividend paid.

8. Dividend Reinvestment plans

The dividend or distribution plans shown below are in operation.

NIL

The last date(s) for receipt of election notices for the dividend or distribution plans:

N/A

9. Statement of Retained Earnings

Please refer to note 26 of the Audited Financial Statements for the year ended 31 December 2014.

10. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security (\$)	\$(0.570)	\$(0.656)

11. Subsidiaries

Please refer to the Audited Financial Statements for the year ended 31 December 2014.

12. Associates and Joint Ventures

N/A

13. Other Significant Information

Please refer to the Audited Financial Statements for the year ended 31 December 2014.

14. Foreign Entities

Please refer the Audited Financial Statements for the year ended 31 December 2014.

15. Commentary

15.1 Earnings per security

Please refer to note 11 of the Audited Financial Statements for the year ended 31 December 2014.

15.2 Returns to shareholders including distributions and buy backs

Please refer to the Audited Financial Statements for the year ended 31 December 2014.

Note 28 Dividends

Note 24 Issued capital

Review of group results

The reported net profit after tax was \$50.7m, a 109.0% increase on reported profits for the same period last year. Impacting on comparability of results for 2014 and 2013 are:

- Revenue from ordinary activities increased by \$77.9 or 31.0%. This increase was driven by:
 - All other segments other than Canada experienced growth in Operating Revenues.
 - Wealth Management Australia and New Zealand increased by \$8.4m or 13.4% on a like for like basis.
 - United Kingdom Wealth Management and United Kingdom Enterprise increased by \$49.9m and \$17.8m respectively. This is influenced by a full year of contribution from these segments in 2014 (2013: 4 months).
 - Canada experienced an Operating Revenue decline of \$1.6m (7.8%).
- This increase in revenue was offset by the following net increases in expenses:
- Employee benefits expense increased by \$38.4m or 33.2% during the year. This increase arises from a number of factors including:
 - Direct staff costs (which comprises wages, bonus and commission) increased by \$37.6m or 34.9%. This is influenced by a full year of costs for employees in the Avelo companies (2013: 4months).
 - There has been a net decrease in headcount during 2014. Minor increases in Australia and New Zealand, Canada, and South Africa were offset by a decrease in headcount in United Kingdom of 48.5 full time equivalent (FTE) staff. This reduction in headcount was primarily as a result of the restructure of the United Kingdom Enterprise Lending business which has been discussed in more detail on page 7 of the Directors' Report.
 - The weighted average actual underlying base rate increase (in local currency terms) for staff during the year was 2.4%.

- Share based payments (SBP) increased by \$0.8m, due to the commencement of the Avelo share grants awarded in 2013, offset by cancellations for departed employees. The actual value of grants awarded in the year decreased from \$9.3m to \$9.1m.
- Employee administration expenses increased by \$2.5m or 38.9% primarily as a result of increased travel which is a reflection of the global nature of the business.
- A net decrease in unrealised foreign exchange gain of \$9.1m partially offset by a decrease in financing expense of \$8.4m
 - Unrealised foreign exchange gains, and financing expense were abnormally large in 2013 due to the initial recognition of the internal funding arrangements put in place in relation to the acquisition of Avelo, and the recognition of the derivative liability from the two GBP 33m swaps. These two amounts largely offset each other, 2014 net gain \$1.0m (2013: net gain: \$0.2m).
 - Following the acquisition of Avelo, the Group is exposed to a larger proportion of foreign denominated transactions and hence presents foreign currency gains/losses from operations separately (2014: Net \$1.6m unrealised gain). In prior periods these amounts have been included in other expenses including general administration expenses due to their immaterial value.
- Customer data feeds increased by \$5.5m or 23.7% in line with revenue growth.
- Depreciation and amortisation expense increased by \$3.8m. This increase reflects full year of expenses in the Avelo companies, as well as a full year of amortization of the intangible assets acquired (computer software and customer relationships) as part of the acquisition of Avelo in 2014 (2013: 4 months).
- Other expenses including general and administrative expenses and Communication and other technology expenses increased by \$3.5m and \$2.7m or 30.6% and 23.3% respectively. These increases relates to the greater complexity associated with the broader group. It also reflects full year of expenses in the Avelo companies in 2014 (2013: 4 months).
- An impairment loss was recognised in relation to the goodwill arising on the acquisition of Sentryi (\$2.3m).
 - Sentryi was acquired in 2010 with the objective of providing an element of base relationships and clients on which to establish the Group's wealth management operations. At the time the Group had a CFD business in the region with a key supply of services to MF Global, and it was anticipated fixed costs could be shared to establish a combined wealth management and financial markets business in the region. While the demise of MF Global in 2011 did not deter the Group's resolve to establish a business in the region, it did highlight the need for direct relationships with the underlying client. IRESS has continued to invest in technology solutions which are appropriate for the South East Asian market place as well as in establishing long term relationships. While the Directors remain confident of the opportunities in the region, delays in anticipated opportunities has resulted in the segment taking longer to reach break-even than had been anticipated. In light of this, Directors reached the view that this Goodwill was impaired. An impairment loss reducing the fair value of this Goodwill to \$0 has been recognised in 2014.

