

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 its Financial Statements for 2014.

Yours sincerely



**Peter Ferguson**

Group General Counsel  
& Company Secretary

**IRESS Limited**

ABN 47 060 313 359

**Financial report  
for the year ended 31 December 2014**

**IRESS Limited** ABN 47 060 313 359  
**Financial report**

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## IRESS Limited Corporate directory

|                                |                                                                                                                                                                                                                                                                                                            |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b>               | A D'Aloisio (appointed as Chairman 25 August 2014)<br><i>Chairman</i><br>N Beattie (appointed 1 February 2015)<br>J Cameron<br>P Dunai (resigned 27 September 2014)<br>J Hayes<br>J Seabrook<br>G Tomlinson (appointed 1 February 2015)<br>A Walsh<br><i>Chief Executive Officer and Managing Director</i> |
| <b>Company Secretary</b>       | P Ferguson                                                                                                                                                                                                                                                                                                 |
| <b>Registered office</b>       | Level 18, 385 Bourke Street<br>Melbourne Vic 3000<br>Phone: +61 3 9018 5800<br>Fax: +61 3 9018 5844                                                                                                                                                                                                        |
| <b>Share registry</b>          | Link Market Services Limited<br>Level 4, 333 Collins Street<br>Melbourne Vic 3000                                                                                                                                                                                                                          |
| <b>Auditor</b>                 | Deloitte Touche Tohmatsu                                                                                                                                                                                                                                                                                   |
| <b>Solicitors</b>              | King & Wood Mallesons                                                                                                                                                                                                                                                                                      |
| <b>Bankers</b>                 | National Australia Bank Limited                                                                                                                                                                                                                                                                            |
| <b>Stock exchange listings</b> | IRESS Limited shares are quoted on the<br>Australian Securities Exchange under the code<br><b>IRE</b>                                                                                                                                                                                                      |

## Financial summary

### 12 MONTHS TO 31 DECEMBER 2014

|                                                         | Consolidated   |         |
|---------------------------------------------------------|----------------|---------|
|                                                         | 2014           | 2013    |
|                                                         | \$'000         | \$'000  |
| Total revenues                                          | <b>329,073</b> | 251,132 |
| Profit before income tax expense                        | <b>63,401</b>  | 36,465  |
| Profit attributable to the members of the parent entity | <b>50,671</b>  | 24,241  |
| Basic earnings per share (cents)                        | <b>32.333</b>  | 17.530  |
| Dividend per share (cents)                              | <b>41.5</b>    | 38.0    |

## Directors' report

The Directors of IRESS Limited submit herewith the annual financial report for the financial year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001* (Cth), the Directors report as follows.

## Board of Directors

### Mr A D'Aloisio

Non-Executive Director, Chairman since 25 August 2014, member of the Audit & Risk Committee and Nomination & Remuneration Committee. Tony joined the Board on 1 June 2012. He was Managing Director and Chief Executive Officer of ASX Limited ("ASX") from 2004 to 2006. Tony was Chairman of ASIC from 2007 to 2011.

Tony has served in both Executive and Non-Executive roles in commercial and Government enterprises and has held positions of Chief Executive, and Chairman. Tony's previous directorships include Boral Limited, The Business Council of Australia and the World Federation of Exchanges as well as Chairman of the International Joint Forum.

### Ms N Beattie

Non-Executive Director since 1 February 2015. Niki has more than twenty years' experience working in financial technology and capital markets in management, Board and advisory capacities. This includes 14 years in senior positions at Merrill Lynch International, based in Europe. She is currently Non-Executive Chairman of pan-European share trading platform Aquis Exchange, Non-Executive Director of European financial services company Kepler Cheuvreux International and Non-Executive Director of Russian exchange Group, Moscow Exchange.

### Mr J Cameron

Non-Executive Director and member of the Nomination and Remuneration Committee since 5 May 2011. John joined the Board on 15 March 2010. John has worked in IT for over 30 years in Australia, USA, the United Kingdom and France. He was a key member of the team that automated both the equities and options trading floors for the ASX.

John was founder and CEO of Cameron Systems which created CameronFIX which is now the world's leading implementation of the FIX protocol - the standard way that financial organisations worldwide trade electronically. The company was acquired in 2006 by ORC Software, where John served as CTO for three years. John was previously a Director of the international standards body FIX Protocol Limited from 2010 to 2013.

## Board of Directors (continued)

### Mr J Hayes

Non-Executive Director and Chairman of the Audit & Risk Committee. John joined the Board on 10 June 2011, assuming Chair of the Audit & Risk Committee from this date.

A Fellow of CPA Australia with over 40 years' experience in Financial Services. Senior roles included CFO of both ASX Limited and Advance Bank Australia Limited and Vice President Financial Services with BT Australia Ltd. John's previous directorships include ASX Perpetual Registry Ltd (now Link Market Services) and Orient Capital Ltd. Executive Director roles with the Australian Clearing House Ltd, ASTC Ltd (CHESS) and ASX Operations Pty Ltd. He was a member of the Advisory Council of Comcover, a Federal Government Entity for six years until the end of December 2013.

### Ms J Seabrook

Non-Executive Director, Chair of the Nomination & Remuneration Committee since 5 May 2011, a member of the Audit & Risk Committee and Lead Independent Director from May 2010 to December 2014. Jenny joined the Board on 20 August 2008.

Jenny is a special advisor to Gresham Partners Limited, a Non-Executive Director of Iluka Resources Limited, was a Non-Executive Director of the Export Finance and Insurance Corporation until 4 April 2014 and was a member of ASIC's external advisory Group until the end of November 2013.

Jenny is a chartered accountant with employment experience in the capital markets and mergers and acquisitions sectors of the financial services industry and extensive public company Board experience. Her employment history includes Touche Ross, Hong Kong Bank, Hartleys, and Gresham. Jenny was a member of the Takeovers Panel from 2000 to 2012. Jenny's previous directorships include Alinta Gas, Amcor Limited, Australia Post, BankWest, Edith Cowan University, MG Kailis, Princess Margaret and King Edward Hospital, West Australian Newspapers Holdings Limited, and Western Power.

### Mr G Tomlinson

Non-Executive Director since February 2015. Geoff has more than 40 years' experience in financial services. His executive career encompassed 29 years with the National Mutual Group, including six years as Group Managing Director and Chief Executive Officer. He was a Non-Executive Director of National Australia Bank ("NAB") from March 2000 to December 2014, including Chairman of its wealth management division MLC. Other companies he has been a Director of include Amcor Ltd, Suncorp Ltd, Dyno Nobel Ltd, Programmed Maintenance Services Ltd and Neverfail Springwater Ltd. Geoff is currently Chairman of Growthpoint Properties Australia Ltd and Director of Calibre Limited.

### Mr A Walsh

CEO and Managing Director. Founded XPLAN Technology Pty Ltd, which was acquired in 2003 by the Company, and from 2003 managed the transition of XPLAN from an independent start-up organisation to a fully integrated and material division of the Group until taking up his current role as CEO on 14 October 2009. Andrew joined the Board in October 2009.

## Board of Directors (continued)

### Company secretary

#### Mr P Ferguson

Group General Counsel and Company Secretary. Peter joined the Company in June 2011 and is responsible for legal and governance support across the Group. Peter has experience from international legal and commercial roles in the financial technology sector, with prior international and domestic appointments including seven years with OMX (now Nasdaq OMX) located in Stockholm and later Sydney. Peter is a member of the Board of the Schizophrenia Fellowship of NSW.

### Non-Executive Director Skills Summary and Tenure details

| Name           | Background                                                                              | Appointed        | Elected/<br>Re-Elected                    | Retired           |
|----------------|-----------------------------------------------------------------------------------------|------------------|-------------------------------------------|-------------------|
| Mr A D'Aloisio | CEO, financial markets, government, regulatory and governance experience.               | 01 June 2012     | 02 May 2013                               |                   |
| Ms N Beattie   | Financial technology, regulatory experience, capital markets, advisory, NED experience. | 01 February 2015 |                                           |                   |
| Mr J Cameron   | Technology, industry, CEO experience.                                                   | 15 March 2010    | 05 May 2010<br>02 May 2013                |                   |
| Mr J Hayes     | CFO, financial markets industry experience, accounting and banking.                     | 10 June 2011     | 03 May 2012                               |                   |
| Ms J Seabrook  | Investment banking, capital markets, banking, accounting, broad NED experience.         | 20 August 2008   | 07 May 2009<br>05 May 2011<br>01 May 2014 |                   |
| Mr G Tomlinson | Financial services, CEO, Managing Director, broad NED experience.                       | 01 February 2015 |                                           |                   |
| Mr P Dunai     | Technical, industry, CEO experience.                                                    | 31 May 1993      | 05 May 2010<br>02 May 2013                | 27 September 2014 |

### Principal activities

During the course of the year the principal continuing activities of the Group consisted of the provision of information, trading, compliance, order management, portfolio, wealth management, and enterprise lending systems and related tools. The principal clients comprise financial markets and wealth management participants of Australia, New Zealand, South East Asia, Canada and South Africa and the United Kingdom.

In September 2013 the Group acquired Avelo FS Holdings Limited and its subsidiaries ("Avelo"). This materially expanded the significance of the Group's activities in the United Kingdom.

## Principal activities (continued)

### Financial Markets

The Financial Markets business provides a leading range of multi market products and services including global market data, sell side and buy side order and execution management, smart order routing, portfolio management, direct exchange connectivity and FIX order routing. These solutions are delivered via desktop, web and mobile devices. The solutions are modular, allowing clients to tailor functionality for different user roles, business units and departments, while maintaining a single integrated platform across their organisation.

Specific solutions are offered to retail advisers and their clients, through to institutional traders and specialist market makers.

Equity information systems deliver comprehensive market data and market analysis tools, catering to the diverse needs of equity and derivative traders. Each solution in our range is tailored in its delivery, interface and content to meet specific client requirements.

Primary areas of focus during the year included initiating the rollout of the SmartHub connectivity solution and accelerating the development of the next generation platform for IRESS' online market data and trading, Trader+, which provides an innovative and differentiated solution for active traders and brokers looking for white-label trading platform and user engagement. The business also made further investments into Canada, UK and Singapore as we look to strengthen our teams, resource for growth and confirm our commitment in these strategically important regions.

### Wealth Management

The Wealth Management business is primarily based around the XPLAN solution. XPLAN is a web based platform and includes features spanning client data management, practice management, document management, compliance, portfolio management and research, cash flow modelling, risk insurance research, mortgage sourcing and integrated revenue management.

XPLAN is a scalable wealth management and advice platform that is configured to support any individual business through to institutional multi-channel wealth managers.

The service is delivered as a managed solution, which includes infrastructure, integration, data transformation and migration and, importantly, on-going client support.

During 2014 significant effort was directed to the evolution and early stage migration of Avelo clients across to the XPLAN solution, numerous institutional platform implementations in Australia, innovative mobile solutions and scaled advice projects.

## Principal activities (continued)

### Enterprise Lending

The Enterprise Lending business is based around the ("MSO") Mortgage Sourcing and Origination software. This is provided as a large scale software solution to leading lending institutions in the United Kingdom. The solution provides automation and integration to existing bank systems facilitating mortgage sales & origination allowing multi-channel distribution through a single solution. Where adopted, it has had a transformational impact on mortgage processing efficiency and workflow from the point of sale to the release of funds.

Historically, services have primarily been provided as maintenance, customisation and configurations, as well as enterprise license fee payments. The maintenance revenues are recurring in nature, the other revenues are less so. The level of integration and customisation involved results in clients entering multi year contracts, some with minimum commitments on support hours, which in aggregate gives some visibility of future revenues. Enterprise licence fees are the most difficult to predict due to heavy dependence on client driven timetables and long lead times.

Historically the business had sought to address the volatility in demand for customisation and configuration services, by drawing on a combination of full time employed staff and contractors. This arrangement was intended to provide flexible matching of capacity to client demand. During 2014 the business was restructured with a view to achieving a more stable and recurring style of operations. Accordingly effort during the year was focussed on reshaping the costs of the business, modifying the service offering towards a more product based solution and engaging clients in a modified service offering which provides enhanced functionality, a simpler implementation approach, a lower cost of ownership for the client to build a more stable and recurring revenue base for the Group.

## Operating and financial review

### Business

IRESS' client-focused service delivery and its recurring subscription model continues to drive results and outlook for the Group. IRESS is committed to its long-term focus on diversifying its business and achieving positions of scale.

In looking at the Group's performance in 2014 and beyond, the following are important themes:

- Despite positive market index performance in most major markets, equities businesses have continued to experience pressure from volume levels, competitive price pressure, and the focus and cost of regulatory response. The Financial Markets business has continued to be resilient in this environment through focus on product responsiveness and client focused service.
- The United Kingdom was a key focus during the year. This followed the Avelo acquisition in 2013 which led to an intensive period of integration. The strategic and operational actions from these integration initiatives are ongoing. The integration of human resources, process, and products where applicable, is critical to achieving the unique, long-term opportunities of scale and growth from the transaction. During the year, the United Kingdom business experienced strong and pleasing demand from advice and private wealth businesses for integrated IRESS solutions, with several large wealth projects in the implementation stage. Following the brand transition in 2013 from Avelo to IRESS, independent survey results have shown the IRESS brand is strongly identified by advisers.
- As identified at the time of the Avelo acquisition, the Enterprise Lending business has historically been based on a business model producing a less predictable revenue stream than is characteristic of the broader Group. During the year, changes in short-term demand and, in turn, revenue led to reshaping the business model and accelerating the work already under way to steer the business towards a broader client base and recurring revenues. The product strategy supporting the business model transformation is on track.
- The underlying drivers from regulatory change and clients' response to the global financial crisis continue to be a key driver of growth and strategic activity in wealth management. In Australia this has largely been through the continued focus on reporting, integration of business functions, compliance, and digital engagement by advisers and licensee businesses. This is consistent with the United Kingdom where there has been increasing pressure on advisory firms to find efficiency through integration and automation requiring strategies that rely heavily on technology.
- Strong demand from clients in South Africa for IRESS trading algorithms for desktop efficiency and quality has been a key revenue driver during the year.
- Clients continue to have a strong focus on managing costs, and a clear focus on improving outcomes through better integration, use of technology, and to minimise any duplication of vendors. IRESS is responding strongly to opportunities as clients explore discretionary and growth initiatives balanced against their regulatory needs.
- There remains strong demand in specific segments, products and geographies.

## Operating and financial review (continued)

### Product & Technology

- During 2014, a key product development focus in the United Kingdom was to integrate, merge or replicate products, as well as working with clients to support and assist them in understanding the solutions available to meet their needs. Focus continues to remain on refining solutions to meet the current and anticipated needs of clients. The benefit of scaled product development across specific client regions is a particular focus where benefits exist for the Group between Australia, the United Kingdom and other regions.
- The year has seen ongoing and increased strategic focus on providing integrated IRESS solutions that span traditional product and client segments of Financial Markets and Wealth Management. There is continued market convergence between retail financial markets and wealth management and IRESS is well placed to respond with a broad platform of capabilities and solutions.
  - Accelerated investment and near production progress of IRESS' next generation platform for online market data and trading. Leveraging existing core infrastructure, Trader+ provides an innovative and differentiated solution centred on user experience. Production release targeted July 2015.
  - Increased investment in IRESS' Private Wealth solution, which spans the entire IRESS product suite reflects our expectation of increased international demand in this area.
  - Multi-channel multi-device retail advice strategy demonstrated by leveraging XPLAN as a platform. The Prime solution addresses current themes and business responses in wealth management including scaled advice, optimised advice journeys, and robo-advice capabilities. This has also been extended to provide an integrated mortgage sales experience for brokers and advisers requiring workflow from advice (XPLAN) to research (Trigold) to application (MSO).
- Continued the successful re-positioning of next generation Mortgage Sales and Originations (MSO) within Enterprise Lending. The transformation from services-based to product-based will move the business from less predictable licence, maintenance and service-based revenue to one with greater reliability, efficiency and margin growth. Benefits to lending institutions include lower cost of total ownership while supporting the digitised mortgage sales experience for the end consumer.
- Product investment initiated to take advantage of the 2014 budgetary changes in the United Kingdom affecting pensions, to create a marketplace for the wider range of In Retirement products for comparison and advice.
- IRESS SmartHub was deployed globally, a new solution that combines technology and experience to unify the group's existing trading networks. This provides an efficient trading and communication network for local and international counterparties.
- During the year, the final client conversions from VisiPlan to XPLAN in Australia were completed. The VisiPlan business in Australia was acquired in 2007.

## Operating and financial review (continued)

### Product & Technology (continued)

- An internal collaboration platform was successfully introduced to foster closer connectivity between working teams across regions. This has already proven to increase the speed of product development, improve customer support and grow institutional knowledge by providing a central hub for communications, collaboration and content sharing across people in fourteen offices and multiple time zones worldwide.

### People

- Investment in human resource capability and capacity has been a focus during the year to help support a range of people initiatives internationally.
- A focus during the year has been a scaled focus on internal communications and tools to support greater collaboration between teams and regions.
- Following significant expansion of international activities, greater need and opportunity for staff transfers between regions has been a priority to leverage both group and local intellectual property that are important to support integration, delivery and cultural alignment.
- IRESS operates a General Employee Share Plan in Australia, which is eligible to all staff (following probation). For the third year since the plan was implemented in Australia, more than 50% of staff have participated through voluntary contribution to the plan. Work is currently underway to internationalise this opportunity for staff equity participation subject to permissible options in local tax jurisdictions.
- A number of people activities in the United Kingdom stemmed from integration activities and the reshaping of the Enterprise Lending business during the year. These included some rationalization and headcount reduction and changes to resourcing mix.
- Changes to the broader Global Executive team to increase capacity and capability to achieve strategic goals, which has included enhancing focus and accountability. Amongst a number of changes in this regard, Matt Rady was appointed to the position of Group Executive, Financial Markets, based in Sydney. This appointment expands the capacity and capability of the executive team, and an important counterbalance to the focus of the Chief Executive on the business in the United Kingdom.

### Shareholder returns

An analysis of shareholder returns over the five years to December 2014 is set out on page 38 of the Directors' Report.

### Dividends

The IRESS dividend policy is to maintain a payout ratio of not less than 80% of underlying Group earnings subject to accounting limitations. The dividend policy may be modified by the Board in the future, where it is felt appropriate, including situations which may arise from the Company pursuing its strategy. Dividends continue to be franked to the fullest extent possible, while reflecting the geographical context of the business.

## **Operating and financial review (continued)**

### **Dividends (continued)**

In respect of the financial year ended 31 December 2014, an interim dividend of 16.0 cents per share franked to 40.0% at 30.0% corporate tax rate was paid to holders of fully paid ordinary shares on 30 September 2014.

In respect of the financial year ended 31 December 2014, the Directors determined to pay a final dividend of 25.5 cents per share franked to 40% at 30.0% corporate tax rate to be paid to the holders of fully paid ordinary shares on 31 March 2015. The record date to participate in the final dividend is 13 March 2015.

In respect of the financial year ended 31 December 2013, an interim dividend of 13.5 cents per share franked to 90% at 30.0% corporate tax rate was paid to holders of fully paid ordinary shares on 27 September 2013, and a final dividend of 24.5 cents per share franked to 80.0% at 30.0% corporate tax rate was paid to holders of fully paid ordinary shares on 31 March 2014.

### **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%.

## Review of group results (continued)

- 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 GLocal, 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.

## Review of group results (continued)

- 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 in 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.

## Review of group results (continued)

- 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.

## Review of group results (continued)

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

|                                         |      | Financial<br>Markets<br>\$'000 (a) | Wealth<br>Management<br>\$'000 (a) | Enterprise<br>\$'000 (a) | Underlying<br>Group<br>\$'000 | Strategic<br>Charges<br>\$'000 | Reported<br>Group<br>\$'000 |
|-----------------------------------------|------|------------------------------------|------------------------------------|--------------------------|-------------------------------|--------------------------------|-----------------------------|
| RECURRING<br>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<br>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<br>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<br>Payments                 | 2014 |                                    |                                    |                          | (7,981)                       | (937)                          | (8,918)                     |
|                                         | 2013 |                                    |                                    |                          | (6,245)                       | (1,827)                        | (8,072)                     |
| Treasury                                | 2014 |                                    |                                    |                          |                               |                                | (7,868)                     |
|                                         | 2013 |                                    |                                    |                          |                               |                                | (7,084)                     |
| Other Non-Core<br>Expense               | 2014 |                                    |                                    |                          |                               |                                | (5,610)                     |
|                                         | 2013 |                                    |                                    |                          |                               |                                | (16,992)                    |
| Total Non-Core<br>Expense Before<br>Tax | 2014 |                                    |                                    |                          |                               |                                | (22,396)                    |
|                                         | 2013 |                                    |                                    |                          |                               |                                | (32,148)                    |
| Tax on Non-Core<br>items                | 2014 |                                    |                                    |                          |                               |                                | 13,438                      |
|                                         | 2013 |                                    |                                    |                          |                               |                                | 8,704                       |
| REPORTED<br>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<br>\$'000 | 2013<br>\$'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<br>\$'000 | 2013<br>\$'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<br>CAD<br>\$'000 | 2013<br>CAD<br>\$'000 | 2014<br>AUD<br>\$'000 | 2013<br>AUD<br>\$'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<br>ZAR<br>R'000 | 2013<br>ZAR<br>R'000 | 2014<br>AUD<br>\$'000 | 2013<br>AUD<br>\$'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<br>AUD<br>\$'000 | 2013<br>AUD<br>\$'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<br>AUD<br>\$'000 | 2013<br>AUD<br>\$'000 | 2014<br>AUD<br>\$'000 | 2013<br>AUD<br>\$'000 | 2014<br>AUD<br>\$'000 | 2013<br>AUD<br>\$'000 | 2014<br>AUD<br>\$'000 | 2013<br>AUD<br>\$'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<br>GBP<br>£'000 | 2013<br>GBP<br>£'000 | 2014<br>GBP<br>£'000 | 2013<br>GBP<br>£'000 | 2014<br>GBP<br>£'000 | 2013<br>GBP<br>£'000 | 2014<br>GBP<br>£'000 | 2013<br>GBP<br>£'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.

## Strategy and future performance

The Group's objectives are to maintain the Group's existing franchise and grow business operations through a combination of organic and inorganic transactions with a view to generating acceptable risk adjusted growth in earnings.

The Group will continue its strategy of local tailoring of solutions to all segments of our client base and adding value, avoiding where possible, commodity product status.

Focus areas in 2015 include:

- Continuing to execute on its diversification strategy and focused delivery activities and opportunities in the United Kingdom.
- To nurture, grow and scale the Private Wealth opportunity internationally.
- Continue with strategic investment in the Mortgage Sourcing & Origination platform alongside heightened delivery to Enterprise Lending clients within plans to produce more predictable revenue streams based on recurring license fees.
- Production release of key product initiatives such as Trader+.
- Trading connectivity expansion of IRESS SmartHub internationally.
- Delivery excellence in current institutional wealth implementations.
- Ensuring seed client relationships are always supported.
- Ensuring that the client centric approach continues to be always reinforced throughout the organisation.

Further disclosure of information regarding likely developments in the operations of the Group in future financial years, and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

## Changes in operations during the year

During the year, the operations of the Group were not modified in any material way. As noted on page 7 the Enterprise Lending business in the United Kingdom accelerated its focus towards a more product based solution, lowering the cost of ownership and broadening the addressable target market.

## Changes in state of affairs

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

## Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Review of financial condition

### Capital structure and treasury policy

IRESS capital structure consists solely of fully paid up shares, and share rights associated with employee share plans (refer note 24). During 2013 a 2:9 AREO was completed, which resulted in the issue of 28.806m shares and \$205.965m of additional contributed equity.

Treasury practice is not to hedge the net foreign exchange exposures arising from divisional operations. As a result the Australian dollar reported results for the international divisions are subject to foreign exchange fluctuations except to the extent noted below. Where foreign currency balances are required these are typically arranged on a spot basis to meet the cashflow requirement.

A cross currency swap arrangement was entered into as part of the funding arrangement for the Avelo acquisition in September 2013. This arrangement provides an element of offset for translation movements arising on the Group's net assets located in the United Kingdom.

Cash management practice is to invest cash balances beyond immediate day to day requirements in short dated term deposits or similar instruments.

The Company has debt funding in place as discussed in Note 22.

## Impact of legislation and other external requirements

### Significance of critical accounting policies, estimates and judgements

Significant accounting policies adopted in the preparation and presentation of the financial report are set out in Note 1. In applying the Australian Accounting Standards, judgements are required in making estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These estimates are reviewed on an ongoing basis. Judgements that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in the relevant notes to the financial statements.

### Significance and impact of changes in legislation, regulation and other external requirements

Accounting Standards and Interpretations on issue but not yet effective are set out in Note 1(w). With the exception of AASB 15 Revenue from Contract with Customers, The Directors have assessed the impact of the adoption of these Standards and Interpretations and do not believe these Standards and Interpretations will have a material impact in future periods on the financial statements of the Group. The Directors are in the process of assessing the impact of AASB 15 in future periods on the financial statements of the Group.

## Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year, the number of meetings each Director was eligible to attend and the number of meetings actually attended by each Director (while they were a Director or Committee Member). During the financial year, 7 Board meetings, 11 Audit Committee meetings and 5 Nomination and Remuneration Committee meetings were held.

| DIRECTORS       | Board of Directors |          | Audit & Risk Committee |          | Nomination and Remuneration Committee |          |
|-----------------|--------------------|----------|------------------------|----------|---------------------------------------|----------|
|                 | ELIGIBLE TO ATTEND | ATTENDED | ELIGIBLE TO ATTEND     | ATTENDED | ELIGIBLE TO ATTEND                    | ATTENDED |
| A D'Aloisio     | 7                  | 7        | 11                     | 11       | 1                                     | 1        |
| N Beattie (a)   | -                  | -        | -                      | -        | -                                     | -        |
| J Cameron       | 7                  | 6        | -                      | -        | 5                                     | 5        |
| P Dunai (b)     | 6                  | 6        | -                      | -        | 4                                     | 4        |
| J Hayes         | 7                  | 7        | 11                     | 11       | -                                     | -        |
| J Seabrook      | 7                  | 7        | 11                     | 11       | 5                                     | 5        |
| G Tomlinson (a) | -                  | -        | -                      | -        | -                                     | -        |
| A Walsh         | 7                  | 7        | -                      | -        | -                                     | -        |

Table 11

- (a) appointed 1 February 2015
- (b) resigned 27 September 2014

## Indemnification of officers and auditors

During the year, the Company paid a premium in respect of a contract insuring each of the Directors of the Company (as named above), the Company Secretary and each of the Executive Officers of the Company and of any related body corporate against a liability or expense incurred as such a Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001* (Cth). In accordance with section 300(9) of the *Corporations Act 2001* (Cth) further details have not been disclosed due to confidentiality provisions in the insurance contract.

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

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

## 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 34 to the financial statements.

## 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 77.

## Rounding off amounts

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with the Class Order, amounts in the Financial Report are rounded off to the nearest thousand dollars, and where possible, in the Directors' report.

## Audited remuneration report

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## Audited remuneration report (continued)

### Section 1 Overview

This Remuneration Report provides details of IRESS' policy for determining the remuneration of Key Management Personnel, the relationship between the policy and the performance of the Company during the financial year, and the remuneration of Key Management Personnel. The information provided in this report has been audited as required by section 308(3C) of the Corporations Act (Cth) and forms part of the Directors' Report.

For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

#### *Section 1.1 Directors and Key Management Personnel*

- CEO
  - A Walsh (Managing Director and CEO)
- Executives:
  - S Barnes (Chief Operating Officer)
  - S Bland (Chief Financial Officer)
  - P Ferguson (Group General Counsel and Company Secretary)
  - J Milton (Group Executive, Human Resources)
  - M Rady (Group Executive, Financial Markets, appointed 16 June 2014)
  - D Walker (Chief Technical Officer)

Collectively, the CEO and Executives represent the 'Key Executives'.

- The Non-Executive Directors of IRESS Limited:
  - A D'Aloisio (appointed as Chairman of the Board of Directors effective from 25 August 2014, member of the Nomination and Remuneration Committee, member of the Audit & Risk Committee)
  - N Beattie (appointed 1 February 2015; Non-Executive Director)
  - J Cameron (Non-Executive Director, member of Nomination & Remuneration Committee)
  - J Hayes (Non-Executive Director, Chairman of the Audit & Risk Committee)
  - J Seabrook (Non-Executive Director, Lead Independent Director (resigned as Lead Independent Director 10 December 2014), Chair of Nomination & Remuneration Committee, member of the Audit and Risk Committee)
  - G Tomlinson (appointed 1 February 2015; Non-Executive Director)

## Audited remuneration report (continued)

### Section 1 Overview (continued)

#### Section 1.1 Directors and Key Management Personnel (continued)

- Former Non-Executive Director of IRESS Limited:
  - P Dunai (Chairman, Non-Executive Director, member of the Nomination & Remuneration Committee, resigned 27 September 2014).

#### Section 1.2 IRESS performance and remuneration outcomes in 2014

2014 was an important year for IRESS consolidating our position in the United Kingdom, following successful acquisition integration, and delivering successful business continuity and transformation in accordance with the Company's strategy. The Company's substantial positioning in this strategic market has delivered enhanced brand presence, scale, capability and represents a strategic platform for regional growth.

In addition to these achievements, the Group has maintained its resilient performance and strategic advancement in the innovation and delivery of its products and services that has been reflected in the delivery of a number of sizeable projects for new and existing clients.

With the exception of the Enterprise Lending business in the UK, these key achievements, have resulted in Group financial performance in line with budgeted and market expectations during the year. The performance of the Enterprise Lending business during the period is discussed in more detail on pages 19.

Key financial outcomes for the 2014 year include:

- Group Revenue of \$329.1m up 31.0%.
- Group Segment Profit of \$111.4m up 26.3%.
- Reported Group Profit \$50.7m up 109.0%.
- Continued geographic diversification of business operations and results, with 45% and 25% of revenue and segment profit respectively from outside Australasia (2013: 32% and 10% respectively).

The quantum of the incentive remuneration pool for the year is determined by the segment profit achieved during the year, both in absolute terms and compared to budget. Given the performance outlined above, the segment profit objectives for the year, excluding the Enterprise Lending business, were achieved. In assessing the appropriate response to STI incentives for the impact of Enterprise Lending's result, it was recognised that this business has an inherent higher volatility in its earnings results, with 2014 considered a timing rather than a permanent revenue loss and significant progress being made during 2014 in reshaping this business in line with the strategic objectives.

Specific deliverables for each Executive are measured against objectives to assess individual performance and relevant reward. Objectives and priorities are periodically reviewed to ensure these continue to reflect business priorities. Achievement of individual objectives are assessed in the context of priority, quality of delivery and strategic progress.

The following key non-financial performance indicators have been the basis of the incentive award in 2014:

## Audited remuneration report (continued)

### Section 1 Overview (continued)

#### Section 1.2 IRESS performance and remuneration outcomes in 2014 (continued)

- Progress of client transition and alignment to strategic technology platforms.
- Leveraging opportunities for scale benefit across broadened capabilities.
- Progress with strategic repositioning of the UK Enterprise product focus and business opportunities.
- Enhanced executive capability and capacity.

The aggregate remuneration outcomes for Key Executives are driven by a number of components, namely fixed remuneration, cash STI, deferred STI and LTI.

In 2014, Key Executives received (or were eligible to receive), fixed remuneration, cash STI (accrued for payment in March 2015), as well as deferred STI and LTI share entitlements based on performance in 2013 (awarded in May 2014). In addition assessment will be made in May 2015 for the STI deferred and LTI to be granted to Executives for performance in 2014.

In 2014, Key Executives realised fixed remuneration and cash STI (accrued for payment in March 2015) and did not realise remuneration for deferred STI or LTI entitlements awarded in prior periods. Due to changes in the vesting period for share entitlements awarded in prior years, no deferred STI or LTI awards for the CEO were available to be realised. For the other Executives no deferred STI were available to be realised due to changes in vesting period in 2012, and based on relative TSR rankings no LTI entitlements vested.

The following table provides an overview of IRESS Key Executives' Actual Remuneration outcomes in 2014 (refer to Section 2 of this report for the methodology used in calculating Actual Remuneration). The philosophy, policy and structure of the components making up the elements of remuneration outlined in Table 1 below (and Table 2 following) are discussed in detail in section 5 of this report.

## Audited remuneration report (continued)

### Section 1 Overview (continued)

#### Section 1.2 IRESS performance and remuneration outcomes in 2014 (continued)

|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Total Remuneration</b>                    | Total Executive remuneration awarded to the Key Executives was \$4.3 million.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Total Fixed Remuneration ("TFR")</b>      | Total Fixed remuneration including non-monetary and post-employment benefits paid to Key Executives was \$3.6 million. During the year there was no increase in the fixed remuneration for the CEO or CFO. S Barnes had an increase associated with his relocation and J Milton had an increase in January 2014 reflecting her move to the Global HR role which commenced in December 2013. Other Executive fixed incomes increases averaged 1.5%.                                                                                                                                                                                                                                                                                             |
| <b>Short Term Incentive Plan ("STI")</b>     | A total of \$0.7 million of Actual STI was realised or realisable by Key Executives (including the CEO). Individual Cash STI awards were broadly consistent with remuneration mix target ranges. Total cash component was \$0.7 million (16.4% of total actual remuneration). There was no realised value on deferred STI share entitlements in the year following a change from two years to a three year term for vesting of deferred share entitlements to Key Executives in 2012. Deferred STI share entitlements were awarded during 2014 relating to performance in 2013.                                                                                                                                                                |
| <b>Long Term Incentive Plan ("LTI")</b>      | No LTI share entitlements were realisable during the year. Performance rights awarded to the CEO were issued with a four year vesting term from 2011 (previously three years), meaning no performance rights held by the CEO were eligible to vest in 2014. The performance rights issued in 2011 held by the other Key Executives did not meet the minimum relative TSR ranking against the peer Group, meaning all rights lapsed. Performance rights were awarded during 2014 relating to performance in 2013.                                                                                                                                                                                                                               |
| <b>Employee Share Plan</b>                   | No Key Executive participated in the General Employee Share Plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Key Changes Made and Proposed in 2014</b> | <p>During the year, the Performance Rights Plan was altered to:</p> <ul style="list-style-type: none"> <li>• change its name to the Executive LTI Plan.</li> <li>• The number of retests reduces from monthly retesting for the six months subsequent to the initial measurement date, to a single retest six months after the initial measurement date.</li> <li>• The calculation of TSR is altered from share prices at the close of the vesting date, to measuring based on the volume weighted average closing share price for the preceding 20 trading days ending on the vesting date.</li> </ul> <p>Cash STI: Payment of cash STI for Executives is now deferred to March 2015 (an estimate of cash STI has been accrued in 2014).</p> |

## Audited remuneration report (continued)

### Section 1 Overview (continued)

#### Section 1.2 IRESS performance and remuneration outcomes in 2014 (continued)

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                 | <p>Avelo acquisition deferred STI: This grant, awarded following the acquisition of Avelo, has specific performance hurdles linked to achieving a broad range of financial, client orientated and strategic objectives. Reflecting the implications flowing from the strategic changes made to the Enterprise Lending business during 2014, the Board modified some of the performance hurdles and extended the vesting period for this award by an additional year. J Milton is a participant in this series of share entitlements.</p> |
| <b>Planned Changes for 2015</b> | <p>Annual review of Executive salaries to move to June (currently October) to align with all other employee salary reviews.</p>                                                                                                                                                                                                                                                                                                                                                                                                          |

[Remuneration Report Table 1](#)

## Audited remuneration report (continued)

### Section 1 Overview (continued)

#### Section 1.2 IRESS performance and remuneration outcomes in 2014 (continued)

The following table provides an overview of IRESS Key Executives' Actual Remuneration outcomes in 2013 (refer to Section 2 of this report for the methodology used in calculating Actual Remuneration):

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Total Remuneration</b>                | Total Executive remuneration awarded to the Key Executives was \$5.1 million.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Total Fixed Remuneration ("TFR")</b>  | Total Fixed remuneration including non-monetary and post-employment benefits paid to Key Executives was \$2.6 million. During the year there were modifications to the mix of remuneration components making up Executive remuneration (other than the CEO), in addition fixed remuneration for the CEO and Executives were increased on a case by case basis reflecting the individual's increased role and responsibilities following the Avelo acquisition.                                                                                                                 |
| <b>Short Term Incentive Plan ("STI")</b> | A total of \$1.4 million of Actual STI was realised or realisable by Key Executives (including the CEO). Prior to inclusion of special cash STI awards associated with the Avelo acquisition, individual Cash STI awards were broadly consistent with remuneration mix target ranges. Total cash component was \$1.0 million (20.1% of total actual remuneration) with share entitlements realisable during the year representing \$0.4 million (8.4% of total actual remuneration). Deferred STI share entitlements were awarded during 2013 relating to performance in 2012. |
| <b>Long Term Incentive Plan ("LTI")</b>  | A total of \$1.1 million of Actual LTI was realised or realisable by Key Executives (including the CEO) (20.5% of total actual remuneration). Performance rights were awarded during 2013 relating to performance in 2012.                                                                                                                                                                                                                                                                                                                                                     |
| <b>Employee Share Plan</b>               | No Key Executive participated in the General Employee Share Plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Key Changes Made in 2013</b>          | <p>During the year, the remuneration mix of Key Executives other than the CEO was modified to bring the individual executive's total remuneration in line with the N&amp;RC's target remuneration mix, recognising the target has scope for flexibility and phasing in over time.</p> <p>The instruments used for Deferred STI share entitlements was altered to deferred share rights which have neither the right to vote or receive dividends during the vesting period. This change reflected shareholder feedback from the AGM held in May 2013.</p>                      |

Remuneration Report Table 2

## Audited remuneration report (continued)

### Section 2 2014 Total actual remuneration

The information in this section provides shareholders with details of Actual Remuneration realised during the year by Key Executives. There is no variation between the remuneration received by Non-Executive Directors when assessed on an actual remuneration basis and when calculated on a statutory basis (refer to Section 7 for details on Non-Executive Remuneration).

Actual remuneration for this analysis has been calculated to include salary and fees, superannuation or other retirement benefits, non-cash benefits received during the year and the value of share right incentives vested or able to be exercised during the financial year calculated based on the share price at the date the entitlement was vested or able to be exercised (and hence realisable). Actual Remuneration does not include share incentives awarded in the year as their realisation is dependent upon remaining employed and continuing to perform to a satisfactory level (STI Awards) and the achievement of performance or TSR based hurdles which can only be satisfied in future years (LTI Awards). The accounting share based payments expense reflects the amortised accounting value for share entitlements awarded in the current and prior years which may or may not align with achieved outcomes. This is not included in calculation of actual remuneration.

The view of Actual Remuneration in the following tables has been extended to show the fair value of share entitlements issued in May. These awards reflect awards made in May 2014 and May 2013 based on performance for the year ended 31 December 2013 and 31 December 2012 respectively. Subject to meeting vesting criteria, these share entitlements will be available as Actual Remuneration for the individual Executive in future periods.

## Audited remuneration report (continued)

### Section 2 2014 Total actual remuneration (continued)

#### Section 2.1 Executive actual earnings

##### KEY EXECUTIVE ACTUAL REMUNERATION - 2014

| Category / Position                            | Fixed Annual Remuneration (a) |                     |                                         |                                 | Short Term Incentive |                                                                                | Long Term Incentive                                                | Total Actual Remuneration Received | Fair value of Deferred STI granted (g) | Fair value of LTI granted (g) |
|------------------------------------------------|-------------------------------|---------------------|-----------------------------------------|---------------------------------|----------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------|----------------------------------------|-------------------------------|
|                                                | Salary and Fees               | Non-Monetary -Other | Non-Monetary -Secondment Allowances (h) | Post-Employment -Superannuation | Cash incentive (b)   | Share Entitlements realisable during year – Deferred Shares / Share Rights (c) | Share Entitlements realisable during year – Performance Rights (c) |                                    |                                        |                               |
|                                                | \$                            | \$                  | \$                                      | \$                              | \$                   | \$                                                                             | \$                                                                 | \$                                 | \$                                     | \$                            |
| <b>CEO</b>                                     |                               |                     |                                         |                                 |                      |                                                                                |                                                                    |                                    |                                        |                               |
| A Walsh                                        | 1,000,000                     | -                   | 82,632                                  | 30,000                          | 400,000              | -                                                                              | -                                                                  | 1,512,632                          | 420,500                                | 500,220                       |
| <b>Executives</b>                              |                               |                     |                                         |                                 |                      |                                                                                |                                                                    |                                    |                                        |                               |
| S Barnes                                       | 406,667                       | -                   | -                                       | 22,391                          | 58,000               | -                                                                              | -                                                                  | 487,058                            | 129,993                                | 99,986                        |
| S Bland (d)                                    | 560,000                       | 1,772               | -                                       | 26,600                          | 40,000               | -                                                                              | -                                                                  | 628,372                            | 155,055                                | 120,008                       |
| P Ferguson                                     | 282,500                       | 1,525               | -                                       | 15,114                          | 45,000               | -                                                                              | -                                                                  | 344,139                            | 89,973                                 | 63,996                        |
| J Milton (e)                                   | 292,263                       | 6,330               | -                                       | 24,971                          | 29,777               | -                                                                              | -                                                                  | 353,341                            | 35,018                                 | 34,987                        |
| M Rady (f)                                     | 275,001                       | -                   | -                                       | 26,125                          | 40,000               | -                                                                              | -                                                                  | 341,126                            | -                                      | -                             |
| D Walker (d)                                   | 479,750                       | 1,772               | -                                       | 22,871                          | 85,000               | -                                                                              | -                                                                  | 589,393                            | 165,010                                | 135,014                       |
| <b>Total Key Executive Actual Remuneration</b> | <b>3,296,181</b>              | <b>11,399</b>       | <b>82,632</b>                           | <b>168,072</b>                  | <b>697,777</b>       | <b>-</b>                                                                       | <b>-</b>                                                           | <b>4,256,061</b>                   | <b>995,549</b>                         | <b>954,211</b>                |

Remuneration Report Table 3

## Audited remuneration report (continued)

### Section 2 2014 Total actual remuneration (continued)

#### Section 2.1 Executive actual earnings (continued)

- (a) There were no other employee benefits, pension, post-employment benefits, other long term employee benefits, termination benefits or other payments paid to Key Executives or a related party of a Key Executive during the year.
- (b) Cash STI incentives based on performance for the year ended 31 December 2014, have been accrued but not paid. Payment of these incentives will be made in March 2015.
- (c) Comprises shares arising on the exercise of performance rights and vesting of deferred shares during the year. Figures in this column are calculated by multiplying the number of share entitlements realised, by the share price prevailing on the date the entitlement is realised, notwithstanding that the underlying shares may not be beneficially held by the Key Executive as the share may not have been withdrawn from the IRESS Limited Equity Plan Trust. During the year no share entitlements vested. Deferred Shares issued in 2012 were moved to a three year vesting period for Key Executives (previously the term was two years), meaning no deferred shares were eligible to vest during the year. In 2011 and for subsequent periods performance rights issued to the CEO have a 4 year vesting term, meaning no performance rights were eligible to vest in 2014. The performance rights issued to Key Executives other than the CEO continue to have a 3 year term, however based on the TSR measurement hurdle, none of the performance rights vested, with all rights lapsing.
- (d) In November 2011, S Bland moved to six weeks annual leave entitlement. In January 2013, D Walker moved to seven weeks annual leave entitlement. J Milton receives five weeks annual leave. Other Executives receive statutory leave entitlements.
- (e) Where appropriate, remuneration details have been converted to Australian dollars at the weighted average exchange rate in 2014.
- (f) 2014 amounts reflect the total remuneration received by M Rady since joining the Group from 16 June 2014. The incentive accrued reflects M Rady's performance over the seven months to 31 December 2014.
- (g) Reflects performance for the year ended 31 December 2013 but granted in May 2014. External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the deferred STI and LTI granted as this value is fair value under the accounting standards.
- (h) Reflects 12 months of secondment allowances paid (2013: 4 months). These payments relate to secondment allowances paid to A Walsh primarily to support education and accommodation costs incurred while on short term secondment in the United Kingdom to support the integration of the Avelo business. The basis and items for which secondment allowance relates has not changed from 2013.

## Audited remuneration report (continued)

### Section 2 2014 Total actual remuneration (continued)

#### Section 2.1 Executive actual earnings (continued)

##### KEY EXECUTIVE ACTUAL REMUNERATION - 2013

| Category / Position                            | Fixed Annual Remuneration (a) |                            |                                               |                                       | Short Term Incentive |                                                                                      | Long Term Incentive                                                      | Total Actual Remuneration Received | Fair value of deferred STI granted (f) | Fair value of LTI granted (f) |
|------------------------------------------------|-------------------------------|----------------------------|-----------------------------------------------|---------------------------------------|----------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|----------------------------------------|-------------------------------|
|                                                | Salary and Fees<br>\$         | Non-Monetary - Other<br>\$ | Non-Monetary -Secondment Allowances (g)<br>\$ | Post-Employment -Superannuation<br>\$ | Cash incentive<br>\$ | Share Entitlements realisable during year – Deferred Shares / Share Rights (b)<br>\$ | Share Entitlements realisable during year – Performance Rights (b)<br>\$ |                                    |                                        |                               |
| <b>CEO</b>                                     |                               |                            |                                               |                                       |                      |                                                                                      |                                                                          |                                    |                                        |                               |
| A Walsh                                        | 853,750                       | -                          | 51,705                                        | 25,000                                | 500,000              | 255,300                                                                              | 696,911                                                                  | 2,382,666                          | 468,050                                | 636,350                       |
| <b>Executives</b>                              |                               |                            |                                               |                                       |                      |                                                                                      |                                                                          |                                    |                                        |                               |
| S Barnes                                       | 336,250                       | -                          | -                                             | 26,609                                | 65,000               | -                                                                                    | -                                                                        | 427,859                            | 138,032                                | 104,020                       |
| S Bland (c)(d)                                 | 470,000                       | 1,663                      | -                                             | 25,000                                | 199,492              | 87,568                                                                               | 176,679                                                                  | 960,402                            | 159,988                                | 120,016                       |
| P Ferguson (c)                                 | 250,000                       | 928                        | -                                             | 32,214                                | 123,227              | -                                                                                    | -                                                                        | 406,369                            | 130,026                                | 64,988                        |
| J Milton (e) (d)                               | 62,317                        | 1,782                      | -                                             | 5,501                                 | 55,074               | -                                                                                    | -                                                                        | 124,674                            | 425,003                                | -                             |
| M Rady                                         | -                             | -                          | -                                             | -                                     | -                    | -                                                                                    | -                                                                        | -                                  | -                                      | -                             |
| D Walker (d)                                   | 441,063                       | 1,663                      | -                                             | 25,000                                | 85,000               | 87,568                                                                               | 176,679                                                                  | 816,973                            | 170,030                                | 129,975                       |
| <b>Total Key Executive Actual Remuneration</b> | <b>2,413,380</b>              | <b>6,036</b>               | <b>51,705</b>                                 | <b>139,324</b>                        | <b>1,027,793</b>     | <b>430,436</b>                                                                       | <b>1,050,269</b>                                                         | <b>5,118,943</b>                   | <b>1,491,129</b>                       | <b>1,055,349</b>              |

Remuneration Report Table 4

## Audited remuneration report (continued)

### Section 2 2014 Total actual remuneration (continued)

#### Section 2.1 Executive actual earnings (continued)

- (a) There were no other employee benefits, pension, post-employment benefits, other long term employee benefits, termination benefits or other payments paid to Key Executives or a related party of a Key Executive during the year.
- (b) Comprises shares arising on the exercise of performance rights and vesting of deferred shares during the year. Figures in this column are calculated by multiplying the number of share entitlements realised, by the share price prevailing on the date the entitlement is realised, notwithstanding that the underlying shares may not be beneficially held by the respective Key Executive as the share may not have been withdrawn from the IRESS Limited Equity Plan Trust. The share price at vesting was \$8.51 (May 2013), \$8.70 (August 2013) and \$10.25 (November 2013).
- (c) The cash incentive is inclusive of a project incentive of \$139,492 and \$73,226 for S Bland and P Ferguson respectively associated with the acquisition of Avelo. Applicable superannuation contributions were made in relation to this project incentive.
- (d) In November 2011, S Bland moved to six weeks annual leave entitlement. In January 2013, D Walker moved to seven weeks annual leave entitlement. J Milton receives five weeks annual leave. Other Executives receive statutory leave entitlements.
- (e) 2013 amounts reflect the total remuneration received by J Milton since joining the Group in September 2013. The incentive paid in December reflects J Milton's performance over the nine months to 31 December 2013 following a pro-rata allowance as part of the transaction by the Avelo vendors. Where appropriate, remuneration details have been converted to Australian dollars at the weighted average exchange rate from September 2013 to December 2013. The deferred share grants awarded in September 2013 are part of the UK Establishment share grants issued to key Avelo employees at the time of the acquisition which have additional performance criteria.
- (f) Reflects performance for the year ended 31 December 2012 but granted in May 2013. External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the deferred STI and LTI granted as this value is fair value under the accounting standards..
- (g) These payments relate to secondment allowances paid to A Walsh primarily to support education and accommodation costs incurred while on short term secondment in the United Kingdom to support the integration of the Avelo business.

## Audited remuneration report (continued)

### Section 2 2014 Total actual remuneration (continued)

#### Section 2.1 Executive actual earnings (continued)

The table below shows the mix of components making up the total remuneration for the CEO:

|                                    | TARGET MIX | ACTUAL 2014 % MIX | ACTUAL 2013 % MIX |
|------------------------------------|------------|-------------------|-------------------|
| Fixed remuneration - Cash (Actual) | 40%        | 46%               | 37%               |
| STI - Cash (Actual) (a)            | 13%        | 16%               | 20%               |
| STI – Deferred (Fair Value) (b)(c) | 20%        | 17%               | 18%               |
| LTI (Fair Value) (b)               | 27%        | 21%               | 25%               |

#### Remuneration Report Table 5

- (a) The 2014 calculation includes cash STI awarded in recognition of performance for 2014, which has been accrued for payment in March 2015 (2013: paid in December 2013).
- (b) This calculation is based on the fair value of the share grant issued in the year based on external valuation advice from PricewaterhouseCoopers Securities Limited. The share entitlement awarded in 2014 reflects performance assessed for the year ended December 2013 (2013: 2012 performance).
- (c) The instrument awarded in 2014 was a deferred share right which does not include the right to receive dividends or vote. In 2013 the award was a deferred share.

The table below shows the mix of components making up the total remuneration for the Executives other than the CEO:

|                                    | TARGET MIX | ACTUAL 2014 % MIX | ACTUAL 2013 % MIX |
|------------------------------------|------------|-------------------|-------------------|
| Fixed remuneration - Cash (Actual) | 55%        | 64%               | 54%               |
| STI - Cash (Actual) (b)(c)         | 10%        | 8%                | 9%                |
| STI – Deferred (Fair Value) (d)(e) | 20%        | 15%               | 24%               |
| LTI (Fair Value) (d)               | 15%        | 12%               | 13%               |

#### Remuneration Report Table 6

- (a) This is a general target with some scope for flexibility particularly allowing for the STI and LTI lag impact. These targets were phased in during 2013.
- (b) The 2014 calculation includes cash STI awarded in recognition of performance for 2014, which has been accrued for payment in March 2015 (2013: paid in December 2013).
- (c) As the project incentives paid to S Bland and P Ferguson were a once-off payment, these have been excluded from this analysis. As J Milton's cash STI included pre acquisition components which was addressed by the vendor through the transaction, her cash STI has been pro rated to align with the other remuneration components in this calculation.
- (d) This calculation is based on the fair value of the share grant issued in the year based on external valuation advice from PricewaterhouseCoopers Securities Limited. The share entitlement awarded in 2014 reflects performance assessed for the year ended December 2013 (2013: 2012 performance).
- (e) In September 2013 J Milton participated in the share entitlements issued following the Avelo acquisition. This award has been classified as a deferred STI and is intended to provide an incentive over several years. For this calculation the aggregate value of the grant has been converted to an average annualised grant value based on the number of years for which it is effective. The 2014 calculation also reflects a value for this award.
- (f) The instrument awarded in 2014 was a deferred share right which does not include the right to receive dividends or vote. In 2013 the award was a deferred share.

## Audited remuneration report (continued)

### Section 3 Link between performance and reward

#### Section 3.1 IRESS earnings performance and dividends over 5 years

An analysis of company performance over the five years to 31 December 2014 is set out in the below table:

| Measure (a)                              | 31 Dec 2010 | 31 Dec 2011 | 31 Dec 2012 | 31 Dec 2013 | 31 Dec 2014 |
|------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| NPAT (\$'000)                            | 50,479      | 41,341      | 39,228      | 24,241      | 50,671      |
| Segment profit (\$'000) (b)              | 79,493      | 89,114      | 83,404      | 88,201      | 111,443     |
| Basic EPS                                | 40.3        | 32.6        | 30.6        | 17.5        | 32.3        |
| Ordinary dividend per Share (c)          | 38.0        | 38.0        | 38.0        | 38.0        | 41.5        |
| Special dividend per share (d)           | 3.5         | -           | -           | -           | -           |
| Franking credit included in Dividend     | 8.95        | 9.76        | 10.26       | 9.53        | 4.98        |
| Weighted Average Franking percentage (e) | 78.5%       | 85.6%       | 90.0%       | 83.6%       | 40.0%       |

Remuneration Report Table 7

- (a) Unless otherwise indicated, figures are in cents per share. All share price figures shown in this table are based on the raw values. The following ASX adjustment factors apply as a result of the 2:9 AREO issue in August 2013 and the special dividend paid in 31 March 2011, 0.9754 and 0.9961 respectively.
- (b) Segment Profit details are set out in Note 30 (Segment Information).
- (c) Dividend per share calculated based on total of interim and final dividend rather than dividends actually paid in the year.
- (d) The 3.5¢ special dividend paid in March 2011 was intended to augment the after tax return to shareholders flowing from the lessened franking on the ordinary dividend. The special dividend was unfranked.
- (e) All dividends prior to the December 2010 final dividend were fully franked.

## Audited remuneration report (continued)

### Section 3 Link between performance and reward (continued)

#### Section 3.2 Share price performance

The graphs below outline the relative share price performance of IRESS Limited over the period to 31 December 2014, compared to the S&P/ASX200 Industrials index, both measured on an accumulation basis.

#### Share Price Index over 10 years

Over the ten years the IRESS accumulation index increased by 260.4% and the S&P/ASX200 Industrials accumulation index increased by 118.4%.



Remuneration Report Graph 1

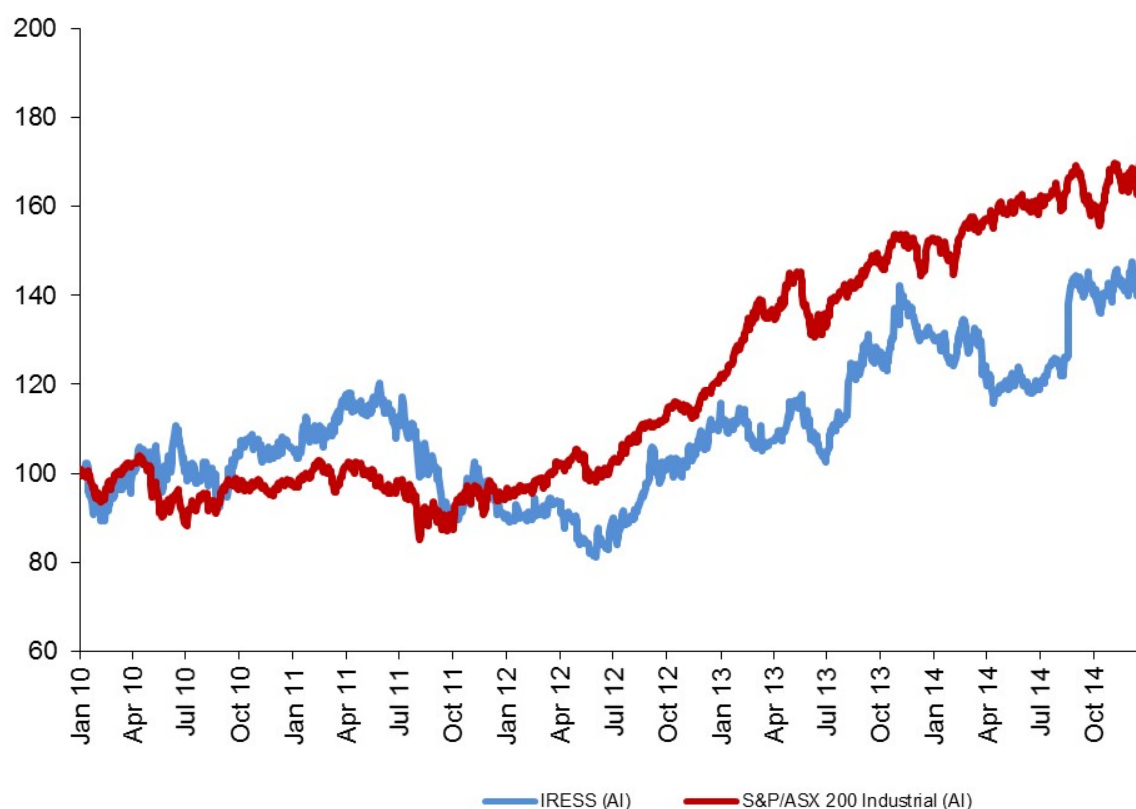
## Audited remuneration report (continued)

### Section 3 Link between performance and reward (continued)

#### Section 3.2 Share price performance (continued)

##### Share Price Index over 5 years

Over the five years the IRESS accumulation index increased by 51.0% and the S&P/ASX200 Industrials accumulation index increased by 70.1%.