- Net interest expense (comprising interest revenue and interest expense) increased by \$1.8m or 25.4%. This increase was a function of a full year of external borrowing costs (2013: 4months).
- Other minor increases in expenses including:
 - Facilities rent expense increased by \$0.6m.
 - Tax expense increased by \$0.5m. The effective tax rate decreased to 20.1% from 33.5% in 2013 due to the impact of once off deductions associated with the acquisition of Avelo.
 - Bad and doubtful debts increased by \$0.3m. During 2014 the Avelo companies had their accounting policies, including the manner in which the provision for doubtful debts provision is calculated, aligned with IRESS Group policies.
- The collective impact of these changes was an increase in basic EPS from 17.5 cents per share to 32.3 cents per share, an increase of 84.4%.
- The financial position of the Group has remained stable during 2014.
- Working capital increased by \$9.5m or 12.5% driven by:
 - An increase in cash balances of \$3.5m or 4.9%
 - A decrease in trade receivables of \$1.0m or 3.8%
 - A decrease in trade payables of \$7.0m or 33.2%.
- Non-working capital assets decreased by \$13.5m or 2.8% primarily driven by depreciation and amortisation of plant and equipment, computer software and intangible assets.
- Non- working capital liabilities (excluding borrowings and derivative liabilities) decreased by \$12.2m or 24.5% primarily driven by decrease in other payables, provisions and tax liabilities as these amounts were settled during the year.
- Borrowing liabilities have increased by \$1.8m or 1.0% due to accrued interest payable on the external borrowings. External borrowings remain unchanged from 2013.
- The derivative liability has increased by \$2.3m or 21.4% due to the devaluation of the Australian dollar against the Great British Pound during the year.

The net impact of these items was that Group Net Assets remained largely unchanged from 2013 increasing by \$4.2m or 1.3%.

Changes in the equity position of the Group are set out in notes Issued capital, Reserves and Retained earnings / (accumulated losses).

Conversion of off-shore results to Australian Dollars:

- The consolidated results of the Group were impacted by the devaluation of the Australian dollar against many currencies during the year. These include the Canadian dollar, the Great British Pound, the New Zealand dollar, and the South African Rand.

- The Hong Kong dollar, the Singapore dollar and the Malaysian Ringgit impact the consolidated results of the Group positively due to devaluation against the Australian dollar.
- Movement in currency rates also impacts on the year on year performance assessment of offshore divisions when assessed in Australian dollars.
- The Group does not hedge the underlying operating net cash flows from its off shore operations.