Remuneration Report Graph 2

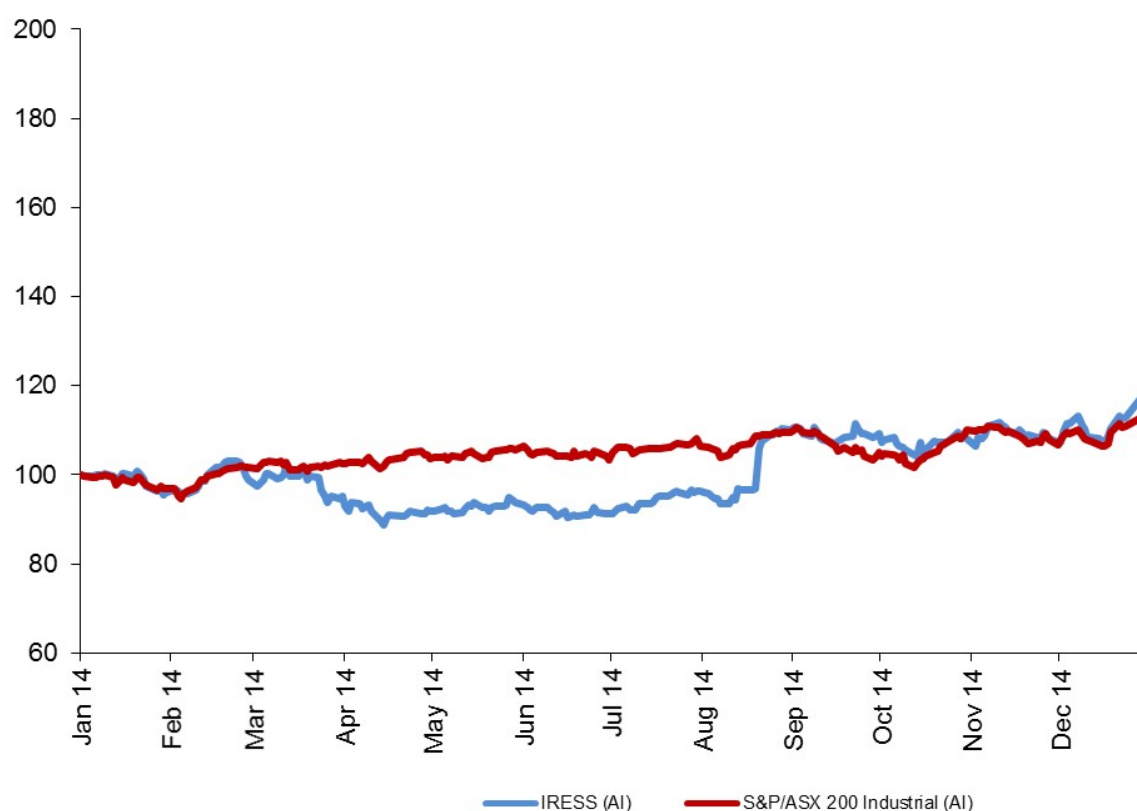
## Audited remuneration report (continued)

### Section 3 Link between performance and reward (continued)

#### Section 3.2 Share price performance (continued)

##### Share Price Index for the twelve months ended 31 December 2014

Over the twelve months to 31 December 2014, the IRESS accumulation index increased by 18.2% and the S&P/ASX200 Industrials accumulation index increased by 11.2%.



Remuneration Report Graph 3

## Audited remuneration report (continued)

### Section 3 Link between performance and reward (continued)

#### Section 3.3 Remuneration outcomes

##### Section 3.3.1 Incentive outcomes

The variable components of total remuneration for Key Executives varies according to their performance assessed against independent measures of:

- Annual financial performance (based on Segment Profit performance)
- Individual Key Executive objectives covering operations, strategic goals and people.
- Annual assessments of rolling three-year total shareholder return (TSR) performance relative to other ASX listed companies.

The following table shows remuneration outcomes in relation to performance outcomes for all Key Executives including the CEO. Individual outcomes are reflected in Table 3.

| Performance measure               |             | 2014                             | 2013                             |
|-----------------------------------|-------------|----------------------------------|----------------------------------|
| Segment Profit                    | (\$'000)(a) | 111,444                          | 88,201                           |
|                                   |             | Achieved to<br>varying<br>levels | Achieved to<br>varying<br>levels |
| Operational and strategic hurdles | (b)         |                                  |                                  |

- (a) The 2014 Segment Profit outcome was inline with guidance provided in February 2014. This achievement was notable as it occurred with softer than anticipated performance by the Enterprise Lending business in the second half of the year, as well as material progress on operational strategic goals and objectives across the organisation.
- (b) Achievements are discussed in greater detail in the Operating and Financial review. A brief summary is provided below.

| Strategic Driver | Measure                                                                                                                                                                                                     | Achievement                                                                                                                                                                 |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Clients          | Maintain and improve successful client delivery and product functionality and reliability, through leveraging global capability with local relevance to maintain a market leading position.                 | Progress of client transition and alignment to strategic technology platforms                                                                                               |
| Growth           | Grow revenue organically and expand into new geographic borders where regional platforms can be established through organic and inorganic growth whilst maintaining a strong sustainable business.          | Leveraging opportunities for scale benefit across broadened capacities                                                                                                      |
| Products         | Ensure product delivery is aligned to business strategy and client demand, while anticipating trends and the need to innovate. Maintain our heritage products while focussing on building our new products. | Ongoing and increased strategic focus on providing integrated IRESS solutions that span traditional product and client segments of Financial Markets and Wealth Management. |
| Company          | Successful integration of the UK Wealth and Lending acquisition to support a larger client base and leverage scale and capability.                                                                          | Progress with strategic repositioning of the UK Enterprise product focus and business opportunities                                                                         |
| People           | Attract, recognise, develop and retain great leaders and employees.                                                                                                                                         | Enhanced executive capability and capacity                                                                                                                                  |

## Audited remuneration report (continued)

### Section 3 Link between performance and reward (continued)

#### Section 3.3 Remuneration outcomes (continued)

##### Section 3.3.1 Incentive outcomes (continued)

| Incentive outcomes  |                             | 2014  | 2013    |
|---------------------|-----------------------------|-------|---------|
| Awarded STI         | - cash (\$'000)(c)          | 697.8 | 1,027.8 |
|                     | - deferred STI (\$'000) (d) | 995.5 | 1,491.1 |
| Average awarded STI | - cash (%) (e)              | 11%   | 17%     |
|                     | - deferred STI (%) (f)      | 16%   | 24%     |
| Awarded LTI         | - LTI (\$'000) (g)          | 954.2 | 1,055.3 |
| Average awarded LTI | - LTI (%) (h)               | 15%   | 17%     |

#### Remuneration Report Table 8

- (c) Refer to Section 2.1 for calculation methodology on Actual Remuneration. The 2013 figure is impacted by the inclusion of additional STI incentive payments reflecting the impact of the Avelo acquisition (refer Table 3).
- (d) Reflects performance for the year ended 31 December 2013 but granted in May 2014. No entitlements were eligible to vest in 2014 due to the change to a three year vesting period for deferred share entitlements for all Executives.
- (e) Total cash STI incentive paid to Key Executives expressed as a percentage of the total remuneration awarded during the year. Individual Executive achievements are detailed in Table 3 and Table 4.
- (f) Total deferred STI awarded to Key Executives expressed as a percentage of total remuneration awarded during the year. Individual Executive achievements are detailed in Table 3 and Table 4.
- (g) Reflects performance for the year ended 31 December 2013 but granted in May 2014. No entitlements were realisable in 2014 as:
  - there were no LTI share entitlements eligible to vest for the CEO in the period due to the change to a four year vesting period in 2011;
  - the LTI share entitlements eligible to vest for Executives did not meet the minimum relative TSR performance hurdle resulting in all performance rights in this series lapsing.
- (h) Total LTI realisable by Key Executives expressed as a percentage of total remuneration awarded during the year. Individual Executive achievements are detailed in Table 3 and Table 4.

## Audited remuneration report (continued)

### Section 3 Link between performance and reward (continued)

#### Section 3.3 Remuneration outcomes (continued)

##### Section 3.3.2 LTI subject to hurdle testing in 2014

#### LTI's awarded in 2011 to Key Executives other than the CEO

Over the three years to 7 May 2014, the IRESS accumulation index increased by 4.3% and the S&P/ASX200 Industrials accumulation index increased by 57.3%.



#### Remuneration Report Graph 4

- (a) Graph 4 shows the relative share price performance of IRESS Limited over the three year period to 7 May 2014, compared to the S&P/ASX200 Industrials index, both measured on an accumulation basis. This chart is only a proxy for the actual TSR calculation used in calculating the relative TSR performance under the Executive LTI Plan rules as the accumulation index does not include the value of franking credits. In addition, the Executive LTI Plan relative TSR calculation does not include companies which enter or exit the S&P/ASX200 index during the vesting period.

## Audited remuneration report (continued)

### Section 3 Link between performance and reward (continued)

#### Section 3.3 Remuneration outcomes (continued)

##### Section 3.3.2 LTI subject to hurdle testing in 2014 (continued)

The relative TSR outcome for LTI's issued to Key Executives other than the CEO during the year was:

| Strategic Driver | Measures                                                                         | Term   | TSR Performance | Actual LTI \$ | Actual LTI % |
|------------------|----------------------------------------------------------------------------------|--------|-----------------|---------------|--------------|
| Relative TSR     | 50% vesting for 50 <sup>th</sup> percentile and full vesting at 75 <sup>th</sup> | 3 Year | 41.7%           | \$0           | 0% vested    |

#### Remuneration Report Table 9

- (a) The TSR percentile ranking shown is the maximum TSR ranking achieved inclusive of retests conducted in accordance with the Executive LTI Plan rules applying at the time the share entitlement grant was made.

In 2011 the terms of the LTI awards made to the CEO were for the 4 years ending May 2015 and the three years ending May 2015. Accordingly, no LTI entitlements held by the CEO were eligible to vest in 2014.

## Audited remuneration report (continued)

### Section 4 Remuneration Governance

#### Section 4.1 *Role of the nomination and remuneration committee*

The Board Nomination and Remuneration Committee (N&RC) has responsibility for reviewing remuneration, making recommendations to the Board on remuneration matters and, where relevant, approving the remuneration arrangements for Executives. The charter for the N&RC is reviewed by the Board annually and can be found at

[http://www.iress.com/\\_/media/Files/Corporate\\_Governance/IRESS\\_Nom\\_Rem\\_Charter.pdf](http://www.iress.com/_/media/Files/Corporate_Governance/IRESS_Nom_Rem_Charter.pdf)

The Committee is comprised of the following independent Non - Executive Directors;

- J Seabrook (Committee Chairman)
- J Cameron
- A D'Aloisio (from 27 September 2014); and
- P Dunai (until 27 September 2014).

#### **How the Committee makes remuneration decisions**

The Board is ultimately responsible for recommendations and decisions made by the N&RC.

The Board and the N&RC may exercise their discretion when considering the awarding and vesting of incentive opportunities to Key Executives, to ensure the remuneration structure and amounts are at all times appropriate and to prevent any unintended consequences that may arise from a purely formulaic application of performance metrics or rigid adherence to policies that are not in the Group's interests. In performing these duties the N&RC considers a wide variety of information including, but not limited to, internal budgets at the beginning of the period, general and specific global and regional market factors and peer review.

Individual Executives, including the CEO, do not participate in N&RC meetings where their own remuneration is being discussed.

## Audited remuneration report (continued)

### Section 4 Remuneration Governance (continued)

#### Section 4.1 Role of the nomination and remuneration committee (continued)

##### Diversity

IRESS is committed to promoting a workplace that is diverse and inclusive. This involves providing and implementing workplace policy, programs and practices across our business to ensure that everyone is treated fairly and with respect regardless of age, nationality, cultural background, religious belief and gender.

As a global organisation, IRESS is subject to legal requirements and other commitments within each market in which it operates which will be considered by IRESS in conjunction with the Diversity policy. Diversity and the Board's approach is discussed in more detail in items 2.5 to 2.8 of the Corporate Governance Statement.

The N&RC monitors IRESS' diversity on a half yearly basis.

##### Other Governance

Employees and Directors may only trade in IRESS securities in accordance with the *Corporations Act 2001* (Cth) and the IRESS Securities Trading Policy which can be found at

[http://www.iress.com/\\_/media/Files/Corporate\\_Governance/IRESS\\_Share\\_Trading\\_Policy.pdf](http://www.iress.com/_/media/Files/Corporate_Governance/IRESS_Share_Trading_Policy.pdf)

Employees and Directors are prohibited from entering into hedging arrangements in relation to unvested IRESS securities. They cannot trade in financial products issued over IRESS securities by third parties or trade in any associated products that limit the economic risk of holding IRESS securities for any future rights to securities.

##### Clawback Policy

IRESS does not have a Clawback Policy. IRESS has long vesting period for deferred STI (3 years) and LTI (3 to 4 years). The Board has absolute discretion to vary payments or conditions for payment. Discretion can be applied according to an assessment of the extent to which the individual was able to apply judgment to accommodate changing opportunities and threats.

##### Minimum Shareholding requirement

IRESS does not have a minimum shareholding requirement.

## Audited remuneration report (continued)

### Section 5 Policy and structure

#### Section 5.1 Philosophy

The overall objective of the N&RC's approach to executive remuneration is to have practices and policies that will enable IRESS to attract, retain, motivate and reward executives of the calibre required to successfully deliver long term returns to shareholders. It will comply with remuneration disclosures required by law and will seek to maintain the highest standards of clarity and transparency in communications with shareholders.

Executive remuneration is made up of fixed and at-risk (STI and LTI) components. A significant portion of total remuneration is at risk.

The fixed remuneration is competitively positioned against appropriate market data to reflect the scope of the role, experience and performance.

The at-risk incentives provide both short term benefits (aligned with annual performance outcomes) and long term benefits (to align with sustained delivery of long term shareholder wealth objectives).

The Board believes that the long term interests of Executives and shareholders should be aligned and that such alignment is best achieved by Executives having either direct equity in the Company or instruments whose value is determined by the IRESS share price over the medium to long term.

#### Section 5.2 Remuneration components

The components of Executive remuneration are as follows:

- Total fixed remuneration - does not vary with performance. It includes cash salary, superannuation or pension benefits, and the cost of providing fringe benefits.
- Short term incentive - strong link to annual financial performance and delivery of results against set objectives. Achievement of performance against Group segment profitability targets and satisfaction of individual objectives is required before any award is payable. Consideration is also given to the extent to which the individual will impact on the achievement of strategic objectives in the next two to three years. Approximately two thirds of the STI is deferred in the form of deferred share rights which have a three year continuing service requirement providing continuing alignment with shareholder interests. The balance is payable in cash.
- Long term incentive - award is based on annual performance of the relevant Key Executive and vesting is subject to relative total shareholder return over a three year period for Executives and three and four year periods for the CEO. This award also provides strong alignment with shareholder interests. Awards are based on the annual contribution of the relevant Executive to the achievement of the strategic objectives and extent to which he or she could impact on these objectives and the results of the Group over the next three to four years.

## Audited remuneration report (continued)

### Section 5 Policy and structure (continued)

#### Section 5.2 Remuneration components (continued)

Below is a high level view of the components making up Executive remuneration arrangements applying for the 2014 financial year:

| Executive Remuneration Arrangements 2014 | Fixed Base Salary | Short Term Cash Incentive | Short Term/Deferred Share Rights | Long Term Performance Rights - CEO              | Long Term Performance Rights - Other Executives |
|------------------------------------------|-------------------|---------------------------|----------------------------------|-------------------------------------------------|-------------------------------------------------|
| Method of Remuneration                   | Cash              | Cash                      | Equity                           | Equity                                          | Equity                                          |
| Measured Against                         | Market Benchmark  | Performance Objectives    | Performance Objectives           | S&P/ASX200 excluding Mining and Property Trusts | S&P/ASX200 excluding Mining and Property Trusts |
| Timing of award/review                   | October 2014 (a)  | March 2015                | May 2015                         | May 2015                                        | May 2015                                        |
| Value potentially available to Executive | Immediate         | Annual (b)                | 3 Years                          | 4 Years (c)                                     | 3 Years                                         |

#### Remuneration Report Table 10

- (a) This will change to June from 2015.
- (b) While relating to the period to December 2014, payment of short term cash incentives to Key Executives will occur in March 2015.
- (c) Since 2011 all LTI's awarded to the CEO have had a four year vesting term with 50% of the annual grant amount having a one year deferred start. The deferred start component is assessed on a three year relative TSR ranking. Accordingly the aggregate award is eligible to vest at the end of the four year period.

Reflecting shareholder feedback in 2013:

- Deferred STI awards to the CEO or Executives for the year ended 31 December 2013, awarded in May 2014 (and future periods) were deferred share rights (previously deferred shares); and
- LTI awards (performance rights) for the year ended 31 December 2013, awarded in May 2014 (and future grants) were issued under rules modified to reduce the number of potential retests from monthly for six months to one on the six month anniversary of the initial measurement date, and where TSR performance is assessed on the volume weighted average closing share price for the preceding 20 trading days.

Each of the elements making up the CEO and Key Executive's total remuneration is examined in more detail on the following pages.

## Audited remuneration report (continued)

### Section 5 Policy and structure (continued)

#### Section 5.2 Remuneration components (continued)

##### Fixed Annual Remuneration

The fixed remuneration consists of cash salary ('Base'), benefits and fringe benefits. In situations where it is consistent with the treatment of the broader employee base, the Group will gross-up the amount in relation to benefits that do not qualify as company income tax deductions. As applicable, the Group makes superannuation contributions on fixed remuneration amounts up to applicable age based limits.

To ensure that fixed remuneration arrangements remain competitive, the fixed remuneration component of Key Executive's remuneration is reviewed annually in October based on performance and market data. This will change to reviews conducted in June in 2015 to align with all other employees in the Group.

Assessment of total remuneration is against executive remuneration packages for positions having similar scope, accountability and complexity to those being reviewed including:

- other positions within the Group so that internal relativities are maintained; and/or
- positions in companies with a similar market capitalisation to that of IRESS and/or operating within a similar industry sector.

##### Incentive Remuneration

The Company operates incentive schemes to provide competitive performance based remuneration incentives to the CEO, Executives and staff. The objectives of these schemes are to:

- align the interests of the CEO, Executives and staff with those of shareholders;
- provide participants with an opportunity to be rewarded with at risk remuneration which varies with performance outcomes achieved over the measurement period; and
- reflect a strong commitment towards attracting and retaining high performing employees who are committed to the ongoing success of the Company.

Objectives are set for the CEO and each Executive and these are reviewed by the N&RC for the Executives, and Non-Executive members of the Board for the CEO. These objectives reflect financial, operational and strategic priorities of the Group; they are weighted and contain specific deliverables covering areas of client service, product, organic and inorganic revenue growth, and areas of development and focus in managing our employees.

A critical hurdle for the determination of the quantum of the incentive remuneration pool for the year is segment profit for the year, both in absolute terms and against budgets.

During the course of a year the specific deliverables and priorities may change, so judgment is exercised as to how the CEO or Executive responded to changing priorities and the quality and balance of delivery. Accordingly, incentive outcomes are not formulaic.

Operational and strategic hurdles as described in Section 1.2 Overview of Remuneration Outcomes varies by individual, and primarily includes:

## Audited remuneration report (continued)

### Section 5 Policy and structure (continued)

#### Section 5.2 Remuneration components (continued)

| Strategic Driver | Measure                                                                                                                                                                                                     |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Clients          | Maintain and improve successful client delivery and product functionality and reliability, through leveraging global capability with local relevance to maintain a market leading position.                 |
| Growth           | Grow revenue organically and expand into new geographic borders where regional platforms can be established through organic and inorganic growth whilst maintaining a strong sustainable business.          |
| Products         | Ensure product delivery is aligned to business strategy and client demand, while anticipating trends and the need to innovate. Maintain our heritage products while focussing on building our new products. |
| Company          | Successful integration of the UK Wealth and Lending acquisition to support a larger client base and leverage scale and capability.                                                                          |
| People           | Attract, recognise, develop and retain great leaders and employees.                                                                                                                                         |

#### Remuneration Report Table 11

A summary of the extent to which the 2014 STI objectives were met by Key Executives and the CEO and an assessment of performance is shown in Table 8.

## Audited remuneration report (continued)

### Section 5 Policy and structure (continued)

#### Section 5.2 Remuneration components (continued)

##### Short Term Incentive - Cash

Cash incentives for Key Executives were accrued throughout 2014 and will be paid in February 2015 (2013: paid in December 2013). For its Australian Executives, the Company makes superannuation contributions on cash incentive payments at the statutory rate (subject to age based limits). This is not included in assessing cash incentive percentages relative to the applicable benchmarks as set out in Graph 3 above.

##### Deferred Short Term Incentive

The Company currently operates the following short term deferred incentive plans (the details of which are set out in Notes 43 and 44 of the financial statements):

- Employee Deferred Share Plan; and
- Employee Deferred Share Rights Plan.

The Employee Deferred Share Plan and the Employee Deferred Share Rights Plan were introduced in April 2008. The CEO, Executives and employees are eligible to participate in the Company's deferred share entitlement plans.

The decision to make a deferred share entitlement award is made periodically by the Board (usually annually).

Individual participation in a deferred share entitlement award is based on annual outcomes achieved, with a discretion to adjust the amount based on the strategic significance of the role; capacity to impact strategic outcomes in terms of special achievements or requirements; future potential and succession planning requirements; and personal performance including achievement of the individual's short term objectives.

Vesting of deferred share entitlements is dependent upon continued employment for the term of the security and acceptable individual performance.

Reflecting shareholder feedback at the 2013 AGM, deferred STI awards made to the CEO and Key Executives based on performance to December 2013 (which were issued in May 2014) were deferred share rights which are ineligible to receive dividends or vote during the vesting period (previously deferred STI awards had been deferred shares).

Hedging of unvested deferred share entitlements is prohibited.

## Audited remuneration report (continued)

### Section 5 Policy and structure (continued)

#### Section 5.2 Remuneration components (continued)

##### Long Term Incentive Remuneration

The Company currently uses the Executive LTI Plan (previously named the 'Employee Performance Rights Plan') to achieve the longer term incentive objectives. (Details of the plan are set out in Note 42.)

While all staff are eligible to participate in the Executive LTI Plan, awards since 2008 have been largely limited to the CEO and Executives.

The decision to make an award of performance rights, which reflect the Group's relative performance against the peer group of listed companies, is made periodically by the Board (usually annually). Individual participation is based on a number of factors including the strategic significance of the role and outcomes achieved, capacity to impact strategic outcomes in terms of special achievements or requirements, future potential and succession planning requirements. An initial assessment is made at the time of the annual assessment of other incentives to arrive at an appropriate remuneration for that Executive for that financial year and a final assessment is made in May of the following year at the time of the AGM.

Hedging of unvested performance rights is prohibited.

Performance rights vest, subject to meeting performance criteria (outlined below) at the end of the vesting period (typically three years). Since 2011 all LTI's awarded to the CEO have had a four year vesting term with 50% of the annual grant amount having a on year deferred start. The deferred start component is assessed on a three year relative TSR ranking. Accordingly the aggregate award to the CEO is eligible to vest at the end of the four year period.

##### Performance Rights - Performance Criteria

The Company's performance ranking for a performance period is determined by reference to the Total Shareholder Return (TSR) of the Company during the performance period as compared to TSR for each company in a peer Group of companies.

The performance right arrangement is intended to assess performance over the measurement period generally, and closely link Executive interests with shareholders.

Awards made under the Executive LTI Plan prior to 2014 allowed for six monthly retests commencing one month after the initial measurement date. In response to shareholder feedback, changes introduced in 2014 mean the retesting arrangements on performance rights and the prices used in the assessment have been modified. Under the changes the opportunity for re-testing occurs only once, six months after the initial measurement date and TSR is assessed based on a calculation having regard to the closing prices over the preceding 20 day period prior to the measurement date rather than the closing share prices for the peer Group on the measurement date. The modified plan rules apply to grants made in 2014 and will apply to future grants.

## Audited remuneration report (continued)

### Section 5 Policy and structure (continued)

#### Section 5.2 Remuneration components (continued)

The peer Group of companies comprises the top 200 companies listed in the S&P/ASX 200 companies index after excluding mining companies and listed property trusts at the date the performance right grant is made. A peer company must remain in the S&P/ASX 200 index for the entire performance period (i.e. new entrants and companies dropping out of the S&P/ASX 200 index are excluded).

The peer Group has been selected historically to align Executive assessment with the criteria broadly applicable to the investment mandates under which institutional shareholders have invested in the Company. The N&RC regularly reviews the suitability of this benchmark.

The Company's ranking within the peer Group at the end of the relevant performance period determines the number of performance rights in the particular series that become exercisable (if any) on the following basis:

| Performance Ranking Range                                  | Number of Performance Rights Exercisable                                                                                                                                    |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Below 50 <sup>th</sup> percentile                          | No rights exercisable.                                                                                                                                                      |
| 50 <sup>th</sup> percentile                                | 50% of the rights in the series are available to be exercised.                                                                                                              |
| 51 <sup>st</sup> percentile to 74 <sup>th</sup> percentile | Rights available in the series available to be exercised are determined on a pro-rata basis between 50% and 100% depending on the Company's percentile performance ranking. |
| 75 <sup>th</sup> percentile or higher                      | 100% of the rights in the series are available to be exercised.                                                                                                             |

Remuneration Report Table 12

## Audited remuneration report (continued)

### Section 6 Executive employment agreements

Contractual terms for most Key Executives other than the CEO are similar but do vary on occasions. Details of the typical contractual terms are as follows:

| Criterion                                      | Particulars                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Length of contract                             | Open ended.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Notice period                                  | Not less than 3 months.                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Fixed remuneration                             | The fixed remuneration component consists of salary, statutory employer superannuation or retirement scheme contributions and benefits (primarily comprising company contribution to health insurance). Any fringe benefit tax liability in respect to benefits is borne by the employing entity (a).                                                                                                                                                                          |
| Incentive arrangements                         | Eligible to participate in the employing entity's cash based short term incentive arrangements.<br><br>Eligible to participate in the Company's deferred short term incentive arrangements.<br><br>Eligible to participate in the Company's long term incentive arrangements.                                                                                                                                                                                                  |
| Resignation                                    | An employee may resign by giving written notice of same for the period specified in the Notice Period of the contract.<br><br>If resignation occurs during the year, then there is no entitlement to any incentives or long term incentives which have not vested, unless otherwise determined by the Board.                                                                                                                                                                   |
| Retirement                                     | There are no additional financial entitlements due from the employing entity on retirement.<br><br>Directors do have a discretion to make ex-gratia payments, for example if retirement were to occur during the year, then Directors may elect to make a pro-rata award under any applicable incentive or incentive plan, based on performance up to the date of retirement.                                                                                                  |
| Termination on notice by the employment entity | The employing entity may terminate the employment agreement by the providing written notice of same for the period specified in the Notice Period of the contract, or payment in lieu of the notice period.                                                                                                                                                                                                                                                                    |
| Redundancy                                     | If the employing entity terminates employment for reasons of bona fide redundancy, a severance payment will be made. The quantum will be at the Board's discretion, taking account of such matters as statutory requirements, the Executive's contribution, position and length of service.<br><br>If redundancy occurs during the year then a pro-rata award will be made for any applicable incentive or incentive plan, based on performance up to the date of termination. |
| Income Protection Insurance                    | The Company currently provides Income Protection Insurance where it is IRESS' local practice in that jurisdiction to make it available to staff generally.                                                                                                                                                                                                                                                                                                                     |
| Termination for serious misconduct             | The employing entity may terminate the employment agreement at any time without notice and the Executive will only be entitled to accrued entitlements and vested share rights.                                                                                                                                                                                                                                                                                                |

#### Remuneration Report Table 13

- (a) In November 2011, S Bland moved to six weeks annual leave entitlement. In January 2013, D Walker moved to seven weeks annual leave entitlement. J Milton receives five weeks annual leave. Other Executives receive statutory leave entitlements.

Details of the contractual terms for the CEO are broadly the same as set out for the Executives in the above table. Key points of difference are as follows:

## Audited remuneration report (continued)

### Section 6 Executive employment agreements (continued)

| Criterion               | Particulars                                                                                                |
|-------------------------|------------------------------------------------------------------------------------------------------------|
| Position                | Chief Executive Officer and Managing Director.                                                             |
| Notice Period           | Not less than 6 months.                                                                                    |
| Restraint of employment | A restraint arrangement exists during A Walsh's employment for a period of six months post his employment. |

#### Remuneration Report Table 14

In addition, an addendum to Mr A Walsh's employment arrangement put in place in 2013 to support his short term secondment to the United Kingdom to facilitate the integration of the Avelo business into the broader operations of the Group continued in 2014. This arrangement assists Mr A Walsh with the incremental costs incurred in a short term transfer of this type. The primary benefits relate to accommodation and education support. This addendum arrangement terminates on Mr A Walsh's permanent return to Australia.

## Audited remuneration report (continued)

### Section 7 Non-Executive Director remuneration

The Company's Non-Executive Directors receive fees (including statutory superannuation) for their services plus the reimbursement of reasonable expenses. Non-Executive Directors' fees are reviewed annually and are determined by the Board having regard to fees paid to Non-Executive Directors of comparable companies. The Board seeks external advice on this subject where considered necessary.

The Board aims to set the aggregate remuneration around the median level for comparable companies to provide the ability for IRESS to attract and retain appropriately qualified and experienced Directors. The Board fee structure also takes into account the Director's responsibilities and the time spent by the Non-Executive Directors on IRESS matters. Non-Executive Directors do not receive performance-based incentives.

The maximum aggregate remuneration for Non-Executive Directors is determined by shareholders at a General Meeting in accordance with the Company's Constitution, with an increase from \$600,000 to \$900,000 approved at the Annual General Meeting held on 2 May 2013. Fees paid to Non-Executive Directors during 2014 were within the maximum limit of \$900,000.

The table below shows the annualised fee structure for Non-Executive Directors at the end of the year.

| Role                                                                         | 2014 \$ (a) | 2013 \$ (a) (b) |
|------------------------------------------------------------------------------|-------------|-----------------|
| Chairman                                                                     | 200,000     | 200,000         |
| Chairman of the Audit & Risk Committee                                       | 132,000     | 132,000         |
| Chair of the Nomination and Remuneration Committee/Lead Independent Director | 132,000     | 132,000         |
| Non-Executive Directors                                                      | 110,000     | 110,000         |

#### Remuneration Report Table 15

- (a) Includes statutory superannuation contributions or salary in lieu of statutory superannuation contributions paid by the Company.
- (b) Director's fees were modified to the current level during 2013.

## Audited remuneration report (continued)

### Section 8 Non-Executive director and executive shareholdings

#### Section 8.1 Share Rights held by the CEO

The table below summarises the various share rights held by the CEO, Andrew Walsh.

| CEO (a)                   |             | Opening<br>unvested<br>balance | Granted as<br>compensation | Fair value of Share<br>Rights awarded<br>during the year | Vested<br>during the<br>year No. | Cancelled/<br>lapsed<br>during the<br>year (c) | Aggregate Amount<br>paid on Share<br>Rights vested<br>during the year | Closing<br>unvested<br>balance |
|---------------------------|-------------|--------------------------------|----------------------------|----------------------------------------------------------|----------------------------------|------------------------------------------------|-----------------------------------------------------------------------|--------------------------------|
|                           |             | No.                            | No.                        | \$                                                       | No.                              | No.                                            | \$                                                                    | No.                            |
| <b>A Walsh</b>            |             |                                |                            |                                                          |                                  |                                                |                                                                       |                                |
| Performance Rights        | <b>2014</b> | 590,000                        | 126,000                    | 500,200                                                  | -                                | -                                              | -                                                                     | 716,000                        |
|                           | 2013        | 585,000                        | 130,000                    | 636,350                                                  | (77,813)                         | (47,187)                                       | 1                                                                     | 590,000                        |
| Deferred Shares           | <b>2014</b> | 120,000                        | -                          | -                                                        | -                                | -                                              | -                                                                     | 120,000                        |
|                           | 2013        | 95,000                         | 55,000                     | 468,050                                                  | (30,000)                         | -                                              | -                                                                     | 120,000                        |
| Deferred Share Rights (d) | <b>2014</b> | -                              | 58,000                     | 420,500                                                  | -                                | -                                              | -                                                                     | 58,000                         |
|                           | 2013        | -                              | -                          | -                                                        | -                                | -                                              | -                                                                     | -                              |

Remuneration Report Table 16

## Audited remuneration report (continued)

### Section 8 Non-Executive director and executive shareholdings (continued)

#### Section 8.1 Share Rights held by the CEO (continued)

- (a) Upon vesting, performance rights and deferred share rights are exercisable. All performance rights which vested during 2013 were exercised prior to the year end.
- (b) No share entitlements were eligible to vest in 2014 due to vesting terms being extended in 2011 to 4 years for CEO performance rights and in 2012 to 3 years for deferred shares and deferred share rights.
- (c) In 2013 the maximum relative TSR ranking achieved was 56.12% which resulted in 62.26% of performance rights eligible to vest vesting. The remaining performance rights lapsed.
- (d) In 2014 the Board moved to issuing deferred STI as deferred share rights rather than deferred shares. Deferred share rights do not receive dividends or have the right to vote during the vesting period.

## Audited remuneration report (continued)

### Section 8 Non-Executive director and executive shareholdings (continued)

#### Section 8.2 Share Entitlements held by Key Executives other than the CEO during the year

The table below summarises the share entitlements held by Key Executives other than the CEO:

| Executives (a) (d)    |             | Opening<br>unvested<br>balance | Granted as<br>compensation | Fair value of Share<br>Rights award<br>during the year | Vested<br>during the<br>period (b) | Cancelled/ Lapsed<br>during the period<br>(c) | Aggregate Amount<br>paid on Share rights<br>vested during the year | Closing<br>unvested<br>balance |
|-----------------------|-------------|--------------------------------|----------------------------|--------------------------------------------------------|------------------------------------|-----------------------------------------------|--------------------------------------------------------------------|--------------------------------|
|                       |             | No.                            | No.                        | \$                                                     | No.                                | No.                                           | \$                                                                 | No.                            |
| <b>S Barnes</b>       |             |                                |                            |                                                        |                                    |                                               |                                                                    |                                |
| Performance rights    | <b>2014</b> | 45,780                         | 23,920                     | 99,986                                                 | -                                  | -                                             | -                                                                  | 69,700                         |
|                       | 2013        | 25,100                         | 20,680                     | 104,020                                                | -                                  | -                                             | -                                                                  | 45,780                         |
| Deferred shares       | <b>2014</b> | 36,540                         | -                          | -                                                      | -                                  | -                                             | -                                                                  | 36,540                         |
|                       | 2013        | 20,320                         | 16,220                     | 138,032                                                | -                                  | -                                             | -                                                                  | 36,540                         |
| Deferred share rights | <b>2014</b> | -                              | 17,930                     | 129,993                                                | -                                  | -                                             | -                                                                  | 17,930                         |
|                       | 2013        | -                              | -                          | -                                                      | -                                  | -                                             | -                                                                  | -                              |

## Audited remuneration report (continued)

### Section 8 Non-Executive director and executive shareholdings (continued)

#### Section 8.2 Share Entitlements held by Key Executives other than the CEO during the year (continued)

| Executives (a) (d)    |             | Opening<br>unvested<br>balance | Granted as<br>compensation | Fair value of Share<br>Rights award<br>during the year | Vested<br>during the<br>period (b) | Cancelled/ Lapsed<br>during the period<br>(c) | Aggregate Amount<br>paid on Share rights<br>vested during the year | Closing<br>unvested<br>balance |
|-----------------------|-------------|--------------------------------|----------------------------|--------------------------------------------------------|------------------------------------|-----------------------------------------------|--------------------------------------------------------------------|--------------------------------|
| <b>S Bland</b>        |             |                                |                            |                                                        |                                    |                                               |                                                                    |                                |
| Performance rights    | <b>2014</b> | 102,120                        | 28,710                     | 120,008                                                | -                                  | (31,040)                                      | -                                                                  | 99,790                         |
|                       | 2013        | 109,950                        | 23,860                     | 120,016                                                | (19,727)                           | (11,963)                                      | 1                                                                  | 102,120                        |
| Deferred shares       | <b>2014</b> | 32,950                         | -                          | -                                                      | -                                  | -                                             | -                                                                  | 32,950                         |
|                       | 2013        | 24,440                         | 18,800                     | 159,988                                                | (10,290)                           | -                                             | -                                                                  | 32,950                         |
| Deferred share rights | <b>2014</b> | -                              | 21,380                     | 155,005                                                | -                                  | -                                             | -                                                                  | 21,380                         |
|                       | 2013        | -                              | -                          | -                                                      | -                                  | -                                             | -                                                                  | -                              |
| <b>P Ferguson</b>     |             |                                |                            |                                                        |                                    |                                               |                                                                    |                                |
| Performance rights    | <b>2014</b> | 28,890                         | 15,310                     | 63,996                                                 | -                                  | -                                             | -                                                                  | 44,200                         |
|                       | 2013        | 15,970                         | 12,920                     | 64,988                                                 | -                                  | -                                             | -                                                                  | 28,890                         |
| Deferred shares       | <b>2014</b> | 23,510                         | -                          | -                                                      | -                                  | -                                             | -                                                                  | 23,510                         |
|                       | 2013        | 12,930                         | 10,580                     | 90,036                                                 | -                                  | -                                             | -                                                                  | 23,510                         |
| Deferred share rights | <b>2014</b> | 5,160                          | 12,410                     | 89,973                                                 | -                                  | -                                             | -                                                                  | 17,570                         |
|                       | 2013        | -                              | 5,160                      | -                                                      | -                                  | -                                             | -                                                                  | 5,160                          |

## Audited remuneration report (continued)

### Section 8 Non-Executive director and executive shareholdings (continued)

#### Section 8.2 Share Entitlements held by Key Executives other than the CEO during the year (continued)

| Executives (a) (d)    |             | Opening<br>unvested<br>balance | Granted as<br>compensation | Fair value of Share<br>Rights award<br>during the year | Vested<br>during the<br>period (b) | Cancelled/ Lapsed<br>during the period<br>(c) | Aggregate Amount<br>paid on Share rights<br>vested during the year | Closing<br>unvested<br>balance |
|-----------------------|-------------|--------------------------------|----------------------------|--------------------------------------------------------|------------------------------------|-----------------------------------------------|--------------------------------------------------------------------|--------------------------------|
| <b>J Milton</b>       |             |                                |                            |                                                        |                                    |                                               |                                                                    |                                |
| Performance rights    | <b>2014</b> | -                              | 8,370                      | 34,987                                                 | -                                  | -                                             | -                                                                  | 8,370                          |
|                       | 2013        | -                              | -                          | -                                                      | -                                  | -                                             | -                                                                  | -                              |
| Deferred shares       | <b>2014</b> | -                              | -                          | -                                                      | -                                  | -                                             | -                                                                  | -                              |
|                       | 2013        | -                              | -                          | -                                                      | -                                  | -                                             | -                                                                  | -                              |
| Deferred share rights | <b>2014</b> | 54,981                         | 4,830                      | 35,018                                                 | -                                  | -                                             | -                                                                  | 59,811                         |
|                       | 2013        | -                              | 54,981                     | 425,003                                                | -                                  | -                                             | -                                                                  | 54,981                         |
| <b>M Rady</b>         |             |                                |                            |                                                        |                                    |                                               |                                                                    |                                |
| Performance rights    | <b>2014</b> | -                              | -                          | -                                                      | -                                  | -                                             | -                                                                  | -                              |
| Deferred shares       | <b>2014</b> | -                              | -                          | -                                                      | -                                  | -                                             | -                                                                  | -                              |
| Deferred share rights | <b>2014</b> | -                              | -                          | -                                                      | -                                  | -                                             | -                                                                  | -                              |

## Audited remuneration report (continued)

### Section 8 Non-Executive director and executive shareholdings (continued)

#### Section 8.2 Share Entitlements held by Key Executives other than the CEO during the year (continued)

| Executives (a) (d)    |             | Opening unvested balance | Granted as compensation | Fair value of Share Rights award during the year | Vested during the period (b) | Cancelled/ Lapsed during the period (c) | Aggregate Amount paid on Share rights vested during the year | Closing unvested balance |
|-----------------------|-------------|--------------------------|-------------------------|--------------------------------------------------|------------------------------|-----------------------------------------|--------------------------------------------------------------|--------------------------|
| <b>D Walker</b>       |             |                          |                         |                                                  |                              |                                         |                                                              |                          |
| Performance rights    | <b>2014</b> | 110,220                  | 32,300                  | 135,014                                          | -                            | (32,710)                                | -                                                            | 109,810                  |
|                       | 2013        | 116,070                  | 25,840                  | 129,975                                          | (19,727)                     | (11,963)                                | 1                                                            | 110,220                  |
| Deferred shares       | <b>2014</b> | 35,460                   | -                       | -                                                | -                            | -                                       | -                                                            | 35,460                   |
|                       | 2013        | 25,770                   | 19,980                  | 170,030                                          | (10,290)                     | -                                       | -                                                            | 35,460                   |
| Deferred share rights | <b>2014</b> | -                        | 22,760                  | 165,010                                          | -                            | -                                       | -                                                            | 22,760                   |
|                       | 2013        | -                        | -                       | -                                                | -                            | -                                       | -                                                            | -                        |

#### Remuneration Report Table 17

- (a) Upon vesting, performance rights and deferred share rights are exercisable. All performance rights which vested during 2013 were exercised prior to the year end.
- (b) All performance rights eligible to vest in 2014 lapsed as the Company's relative TSR ranking against the Peer Group did not meet the minimum threshold (2013: 37.75% lapsed based on the TSR ranking achieved).
- (c) In 2013 the maximum relative TSR ranking achieved was 56.12% which resulted in 62.25% of performance rights eligible to vest vesting. The remaining performance rights lapsed.
- (d) In 2014 the Board moved to issuing deferred STI as deferred share rights rather than deferred shares. Deferred share rights do not receive dividends or have the right to vote during the vesting period.

During the year, other than as noted above, there were no outstanding share entitlements issued to Key Executives or a related party of them.

## Audited remuneration report (continued)

### Section 8 Non-Executive director and executive shareholdings (continued)

#### Section 8.3 Total Shareholdings held by Directors and Key Executives

The following table sets out the relevant interest for each Director and Key Executive held directly or through a related body corporate, at the date of this report including where applicable, shares yet to be beneficially transferred/withdrawn by the respective Key Executive from the IRESS Limited Equity Plan Trust in IRESS shares and unvested share entitlements which may, subject to meeting performance hurdles, vest at some time in the future.

| Category / Name                |      | Fully Paid Ordinary Shares | Unvested Performance Rights | Unvested Deferred Shares | Unvested Deferred Share Rights |
|--------------------------------|------|----------------------------|-----------------------------|--------------------------|--------------------------------|
|                                |      | No.                        | No.                         | No.                      | No.                            |
| <b>CEO</b>                     |      |                            |                             |                          |                                |
| A Walsh                        | 2014 | 258,521                    | 716,000                     | 120,000                  | 58,000                         |
|                                | 2013 | 303,521                    | 590,000                     | 120,000                  | -                              |
| <b>NON-EXECUTIVE DIRECTORS</b> |      |                            |                             |                          |                                |
| A D'Aloisio                    | 2014 | 29,489                     | -                           | -                        | -                              |
|                                | 2013 | 9,839                      | -                           | -                        | -                              |
| N Beattie                      | 2014 | -                          | -                           | -                        | -                              |
| J Cameron                      | 2014 | 36,668                     | -                           | -                        | -                              |
|                                | 2013 | 36,668                     | -                           | -                        | -                              |
| J Hayes                        | 2014 | 12,467                     | -                           | -                        | -                              |
|                                | 2013 | 12,467                     | -                           | -                        | -                              |
| J Seabrook                     | 2014 | 36,667                     | -                           | -                        | -                              |
|                                | 2013 | 36,667                     | -                           | -                        | -                              |
| G Tomlinson                    | 2014 | -                          | -                           | -                        | -                              |
| <b>FORMER DIRECTOR</b>         |      |                            |                             |                          |                                |
| P Dunai                        | 2013 | 900,000                    | -                           | -                        | -                              |
| <b>EXECUTIVES</b>              |      |                            |                             |                          |                                |
| S Barnes                       | 2014 | -                          | 69,700                      | 36,540                   | 17,930                         |
|                                | 2013 | -                          | 45,780                      | 36,540                   | -                              |
| S Bland                        | 2014 | 3,261                      | 99,790                      | 32,950                   | 21,380                         |
| P Ferguson                     | 2014 | -                          | 44,200                      | 23,510                   | 17,570                         |
|                                | 2013 | -                          | 28,890                      | 23,510                   | 5,160                          |
| J Milton                       | 2014 | -                          | 8,370                       | -                        | 59,811                         |
|                                | 2013 | -                          | -                           | -                        | 54,981                         |
|                                | 2013 | 303,091                    | 102,120                     | 32,950                   | -                              |

## Audited remuneration report (continued)

### Section 8 Non-Executive director and executive shareholdings (continued)

#### Section 8.3 Total Shareholdings held by Directors and Key Executives (continued)

| Category / Name |      | Fully Paid Ordinary Shares | Unvested Performance Rights | Unvested Deferred Shares | Unvested Deferred Share Rights |
|-----------------|------|----------------------------|-----------------------------|--------------------------|--------------------------------|
| M Rady          | 2014 | -                          | -                           | -                        | -                              |
| D Walker        | 2014 | 571,223                    | 109,810                     | 35,460                   | 22,760                         |
|                 | 2013 | 572,390                    | 110,220                     | 35,460                   | -                              |

Remuneration Report Table 18

- (a) In 2014 the Board moved to issuing deferred STI as deferred share rights rather than deferred shares for Key Executives including the CEO. Deferred share rights do not receive dividends or have the right to vote during the vesting period.

### Section 9 Details of statutory remuneration disclosures

Details of remuneration prepared in accordance with statutory requirements and accounting standards are detailed on pages 67 to 73 (Statutory Remuneration). Actual Remuneration as set out in Section 2 of this Remuneration Report, is provided in addition to the statutory reporting of remuneration with a view to increasing transparency about the remuneration actually received during the year.

#### Section 9.1 Actual remuneration vs statutory remuneration

The table below shows the components of remuneration received by Key Executives and how they are measured under Actual Remuneration (Section 2) and Statutory Remuneration (Section 9).

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.1 Actual remuneration vs statutory remuneration (continued)

|                                                                   | Fixed Annual Remuneration                     |                                                                                                           |                                                            |                                                                            | Short Term Incentive                                                                                 |                                                                                            | Long Term Incentive                                                                        |
|-------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Actual vs Statutory Remuneration                                  | Salary & Fees                                 | Non - Monetary - Other                                                                                    | Secondment Allowances                                      | Post-Employment – Superannuation or other retirement benefit               | Cash Incentive                                                                                       | Share Based Payments – Deferred Shares / Share Rights                                      | Share Based Payments – Performance Rights                                                  |
| Actual Remuneration                                               | Total salary and fees accrued during the year | Company funded benefits and the fringe benefits payable on these benefits paid or accrued during the year | Allowance accrued on secondment assignment during the year | Contributions accrued based on total employment cost (TEC) during the year | Cash incentive accrued during the year. Accrual in current year relates to current year performance. | Value of equity able to be realised (i.e. vested or able to be exercised) (a)              | Value of equity able to be realised (i.e. vested or able to be exercised) (b)              |
| Statutory Remuneration                                            | Total salary and fees accrued during the year | Company funded benefits and the fringe benefits payable on these benefits paid or accrued during the year | Allowance accrued on secondment assignment during the year | Contributions accrued based on total employment cost (TEC) during the year | Cash incentive accrued during the year. Accrual in current year relates to current year performance  | Share based payments expense calculated in accordance with AASB 2 Share Based Payments (c) | Share based payments expense calculated in accordance with AASB 2 Share Based Payments (c) |
| Difference between Actual Remuneration and Statutory Remuneration | No                                            | No                                                                                                        | No                                                         | No                                                                         | No                                                                                                   | Yes                                                                                        | Yes                                                                                        |

Remuneration Report Table 19

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.1 Actual remuneration vs statutory remuneration (continued)

- (a) The vesting period for Deferred STI issued in May 2012 was increased to 3 years (previously 2 years). Accordingly, no Deferred STI were eligible to vest in 2014.
- (b) LTI series issued in May 2011 to the CEO was increased to 4 years (previously 3 years). Accordingly, no LTI entitlements issued to the CEO were eligible to vest in 2014. LTI entitlements issued to the other Key Executives in 2011 eligible to vest in 2014 did not meet the minimum relative TSR ranking, resulting in all performance rights in this series lapsing.
- (c) Reflects the expense arising on share entitlements issued in May 2011, May 2012, May 2013 and May 2014. In addition J Milton is a participant in the share entitlements issued to certain employees following the acquisition of Avelo, and her participation in this grant is also included.

#### Section 9.2 Statutory remuneration

The following tables disclose the nature and amount of each major element of remuneration for each Director and Key Executive in accordance with statutory requirements and accounting standards:

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.2 Statutory remuneration (continued)

| Directors                           |      | Salary and Fees<br>\$ | Non - Monetary -Other<br>\$ | Non - Monetary -Secondment Allowances<br>\$ | Post - Employment -Superannuation (a)<br>\$ | Cash incentive<br>\$ | Share based payments – Deferred Shares / Share Rights (b)<br>\$ | Share based payments – Performance Rights (b)<br>\$ | Total Remuneration including share based payments<br>\$ |
|-------------------------------------|------|-----------------------|-----------------------------|---------------------------------------------|---------------------------------------------|----------------------|-----------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|
| <b>Managing Director and CEO</b>    |      |                       |                             |                                             |                                             |                      |                                                                 |                                                     |                                                         |
| A Walsh                             | 2014 | 1,000,000             | -                           | 82,632                                      | 30,000                                      | 400,000              | 381,087                                                         | 821,619                                             | 2,715,338                                               |
|                                     | 2013 | 853,750               | -                           | 51,705                                      | 25,000                                      | 500,000              | 283,778                                                         | 767,088                                             | 2,481,321                                               |
| <b>Non - Executive Directors</b>    |      |                       |                             |                                             |                                             |                      |                                                                 |                                                     |                                                         |
| A D'Aloisio                         | 2014 | 119,423               | -                           | -                                           | 11,225                                      | -                    | -                                                               | -                                                   | 130,648                                                 |
|                                     | 2013 | 82,546                | -                           | -                                           | 7,544                                       | -                    | -                                                               | -                                                   | 90,090                                                  |
| J Seabrook                          | 2014 | 117,892               | -                           | -                                           | 11,056                                      | -                    | -                                                               | -                                                   | 128,948                                                 |
|                                     | 2013 | 96,561                | -                           | -                                           | 8,826                                       | -                    | -                                                               | -                                                   | 105,387                                                 |
| J Cameron                           | 2014 | 98,276                | -                           | -                                           | 9,213                                       | -                    | -                                                               | -                                                   | 107,489                                                 |
|                                     | 2013 | 82,546                | -                           | -                                           | 7,544                                       | -                    | -                                                               | -                                                   | 90,090                                                  |
| J Hayes                             | 2014 | 117,892               | -                           | -                                           | 11,056                                      | -                    | -                                                               | -                                                   | 128,948                                                 |
|                                     | 2013 | 96,561                | -                           | -                                           | 8,826                                       | -                    | -                                                               | -                                                   | 105,387                                                 |
| <b>Former Director</b>              |      |                       |                             |                                             |                                             |                      |                                                                 |                                                     |                                                         |
| P Dunai                             | 2014 | 132,962               | -                           | -                                           | 12,413                                      | -                    | -                                                               | -                                                   | 145,375                                                 |
|                                     | 2013 | 162,500               | -                           | -                                           | 14,844                                      | -                    | -                                                               | -                                                   | 177,344                                                 |
| <b>Total Directors Remuneration</b> |      |                       |                             |                                             |                                             |                      |                                                                 |                                                     |                                                         |
|                                     | 2014 | 1,586,445             | -                           | 82,632                                      | 84,963                                      | 400,000              | 381,087                                                         | 821,619                                             | 3,356,746                                               |
|                                     | 2013 | 1,374,464             | -                           | 51,705                                      | 72,584                                      | 500,000              | 283,778                                                         | 767,088                                             | 3,049,619                                               |

Remuneration Report Table 20

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.2 Statutory remuneration (continued)

- (a) There were no other short term employment benefits, other pension or post-employment benefits, other long term employment benefits, termination benefits or other share based payments paid to Directors or Key Executives during the year.
- (b) This expense is a function of both the value and duration of the instruments granted. The expense recognised in 2014 represents a combination of share grants made in 2014 and prior years.
- (c) In recommending the CEO's STI cash incentive for 2013, in addition to the specific deliverables and objectives set at the beginning of the year, the Board had regard to the extraordinary contribution from the CEO in the successful acquisition of Avelo.

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.2 Statutory remuneration (continued)

| Executives                                  |      | Salary and Fees<br>\$ | Non-Monetary<br>-Other<br>\$ | Non - Monetary<br>-Secondment<br>Allowances<br>\$ | Post-Employment<br>-Superannuation<br>\$ | Cash<br>incentive<br>(b)<br>\$ | Share Based<br>payments –<br>Deferred<br>Shares / Share<br>Rights (a)<br>\$ | Share based<br>payments –<br>Performance<br>Rights (a)<br>\$ | Total<br>Remuneration<br>including share<br>based<br>payments<br>\$ |
|---------------------------------------------|------|-----------------------|------------------------------|---------------------------------------------------|------------------------------------------|--------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------|
| S Barnes                                    | 2014 | 406,667               | -                            | -                                                 | 22,391                                   | 58,000                         | 116,056                                                                     | 87,813                                                       | 690,927                                                             |
|                                             | 2013 | 336,250               | -                            | -                                                 | 26,609                                   | 65,000                         | 71,833                                                                      | 54,047                                                       | 553,739                                                             |
| S Bland                                     | 2014 | 560,000               | 1,772                        | -                                                 | 26,600                                   | 40,000                         | 116,090                                                                     | 146,687                                                      | 891,149                                                             |
|                                             | 2013 | 470,000               | 1,663                        | -                                                 | 25,000                                   | 199,492                        | 80,437                                                                      | 167,820                                                      | 944,412                                                             |
| P Ferguson                                  | 2014 | 282,500               | 1,525                        | -                                                 | 15,114                                   | 45,000                         | 88,445                                                                      | 55,555                                                       | 488,139                                                             |
|                                             | 2013 | 250,000               | 928                          | -                                                 | 32,214                                   | 123,227                        | 49,253                                                                      | 34,128                                                       | 489,750                                                             |
| J Milton (c)                                | 2014 | 292,263               | 6,330                        | -                                                 | 24,971                                   | 29,777                         | 148,755                                                                     | 7,597                                                        | 509,693                                                             |
|                                             | 2013 | 62,317                | 1,782                        | -                                                 | 5,501                                    | 55,074                         | -                                                                           | -                                                            | 124,674                                                             |
| M Rady (c)                                  | 2014 | 275,001               | -                            | -                                                 | 26,125                                   | 40,000                         | -                                                                           | -                                                            | 341,126                                                             |
|                                             | 2013 | -                     | -                            | -                                                 | -                                        | -                              | -                                                                           | -                                                            | -                                                                   |
| D Walker                                    | 2014 | 479,750               | 1,772                        | -                                                 | 22,871                                   | 85,000                         | 124,346                                                                     | 159,995                                                      | 873,734                                                             |
|                                             | 2013 | 441,063               | 1,663                        | -                                                 | 25,000                                   | 85,000                         | 85,357                                                                      | 178,885                                                      | 816,968                                                             |
| <b>Total<br/>Executive<br/>Remuneration</b> | 2014 | 2,296,181             | 11,399                       | -                                                 | 138,072                                  | 297,777                        | 593,692                                                                     | 457,647                                                      | 3,794,768                                                           |
|                                             | 2013 | 1,559,630             | 6,036                        | -                                                 | 114,324                                  | 527,793                        | 286,880                                                                     | 434,880                                                      | 2,929,543                                                           |

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.2 Statutory remuneration (continued)

#### Remuneration Report Table 20 (continued)

- (a) This expense is a function of both the value and duration of the instruments granted. The expense recognised in 2014 represents a combination of share grants made in 2014 and prior years.
- (b) The cash incentive figure for 2013 is inclusive of a project incentive of \$139,492 and \$73,226 for S Bland and P Ferguson respectively associated with the acquisition of Avelo. Applicable superannuation contributions were made in relation to this project incentive.
- (c) The amounts for J Milton and M Rady reflect the total remuneration received by them since joining the Group from September 2013 and June 2014 respectively. Where appropriate remuneration details have been converted to Australian dollars at the weighted average exchange rate. J Milton's series of share rights granted in September 2013, have a measurement period that commences on 1 January 2014, accordingly no share based payments expense was recognised in 2013.