Cash flows:

- From Operations
 - The net cash generated from operating activities was \$82.5m, (2013: \$61.2m) a \$21.3m or 34.8% increase from the same period last year primarily driven by a full year of contribution from the Avelo companies (2013: 4 months).
 - Receipts from customers less payments to suppliers increased from \$198.1m in 2013 to \$265.0m in 2014, an increase of \$66.9m or 33.8%.
 - This was only partially offset by an increase in payments to employees of \$46.1m or 38.9%.
- From Investing activities
 - The net investing cash flow was an outflow of \$14.1m, a decrease of \$372.3m from the prior year. Net investment cash out flows were abnormally high in 2013 primarily due to the \$354.4m net cash consideration for the purchase of Avelo combined with \$23.2m of acquisition related costs incurred in 2013.
 - Payments for acquisition of subsidiary in 2014 relates to the deferred acquisition payment for IRESS Financial Markets (Pty) Ltd (acquired as Peresys (Proprietary) Limited).
- From Financing activities
 - The net financing activities cash flow was a cash outflow of \$64.3m relating to dividends paid during the year.
 - Dividends paid during the year increased by \$15.4m reflecting increased shares on issue during the year following the AREO completed in 2013. Shares issued as part of the AREO were not eligible to participate in the 2013 dividends.

The results of the business when viewed on a product basis including investments are as follows:

		Financial Markets \$'000 (a)	Wealth Management \$'000 (a)	Enterprise \$'000 (a)	Underlying Group \$'000	Strategic Charges \$'000	Reported Group \$'000
RECURRING OPERATIONAL (b)							
Operating revenue	2014	146,651	151,515	30,797	328,964	-	328,964
	2013	145,245	92,366	13,015	250,626		250,626
Segment Profit	2014	56,285	50,933	4,226	111,444	-	111,444
	2013	58,974	29,008	219	88,201	-	88,201
Segment Profit before tax (c)	2014	51,102	47,778	3,783	102,663	(16,866)	85,797
	2013	53,765	26,560	86	80,411	(11,797)	68,614
Segment Profit after tax	2014	35,516	33,206	2,629	71,351	(11,772)	59,629
	2013	37,367	18,458	59	55,884	(8,199)	47,685
NON-CORE (d)							
Share Based Payments	2014				(7,981)	(937)	(8,918)
	2013				(6,245)	(1,827)	(8,072)
Treasury	2014						(7,868)
	2013						(7,084)
Other Non-Core Expense	2014						(5,610)
	2013						(16,992)
Total Non-Core Expense Before Tax	2014						(22,396)
	2013						(32,148)
Tax on Non-Core items	2014						13,438
	2013						8,704
REPORTED Profit after tax	2014						50,671
	2013						24,241

Table 4

- (a) These segment results are inclusive of the Group's investments in the emerging Financial Markets and Wealth Management businesses in Asia and the United Kingdom.
- (b) 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-core items, and amortisation of intangible assets recognised through acquisition (strategic charges) and has presented results consistently in this way for the past 10 years.
- (c) This figure is derived from segment profit before tax, after net interest and depreciation and amortisation from operations (which excludes amortisation of intangible assets recognised through acquisition (strategic charges)).
- (d) Total Share Based Payments and Non-core items (see Note (b) above). Non-core items include balances such as net interest, forex gain/loss, revaluation of swaps, and restructuring costs.

The segment operating results are discussed in more detail on the following pages.

Australia and New Zealand - Financial Markets

	2014 \$'000	2013 \$'000
Operating Revenue	108,865	107,018
Segment Profit (a)	50,596	51,566

Table 5

(a) Refer Note (b) in Table 4.

Commentary on operating results

- Operating Revenue \$108.9m (2013: \$107.0m) up 1.7%.
- Segment Profit \$50.6m (2013: \$51.6m) down 1.7%.
- Staff and Operating Expenditure \$38.6m (2013: \$35.6m) up 12.2%.
- Headcount Average 200.8 (2013: 209.1) down 3.9%.
- Operating revenue increased slightly over the period with an increase in expenditure leading to a slight reduction in segment profit. An increase in staff and operating expenditure over the period reflected investments in additional Executives to drive global revenue growth and in travel to support an increasing global business.
- Despite strong, recurring revenue, ongoing cost focus and some consolidation by clients were a continuing factor in this market. In this context, we see this result as resilient.
- We continue to appropriately invest in product development and systems as we are also seeing opportunities as clients explore discretionary and growth initiatives based against their regulatory needs.