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.2 Statutory remuneration (continued)

| Directors                                   |             | % of Remuneration<br>consisting of Share<br>Based consideration (a) | Value of Share Based<br>Consideration awarded<br>during the year at grant<br>date \$ (b) | Value of Share Based<br>Consideration<br>exercised during the<br>year \$ (c) | Value of Share Based<br>Consideration at lapse<br>date where lapsed<br>during the year \$ (d) |
|---------------------------------------------|-------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>Managing Director and CEO</b>            |             |                                                                     |                                                                                          |                                                                              |                                                                                               |
| A Walsh                                     | <b>2014</b> | 44%                                                                 | 920,720                                                                                  | -                                                                            | -                                                                                             |
|                                             | <b>2013</b> | 42%                                                                 | 1,104,400                                                                                | 952,211                                                                      | 483,667                                                                                       |
| <b>Executives</b>                           |             |                                                                     |                                                                                          |                                                                              |                                                                                               |
| S Barnes                                    | <b>2014</b> | 30%                                                                 | 229,978                                                                                  | -                                                                            | -                                                                                             |
|                                             | <b>2013</b> | 23%                                                                 | 242,053                                                                                  | -                                                                            | -                                                                                             |
| S Bland                                     | <b>2014</b> | 29%                                                                 | 275,013                                                                                  | -                                                                            | 302,640                                                                                       |
|                                             | <b>2013</b> | 26%                                                                 | 280,004                                                                                  | 264,247                                                                      | 122,621                                                                                       |
| P Ferguson                                  | <b>2014</b> | 29%                                                                 | 153,968                                                                                  | -                                                                            | -                                                                                             |
|                                             | <b>2013</b> | 17%                                                                 | 195,013                                                                                  | -                                                                            | -                                                                                             |
| J Milton                                    | <b>2014</b> | 31%                                                                 | 35,108                                                                                   | -                                                                            | -                                                                                             |
|                                             | <b>2013</b> | 0% (e)                                                              | 425,003                                                                                  | -                                                                            | -                                                                                             |
| M Rady                                      | <b>2014</b> | 0%                                                                  | -                                                                                        | -                                                                            | -                                                                                             |
|                                             | <b>2013</b> | -                                                                   | -                                                                                        | -                                                                            | -                                                                                             |
| D Walker                                    | <b>2014</b> | 33%                                                                 | 300,024                                                                                  | -                                                                            | 318,923                                                                                       |
|                                             | <b>2013</b> | 32%                                                                 | 300,005                                                                                  | 264,247                                                                      | 122,621                                                                                       |
| <b>Total Key Executive<br/>Remuneration</b> | <b>2014</b> | <b>28%</b>                                                          | <b>1,914,811</b>                                                                         | <b>-</b>                                                                     | <b>621,563</b>                                                                                |
|                                             | <b>2013</b> | <b>25%</b>                                                          | <b>2,546,478</b>                                                                         | <b>1,480,705</b>                                                             | <b>728,909</b>                                                                                |

Remuneration Report Table 21

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.2 Statutory remuneration (continued)

- (a) This figure is calculated on the value of share rights included in remuneration for the year ended 31 December as a percentage of the total value of all remuneration received in that same year.
- (b) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the performance rights. The valuation has been made 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 interest rates and expected share price volatility. In addition, the likely achievement of performance hurdles of the share rights have been taken into account.
- (c) Figures in this column are calculated by multiplying the number of share rights (from prior year grants) exercised by Directors and Executives during the year as well as any share rights which vested during the year by the share price prevailing on the date share rights were exercised, notwithstanding that the underlying shares may not be beneficially held by the respective Director or Executive as the shares may not have been withdrawn from the IRESS Limited Equity Plan Trust.
- (d) Figures in this column are calculated by multiplying the number of share entitlements which lapsed during the year by the share price prevailing at the date the maximum relative TSR ranking was achieved including of retests. In 2014 this was October and the share price was \$9.75 (2013: November and \$10.25).
- (e) J Milton was awarded deferred STI in relation to the Avelo establishment grant in 2013 with an effective start date of 1 January 2014.

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.3 Unvested share entitlements

Details of Key Executive equity grants made in prior years which had not lapsed or vested prior to 31 December 2014 are set out below.

| Category / Name | Instrument            | Year of performance awarded (a) | Share Entitlement Series ID (b) | Grant Qty | Cancelled or Lapsed Qty | Unvested at 31 Dec 2014 |
|-----------------|-----------------------|---------------------------------|---------------------------------|-----------|-------------------------|-------------------------|
| A Walsh         | Performance rights    | 2009                            | 31                              | 125,000   | (47,187)                | -                       |
|                 |                       | 2010                            | 36                              | 150,000   | -                       | 150,000                 |
|                 |                       | 2010                            | 37                              | 150,000   | -                       | 150,000                 |
|                 |                       | 2011                            | 45                              | 80,000    | -                       | 80,000                  |
|                 |                       | 2011                            | 46                              | 80,000    | -                       | 80,000                  |
|                 |                       | 2012                            | 67                              | 65,000    | -                       | 65,000                  |
|                 |                       | 2012                            | 68                              | 65,000    | -                       | 65,000                  |
|                 |                       | 2013                            | 78                              | 63,000    | -                       | 63,000                  |
|                 |                       | 2013                            | 79                              | 63,000    | -                       | 63,000                  |
|                 | Deferred shares       | 2009                            | 32                              | 29,000    | -                       | -                       |
|                 |                       | 2010                            | 38                              | 30,000    | -                       | -                       |
|                 |                       | 2011                            | 47                              | 65,000    | -                       | 65,000                  |
|                 |                       | 2012                            | 69                              | 55,000    | -                       | 55,000                  |
|                 | Deferred share rights | 2013                            | 80                              | 58,000    | -                       | 58,000                  |
|                 |                       |                                 |                                 |           |                         |                         |
|                 | Performance rights    | 2009                            | 28                              | 63,380    | (23,926)                | -                       |
|                 |                       | 2010                            | 33                              | 63,750    | (63,750)                | -                       |
|                 |                       | 2011                            | 39                              | 139,960   | -                       | 139,960                 |
|                 |                       | 2012                            | 62                              | 83,300    | -                       | 83,300                  |
|                 |                       | 2013                            | 74                              | 108,610   | -                       | 108,610                 |
|                 | Deferred shares       | 2009                            | 30                              | 20,980    | -                       | -                       |
|                 |                       | 2010                            | 35                              | 20,580    | -                       | -                       |
|                 |                       | 2011                            | 44                              | 62,880    | -                       | 62,880                  |
|                 |                       | 2012                            | 64                              | 65,580    | -                       | 65,580                  |
|                 | Deferred share rights | 2012                            | 73, 71                          | 60,141    | -                       | 60,141                  |
|                 |                       | 2013                            | 76                              | 79,310    | -                       | 79,310                  |

Remuneration Report Table 22

- (a) The year of performance awarded represents the year ending 31 December, with share entitlements issued the following May.
- (b) See Table 23 below for further details on each series of share entitlements

## Audited remuneration report (continued)

### Section 9 Details of statutory remuneration disclosures (continued)

#### Section 9.3 Unvested share entitlements (continued)

| Share Entitlement Series ID | Award date | Description                                  | Fair value estimate at grant date | First Date Eligible to Vest |
|-----------------------------|------------|----------------------------------------------|-----------------------------------|-----------------------------|
| 28                          | 7/05/2010  | 2010 Staff PR (3 yr)                         | \$5.68                            | 7/05/2013                   |
| 30                          | 7/05/2010  | 2010 Staff DS (2 yr)                         | \$8.34                            | 7/05/2012                   |
| 31                          | 7/05/2010  | 2010 CEO PR (3 yr)                           | \$5.68                            | 7/05/2013                   |
| 32                          | 09/05/2011 | 2010 CEO DS (2 yr)                           | \$8.34                            | 7/05/2012                   |
| 33                          | 9/05/2011  | 2011 Staff PR (3 yr)                         | \$5.96                            | 7/05/2014                   |
| 35                          | 9/05/2011  | 2011 Staff DS (2 yr)                         | \$9.23                            | 7/05/2013                   |
| 36                          | 9/05/2011  | 2011 CEO PR (4yr)                            | \$5.87                            | 7/05/2015                   |
| 37                          | 9/05/2011  | 2011 CEO PR (4 Yr deferred start)            | \$5.79                            | 7/05/2015                   |
| 38                          | 9/05/2011  | 2011 CEO DS (2 yr)                           | \$9.23                            | 7/05/2013                   |
| 39                          | 7/05/2012  | 2012 Staff PR (3 yr)                         | \$3.76                            | 7/05/2015                   |
| 44                          | 7/05/2012  | 2012 Staff DS (3 yr)                         | \$6.18                            | 7/05/2015                   |
| 45                          | 7/05/2012  | 2012 CEO PR (4 yr)                           | \$3.64                            | 9/05/2016                   |
| 46                          | 7/05/2012  | 2012 CEO PR (4 yr deferred start)            | \$3.56                            | 9/05/2016                   |
| 47                          | 7/05/2012  | 2012 CEO DS (3 yr)                           | \$6.18                            | 7/05/2015                   |
| 62                          | 7/05/2013  | 2013 PR Staff (3 yr)                         | \$5.03                            | 9/05/2016                   |
| 64                          | 7/05/2013  | 2013 DS Staff (3Yr)                          | \$8.51                            | 9/05/2016                   |
| 67                          | 7/05/2013  | 2013 CEO PR (4 yr)                           | \$5.03                            | 8/05/2017                   |
| 68                          | 7/05/2013  | 2013 CEO PR (4 yr deferred start)            | \$4.76                            | 8/05/2017                   |
| 69                          | 7/05/2013  | 2013 CEO DS (3 yr)                           | \$8.51                            | 9/05/2016                   |
| 71                          | 1/01/2014  | 2013 DSR Staff (Avelo) (3 yr)                | \$7.73                            | 2/01/2017                   |
| 73                          | 30/09/2013 | 2013 DSR Staff (Existing re Avelo) (3.25 yr) | \$7.75                            | 2/01/2017                   |
| 74                          | 7/05/2014  | 2014 PR Staff (3 yr)                         | \$4.18                            | 8/05/2017                   |
| 76                          | 7/05/2014  | 2014 DSR Staff (3 yr)                        | \$7.25                            | 8/05/2017                   |
| 78                          | 7/05/2014  | 2014 CEO PR (4 Yr)                           | \$4.05                            | 7/05/2018                   |
| 79                          | 7/05/2014  | 2014 CEO PR (4 yr deferred start)            | \$3.89                            | 7/05/2018                   |
| 80                          | 7/05/2014  | 2014 CEO DSR (3 yr)                          | \$7.25                            | 8/05/2017                   |

Remuneration Report Table 23

Directors' report  
31 December 2014

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

On behalf of the Directors



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A D'Aloisio  
Chairman

MELBOURNE  
25 February 2015



---

A Walsh  
Chief Executive Officer and Managing Director

MELBOURNE  
25 February 2015

25 February 2015

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

Dear Board Members

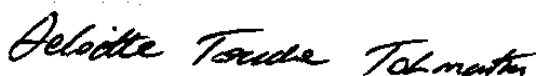
**IRESS Limited**

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G J McLean  
Partner  
Chartered Accountants

## **Corporate Governance Statement**

The Board of IRESS Limited is committed to the ASX Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council.

During 2014 IRESS complied with each of the ASX Corporate Governance Principles and Recommendations (2nd Edition, as amended in 2010) save with respect to reporting of gender diversity in recommendations 3.2 and 3.3. The Board intends as part of preparations to implement the 3rd Edition of ASX Corporate Governance Principles and Recommendations to set measurable objectives early in 2015 and to disclose those objectives in its 2015 Annual Report as well as progress towards achieving them.

## **Introduction**

IRESS' Board works under a set of well-established corporate governance policies that reinforce the responsibilities of all Directors in accordance with the requirements of the *Corporations Act 2001* (Cth) and the Australian Securities Exchange ("ASX"). Many of the governance elements are enshrined in the Company's Constitution. In addition, the Board operates in accordance with a Board Charter, which is intended to supplement the description of the Board's responsibilities as set forth in the Constitution.

The Company's policies and corporate governance practices are reviewed annually and will continue to be developed and refined to meet the needs of the Company and best practice.

This Corporate Governance Statement outlines the key aspects and mechanisms of IRESS' governance framework, which have been established, and kept under review, by the Board. Copies of or summaries of the charters under which the Board and Board committees operate and other relevant information referred to in this Corporate Governance Statement are available on IRESS' website <http://www.iress.com>.

## **1 Board responsibilities**

- 1.1 The Board has ultimate responsibility to set strategy and policy for the business and affairs of the Company and its subsidiaries for the benefit of the shareholders after having considered regulatory matters and other ethical expectations and obligations. The Board is accountable to shareholders for the performance of the Group.
- 1.2 The Board's responsibilities and functions include, to:
  - to set values and standards
  - to constructively challenge management and drive strategic thinking;
  - to monitor and drive performance (used in its widest sense) of the company;
  - to ensure the integrity and adequacy of financial statements; and
  - to ensure that there are robust risk management systems in place.
- 1.3 In carrying out its responsibilities and functions the Board will:

## **1 Board responsibilities (continued)**

- review and approve corporate strategies, budgets, plans and policies developed by management and evaluate performance of the Group against those strategies and business plans in order to:
    - monitor the performance of functions delegated to the Executive team including the progress of major capital expenditure, capital management, acquisitions, divestitures and strategic commitments; and
    - assess the suitability of the Company's overall strategies, business plans and resource allocation.
  - appoint a Managing Director/CEO (CEO) for the ongoing management of the business and execution of its strategies;
  - regularly evaluate the performance of the CEO and Executives and ensure appropriate Executive succession planning is conducted;
  - monitor financial and business results (including the audit process) to understand at all times the financial position of the Group;
  - ensure regulatory compliance and maintain adequate risk management processes;
  - report to shareholders; and
  - implement a culture of compliance with the highest legal and ethical standards and business practices.
- 1.4 In carrying out its duties, the Board meets regularly to discuss matters relevant to the Company, with additional meetings held as required to address specific issues.
- 1.5 The Board delegates management of the Company's resources to the Executive team under the leadership of the CEO. Any powers not specifically reserved for the Board are deemed to have been delegated to the Executive team.

## **2 Ethical standards and diversity**

- 2.1 The Company is committed to upholding high legal, moral and ethical standards in all of its corporate activities and has adopted a Code of Ethics, which aims to strengthen its ethical climate and provide basic guidelines for situations in which ethical issues arise. The Code of Ethics applies to Directors, Executives and employees, and sets standards for ethical behaviour and business practice beyond complying with the law, and is based on the key principles whereby the Company:
- strives to do business with customers and suppliers of sound business character and reputation;

## **2 Ethical standards and diversity (continued)**

- strives to maintain the highest standard of ethical behaviour in business dealings and to behave with integrity in all dealings with customers, shareholders, government, employees, suppliers and the community;
  - does not knowingly support any public or private organisation which espouses discriminatory policies or practices; and
  - expects all employees to perform their duties with honesty, truthfulness and integrity.
- 2.2 It is the policy of the Company to comply with the letter and spirit of all applicable laws, including those relating to employment, discrimination, health, safety, trade practices and securities. The Company has also developed procedures to ensure that employees are aware of and discharge their obligations under relevant privacy laws in their handling of information provided to the Group.
- 2.3 No Director, Executive, officer or manager of the Company has authority to violate any law or to direct another employee or any other person to violate any law on behalf of the Company.
- 2.4 The Company's ethical practices and procedures are reviewed regularly, and processes are in place to promote and communicate these policies within the Company.
- 2.5 The Board notes that the ASX Corporate Governance Council's recommendations include a recommendation that the Company should adopt a formal policy in relation to diversity.
- 2.6 The Company has a broad and diverse employee base across several international jurisdictions. The Board monitors diversity and has adopted a formal diversity policy, available on IRESS' website <http://www.iress.com>. The monitoring undertaken by the Board entails considering diversity under a broad definition, including gender diversity, across the Group not only at the Board and Executive levels, but also across the general staff base. The Board continues to observe no indicators of bias, or impediments to diversity and believes the Company's diversity ratios reflect well on the Group.
- 2.7 The Board has not included in that policy a requirement that the Board establish measurable objectives for achieving gender diversity. As noted in the introduction to this Corporate Governance Statement, the Board intends as part of preparations to implement the 3rd Edition of ASX Corporate Governance Principles and Recommendations to set measurable objectives early in 2015 and to disclose those objectives in its 2015 Annual Report as well as progress towards achieving them.
- 2.8 As at 31 December 2014 approximately 32% of the aggregate employment base of the Company were women, and comprised 1 Director (out of a total of 5) with a further female Director to join the Board effective 1 February 2015, 4 Executives (out of a total of 16) and 408 staff (out of a total of 1,295).

### 3 Risk management

- 3.1 All business activities contain an element of risk. IRESS' philosophy toward risk is to identify the risks in advance, determine potential risk mitigation strategies, assess the risk in terms of the risk/reward equation and then determine how to proceed. Calculated risk taking is viewed as an essential part of the IRESS' approach to creating long term shareholder value.
- 3.2 For the purposes of assisting investors to better understand the nature of the risks faced by the Company, the Board has prepared a list of operational risks as part of the Principle 7 disclosures. However the Board notes that this does not necessarily represent an exhaustive list and that it may be subject to change based on underlying market events.
- 3.3 The key areas of risk faced by IRESS include operational risk – relating to internal processes or external events, contractual risk – relating to performance requirements in our contractual engagements, key staff risk, competitor risk and financial/economic risk including debt and foreign exchange risk arising in the context of financing arrangements for the acquisition of Avelo. Several of these risks are inherent in the nature of the business and are managed operationally on a day-to-day basis. Appropriate policies and procedures are in place to oversee and manage these risks and are periodically reviewed by management and the results communicated to the Board.
- 3.4 The Board is responsible for approving the Company's risk management strategy and policies including the overall internal control framework. In considering the internal control framework the Board considers no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an approach that can be described under the following five headings:
- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget or an alternative benchmark (where considered appropriate) and revised internal forecasts for the year are prepared regularly. Procedures are also in place to ensure that disclosure obligations are reviewed and information is reported to the ASX in accordance with continuous disclosure requirements.
  - Quality and integrity of personnel – the Company's human resource related policies and procedures are directed towards achieving the highest levels of service and integrity.
  - External advice – the Company engages external experts, particularly in the areas of legal, tax and valuation matters to support management in performing their duties.
  - Operating controls – procedures including information systems controls are appropriately documented. Exception and corrective action reports highlight any departures from these procedures.
  - Functional specialty reporting – at various times (for example pre and/or post an acquisition), the Board may request additional ad-hoc information to address a particular area of concern or risk.

### **3 Risk management (continued)**

- 3.5 The risk management function of the IRESS Board is performed by the Audit & Risk Committee the terms of reference for which are set out in the Audit & Risk Committee Charter.
- 3.6 In terms of its approach to risk management, the Board in April 2014 adopted a revised risk policy and risk framework.
- 3.7 Under that policy, the tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the CEO, the CFO and the Group General Counsel, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Audit & Risk Committee on the Company's key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk by management is a periodic agenda item at Audit & Risk Committee meetings.
- 3.8 The CEO and CFO have provided a written statement to the Board that is required by section 295A of the Corporations Act.
- 3.9 Internal control assurance letters are completed by the senior Executives of all significant business units, as well as by finance managers, in support of these written statements.
- 3.10 The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal controls and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

### **4 Board composition**

- 4.1 The Board's policy is that there should be a majority of independent, Non-Executive Directors to ensure that Board discussions or decisions have the benefit of predominantly outside views and experience and that the majority of Directors are free from interests and influences that may create a conflict with their duty to the Company. Maintaining a balance of experience and skills is an important factor in Board composition. Details of each Director are set out on pages 3 to 5.
- 4.2 The Board has adopted the definition of independence set out in the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007. The Board has developed guidelines to determine materiality thresholds for the purposes of that definition. Broadly speaking, these guidelines seek to determine whether the Director is generally free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.
- 4.3 Until September 2014, the Company had six Directors, one of whom was and remains an Executive Director (the CEO). P Dunai, a Non-Executive Director, left the Board in September 2014. The remaining four Directors are Non-Executive. All Non-Executive Directors during 2014 were 'independent'.

## **4 Board composition (continued)**

- 4.4 Concurrent with P Dunai assuming the role of Chair in 2010, J Seabrook assumed the role of Lead Independent Director. With P Dunai's departure from the Board, the Directors agreed that this function was no longer required and J Seabrook ceased acting as Lead Independent Director on 10 December 2014.
- 4.5 In the opinion of the Board, the composition of the Board during 2014 fairly represented the interests of all shareholders in the Company. It should be acknowledged that the departure of P Dunai as Director did leave scope for the recruitment to the Board of additional skills and experience and that process resulted in the appointment on 1 February 2015 of G Tomlinson and N Beattie as Non-Executive Directors, whose details are set out on pages 3 to 5.

## **5 Director's skills and experience**

- 5.1 In terms of skills and experience, the Board values the following attributes:
- Strategic and commercial skills and experience from related and other businesses, promoting rigorous dialogue with management and providing focused and broader insight and perspectives;
  - Practical experience in developing and implementing successful strategic plans;
  - Industry experience, preferably with technology businesses or businesses which leverage technology and in particular knowledge and experience of the financial markets and wealth management industries served by IRESS, each of which assists the Board in evaluating the role of and potential for IRESS' technology in those industries;
  - Financial numeracy and literacy which may include direct experience in financial accounting and reporting or in investment banking or corporate finance. These skills underpin the ability to probe the adequacy of financial reports and internal controls as well as testing forecasts and assumptions in support of organic investments and acquisitions;
  - Human resource management experience to assist the Board in formulating and managing CEO succession plans, in setting remuneration policy and in applying that policy to promote shareholder value through targeted and transparent short term and long term incentive programmes;
  - International experience from relevant businesses or industries outside Australia; and
  - Corporate Governance experience and a commitment to highest standards of corporate governance, that being essential for a publicly listed company and in particular an organisation with international operations and international investors.

## **6 Board renewal, appointment term and other directorships**

- 6.1 The Board, in conjunction with the Nomination & Remuneration Committee, plans for its own succession and renewal.
- 6.2 In identifying candidates, the Board takes account of the then current mix of skills and experience represented on the Board. The Board acknowledges the importance of careful planning for succession and renewal and in specifying a process for identifying and engaging with potential candidates who would complement any gaps in the skills, experience and diversity of the Board as then constituted.
- 6.3 In accordance with the Company's constitution, all Directors other than the CEO are required to seek re-election at least once every three years on a rotating basis.
- 6.4 In order to ensure that composition of the Board will change over time, the Board has a general policy that Non-Executive Directors should not serve for a period exceeding 12 years, and that the Chair should not serve in that role for more than 10 years.
- 6.5 Directors are required continually to evaluate the number of Boards on which they serve to ensure that each can be given the time and attention required to fulfil their duties and responsibilities. Directors are required to seek approval from the Chair prior to accepting an invitation to become a Director of any corporation.

## **7 Board access to information and independent advice**

- 7.1 All Directors have unrestricted access to all employees of the Group and, subject to the law, access to all Company records and information held by Group employees and external advisers. The Board receives regular detailed financial and operational reports from Executives.
- 7.2 Any Director can seek independent professional advice at the Company's expense in the furtherance of his or her duties, subject to prior discussion with the Chair. If this occurs, the Chair must notify the other Directors of the approach, with any resulting advice received to be generally circulated to all Directors.

## **8 Remuneration**

- 8.1 Non-Executive Directors are paid an annual fee within a fixed amount approved for all Non-Executive Directors by shareholders. The total aggregate annual amount approved for the Company is currently \$900,000 per annum, which was set in 2013.
- 8.2 For information relating to the Group's remuneration practices, and details relating to Directors' and Executives' remuneration during the financial year, see the Audited Remuneration Report which starts on page 25, and is incorporated into this corporate governance statement by reference.

## 8 Remuneration (continued)

- 8.3 Other than as reported on page 57, no additional fees were paid to Directors for serving on sub-committees during the period. As members of management, Executive Directors, when appointed, do not receive any additional Directors' fee.
- 8.4 The relevant interests of each Director in the share capital of the Company at the date of this report, as notified to the ASX pursuant to the Listing Rules and section 205G of the *Corporations Act 2001* (Cth), are set out on page 47 in the Directors' Report.

## 9 Conflict of interest

- 9.1 In order to ensure that any interests of a Director in a particular matter to be considered by the Board are brought to the attention of all the Directors, the Company has developed protocols consistent with obligations imposed by the *Corporations Act 2001* (Cth) and the Listing Rules, to require each Director to disclose any contracts, offices held, interests in transactions and other Directorships which may involve any potential conflict. Appropriate procedures have been adopted to ensure that, where the possibility of a material conflict arises, relevant information is not provided to the Director, and the Director does not participate in discussion on the particular issue, or vote in respect of the matter at the meeting where the matter is considered.

## 10 Board committees

- 10.1 The Board has two standing committees, namely an Audit & Risk Committee and a Nomination & Remuneration Committee. The Company has adopted an Audit & Risk Committee Charter and a Nomination & Remuneration Charter to define the tasks and responsibilities delegated to these committees.
- 10.2 The Board periodically reviews the Audit & Risk Committee and Nomination & Remuneration Committee Charters.
- 10.3 Executives attend Board and committee meetings by invitation, whenever particular matters arise that require management presentations or participation.

## 11 Accountability and audit

- 11.1 The members of the Audit & Risk Committee during the year were all Non-Executive Directors and comprised:
- J Hayes (Chair);
  - J Seabrook; and
  - A D'Aloisio.
- 11.2 Members of the Audit & Risk Committee are financially literate and the Board is of the opinion that the members of the committee possess sufficient financial expertise and knowledge of the industry in which the Company operates. Details of the qualifications of the Audit & Risk Committee members are included in the Directors' Report on pages 3 to 5.

## **11 Accountability and audit (continued)**

- 11.3 The Audit & Risk Committee reviews the financial statements, adequacy of financial controls and the annual external audit arrangements. It monitors the controls and financial reporting systems, applicable Company policies, national and international accounting standards and other regulatory or statutory requirements.
- 11.4 The Committee also liaises with the Company's external auditors, reviews the scope of their activities, their remuneration and independence, and advises the Board on their appointment and removal. It is Board policy that the lead external audit partner and review partner are each rotated periodically.
- 11.5 The CFO, other relevant Company Officers (as required) and the lead external audit partner participate at meetings of the Audit & Risk Committee.
- 11.6 The Board has adopted a policy that the Company's external auditor shall not provide non-audit services that may detract from the external auditor's independence and impartiality or be perceived as doing so. Any other services provided by the external auditor are reviewed on a case by case basis and must be approved by the Audit & Risk Committee in advance.

## **12 Nomination & Remuneration**

- 12.1 The Nomination & Remuneration Charter provides for periodic review of the structure and performance of the Board, Board committees and individual Directors and a framework for changes when necessary. This includes identifying suitable candidates for appointment as Non-Executive Directors. The Charter also addresses matters such as succession and Executive compensation policy, including short and long-term incentive plans and the Company's recruitment, retention and termination policies.
- 12.2 The Charter provides for Directors to access the services of independent professional advisers to assist in the search for high-calibre people at all levels and ensure that the terms and conditions offered by the Company are competitive with those offered by comparable companies.
- 12.3 The members of the Nomination & Remuneration Committee during 2014 were all independent, Non-Executive Directors and comprised:
  - J Seabrook (Chair);
  - J Cameron;
  - P Dunai (until 27 September 2014); and
  - A D'Aloisio (from 27 September 2014).