Australia and New Zealand - Wealth Management

	2014 \$'000	2013 \$'000
Operating Revenue	71,391	62,973
Segment Profit (a) (b)	32,703	27,673

Table 6

(a) Refer Note (b) in Table 4.

(b) Includes \$0.145m for transactions arising in an entity primarily for financing activities which has been allocated to the Australia & New Zealand Wealth Management segment for segment reporting. These items are principally relating to Wealth Management activities (2013:\$0.054m).

Commentary on operating results

- Operating Revenue \$71.4m (2013: \$63.0m) up 13.4%.
- Segment Profit \$32.7m (2013: \$27.7m) up 18.2%.
- Staff & Operating Expenditure \$38.0m (2013: \$34.7m) up 9.6%.
- Headcount Average 250.6 (2013: 244.3) up 2.6%.
- The increase in operating revenue and continued growth reflects an overall trend for additional and more complex requirements to meet increased pressures on advice and wealth management businesses. At the same time, demand for digital engagement solutions are heightened.
- IRESS is proving well placed to provide these requirements, as well as solve business problems, with its broad platform of retail technology and expertise.
- Margins were influenced by additional investment to support strategic product delivery and large implementation projects underway and anticipated.

Canada

	2014 CAD \$'000	2013 CAD \$'000	2014 AUD \$'000	2013 AUD \$'000
Operating Revenue	18,468	20,073	18,574	20,148
Segment Profit (a)	3,880	5,355	3,884	5,390

Table 7

(a) Refer Note (b) in Table 4.

Commentary on operating results

- Operating Revenue \$18.6m (2013: \$20.1m) down (7.8)% (a CAD decrease of (8.0)%).
- Segment Profit \$3.9m (2013: \$5.4m) down (27.9)% (a CAD decrease of 27.6%).

Canada (continued)

- Staff & Operating Expenditure \$8.5m (2013: \$8.8m) down 3.0% (a CAD decline of 3.3%).
- Headcount Average 52.3 (2013: 53.9) down 3.0%.
- The result reflects continued cost pressure from clients, particularly given Canada's ongoing economic and market pressures. During the year clients have consolidated, downsized or ceased business.
- Stabilising revenue in the second half with careful cost management balanced with investment in future growth, has resulted in an annualised decrease of Segment Profit.
- We remain committed to our strategy of investing in future diversification opportunities in Canada, with a particular focus on wealth management.

South Africa

	2014 ZAR R'000	2013 ZAR R'000	2014 AUD \$'000	2013 AUD \$'000
Operating Revenue	219,950	199,871	22,493	21,581
Segment Profit (a)	63,139	58,881	6,375	6,319

Table 8

(a) Refer Note (b) in Table 4.

Commentary on operating results

- Revenue \$22.5m (2013: \$21.6m) up 4.2% (a Rand increase of 10.0%).
- Segment Profit \$6.4m (2013: \$6.3m) up 0.9% (a Rand increase of 7.2%).
- Staff & Operating Expenditure \$12.7m (2013: \$12.3m) up 3.5% (a Rand increase of 9.1%).
- Headcount Average 178.2 (2013: 166.9) up 6.8%.
- The appreciation of the Australian dollar against the South African Rand has materially impacted the contribution to the Group result.
- Revenue and segment profit increased for the South African business both in Australian and local currency terms.
- This reflects continued strong demand for a broad range of IRESS solutions.

Asia

	2014 AUD \$'000	2013 AUD \$'000
Operating Revenue	1,903	1,605
Segment Loss (a)	(3,644)	(3,950)

Table 9

(a) Refer Note (b) in Table 4.