## **13 Continuous disclosure**

- 13.1 The Board has a disclosure policy and procedures in place which are designed to ensure that information reported to the ASX is in accordance with the continuous disclosure requirements of its Listing Rules. The Board regularly reviews the Company's compliance with its continuous disclosure obligations. The Company Secretary is responsible for coordinating disclosure of information to the ASX, the Australian Securities and Investments Commission and shareholders.
- 13.2 In addition to the Company's obligations to disclose information to the ASX and to distribute information to shareholders, the Company publishes annual and half-year reports, media releases, and other relevant publications on its website, at [www.iress.com](http://www.iress.com)
- 13.3 The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and discussion of the Group's strategy and goals. The Company invites the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## **14 Securities dealings**

- 14.1 The Board adopted a revised Employee Share Trading policy in August 2014. The Board's revised policy concerning trading in Company securities precludes Directors, Executives and employees from dealing in the Company's securities during three defined blackout periods, being:

The approved trading windows are for the four weeks after:

- (a) (full year results) from 1 January to the close of trading on the business day after the day IRESS' annual results are announced to the ASX;
- (b) (half yearly results) from 1 July to the close of trading on the business day after the day IRESS' half yearly results are announced to the ASX;
- (c) (AGM) from two weeks prior to the date of IRESS' AGM to the close of trading on the business day after IRESS' AGM.

Subject to insider trading laws (see 14.2 below) dealing in shares outside these periods is permitted without prior approval from the Board, the CEO or the Company Secretary. In the case of Directors, prior approval from the Chair (or in the case of the Chair, the Chair of the Audit & Risk Committee) is required for all dealings in the Company's securities and in the case of other KMP, approval is required from the CEO or CFO.

- 14.2 All Directors, Executives and employees are prohibited from trading the Company's securities at any time if they possess price-sensitive information not available to the market and which could reasonably be expected to influence the market. At no time may Directors, Executives and employees engage in short term dealings in the Company's shares.

## **14 Securities dealings (continued)**

- 14.3 Hedging of unvested share rights is also prohibited. The Board's view is that any share right participant who enters into such schemes on the unvested component of their rights would be in breach of the terms and conditions of the grant, and the Board would exercise its right to cancel any of these hedged share rights.
- 14.4 As required by the ASX listing rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

## **15 Additional corporate governance information**

- 15.1 The corporate governance section of the Company's website contains various materials relating to corporate governance, including the Board Charter, Sub-committee Charters, Code of Ethics, and other information.

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## **Independent Auditor's Report to the Members of IRESS Limited**

We have audited the accompanying financial report of IRESS Limited, which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 91 to 187.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent auditor's report to the members 31 December 2014

### *Auditor's Independence Declaration*

In conducting our audit, 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 at the time of this auditor's report.

### *Auditor's Opinion on the Financial Report*

In our opinion:

- (a) the financial report of IRESS Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### *Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 25 to 75 of the Directors' Report for the year ended 31 December 2014. 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.

### *Auditor's Opinion*

In our opinion the Remuneration Report of IRESS Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



G J McLean  
Partner  
Chartered Accountants  
Melbourne, 25 February 2015

Directors' declaration  
31 December 2014

The Directors declare that:

- (a) in the Directors' opinion, 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) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.
- (c) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 1 of the financial statements; and
- (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth).

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



A Walsh  
Chief Executive Officer and Managing Director  
MELBOURNE

25 February 2015

**Consolidated statement of profit or loss and other comprehensive income**  
For the year ended 31 December 2014

|                                                                                  | Notes | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------------------------------------------------------------|-------|--------------------------------|----------------|
| Revenue                                                                          |       | 328,964                        | 250,626        |
| Other income                                                                     |       | 109                            | 506            |
| <b>Revenue from ordinary activities</b>                                          | 2     | <b>329,073</b>                 | 251,132        |
| Customer data fees                                                               |       | (28,456)                       | (23,005)       |
| Communication and other technology expenses                                      |       | (14,555)                       | (11,808)       |
| Employee benefits expense                                                        | 4     | (154,122)                      | (115,689)      |
| Employee administration expenses                                                 | 5     | (8,844)                        | (6,367)        |
| Other expenses including general administration expenses                         |       | (15,087)                       | (11,556)       |
| Facilities rent                                                                  | 3     | (5,904)                        | (5,297)        |
| Bad and doubtful debts                                                           | 3     | (391)                          | (53)           |
| Business acquisition expenses                                                    | 7     | (1,026)                        | (13,690)       |
| Business restructure expenses                                                    | 7     | (2,208)                        | (697)          |
| Impairment of goodwill                                                           | 15    | (2,265)                        | -              |
| Unrealised foreign exchange gain                                                 | 9     | 1,702                          | 10,790         |
| <b>Profit before depreciation, amortisation, interest and income tax expense</b> |       | <b>97,917</b>                  | 73,760         |
| Depreciation and amortisation expense                                            | 3     | (23,371)                       | (19,587)       |
| <b>Profit before interest and income tax expense</b>                             |       | <b>74,546</b>                  | 54,173         |
| Interest revenue                                                                 |       | 5,599                          | 1,847          |
| Interest expense                                                                 |       | (14,469)                       | (8,919)        |
| Financing expense                                                                | 9     | (2,275)                        | (10,636)       |
| <b>Net interest and financing costs</b>                                          | 8     | <b>(11,145)</b>                | (17,708)       |
| <b>Profit before income tax</b>                                                  |       | <b>63,401</b>                  | 36,465         |
| Income tax expense                                                               | 10    | (12,730)                       | (12,224)       |
| <b>Profit after income tax</b>                                                   |       | <b>50,671</b>                  | 24,241         |
| <b>Other comprehensive income</b>                                                |       |                                |                |
| <i>Items that may be reclassified to profit or loss</i>                          |       |                                |                |
| Exchange differences on translation of foreign operations                        | 25    | 8,860                          | 17,202         |
| <b>Other comprehensive income for the year, net of tax</b>                       |       | <b>8,860</b>                   | 17,202         |
| <b>Total comprehensive income for the year</b>                                   |       | <b>59,531</b>                  | 41,443         |
|                                                                                  |       | <b>Cents</b>                   | Cents          |
| <b>Earnings per share</b>                                                        |       |                                |                |
| Basic earnings per share                                                         | 11    | 32.333                         | 17.530         |
| Diluted earnings per share                                                       | 11    | 31.873                         | 17.295         |

The above 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 2014**

|                                          | Notes  | 2014<br>\$'000 | 2013<br>\$'000 |
|------------------------------------------|--------|----------------|----------------|
| <b>CURRENT ASSETS</b>                    |        |                |                |
| Cash and cash equivalents                |        | <b>74,914</b>  | 71,405         |
| Trade and other receivables              | 12     | <b>24,700</b>  | 25,684         |
| Other receivables                        | 12     | <b>9,877</b>   | 11,154         |
| Current tax receivables                  | 10     | <b>37</b>      | 174            |
| Other current assets                     |        | -              | 56             |
| <b>Total current assets</b>              |        | <b>109,528</b> | 108,473        |
| <b>NON-CURRENT ASSETS</b>                |        |                |                |
| Plant and equipment                      | 13     | <b>9,675</b>   | 9,698          |
| Computer software                        | 14     | <b>19,320</b>  | 30,258         |
| Goodwill                                 | 15     | <b>398,462</b> | 391,524        |
| Intangibles                              | 16     | <b>15,561</b>  | 18,406         |
| Deferred tax assets                      | 10, 17 | <b>21,387</b>  | 26,579         |
| Other financial assets                   | 18     | <b>34</b>      | 37             |
| <b>Total non-current assets</b>          |        | <b>464,439</b> | 476,502        |
| <b>Total assets</b>                      |        | <b>573,967</b> | 584,975        |
| <b>CURRENT LIABILITIES</b>               |        |                |                |
| Trade and other payables                 | 19     | <b>14,108</b>  | 21,108         |
| Other payables                           | 19     | <b>12,412</b>  | 17,451         |
| Current tax payables                     | 10, 20 | <b>1,762</b>   | 3,902          |
| Provisions                               | 21     | <b>6,503</b>   | 10,173         |
| <b>Total current liabilities</b>         |        | <b>34,785</b>  | 52,634         |
| <b>NON-CURRENT LIABILITIES</b>           |        |                |                |
| Borrowings                               | 22     | <b>179,110</b> | 177,326        |
| Derivative liabilities                   | 22     | <b>12,910</b>  | 10,636         |
| Provisions                               | 23     | <b>4,863</b>   | 5,790          |
| Deferred tax liabilities                 | 10     | <b>11,351</b>  | 11,820         |
| <b>Total non-current liabilities</b>     |        | <b>208,234</b> | 205,572        |
| <b>Total liabilities</b>                 |        | <b>243,019</b> | 258,206        |
| <b>Net assets</b>                        |        | <b>330,948</b> | 326,769        |
| <b>EQUITY</b>                            |        |                |                |
| Issued capital                           | 24     | <b>275,315</b> | 275,315        |
| Other reserves                           | 25     | <b>31,760</b>  | 60,871         |
| Retained earnings / (accumulated losses) | 26     | <b>23,873</b>  | (9,417)        |
| <b>Total equity</b>                      |        | <b>330,948</b> | 326,769        |

*The above 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 2014**

|                                                                                                  |        | <b>Issued<br/>capital<br/>\$'000</b> | <b>Retained<br/>earnings/<br/>(accumulated<br/>losses)<br/>\$'000</b> | <b>Share-<br/>based<br/>payments<br/>reserve<br/>\$'000</b> | <b>Foreign<br/>currency<br/>translation<br/>reserve<br/>\$'000</b> | <b>Hedge<br/>reserve<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--------------------------------------------------------------------------------------------------|--------|--------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------|-------------------------|
| <b>Balance at 1<br/>January 2014</b>                                                             |        | 275,315                              | (9,417)                                                               | 54,575                                                      | 6,296                                                              | -                                   | 326,769                 |
| Profit for the year                                                                              |        | -                                    | 50,671                                                                | -                                                           | -                                                                  | -                                   | 50,671                  |
| Increase/(decrease) in<br>translation reserve<br>arising on translation of<br>foreign operations | 25     | -                                    | -                                                                     | -                                                           | 8,860                                                              | -                                   | 8,860                   |
| <b>Total comprehensive<br/>income for the year</b>                                               |        | <b>-</b>                             | <b>50,671</b>                                                         | <b>-</b>                                                    | <b>8,860</b>                                                       | <b>-</b>                            | <b>59,531</b>           |
| Transactions with<br>owners in their capacity<br>as owners:                                      |        |                                      |                                                                       |                                                             |                                                                    |                                     |                         |
| Dividends provided for<br>or paid                                                                | 28     | -                                    | (64,270)                                                              | -                                                           | -                                                                  | -                                   | (64,270)                |
| Cost of share-based<br>payments                                                                  | 4      | -                                    | -                                                                     | 8,918                                                       | -                                                                  | -                                   | 8,918                   |
| Transfer of share based<br>payments reserve                                                      | 25, 26 | -                                    | 46,889                                                                | (46,889)                                                    | -                                                                  | -                                   | -                       |
|                                                                                                  |        | -                                    | (17,381)                                                              | (37,971)                                                    | -                                                                  | -                                   | (55,352)                |
| <b>Balance at 31<br/>December 2014</b>                                                           |        | <b>275,315</b>                       | <b>23,873</b>                                                         | <b>16,604</b>                                               | <b>15,156</b>                                                      | <b>-</b>                            | <b>330,948</b>          |

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

## Consolidated statement of changes in equity For the year ended 31 December 2014

| Notes                                                                                                           | Issued capital<br>\$'000 | Retained earnings/<br>(accumulated losses)<br>\$'000 | Share-based payments<br>reserve<br>\$'000 | Foreign currency translation<br>reserve<br>\$'000 | Hedge reserve<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------------|-------------------------------------------|---------------------------------------------------|-------------------------|-----------------|
| <b>Balance at 1 January 2013</b>                                                                                | 75,898                   | 14,626                                               | 47,220                                    | (10,906)                                          | -                       | 126,838         |
| Profit for the year                                                                                             | -                        | 24,241                                               | -                                         | -                                                 | -                       | 24,241          |
| Increase/(decrease) in translation reserve arising on translation of foreign operations                         | 25                       | -                                                    | -                                         | 17,202                                            | -                       | 17,202          |
| Other comprehensive income Transferred to goodwill on close out of deal contingent foreign currency forward (a) | -                        | -                                                    | -                                         | -                                                 | (4,757)                 | (4,757)         |
|                                                                                                                 | -                        | -                                                    | -                                         | -                                                 | 4,757                   | 4,757           |
| <b>Total comprehensive income for the year</b>                                                                  | -                        | <b>24,241</b>                                        | -                                         | <b>17,202</b>                                     | -                       | <b>41,443</b>   |
| Transactions with owners in their capacity as owners:                                                           |                          |                                                      |                                           |                                                   |                         |                 |
| Dividends provided for or paid                                                                                  | 28                       | -                                                    | (49,001)                                  | -                                                 | -                       | (49,001)        |
| Transfer of share-based reserves to retained earnings                                                           | -                        | 717                                                  | (717)                                     | -                                                 | -                       | -               |
| Issue of shares from the IRESS General Employee Share Plan                                                      |                          | 161                                                  | -                                         | -                                                 | -                       | 161             |
| Issue of shares from an accelerated renounceable entitlement offer                                              |                          | 205,965                                              | -                                         | -                                                 | -                       | 205,965         |
| Costs associated with share issue                                                                               |                          | (7,623)                                              | -                                         | -                                                 | -                       | (7,623)         |
| Deferred tax asset recognised in equity (b)                                                                     |                          | 914                                                  | -                                         | -                                                 | -                       | 914             |
| Cost of share-based payments                                                                                    | 4                        | -                                                    | 8,072                                     | -                                                 | -                       | 8,072           |
|                                                                                                                 |                          | 199,417                                              | (48,284)                                  | 7,355                                             | -                       | 158,488         |
| <b>Balance at 31 December 2013</b>                                                                              | <b>275,315</b>           | <b>(9,417)</b>                                       | <b>54,575</b>                             | <b>6,296</b>                                      | -                       | <b>326,769</b>  |

- (a) Hedge reserve relates to the cash flow hedge entered into to hedge the purchase price of Avelo.
- (b) This is the tax effect of the costs associated with the AREO, 50% of which is tax deductible over five years.

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

## Consolidated statement of cash flows

### For the year ended 31 December 2014

|                                                                  | Notes | 2014<br>\$'000  | 2013<br>\$'000   |
|------------------------------------------------------------------|-------|-----------------|------------------|
| Cash flows from operating activities                             |       |                 |                  |
| Receipts from customers                                          |       | 362,953         | 273,253          |
| Payments to suppliers                                            |       | (97,956)        | (75,120)         |
| Payments to employees                                            |       | (164,563)       | (118,475)        |
| Interest received                                                |       | 5,599           | 292              |
| Interest paid                                                    |       | (14,469)        | (3,131)          |
| Income taxes paid                                                |       | (9,017)         | (15,624)         |
| <b>Net cash inflow from operating activities</b>                 | 29    | <b>82,547</b>   | <b>61,195</b>    |
| Cash flows from investing activities                             |       |                 |                  |
| Payments for acquisition of subsidiary, net of cash acquired     | 33    | (2,208)         | (102,362)        |
| Payments for acquisition - pre-acquisition loan advanced         | 33    | -               | (252,050)        |
| Acquisition and integration costs                                |       | (1,026)         | (23,290)         |
| Payments for plant and equipment                                 |       | (10,847)        | (8,730)          |
| Proceeds from/(payment for) investment in listed companies       |       | -               | 5                |
| <b>Net cash (outflow)/ from investing activities</b>             |       | <b>(14,081)</b> | <b>(386,427)</b> |
| Cash flows from financing activities                             |       |                 |                  |
| Proceeds from issues of shares and other equity securities       |       | -               | 206,126          |
| Proceeds from borrowings                                         | 22    | -               | 370,495          |
| Repayment of borrowings                                          | 22    | -               | (190,000)        |
| Dividends paid                                                   | 28    | (64,275)        | (48,876)         |
| <b>Net cash (outflow) inflow from financing activities</b>       |       | <b>(64,275)</b> | <b>337,745</b>   |
| <b>Net increase in cash and cash equivalents</b>                 |       | <b>4,191</b>    | <b>12,513</b>    |
| Cash and cash equivalents at the beginning of the financial year |       | 71,405          | 55,967           |
| Effects of exchange rate changes on cash and cash equivalents    |       | (682)           | 2,925            |
| <b>Cash and cash equivalents at end of year</b>                  |       | <b>74,914</b>   | <b>71,405</b>    |

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

## Notes to the consolidated financial statements

### 31 December 2014

#### Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* (Cth), Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards 'Australian Accounting Standards'. Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS").

The Group is a for-profit entity and is involved in the provision of information, trading, compliance, order management, portfolio and financial planning systems and related tools.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of IRESS Limited and its subsidiaries.

The financial statements were authorised for issue by the Directors on 25 February 2015.

#### Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In the application of Australian Accounting Standards, Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in Note 1 of the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## 1 Summary of significant accounting policies

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

### (a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short term, highly liquid investments in money market instruments that are readily convertible to known amounts of cash. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

### (b) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

### (c) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost unless impaired.

Investment in shares are recognised at fair value.

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

## 1 Summary of significant accounting policies (continued)

### **(d) Foreign currency translation**

#### *(i) 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. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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

#### *(ii) Foreign operations*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

### **(e) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## 1 Summary of significant accounting policies (continued)

### (f) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### (g) Income tax

#### (i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

## 1 Summary of significant accounting policies (continued)

### (g) Income tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### *(iii) Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit or loss and comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### *(iv) Tax consolidation*

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

## 1 Summary of significant accounting policies (continued)

### (g) Income tax (continued)

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. Where the tax contribution amount recognised by each member of the tax consolidated Group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

### (h) Intangible assets

#### (i) *Intangible assets acquired in a business combination*

All potential intangible assets, including Computer Software, acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Amortisation is provided on identifiable intangibles and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value.

The following estimated useful lives are used in the calculation of amortisation of identifiable intangibles.

- |                                      |                    |
|--------------------------------------|--------------------|
| • Computer software                  | 1 year to 5 years  |
| • Enterprise computer software       | up to 8 years      |
| • Customer list                      | 2 years to 3 years |
| • Capitalised customer relationships | up to 8 years      |

The longer useful lives for Enterprise computer software and capitalised customer relationships recognise the requirement to assign probabilities to renewal of existing contractual relationships.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### (i) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred to the extent they do not relate to raising debt or equity.

## 1 Summary of significant accounting policies (continued)

### (i) Business combinations (continued)

Acquisition costs relating to the establishment of debt facilities are capitalised as part of the debt instrument and amortised over the life of the facility. Acquisition costs relating to the issue of equity are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments.

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Accounting Standards.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 "Business Combinations" are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

AASB 3 "Business Combinations" does not apply to a business combination of entities under common control. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party both before and after the business combination, and that control is not transitory.

Business combinations under common control are accounted for in the financial statements of the acquiring entity prospectively from the date the acquiring entity obtains the ownership interest. At the date of transaction, the carrying value of assets and liabilities in the transferring entity's financial statements are recognised in the acquiring entity's financial statements. Any difference between the consideration paid and the carrying value is recognised directly in profit or loss in the separate financial statements of the entities involved. Any profits or losses recognised are eliminated in the consolidated financial report.

### (j) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## 1 Summary of significant accounting policies (continued)

### (j) Impairment of assets (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

### (k) Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (l) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

## 1 Summary of significant accounting policies (continued)

### (m) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group being the company (the parent entity) and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The consolidated financial statements include 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.

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

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

### (n) Plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

#### (i) Useful life

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation.

- |                          |              |
|--------------------------|--------------|
| • Leasehold improvements | 3 - 10 years |
| • Computer equipment     | 3 - 10 years |
| • Furniture and fittings | 3 - 10 years |
| • Office equipment       | 3 - 10 years |

## 1 Summary of significant accounting policies (continued)

### (o) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### (i) Dividends

A provision is only recognised for dividends when they have been declared, determined or publicly recommended by the Directors.

### (p) Revenue recognition

#### (i) Rendering of services

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined by reference to the proportion of the term of the delivery of services that has expired.

#### (ii) Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred on the balance sheet until the draw down occurs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

## 1 Summary of significant accounting policies (continued)

### **(q) Borrowings (continued)**

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **(r) Borrowing costs**

Borrowing costs not relating to the establishment of facilities are recognised in profit or loss in the period in which they are incurred. Borrowing costs relating to the establishment of facilities are capitalised as part of the debt instrument and amortised over the life of the facility.

### **(s) Share based payments**

Equity settled share based payments are measured at fair value at the date of grant. Fair value is measured using a Monte Carlo simulation model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The share based payments expense arising from the share rights plans (refer Notes 41 to 43) operated by IRESS, are considered equity settled share based payment transactions in which IRESS receives goods or services as consideration for equity instruments of IRESS.

### **(t) Computer software development expenditure**

Where the underlying intellectual property rights are owned by the Group, following consideration of the requirements of AASB 138 Intangible Assets 138, all expenses incurred on computer software development are expensed as incurred. Computer software acquired through an acquisition, or expenses incurred for licensed third party software are capitalised and amortised over the useful life or licence term as applicable.

### **(u) Financial instruments issued**

#### *(i) Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

## 1 Summary of significant accounting policies (continued)

### *(ii) Transaction costs on the issue of equity instruments*

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

### *(iii) Interest and dividends*

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

### *(v) Derivatives and hedging activities*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in shareholder's equity arising on changes in fair value of deal contingent foreign currency are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

### *(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is treated as a fair value hedge and is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk.

## 1 Summary of significant accounting policies (continued)

### (v) Derivatives and hedging activities (continued)

#### *(ii) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

#### *(iii) Net investment hedges*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

### (w) Adoption of new and revised accounting standards

In the current year the Group has adopted all of 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 beginning on 1 January 2014.

The adoption of all new and revised Standards and Interpretations did not affect the amounts reported for the current or prior periods. In addition, the new and revised Accounting Standards and Interpretations have not had a material impact and not resulted in change to the Group's presentation of or disclosure in these financial statements.

# Notes to the consolidated financial statements

## 31 December 2014

### 1 Summary of significant accounting policies (continued)

In the current year, the Group has applied the following Accounting Standards. The key requirements and changes are highlighted in the below table. These changes have not had a material impact on the amounts recognised in the consolidated financial statements.

| AASBs                                                                                                                                            | Key requirements                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB 1031 "Materiality" (2013)                                                                                                                   | "Guidance on materiality removed from AASB 1031 and cross references inserted to other standards and the Framework for the Preparation and Presentation of Financial Statements where guidance on materiality is located."                                                                                                                              |
| AASB 2011-4 "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements"                | "Removes the individual Key Management Personnel disclosures requirement from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standards. All of the detailed disclosures with Key Management Personnel have to be included in the remuneration report for the year, per revised Corporations Regulations." |
| AASB 2012-3 "Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities"                              | The amendments do not change the current offsetting rules in AASB 132, but they clarify that the right of set-off must be available today (ie not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy.                                          |
| AASB 2013-3 "Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets"                                                   | The amendments remove extra disclosure requirements with regard to the measurement of the recoverable amount of impaired assets.                                                                                                                                                                                                                        |
| AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting '                      | The standard makes amendments to AASB 139 to permit the continuation of hedge accounting circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counter party as consequence of laws and regulations.                                                                       |
| AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'                                                                | Amendments to provide investment entities with certain exemptions from consolidation requirements of AASB 10. The exemptions required investment entities to account for controlled investees at fair value through profit or loss, rather than consolidate these investees.                                                                            |
| AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part B – Materiality) | Guidance on materiality removed from AASB 1031 and cross references inserted to other standards and the Framework for the Preparation and Presentation of Financial Statements where guidance on materiality is located.                                                                                                                                |

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

# Notes to the consolidated financial statements

## 31 December 2014

### 1 Summary of significant accounting policies (continued)

#### AASBs and Interepretation

AASB 2014-1 Amendments to Australian Accounting Standards - Part E: Financial Instruments

AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Frame work, Materiality and Financial Instruments (December 2013) - Part C - Financial Instruments

AASB 9 'Financial Instruments', and the relevant amending standards

AASB 2014-4 Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation

AASB 2014-3 Amendments to Australian Accounting Standards - Accounting Acquisitions of Interest in Joint Operations

AASB 2014-1 Amendments to Australian Accounting Standards - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'

AASB 2014-1 Amendments to Australian Accounting Standards - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'

AASB 2014-1 Amendments to Australian Accounting Standards - Part C: 'Materiality'

AASB 15 - Revenue from Contracts with Customers

AASB 2014-20 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate of Joint Venture

AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

#### Effective date

Applies to annual reporting periods beginning on or after 1 January 2015

Applies to annual reporting periods beginning on or after 1 January 2015

Applies to annual reporting periods beginning on or after 1 January 2018

Applies to annual reporting periods beginning on or after 1 January 2016

Applies to annual reporting periods beginning on or after 1 January 2016

Applies to annual reporting periods beginning on or after 1 July 2014

Applies to annual reporting periods beginning on or after 1 July 2014

Applies to annual reporting periods beginning on or after 1 July 2014

Applies to annual reporting periods beginning on or after 1 January 2017

Applies to annual reporting periods beginning on or after 1 January 2016

Applies to annual reporting periods beginning on or after 1 January 2016

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

#### IFRSs and Interpretation

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Venturess (2011)

#### Effective date

Applies to annual reporting periods beginning on or after 1 January 2016

Applies to annual reporting periods beginning on or after 1 January 2016

## 1 Summary of significant accounting policies (continued)

With the exception of AASB 15, the Directors have assessed the impact of the adoption of these Accounting Standards and Interpretations in future periods on the financial statements of the Group. The Directors do not believe these Accounting Standards and Interpretations will have a material impact in future periods on the financial statements of the Group at this point in time. The Directors are in the process of assessing the impact of AASB 15 in future periods on the financial statements of the Group.

The Group does not intend to adopt any of these pronouncements before their effective dates.

### (x) Use of estimates and judgements

In the preparation of the financial statement, the Directors are required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial report are:

#### (i) Goodwill

When determining whether goodwill is impaired, it is necessary to estimate the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation required the Company to estimate the future cash-flows expected to arise from the cash generating unit and a suitable discount rate to calculate present value.

#### (ii) Determination of acquisition costs treatment

Acquisition costs not related to raising debt or issuing equity are expensed in the period which the costs are incurred and the services received. Acquisition costs related to raising debt are capitalised as part of the debt instrument and amortised over the life of the facility. Acquisition costs related to issuing equity are deducted from the proceeds of equity raising.

Allocation of acquisition costs incurred for multiple purposes required the Company to estimate the proportion of costs relating to raising debt, issuing equity, or neither of these activities. Costs incurred for multiple purposes have been allocated on a percentage basis relative to the purpose of the cost incurred.

## 1 Summary of significant accounting policies (continued)

### *(iii) Amortisation of borrowing costs*

Judgement is required to determine the amortisation profile for acquisition costs related to raising debt which have been capitalised as part of the debt instrument. The percentage of total debt raised method has been used to allocate these costs to individual debt facilities. These costs are then amortised on a straight line basis over the life of the facility.

### *(iv) Fair value of assets acquired*

The cost price for assets acquired is allocated to identifiable assets and liabilities at their estimated fair values at the time of acquisition. Any excess value beyond that allocated to assets and liabilities is recognised in the financial position as goodwill. To determine fair values on acquisition, estimates must be made. Commonly, an active market does not exist for assets and liabilities obtained through acquisitions and therefore alternative methods must be used to determine fair values. If fair value of assets acquired exceeds the consideration paid, the difference is recognised in the income statement. The allocation of the consideration to identifiable assets and liabilities is made on a provisional basis. The values allocated are reviewed based on improved knowledge of operations in subsequent period, but no later than the 12 months after the acquisition.

### *(v) Tax treatment assumptions*

The Group is subject to income taxes in Australia and overseas jurisdictions. Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. The Group's assumptions regarding future realisation may change due to future operating performance and other factors.

## Notes to the consolidated financial statements 31 December 2014

### 2 Revenue

The following is an analysis of the Group's revenue for the year from continuing operations.

|                                        | <b>Consolidated</b> |         |
|----------------------------------------|---------------------|---------|
|                                        | <b>2014</b>         | 2013    |
|                                        | <b>\$'000</b>       | \$'000  |
| Revenue                                |                     |         |
| <i>Sales revenue</i>                   |                     |         |
| Rendering of services                  | <b>328,964</b>      | 250,626 |
| Other income                           | <b>109</b>          | 506     |
| Total revenue from ordinary activities | <b>329,073</b>      | 251,132 |

### 3 Expenses

#### ***Rental expense relating to operating leases***

|                        |              |       |
|------------------------|--------------|-------|
| Minimum lease payments | <b>5,904</b> | 5,297 |
|------------------------|--------------|-------|

#### ***Bad debts and doubtful debts***

*Net transfers to bad and doubtful debts provisions arising from*

|                |            |    |
|----------------|------------|----|
| Other entities | <b>391</b> | 53 |
|----------------|------------|----|

#### ***Depreciation and amortisation expense***

##### *Depreciation of non-current assets*

|                     |    |              |       |
|---------------------|----|--------------|-------|
| Plant and equipment | 13 | <b>6,305</b> | 5,235 |
|---------------------|----|--------------|-------|

##### *Amortisation of non-current assets*

|          |    |               |        |
|----------|----|---------------|--------|
| Software | 14 | <b>13,905</b> | 12,045 |
|----------|----|---------------|--------|

|                   |    |              |       |
|-------------------|----|--------------|-------|
| Other intangibles | 16 | <b>3,161</b> | 2,307 |
|-------------------|----|--------------|-------|

|       |  |               |        |
|-------|--|---------------|--------|
| Total |  | <b>23,371</b> | 19,587 |
|-------|--|---------------|--------|

## Notes to the consolidated financial statements 31 December 2014

### 4 Employee benefit expenses

|                                                          | Consolidated   |                |
|----------------------------------------------------------|----------------|----------------|
|                                                          | 2014<br>\$'000 | 2013<br>\$'000 |
| Employee benefit expenses can be broken down as follows: |                |                |
| Total monetary based expense (a)                         | 145,204        | 107,617        |
| Share based payment expense (b)                          | 8,918          | 8,072          |
| Total employee benefit expense                           | 154,122        | 115,689        |

- (a) Total monetary based expense comprises salary and fees, bonuses, superannuation and other benefits.  
 (b) Expense recognised in accordance with AASB 2 'Share Based Payment'. This expense is a function of both the value and duration of the instruments granted. The expense recognised in 2014 represents a combination of share grants awarded in 2014 and in prior years.

|                                           | Consolidated   |                |
|-------------------------------------------|----------------|----------------|
|                                           | 2014<br>\$'000 | 2013<br>\$'000 |
| Total monetary based expense consists of: |                |                |
| Defined contribution plans                | 9,584          | 6,383          |
| Termination benefits                      | 853            | 325            |
| Other employee benefits                   | 134,767        | 100,909        |
| Total monetary based expense              | 145,204        | 107,617        |

|                                          | Consolidated   |                |
|------------------------------------------|----------------|----------------|
|                                          | 2014<br>\$'000 | 2013<br>\$'000 |
| Share based payment expense consists of: |                |                |
| Establishment Share Grants (a)           | 723            | 1,827          |
| All other share rights                   | 8,195          | 6,245          |
| Total share based payment expense        | 8,918          | 8,072          |

- (a) The Establishment Share Grants are linked to specific criteria associated with the establishment of the UK businesses in the region and have 1, 2, 3 and 4 year vesting periods. Participants in these grants are Executives associated with founding IRESS organic business in the UK, and key Avelo employees at the time of the acquisition.

## Notes to the consolidated financial statements 31 December 2014

### 4 Employee benefit expenses (continued)

|                                                                         | Consolidated<br>2014<br>No. | 2013<br>No.    |
|-------------------------------------------------------------------------|-----------------------------|----------------|
| An analysis of full time equivalent staff as at year end is as follows: |                             |                |
| Australia and New Zealand                                               | 463.7                       | 457.8          |
| Canada                                                                  | 52.3                        | 52.8           |
| South Africa                                                            | 178.2                       | 168.7          |
| Asia                                                                    | 34.0                        | 33.5           |
| United Kingdom                                                          | 555.5                       | 604.0          |
| Total full time equivalent staff                                        | <u>1,283.7</u>              | <u>1,316.8</u> |

### 5 Employee administration expenses

|                                       | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------|--------------------------------|----------------|
| Travel and accommodation              | 6,866                          | 4,548          |
| Communication                         | 517                            | 594            |
| Other                                 | 1,461                          | 1,225          |
| Total employee administration expense | <u>8,844</u>                   | <u>6,367</u>   |

### 6 Provision for employee benefits

|                                       | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------|--------------------------------|----------------|
| Current provisions (Note 21)          |                                |                |
| Annual leave                          | 5,616                          | 5,217          |
| Deferred incentive (a)                | -                              | 1,069          |
| Non current provisions (Note 23)      |                                |                |
| Long service leave                    | 3,930                          | 3,661          |
| Total provision for employee benefits | <u>9,546</u>                   | <u>9,947</u>   |

- (a) As part of the IRESS Financial Markets (Proprietary) Limited (formerly Peresys (Proprietary) Ltd) acquisition completed in January 2011, certain employees were eligible to participate in a deferred cash based incentive arrangement. The final amount payable was subject to the performance of the business over the period from acquisition to 31 December 2013. The incentive was paid in 2014.

Notes to the consolidated financial statements  
31 December 2014

## 7 Business acquisition and restructure expenses

|                                   | <b>Consolidated</b> |        |
|-----------------------------------|---------------------|--------|
|                                   | <b>2014</b>         | 2013   |
|                                   | <b>\$'000</b>       | \$'000 |
| Business acquisition expenses (a) | <b>1,026</b>        | 13,690 |
| Business restructure expenses (b) | <b>2,208</b>        | 697    |
|                                   | <b>3,234</b>        | 14,387 |

- (a) Expenses arising from the acquisition of the Avelo businesses in the United Kingdom. This is presented in more detail below.
- (b) Includes expenses arising from the restructure of the businesses in Canada and South Africa, and the United Kingdom.

Business acquisition expenses relating to Avelo consists of:

|                                                      | <b>Consolidated</b> |        |
|------------------------------------------------------|---------------------|--------|
|                                                      | <b>2014</b>         | 2013   |
|                                                      | <b>\$'000</b>       | \$'000 |
| Acquisition costs incurred in the current period (a) | <b>1,026</b>        | 9,846  |
| Costs associated with integration activities         | <b>-</b>            | 3,844  |
|                                                      | <b>1,026</b>        | 13,690 |

- (a) Includes expenses arising from the acquisition of Avelo that were not commenced until 2014.

Notes to the consolidated financial statements  
31 December 2014

## 8 Net interest and financing costs

|                                             | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------|--------------------------------|----------------|
| <i>Interest revenue</i>                     |                                |                |
| Interest revenue (a)                        | 5,599                          | 1,847          |
| <i>Interest expense and financing costs</i> |                                |                |
| Interest expense (b)                        | (14,469)                       | (8,919)        |
| Financing expense (c)                       | (2,275)                        | (10,636)       |
| <i>Net interest and financing costs</i>     | (11,145)                       | (17,708)       |

(a) Interest earned from bank deposits and at call cash accounts.

(b) Interest expense consists of:

|                                                                                                   | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------------------------------------------------------------|--------------------------------|----------------|
| Cost of cashflow hedge on purchase price of Avelo                                                 | -                              | (2,661)        |
| Amortisation of capitalised borrowing costs                                                       | (1,153)                        | (2,672)        |
| Interest expense on facilities                                                                    | (13,316)                       | (3,418)        |
| Non-cash interest expense recognised on deferred consideration payable on the Peresys transaction | -                              | (168)          |
| Total Interest expense                                                                            | (14,469)                       | (8,919)        |

(c) Financing expense comprises the revaluation charge on the fair value of two GBP 33.000m swap liabilities for 3 years and 5 years respectively (2013: \$10.636m). This expense is partially offset by the unrealised foreign exchange gain from financing activities of \$3.271m (2013:\$10.790m) (note 9)

# Notes to the consolidated financial statements 31 December 2014

## 9 Net foreign exchange gains and losses

|                                                                                     | Consolidated   |                 |
|-------------------------------------------------------------------------------------|----------------|-----------------|
|                                                                                     | 2014           | 2013            |
|                                                                                     | \$'000         | \$'000          |
| Unrealised foreign exchange gains/(losses) from operations can be split as follows: |                |                 |
| Balance arising on funding arrangements associated with the acquisition of Avelo    | 3,271          | 10,790          |
| Other operational foreign exchange gains/(losses)                                   | (1,757)        | -               |
| Realised foreign exchange gains/(losses) from operations                            | 188            | -               |
| Unrealised foreign exchange gain/(loss) (a)                                         | <u>1,702</u>   | <u>10,790</u>   |
| Financing expense (b)                                                               | (2,275)        | (10,636)        |
| Financing expense                                                                   | <u>(2,275)</u> | <u>(10,636)</u> |
| Net foreign exchange gains/(losses) recognised in profit before income tax          | <u>(573)</u>   | <u>154</u>      |

- (a) The Group is exposed to foreign denominated transactions predominantly in the United Kingdom, South Africa and Canada.

Following the acquisition of Avelo, the Group is exposed to a larger proportion of foreign denominated transactions.

In prior periods this exposure has been immaterial and hence has been included in "Other expenses including general administration expenses" in Consolidated statement of profit or loss and other comprehensive income.

Given the Group will continue to have exposures to a larger proportion of foreign denominated transactions, the foreign exchange gains/(losses) is now presented separately.

- (b) Financing expense comprises the revaluation charge on the fair value of two GBP 33.000m swap liabilities for 3 years and 5 years respectively (2013: two GBP 33.000m swap liabilities for 3 years and 5 years respectively). This income is partially offset by the unrealised foreign exchange loss on the movement on the financing of Avelo.

## Notes to the consolidated financial statements 31 December 2014

### 10 Income tax

#### (a) Income tax recognised in profit or loss

|                                                                                                 | Consolidated |         |
|-------------------------------------------------------------------------------------------------|--------------|---------|
|                                                                                                 | 2014         | 2013    |
|                                                                                                 | \$'000       | \$'000  |
| Tax expense comprises:                                                                          |              |         |
| Current tax expense                                                                             | 11,860       | 16,815  |
| Adjustments for current tax of prior periods                                                    | (4,132)      | (519)   |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | 4,723        | (4,372) |
| Effect of different tax rates                                                                   | 279          | 300     |
|                                                                                                 | 12,730       | 12,224  |

#### (b) Reconciliation of income tax expense to prima facie tax payable

|                                                                                                                                                              | Consolidated |        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------|
|                                                                                                                                                              | 2014         | 2013   |
|                                                                                                                                                              | \$'000       | \$'000 |
| The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows: |              |        |
| Profit from continuing operations before income tax expense                                                                                                  | 63,401       | 36,465 |
| Tax at the Australian tax rate of 30.0% (2013 - 30.0%) (a)                                                                                                   | 19,020       | 10,940 |
| Non deductible expenses / (non assessable income)                                                                                                            | (3,574)      | (20)   |
|                                                                                                                                                              | 15,446       | 10,920 |
| Deductible share based payment expenses not previously recognised                                                                                            |              |        |
| Movements in issued / vested shares                                                                                                                          | 1,137        | 537    |
| Movements in cancelled share rights                                                                                                                          | -            | (378)  |
| Effect of different tax rates in foreign jurisdiction                                                                                                        | 279          | 300    |
| Tax effect of Deferred Tax Assets not recognised                                                                                                             | -            | 1,364  |
| (Over)/under provision of income tax in previous year                                                                                                        | (4,132)      | (519)  |
| Income tax expense                                                                                                                                           | 12,730       | 12,224 |

- (a) The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Notes to the consolidated financial statements  
31 December 2014

## 10 Income tax (continued)

### (c) Income tax recognised directly in equity

|                                                                                                                                                                                       | Consolidated |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------|
|                                                                                                                                                                                       | 2014         | 2013   |
|                                                                                                                                                                                       | \$'000       | \$'000 |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity: |              |        |
| Net deferred tax - debited directly to equity                                                                                                                                         | -            | 914    |
| Total income tax recognised directly in equity                                                                                                                                        | -            | 914    |

### (d) Current tax assets and liabilities

#### (i) Current tax assets

|                                                                  | Consolidated |        |
|------------------------------------------------------------------|--------------|--------|
|                                                                  | 2014         | 2013   |
|                                                                  | \$'000       | \$'000 |
| Income tax receivable attributable to                            |              |        |
| Other entities not part of the Australian tax-consolidated Group | 37           | 174    |

#### (ii) Current tax payables

|                                    | Consolidated |         |
|------------------------------------|--------------|---------|
|                                    | 2014         | 2013    |
|                                    | \$'000       | \$'000  |
| Income tax payable attributable to |              |         |
| Parent entity                      | (3,556)      | (1,233) |
| Other entities                     | 1,794        | (2,669) |
|                                    | (1,762)      | (3,902) |

Notes to the consolidated financial statements  
31 December 2014

## 10 Income tax (continued)

### (e) Deferred tax balances

|                                   | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000  |
|-----------------------------------|--------------------------------|-----------------|
| Deferred tax assets comprise      |                                |                 |
| Tax losses - revenue              | 3,180                          | 2,337           |
| Temporary differences             | <u>18,207</u>                  | <u>24,242</u>   |
|                                   | <u>21,387</u>                  | <u>26,579</u>   |
|                                   |                                |                 |
|                                   | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000  |
| Deferred tax liabilities comprise |                                |                 |
| Temporary differences             | <u>(11,351)</u>                | <u>(11,820)</u> |
|                                   | <u>(11,351)</u>                | <u>(11,820)</u> |

Notes to the consolidated financial statements  
31 December 2014

## 10 Income tax (continued)

Deferred tax assets/(liabilities) arise from the following

| <b>Consolidated<br/>2014</b>                           | Opening<br>balance<br>\$'000 | Charged to<br>income<br>\$'000 | Recognised<br>directly in equity<br>\$'000 | Acquisitions /<br>disposals<br>\$'000 | Changes in<br>tax rate<br>\$'000 | Closing<br>balance<br>\$'000 |
|--------------------------------------------------------|------------------------------|--------------------------------|--------------------------------------------|---------------------------------------|----------------------------------|------------------------------|
| <b>Gross deferred<br/>tax liabilities</b>              |                              |                                |                                            |                                       |                                  |                              |
| Other financial<br>assets                              | (5,101)                      | (1,300)                        | -                                          | -                                     | -                                | (6,401)                      |
| Sundry<br>receivables                                  | -                            | -                              | -                                          | -                                     | -                                | -                            |
| Provisions                                             | (1,141)                      | 1,141                          | -                                          | -                                     | -                                | -                            |
| Intangible assets                                      | (5,578)                      | 628                            | -                                          | -                                     | -                                | (4,950)                      |
|                                                        | <u>(11,820)</u>              | <u>469</u>                     | <u>-</u>                                   | <u>-</u>                              | <u>-</u>                         | <u>(11,351)</u>              |
| <b>Gross deferred<br/>tax assets</b>                   |                              |                                |                                            |                                       |                                  |                              |
| Other financial<br>liabilities                         | 4,435                        | (19)                           | -                                          | -                                     | -                                | 4,416                        |
| Plant and<br>equipment                                 | 4,834                        | (238)                          | -                                          | -                                     | -                                | 4,596                        |
| Provisions                                             | 10,131                       | (5,046)                        | -                                          | -                                     | -                                | 5,085                        |
| Equity raising<br>costs                                | 914                          | (239)                          | -                                          | -                                     | -                                | 675                          |
| Business<br>acquisition and<br>restructure<br>expenses | 3,928                        | (2,240)                        | -                                          | -                                     | -                                | 1,688                        |
| Intangible assets                                      | -                            | 1,747                          | -                                          | -                                     | -                                | 1,747                        |
| Tax losses<br>recognised                               | 2,337                        | 843                            | -                                          | -                                     | -                                | 3,180                        |
|                                                        | <u>26,579</u>                | <u>(5,192)</u>                 | <u>-</u>                                   | <u>-</u>                              | <u>-</u>                         | <u>21,387</u>                |

Notes to the consolidated financial statements  
31 December 2014

## 10 Income tax (continued)

| <b>Consolidated<br/>2013</b>                           | Opening<br>balance<br>\$'000 | Charged to<br>income<br>\$'000 | Recognised<br>directly in<br>equity<br>\$'000 | Acquisitions /<br>disposals<br>\$'000 | Changes in<br>tax rate<br>\$'000 | Closing<br>balance<br>\$'000 |
|--------------------------------------------------------|------------------------------|--------------------------------|-----------------------------------------------|---------------------------------------|----------------------------------|------------------------------|
| <b>Gross deferred<br/>tax liabilities</b>              |                              |                                |                                               |                                       |                                  |                              |
| Other financial<br>assets                              | (308)                        | (4,793)                        | -                                             | -                                     | -                                | (5,101)                      |
| Sundry<br>receivables                                  | (3)                          | 3                              | -                                             | -                                     | -                                | -                            |
| Provisions                                             | (1,709)                      | 568                            | -                                             | -                                     | -                                | (1,141)                      |
| Intangible assets                                      | -                            | 421                            | -                                             | (5,999)                               | -                                | (5,578)                      |
|                                                        | <u>(2,020)</u>               | <u>(3,801)</u>                 | <u>-</u>                                      | <u>(5,999)</u>                        | <u>-</u>                         | <u>(11,820)</u>              |
| <b>Gross deferred<br/>tax assets</b>                   |                              |                                |                                               |                                       |                                  |                              |
| Other financial<br>liabilities                         | 1,924                        | 1,266                          | -                                             | 1,245                                 | -                                | 4,435                        |
| Plant and<br>equipment                                 | 4,715                        | (198)                          | -                                             | 317                                   | -                                | 4,834                        |
| Provisions                                             | 2,495                        | 3,430                          | -                                             | 4,206                                 | -                                | 10,131                       |
| Other liabilities                                      | 253                          | (253)                          | -                                             | -                                     | -                                | -                            |
| Equity raising<br>costs                                | -                            | -                              | 914                                           | -                                     | -                                | 914                          |
| Business<br>acquisition and<br>restructure<br>expenses | -                            | 3,928                          | -                                             | -                                     | -                                | 3,928                        |
| Tax losses<br>recognised                               | 567                          | 1,770                          | -                                             | -                                     | -                                | 2,337                        |
|                                                        | <u>9,954</u>                 | <u>9,943</u>                   | <u>914</u>                                    | <u>5,768</u>                          | <u>-</u>                         | <u>26,579</u>                |

## Notes to the consolidated financial statements 31 December 2014

### 10 Income tax (continued)

#### (f) Unrecognised deferred tax balances

Unused tax losses incurred during the year for which no deferred tax assets have been recognised are attributable to the following:

|                                                                                                                                  | Consolidated  |        |
|----------------------------------------------------------------------------------------------------------------------------------|---------------|--------|
|                                                                                                                                  | 2014          | 2013   |
|                                                                                                                                  | \$'000        | \$'000 |
| <b>Tax losses</b>                                                                                                                |               |        |
| Unused tax losses in the UK for which no deferred tax asset has been recognised                                                  | <b>29,738</b> | 6,820  |
| Potential tax benefit at UK tax rate of 20%                                                                                      | <b>5,948</b>  | 1,364  |
| Subject to satisfying the various tax loss continuity rules per UK tax legislation, these unrecognised tax losses do not expire. |               |        |

#### (g) Tax consolidation

##### *(i) Relevance of Tax Consolidation to the Consolidated Entity*

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 14 March 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is IRESS Limited. The members of the tax-consolidated Group are identified at Note 35.

Notes to the consolidated financial statements  
31 December 2014

## 11 Earnings per share

### (a) Reconciliation of earnings used in calculating earnings per share

|                            | 2014<br>CENTS PER<br>SHARE | 2013<br>CENTS PER<br>SHARE |
|----------------------------|----------------------------|----------------------------|
| Basic earnings per share   | <b>32.333</b>              | 17.530                     |
| Diluted earnings per share | <b>31.873</b>              | 17.295                     |

### (b) Basic earnings per share

|                                                                                                                                                                            | 2014                       | 2013    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------|
| <b>The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows</b>                                      |                            |         |
| Earnings used in the calculation of basic earnings per share reconciles to profit attributable to the member of the parent entity in the statement of comprehensive income | \$ ' 000 <b>50,671</b>     | 24,241  |
| Weighted average number of ordinary shares (a)                                                                                                                             | No.<br>'000 <b>156,713</b> | 138,280 |

- (a) Performance rights and deferred share rights issued by the Company are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

Notes to the consolidated financial statements  
31 December 2014

## 11 Earnings per share (continued)

### (c) Diluted earnings per share

|                                                                                                                                         |  | 2014 | 2013 |
|-----------------------------------------------------------------------------------------------------------------------------------------|--|------|------|
| <b>The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows</b> |  |      |      |

|                                                                                                                                                                              |         |               |        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------------|--------|
| Earnings used in the calculation of diluted earnings per share reconciles to profit attributable to the member of the parent entity in the statement of comprehensive income | \$ '000 | <b>50,671</b> | 24,241 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------------|--------|

|                                                                          |             |                |         |
|--------------------------------------------------------------------------|-------------|----------------|---------|
| Weighted average number of ordinary shares (refer to footnote (a) above) | No.<br>'000 | <b>159,185</b> | 140,160 |
|--------------------------------------------------------------------------|-------------|----------------|---------|

**Weighted average number of ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows.**

|                                                                                 |             |                |         |
|---------------------------------------------------------------------------------|-------------|----------------|---------|
| Weighted average number of ordinary shares used in the calculation of basic EPS | No.<br>'000 | <b>156,713</b> | 138,280 |
|---------------------------------------------------------------------------------|-------------|----------------|---------|

|                                                                                                                                                                                                                                                                   |             |              |       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|-------|
| Shares deemed to be issued for no consideration in respect of share grant rights (i.e. the dilutive impact of performance rights and deferred share rights in existence during the year that were exercisable at below the weighted average market price) (a) (b) | No.<br>'000 | <b>2,473</b> | 1,880 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|-------|

|                                                                                                                                           |             |   |   |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------|---|---|
| Weighted average number of converted, lapsed or cancelled potential ordinary shares used in the calculation of diluted earnings per share | No.<br>'000 | - | - |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------|---|---|

Right to purchase ordinary shares pursuant to the employee share scheme

- (a) The dilutive impact of future vestings of granted performance rights has been derived assuming the relative ranking of IRESS to its peer Group as measured at 31 December 2014 continues at that level through to the final vesting date for the applicable performance right.
- (b) All outstanding deferred share rights at 31 December 2014 have been assumed to be diluted even where the grants carry specific additional performance criteria.

No potential ordinary shares are deemed anti-dilutive (2013: Nil).

Notes to the consolidated financial statements  
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## 12 Current assets - Trade and other receivables

(a) TRADE RECEIVABLES

|                                   | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|-----------------------------------|--------------------------------|----------------|
| Trade receivables                 | 26,674                         | 27,019         |
| Allowance for doubtful debts      | (1,974)                        | (1,335)        |
| Total trade and other receivables | <u>24,700</u>                  | <u>25,684</u>  |

(i) Movement in the allowance for doubtful debts

|                                                 | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|-------------------------------------------------|--------------------------------|----------------|
| Opening balance                                 | 1,335                          | 1,022          |
| Additions                                       | 857                            | 48             |
| Provision acquired through business combination | -                              | 275            |
| Amounts written off as uncollectible            | (218)                          | (10)           |
|                                                 | <u>1,974</u>                   | <u>1,335</u>   |

The Group's policy requires customers to pay within 30 days from date of invoice. All credit and recovery risks associated with trade receivables have been provided for in the Statement of Financial Position. The provision in respect of trade and sundry receivables is determined with regard for historical write-offs and specifically identified customers.

An analysis of trade receivables as at 31 December 2014 showing receivables 'not impaired' and receivables 'considered impaired' is as follows.

|              | Consolidated<br>NI (a) |                | Consolidated<br>CI (b) |                |
|--------------|------------------------|----------------|------------------------|----------------|
|              | 2014<br>\$'000         | 2013<br>\$'000 | 2014<br>\$'000         | 2013<br>\$'000 |
| 0 - 30 days  | 16,391                 | 15,319         | 229                    | 350            |
| 31 - 60 days | 4,721                  | 6,313          | 220                    | 149            |
| 61 - 90 days | 138                    | 2,221          | 34                     | 137            |
| 91+ days     | 3,450                  | 1,831          | 1,491                  | 699            |
| Total        | <u>24,700</u>          | <u>25,684</u>  | <u>1,974</u>           | <u>1,335</u>   |

(a) NI - not impaired

(b) CI - considered impaired

Notes to the consolidated financial statements  
31 December 2014

## 12 Current assets - Trade and other receivables (continued)

### (b) OTHER RECEIVABLES

|                         | <b>Consolidated<br/>2014<br/>\$'000</b> | 2013<br>\$'000 |
|-------------------------|-----------------------------------------|----------------|
| Other receivables (a)   | <b>9,877</b>                            | 11,154         |
| Total other receivables | <b>9,877</b>                            | 11,154         |

(a) Other receivables consist of sundry receivables and prepayments.

## 13 Non-current assets - Plant and equipment

| <b>2014<br/>Consolidated</b>              | <b>Leasehold<br/>improvements<br/>\$'000</b> | <b>Furniture,<br/>fittings and<br/>equipment<br/>\$'000</b> | <b>Computer<br/>equipment<br/>\$'000</b> | <b>Office<br/>equipment<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|-------------------------------------------|----------------------------------------------|-------------------------------------------------------------|------------------------------------------|----------------------------------------|-------------------------|
| At 1 January 2014                         |                                              |                                                             |                                          |                                        |                         |
| Cost or fair value                        | 8,664                                        | 3,436                                                       | 20,527                                   | 14,561                                 | 47,188                  |
| Accumulated depreciation                  | (7,241)                                      | (1,985)                                                     | (13,802)                                 | (14,462)                               | (37,490)                |
| Net book amount                           | 1,423                                        | 1,451                                                       | 6,725                                    | 99                                     | 9,698                   |
| Year ended 31 December 2014               |                                              |                                                             |                                          |                                        |                         |
| Opening net book amount                   | 1,423                                        | 1,451                                                       | 6,725                                    | 99                                     | 9,698                   |
| Additions                                 | 1,108                                        | 742                                                         | 4,211                                    | 14                                     | 6,075                   |
| Disposal - (gross carrying amount)        | (255)                                        | (153)                                                       | (884)                                    | (138)                                  | (1,430)                 |
| Disposal - (accumulated depreciation)     | 255                                          | 131                                                         | 883                                      | 137                                    | 1,406                   |
| Net foreign currency exchange differences | (32)                                         | 34                                                          | 229                                      | -                                      | 231                     |
| Depreciation expense                      | (830)                                        | (735)                                                       | (4,693)                                  | (47)                                   | (6,305)                 |
| Closing net book amount                   | 1,669                                        | 1,470                                                       | 6,471                                    | 65                                     | 9,675                   |
| At 31 December 2014                       |                                              |                                                             |                                          |                                        |                         |
| Cost or fair value                        | 9,454                                        | 4,083                                                       | 24,227                                   | 14,810                                 | 52,574                  |
| Accumulated depreciation                  | (7,785)                                      | (2,613)                                                     | (17,756)                                 | (14,745)                               | (42,899)                |
| Net book amount                           | 1,669                                        | 1,470                                                       | 6,471                                    | 65                                     | 9,675                   |

Notes to the consolidated financial statements  
31 December 2014

### 13 Non-current assets - Plant and equipment (continued)

| <b>2013<br/>Consolidated</b>              | <b>Leasehold<br/>improvements<br/>\$'000</b> | <b>Furniture,<br/>fittings and<br/>equipment<br/>\$'000</b> | <b>Computer<br/>equipment<br/>\$'000</b> | <b>Office<br/>equipment<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|-------------------------------------------|----------------------------------------------|-------------------------------------------------------------|------------------------------------------|----------------------------------------|-------------------------|
| At 1 January 2013                         |                                              |                                                             |                                          |                                        |                         |
| Cost or fair value                        | 7,446                                        | 1,935                                                       | 14,908                                   | 198                                    | 24,487                  |
| Accumulated depreciation                  | (6,328)                                      | (1,566)                                                     | (8,639)                                  | (186)                                  | (16,719)                |
| Net book amount                           | 1,118                                        | 369                                                         | 6,269                                    | 12                                     | 7,768                   |
| Year ended 31 December 2013               |                                              |                                                             |                                          |                                        |                         |
| Opening net book amount                   | 1,118                                        | 369                                                         | 6,269                                    | 12                                     | 7,768                   |
| Additions                                 | 994                                          | 677                                                         | 3,672                                    | 99                                     | 5,442                   |
| Additions through business combinations   | 29                                           | 623                                                         | 951                                      | 16                                     | 1,619                   |
| Disposals                                 | (137)                                        | (9)                                                         | (140)                                    | -                                      | (286)                   |
| Net foreign currency exchange differences | 44                                           | 73                                                          | 273                                      | -                                      | 390                     |
| Depreciation expense                      | (625)                                        | (282)                                                       | (4,300)                                  | (28)                                   | (5,235)                 |
| Closing net book amount                   | 1,423                                        | 1,451                                                       | 6,725                                    | 99                                     | 9,698                   |
| At 31 December 2013                       |                                              |                                                             |                                          |                                        |                         |
| Cost or fair value                        | 8,664                                        | 3,436                                                       | 20,527                                   | 14,561                                 | 47,188                  |
| Accumulated depreciation                  | (7,241)                                      | (1,985)                                                     | (13,802)                                 | (14,462)                               | (37,490)                |
| Net book amount                           | 1,423                                        | 1,451                                                       | 6,725                                    | 99                                     | 9,698                   |

|                                                                                                                                                   | <b>Consolidated</b> |               |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                                                                   | <b>2014</b>         | <b>2013</b>   |
|                                                                                                                                                   | <b>\$'000</b>       | <b>\$'000</b> |
| Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year: |                     |               |
| Leasehold improvements                                                                                                                            | <b>830</b>          | 625           |
| Furniture and fittings                                                                                                                            | <b>735</b>          | 282           |
| Computer equipment                                                                                                                                | <b>4,693</b>        | 4,300         |
| Office equipment                                                                                                                                  | <b>47</b>           | 28            |
|                                                                                                                                                   | <b>6,305</b>        | 5,235         |

## Notes to the consolidated financial statements 31 December 2014

### 14 Computer software

|                                                                     | Consolidated  |               |
|---------------------------------------------------------------------|---------------|---------------|
|                                                                     | 2014          | 2013          |
|                                                                     | \$'000        | \$'000        |
| At 1 January                                                        |               |               |
| Cost or fair value                                                  | 109,649       | 93,519        |
| Accumulated amortisation                                            | (79,391)      | (68,526)      |
| Net book amount                                                     | <u>30,258</u> | <u>24,993</u> |
| Year ended 31 December                                              |               |               |
| Opening net book amount                                             | 30,258        | 24,993        |
| Additions                                                           | 2,752         | 2,426         |
| Additions through business combination                              | -             | 13,704        |
| Net foreign currency exchange differences                           | 215           | 1,180         |
| Adjustment - short term software licence (gross carrying amount)    | -             | 1,675         |
| Adjustment - short term software licence (accumulated amortisation) | -             | (1,675)       |
| Amortisation charge (a)                                             | (13,905)      | (12,045)      |
| Net book amount at 31 December                                      | <u>19,320</u> | <u>30,258</u> |
| At 1 January                                                        |               |               |
| Cost or fair value                                                  | 110,318       | 109,649       |
| Accumulated amortisation                                            | (90,998)      | (79,391)      |
| Net book amount                                                     | <u>19,320</u> | <u>30,258</u> |

(a) Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during year.