Commentary on operating results

- Operating Revenue \$1.9m (2013: \$1.6m) up 18.5%.
- Segment Loss \$(3.6)m (2013: \$(4.0)m) down (7.7)%.
- Staff & Operating Expenditure \$3.6m (2013: \$4.0m) down 10%.
- Headcount Average 34.0 (2013: 34.6) down 1.7%.
- Revenue increased in Asia in the past year, reflecting IRESS' continued progress in establishing itself as a provider of solutions to participants in South-East Asia.

United Kingdom

	Financial Markets		Wealth Management		Enterprise		Total	
	2014 AUD \$'000	2013 AUD \$'000	2014 AUD \$'000	2013 AUD \$'000	2014 AUD \$'000	2013 AUD \$'000	2014 AUD \$'000	2013 AUD \$'000
Operating Revenue	1,202	446	73,738	23,840	30,797	13,015	105,737	37,301
Segment Profit/ (Loss) (a)	(1,279)	(952)	18,583	1,936	4,226	219	21,528	1,203

	Financial Markets		Wealth Management		Enterprise		Total	
	2014 GBP £'000	2013 GBP £'000	2014 GBP £'000	2013 GBP £'000	2014 GBP £'000	2013 GBP £'000	2014 GBP £'000	2013 GBP £'000
Operating revenue	657	305	40,343	13,819	16,675	7,470	57,675	21,594
Segment Profit/ (Loss)(a)	(705)	(545)	10,187	817	2,181	335	11,663	607

Table 10

(a) Refer Note (b) in Table 4.

Commentary on operating results

Financial Markets

- Revenue \$1.2m (2013: \$0.4m) up 169.5% (a GBP increase of 115.5%).
- Segment Loss \$(1.3)m (2013: \$(1.0)m) up 34.5% (a GBP decline of 29.4%).
- Staff and Operating Expenditure of \$1.4m (2013: \$0.8m) up 72.7% (a GBP increase of 55.4%).

United Kingdom (continued)

- Headcount Average of 1.7 (2013: 4.2) up down 59.1%.
- Financial Markets revenue increased but remains modest. Our focus in the United Kingdom is disciplined and based on select products and solutions supported by local and regional capability.
- We expect opportunities as client demand for integrated trading and wealth solutions continues to increase.

Wealth Management

- Revenue \$73.7m (2013: \$23.8m) up 209.3% (a GBP increase of 191.9%)
 - Segment Profit \$18.6m (2013: \$1.9m) up 878.9% (a GBP increase of 1,146.9%)
 - Staff and Operating Expenditure of \$48.6m (2013: \$19.8m) up 145.5% (a GBP increase of 125.4%)
 - Headcount Average of 409.5 (2013: 142.4) up 187.5%
- Percentage increases, including revenue, profit and expenditure, reflects 2014 being the first full year since the Avelo acquisition in 2013.
- The United Kingdom wealth management business is a significant part of regional operations. It is also a sound platform for growth in the United Kingdom.

Enterprise

- Revenue \$30.8m (2013: \$13.0m) increase 136.6% (a GBP increase of 123.2%).
 - Segment Profit \$4.2m (2013: \$0.2m) up 1,833.3% (a GBP increase of 550.9%).
 - Staff and Operating Expenditure of \$26.3m (2013: \$12.7m) up 107.6% (a GBP increase of 103.1%).
 - Headcount Average 173.7 (2013: 65.1) up 166.8%.
- Percentage increases, including revenue, profit and expenditure, reflects 2014 being the first full year since the Avelo acquisition in 2013.
- As reported at 2014 half year, some client decisions, including postponement of projects during 2014, has impacted revenue and profit during the year.

Further details on the performance of the Company are set out in the Audited Financial Statements for the year ended 31 December 2014.

15.6 Other factors which have affected or likely to affect the results

Please refer to the Audited Financial Statements for the year ended 31 December 2014.

16. Compliance Statement

This report should be read in conjunction with the attached Audited Financial Statements for the year ended 31 December 2014.



Sign here:

(Company Secretary)

Date: 25 February 2015

Print name:

PETER FERGUSON