### 15 Goodwill

|                                                                                  | Consolidated   |                |
|----------------------------------------------------------------------------------|----------------|----------------|
|                                                                                  | 2014           | 2013           |
|                                                                                  | \$'000         | \$'000         |
| Goodwill gross carrying amount                                                   |                |                |
| Balance at the beginning of the year                                             | 391,524        | 39,383         |
| Additional amounts recognised from business combinations occurring in the period | -              | 334,218        |
| Effect of foreign exchange differences                                           | 9,203          | 17,923         |
| Goodwill impaired during the year                                                | (2,265)        | -              |
| Balance at the end of financial year                                             | <u>398,462</u> | <u>391,524</u> |

## Notes to the consolidated financial statements 31 December 2014

### 15 Goodwill (continued)

#### (a) Allocation of goodwill to cash generating units

Goodwill has been allocated for impairment testing purposes to the following cash generating units; Australia & New Zealand Wealth Management, Canada, South Africa, Asia, United Kingdom Wealth Management and United Kingdom Enterprise Lending.

Goodwill acquired as part of the acquisition of Avelo has been allocated between the United Kingdom Wealth Management and United Kingdom Enterprise Lending cash generating units following the finalisation of the fair value of the net assets acquired, including goodwill arising on acquisition.

In accordance with AASB136 'Impairment of Assets', impairment testing was completed as at 31 October 2014. Impairment of goodwill in the Asian cash generating unit was indicated. There was no indication of impairment in the other cash generating units.

The carrying amount of goodwill allocated to cash generating units that are significant individually or in aggregate is as follows:

|                                           | <b>Consolidated<br/>2014<br/>\$'000</b> | <b>2013<br/>\$'000</b> |
|-------------------------------------------|-----------------------------------------|------------------------|
| Australia & New Zealand Wealth Management | <b>15,179</b>                           | 15,179                 |
| Canada (a)                                | <b>9,001</b>                            | 9,016                  |
| South Africa (a)                          | <b>13,078</b>                           | 13,285                 |
| Asia (b)                                  | <b>-</b>                                | 2,230                  |
| United Kingdom Wealth Management (a)      | <b>264,604</b>                          | 256,824                |
| United Kingdom Enterprise Lending (a)     | <b>96,600</b>                           | 94,990                 |
| Balance at end of financial year          | <b>398,462</b>                          | 391,524                |

(a) Movement represents only net exchange rate differences arising during the period.

(b) Goodwill associated with the Asian cash generating unit has been impaired during the year. The full balance of \$2.265m was expensed in the consolidated statement of profit or loss and other comprehensive income.

#### (b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires estimation the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss arises.

The carrying amount of goodwill for Asia at 31 December 2014 was nil after an impairment loss of \$2.265m million was recognised during 2014. Further details on impairment testing methodology and assumptions are detailed in note 15(c).

## Notes to the consolidated financial statements

### 31 December 2014

#### 15 Goodwill (continued)

Sentryi Pte Ltd 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 key supply of servicesto 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.

While 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 delays in anticipated opportunities has resulted in the segment taking longer to reach break-even than had been anticipated. In light of this, an impairment loss reducing the fair value of this Goodwill to \$0 has been recognised in 2014.

#### (c) Impairment testing assumptions

The following assumptions were adopted in the recoverable amount assessment as at 31 December 2014 for each of the cash generating units; importantly these assumptions do not seek to represent Directors' valuations of these businesses:

- The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections which broadly track the financial outcomes contained in the long term strategic plan approved by the Board in September 2014 (Periodic Strategic Review).
- Revenue growth is assumed during the projection period. The growth assumptions are consistent with the Periodic Strategic Review exercise.
- Wages, operating costs and excluding non-operating depreciation (as a proxy for capital expenditure) are assumed to grow on a partially fixed, partially variable basis with revenue.
- Terminal Values have been calculated on a basis to reflect a nominal growth rate relative to local inflation rates (previously a flat rate of 2% had applied across all CGU's).
- The Group has applied pre-tax discount rates to discount the forecast future attributable post-tax cash flows. The discount rates used reflect risks relating to the relevant cash generating units and the countries in which they operate. The discount rates equivalent to the following post tax discount rates are: Australia and New Zealand 10.9% (10.9% in 2013), Canada 9.2% (9.2% in 2013); South Africa 13.2% (13.5% in 2013), Asia 20.0% (a) (10.9% in 2013) and United Kingdom 7.9%.
- Where applicable the exchange rate prevailing as at 31 October 2014 has been retained for the forecast period.

- (a) The discount rate in Asia has been increased to reflect delays in anticipated opportunities and the likelihood that these delays will persist.

The Directors believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed the recoverable amount for any cash generating unit.

Notes to the consolidated financial statements  
31 December 2014

## 16 Intangibles

| 2014<br>Consolidated        | Database<br>\$'000 | Customer<br>list<br>\$'000 | Capitalised<br>Customer<br>Relationships<br>\$'000 | Total<br>\$'000 |
|-----------------------------|--------------------|----------------------------|----------------------------------------------------|-----------------|
| At 1 January 2014           |                    |                            |                                                    |                 |
| Fair value                  | 1,540              | 4,128                      | 17,770                                             | 23,438          |
| Accumulated amortisation    | -                  | (4,055)                    | (977)                                              | (5,032)         |
| Net book amount             | 1,540              | 73                         | 16,793                                             | 18,406          |
| Year ended 31 December 2014 |                    |                            |                                                    |                 |
| Opening net book amount     | 1,540              | 73                         | 16,793                                             | 18,406          |
| Exchange differences        | -                  | -                          | 316                                                | 316             |
| Amortisation charge         | -                  | (73)                       | (3,088)                                            | (3,161)         |
| Closing net book amount     | 1,540              | -                          | 14,021                                             | 15,561          |
| At 31 December 2014         |                    |                            |                                                    |                 |
| Fair value                  | 1,540              | 4,089                      | 18,244                                             | 23,873          |
| Accumulated amortisation    | -                  | (4,089)                    | (4,223)                                            | (8,312)         |
| Net book amount             | 1,540              | -                          | 14,021                                             | 15,561          |

Notes to the consolidated financial statements  
31 December 2014

## 16 Intangibles (continued)

| 2013<br>Consolidated                  | Database<br>\$'000 | Customer<br>list<br>\$'000 | Capitalised<br>Customer<br>Relationships<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|--------------------|----------------------------|----------------------------------------------------|-----------------|
| At 1 January 2013                     |                    |                            |                                                    |                 |
| Fair value                            | 1,540              | 4,390                      | -                                                  | 5,930           |
| Accumulated amortisation              | -                  | (2,849)                    | -                                                  | (2,849)         |
| Net book amount                       | 1,540              | 1,541                      | -                                                  | 3,081           |
| Year ended 31 December 2013           |                    |                            |                                                    |                 |
| Opening net book amount               | 1,540              | 1,541                      | -                                                  | 3,081           |
| Additions - business combinations (a) | -                  | -                          | 16,290                                             | 16,290          |
| Exchange differences                  | -                  | (78)                       | 1,420                                              | 1,342           |
| Amortisation charge                   | -                  | (1,390)                    | (917)                                              | (2,307)         |
| Closing net book amount               | 1,540              | 73                         | 16,793                                             | 18,406          |
| At 31 December 2013                   |                    |                            |                                                    |                 |
| Fair value                            | 1,540              | 4,128                      | 17,770                                             | 23,438          |
| Accumulated amortisation              | -                  | (4,055)                    | (977)                                              | (5,032)         |
| Net book amount                       | 1,540              | 73                         | 16,793                                             | 18,406          |

(a) Refer to Note 33.

## 17 Non-current assets - Deferred tax assets

|                                                  | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------------------------|--------------------------------|----------------|
| Temporary differences attributable to            |                                |                |
| Parent entity                                    | 9,618                          | 13,178         |
| Entities in the tax consolidated group (Note 35) | 1,754                          | 2,796          |
| Other entities (a)                               | 6,835                          | 8,268          |
| Tax losses - other entities (b)                  | 3,180                          | 2,337          |
| Deferred tax assets                              | 21,387                         | 26,579         |

(a) Wholly owned subsidiaries that are not entities in the tax consolidated Group.

(b) Consists of amounts recognised as a deferred tax asset for wholly owned subsidiaries that are not in the tax consolidated Group that have tax losses in the period.

## Notes to the consolidated financial statements 31 December 2014

### 18 Non-current assets - Other financial assets

|                                    | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|------------------------------------|--------------------------------|----------------|
| Investment in shares at fair value | <u>34</u>                      | <u>37</u>      |

Investment in shares represents numerous minimum shareholding parcels in ASX listed stapled securities and property trusts held for the purposes of managing IRESS' capture and recording of corporate actions in these securities.

### 19 Current liabilities - Trade and other payables

|                               | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|-------------------------------|--------------------------------|----------------|
| Trade and other payables      |                                |                |
| Trade payables                | <u>14,108</u>                  | 21,108         |
|                               | <u>14,108</u>                  | <u>21,108</u>  |
| Other payables                | <u>12,412</u>                  | 17,451         |
| Sundry creditors and accruals | <u>12,412</u>                  | <u>17,451</u>  |

Trade payables and other creditors are non-interest bearing liabilities. The Group generally processes trade creditor payments in accordance with the supplier's trading terms.

### 20 Current liabilities - Current tax payables

|                                    | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|------------------------------------|--------------------------------|----------------|
| Income tax payable attributable to |                                |                |
| Parent entity                      | (2,566)                        | 1,233          |
| Other entities                     | <u>4,328</u>                   | 2,669          |
|                                    | <u>1,762</u>                   | <u>3,902</u>   |

Notes to the consolidated financial statements  
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## 21 Current liabilities - Provisions

|                                                                   | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|-------------------------------------------------------------------|--------------------------------|----------------|
| Employee benefits (Note 6)                                        | 5,616                          | 6,286          |
| Dividends                                                         | 77                             | 101            |
| Restructuring costs (a)                                           | 763                            | 1,308          |
| Facilities (Operating Leases)                                     | 47                             | 68             |
| Additional payment arising on the acquisition of subsidiaries (b) | -                              | 2,410          |
|                                                                   | <b>6,503</b>                   | <b>10,173</b>  |

(a) During 2013, the IRESS business in the United Kingdom commenced a restructuring of the office premises associated with Avelo's operations.

(b) Consists of deferred consideration associated with the acquisition of Peresys. This payment was made in 2014.

### (a) Movements in provisions

| Consolidated<br>2014                                                    | Employee benefits<br>\$'000 | Dividends<br>(a)<br>\$'000 | Restructuring<br>and<br>termination<br>costs (b)<br>\$'000 | Facilities<br>(operating<br>leases)<br>\$'000 | Additional<br>payment for<br>subsidiaries<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------------------|-----------------------------|----------------------------|------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|-----------------|
| Carrying amount at the start of the year                                | 6,286                       | 101                        | 1,308                                                      | 68                                            | 2,410                                               | 10,173          |
| Charged/(credited) to profit or loss - additional provisions recognised | 428                         | 64,270                     | -                                                          | -                                             | -                                                   | 64,698          |
| Amounts used during the year                                            | (1,141)                     | (64,294)                   | (545)                                                      | (21)                                          | (2,067)                                             | (68,068)        |
| Net foreign currency exchange difference                                | 43                          | -                          | -                                                          | -                                             | (343)                                               | (300)           |
| Carrying amount at end of year                                          | 5,616                       | 77                         | 763                                                        | 47                                            | -                                                   | 6,503           |

(a) The provision for dividends represents the aggregate amount of dividends declared, determined or publicly recommended on or before the reporting date, which remain undistributed at the reporting date, regardless of the extent to which they are expected to be paid in cash. The balance represents unrepresented dividend cheques.

(b) Consist of expenses incurred in the restructure of the Executive team in the Group's Canadian operations and the committed restructure of certain European subsidiaries of the Group.

Notes to the consolidated financial statements  
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## 21 Current liabilities - Provisions (continued)

### (a) Movements in provisions (continued)

| Consolidated<br>2013                                                          | Employee benefits<br>\$'000 | Dividends<br>(a)<br>\$'000 | Restructuring<br>and<br>termination<br>costs (b) (d)<br>\$'000 | Facilities<br>(operating<br>leases)<br>\$'000 | Additional<br>payment for<br>subsidiaries<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------------------------|-----------------------------|----------------------------|----------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|-----------------|
| Carrying amount at the<br>start of the year                                   | 4,505                       | 42                         | 34                                                             | -                                             | -                                                   | 4,581           |
| Charged/(credited) to<br>profit or loss - additional<br>provisions recognised | 656                         | 49,001                     | 1,274                                                          | 68                                            | -                                                   | 50,999          |
| Amounts used during<br>the year                                               | -                           | (48,942)                   | -                                                              | -                                             | -                                                   | (48,942)        |
| Acquired through<br>business combination                                      | 56                          | -                          | -                                                              | -                                             | -                                                   | 56              |
| Transferred to current<br>provision from non<br>current provision             | 1,069                       | -                          | -                                                              | -                                             | -                                                   | 1,069           |
| Net foreign currency<br>exchange difference                                   | -                           | -                          | -                                                              | -                                             | 6                                                   | 6               |
| Transfers/reclassifications                                                   | -                           | -                          | -                                                              | -                                             | 2,236                                               | 2,236           |
| Non-cash interest<br>expense                                                  | -                           | -                          | -                                                              | -                                             | 168                                                 | 168             |
| Carrying amount at end<br>of year                                             | 6,286                       | 101                        | 1,308                                                          | 68                                            | 2,410                                               | 10,173          |

- (a) The provision for dividends represents the aggregate amount of dividends declared, determined or publicly recommended on or before the reporting date, which remain undistributed at the reporting date, regardless of the extent to which they are expected to be paid in cash. The balance represents unrepresented dividend cheques.
- (b) Consist of expenses incurred in the restructure of the Executive team in the Group's Canadian operations and the committed restructure of certain European subsidiaries of the Group.
- (c) Reclassified from non-current liability. The provision related to the acquisition of Peresys and was paid during 2014, hence reclassified as current in 2013.

Notes to the consolidated financial statements  
31 December 2014

## 22 Non-current liabilities - Borrowings and derivative liabilities

|                                 | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------|--------------------------------|----------------|
| Borrowings (a) (b)              | 180,495                        | 180,495        |
| Borrowing costs capitalised (c) | (2,710)                        | (3,863)        |
| Accrued interest                | 1,325                          | 694            |
| Total                           | <u>179,110</u>                 | <u>177,326</u> |

|                            | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------|--------------------------------|----------------|
| Derivative liabilities (d) | 12,910                         | 10,636         |
| Total                      | <u>12,910</u>                  | <u>10,636</u>  |

- (a) Includes a 3 year facility of \$90.000m which expires September 2016 (2013: \$90.000m), and a 5 year facility of \$90.000m which expires September 2018 (2013: \$90.000m).
- (b) Security has been provided to support these loans and they are subject to covenants which have been complied with.
- (c) Borrowing costs have been allocated to both the three year and five year facilities and will be amortised over the term of these facilities.
- (d) Consists of the fair value of a 3 year swap liability of GBP 33.000m and a 5 year swap liability of GBP 33.000m.

Notes to the consolidated financial statements  
31 December 2014

## 22 Non-current liabilities - Borrowings and derivative liabilities (continued)

### (a) Fair value

The carrying amounts and fair values of borrowings and derivative liabilities at the end of the reporting period are:

| Consolidated            | 2014                         |                      | 2013                         |                      |
|-------------------------|------------------------------|----------------------|------------------------------|----------------------|
|                         | Carrying<br>amount<br>\$'000 | Fair value<br>\$'000 | Carrying<br>amount<br>\$'000 | Fair value<br>\$'000 |
| <b>On-balance sheet</b> |                              |                      |                              |                      |
| Bank loans              | <b>179,111</b>               | <b>179,111</b>       | 177,326                      | 177,326              |
| Derivative liabilities  | <b>12,910</b>                | <b>12,910</b>        | 10,636                       | 10,636               |
|                         | <b>192,021</b>               | <b>192,021</b>       | 187,962                      | 187,962              |

## 23 Non-current liabilities - Provisions

|                            | Consolidated   |                |
|----------------------------|----------------|----------------|
|                            | 2014<br>\$'000 | 2013<br>\$'000 |
| Employee benefits (Note 6) | <b>3,930</b>   | 3,661          |
| Restructuring costs (a)    | <b>368</b>     | 1,610          |
| Lease liability            | <b>565</b>     | 519            |
|                            | <b>4,863</b>   | 5,790          |

- (a) During 2013, Avelo commenced a restructuring of their office locations with the goal to consolidate client service departments locations.

## Notes to the consolidated financial statements 31 December 2014

### 24 Issued capital

#### (a) Issued capital

|                                                               | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------------------------|----------------|----------------|
| 156,888,233 fully paid ordinary shares<br>(2013: 156,571,102) | <b>275,315</b> | 275,315        |

#### (b) Fully paid ordinary share capital

|                                                                                     | 2014 Shares<br>(No. '000) | 2014<br>\$'000 | 2013 Shares<br>(No. '000) | 2013<br>\$'000 |
|-------------------------------------------------------------------------------------|---------------------------|----------------|---------------------------|----------------|
| Balance at beginning of financial year                                              | <b>158,585</b>            | <b>275,315</b> | 128,620                   | 75,898         |
| Shares issued to IRESS Limited Equity Plan<br>Trust pursuant to share plans (a) (b) | <b>512</b>                | -              | 1,130                     | -              |
| Issue of shares to the IRESS General<br>Employee Share Plan                         | -                         | -              | 29                        | 161            |
| Issue of shares from an accelerated<br>renounceable entitlement offer (c)           | -                         | -              | 28,806                    | 205,965        |
| Costs associated with share issue                                                   | -                         | -              | -                         | (7,623)        |
| Deferred tax asset recognised directly in<br>equity                                 | -                         | -              | -                         | 914            |
| Closing balance at end of financial year                                            | <b>159,097</b>            | <b>275,315</b> | 158,585                   | 275,315        |
| Treasury shares                                                                     | <b>(2,209)</b>            | -              | (2,014)                   | -              |
| Adjusted closing balance                                                            | <b>156,888</b>            | <b>275,315</b> | 156,571                   | 275,315        |

- (a) Additional issued capital arising from the issue of these shares in the years ended 31 December 2014 and 31 December 2013 amounted to \$17 and \$55 respectively.
- (b) The IRESS Limited Equity Plan Trust ("Trust") is a special purpose entity which is included in the Group for financial reporting. The Company provides funding to the Trust to support the Trust as part of its administrative role for the share plans, either by subscribing for shares in the Company or by buying shares on-market. Where the Trust subscribes for shares in the Company, the increase in the number of fully paid ordinary shares is recognised as an increase in the number of shares on issue, however the cash proceeds are not recognised as a monetary increase in total paid up capital.
- (c) The Company completed two components of equity raising through an underwritten pro-rata AREO in 2013. The institutional component, completed on 9 August 2013, resulted in an issue of 21,321,727 additional shares, and raised \$152.450m from eligible institutional shareholders. The retail component completed, on 29 August 2013, resulted in an issue of 7,484,556 additional shares, and raised \$53.515m from eligible retail shareholders. Acquisition related costs of \$7.623m relating to the issue of equity were incurred as part of the AREO.

#### (c) Executive LTI Plan

On 19 June 2014, the Performance Rights Plan was renamed to the Executive LTI plan ("LTI").

## 24 Issued capital (continued)

These performance rights have been granted primarily to the Managing Director, and Executives of the Group. These performance rights will vest over time subject to satisfying the criteria set out in the relevant plan rules. Once vested, the holder of the performance rights is required to pay \$1 per series to exercise the right.

### (d) Deferred shares

Pursuant to deferred shares granted to employees during the year which have not yet vested (refer Note 43), a total of 629,960 new shares were subscribed for by the Trust (2013: 848,454). No deferred shares were issued during the year to the Managing Director or Executives rather they were awarded deferred share rights.

### (e) Deferred share rights

Pursuant to deferred share rights granted to Executives and employees in prior years which vested during the year (refer Note 44), a total of 123,954 shares were subscribed for by the Trust (2013: 222,651).

Following cancellations of share rights granted to employees, as at 31 December 2014, the Trust holds 2,208,767 treasury shares (2013: 2,013,898).

## Notes to the consolidated financial statements 31 December 2014

### 25 Reserves

|                              | <b>Consolidated<br/>2014<br/>\$'000</b> | 2013<br>\$'000 |
|------------------------------|-----------------------------------------|----------------|
| Reserves comprise            |                                         |                |
| Share-based payments         | <b>16,604</b>                           | 54,575         |
| Foreign currency translation | <b>15,156</b>                           | 6,296          |
| Cash flow hedges             | -                                       | -              |
|                              | <b>31,760</b>                           | 60,871         |

|       | <b>Consolidated<br/>2014<br/>\$'000</b> | 2013<br>\$'000 |
|-------|-----------------------------------------|----------------|
| Notes |                                         |                |

#### Movements:

##### *Share-based payments*

|                                   |                 |        |
|-----------------------------------|-----------------|--------|
| Opening balance                   | <b>54,575</b>   | 47,220 |
| Employee share plan expense       | <b>8,918</b>    | 8,072  |
| Transfer to retained earnings (a) | <b>(46,889)</b> | (717)  |
| Balance 31 December               | <b>16,604</b>   | 54,575 |

##### *Foreign currency translation*

|                                       |               |          |
|---------------------------------------|---------------|----------|
| Opening balance                       | <b>6,296</b>  | (10,906) |
| Translation of foreign operations (b) | <b>8,860</b>  | 17,202   |
| Balance 31 December                   | <b>15,156</b> | 6,296    |

##### *Cash flow hedges*

|                                                                                       |   |         |
|---------------------------------------------------------------------------------------|---|---------|
| Opening balance                                                                       | - | -       |
| Loss arising on changes in fair value of deal contingent foreign currency forward (c) | - | (4,757) |
| Transferred to goodwill on close out of deal contingent foreign currency forward (c)  | - | 4,757   |
| Balance 31 December                                                                   | - | -       |

- (a) The transfer to retained earnings comprises share based payments reserve relating to share grants which have fully expired with all obligations satisfied.
- (b) Exchange differences relating to foreign currency monetary items forming part of the net investment in a foreign operation, and the translation of foreign operations, are brought to account by entries made directly to the foreign currency translation reserve.
- (c) Hedge reserve relates to the cash flow hedge entered into to hedge the purchase price of Avelo.

## Notes to the consolidated financial statements 31 December 2014

### 25 Reserves (continued)

The share based payment reserve arises on recognition of the share based payment expense following the grant of share rights to employees (including the Managing Director) under the applicable share rights plan.

### 26 Retained earnings / (accumulated losses)

|                                                 |       | <b>Consolidated</b> |          |
|-------------------------------------------------|-------|---------------------|----------|
|                                                 |       | <b>2014</b>         | 2013     |
|                                                 | Notes | <b>\$'000</b>       | \$'000   |
| Balance 1 January                               |       | <b>(9,417)</b>      | 14,626   |
| Net profit for the year                         |       | <b>50,671</b>       | 24,241   |
| Dividends provided for or paid                  | 28    | <b>(64,270)</b>     | (49,001) |
| Transfer from share-based payments reserves (a) |       | <b>46,889</b>       | 717      |
| Balance 31 December                             |       | <b>23,873</b>       | (9,417)  |

- (a) The transfer to retained earnings comprises share based payments reserve relating to share grants which have fully vested.

Notes to the consolidated financial statements  
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## 27 Parent entity financial information

|                            | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------|----------------|----------------|
| <b>ASSETS</b>              |                |                |
| Current assets             | 91,997         | 126,467        |
| Non-current assets         | 526,071        | 511,106        |
| <b>Total assets</b>        | <b>618,068</b> | <b>637,573</b> |
| <b>LIABILITIES</b>         |                |                |
| Current liabilities        | 21,777         | 18,367         |
| Non-current liabilities    | 197,631        | 196,454        |
| <b>Total liabilities</b>   | <b>219,408</b> | <b>214,821</b> |
| <b>EQUITY</b>              |                |                |
| Issued Capital             | 275,315        | 275,315        |
| Retained Earnings          | 106,739        | 92,861         |
| Other Reserves             | 16,605         | 54,575         |
| <b>Total Equity</b>        | <b>398,659</b> | <b>422,751</b> |
| Profit for the year        | 31,262         | 88,696         |
| Total comprehensive income | 31,262         | 88,696         |

## Notes to the consolidated financial statements 31 December 2014

### 28 Dividends

#### (a) DIVIDENDS

Dividends recognised and paid or declared by the Company to members were:

| <b>Recognised and paid during<br/>the year ended 31 December<br/>2014</b> | <b>Cents per<br/>share</b> | <b>Total<br/>\$'000</b> | <b>Franked %</b> | <b>Date paid</b>  |
|---------------------------------------------------------------------------|----------------------------|-------------------------|------------------|-------------------|
| Interim Dividend                                                          | 16.0                       | <b>25,455</b>           | 40%              | 30 September 2014 |
| Final Dividend                                                            | 24.5                       | <b>38,815</b>           | 80%              | 31 March 2014     |
|                                                                           |                            | <b>64,270</b>           |                  |                   |

| <b>Recognised and paid during<br/>the year ended 31 December<br/>2013</b> | <b>Cents per<br/>share</b> | <b>Total<br/>\$'000</b> | <b>Franked %</b> | <b>Date paid</b>  |
|---------------------------------------------------------------------------|----------------------------|-------------------------|------------------|-------------------|
| Interim Dividend                                                          | 13.5                       | 17,489                  | 90%              | 30 September 2013 |
| Final Dividend                                                            | 24.5                       | <b>31,512</b>           | 90%              | 31 March 2013     |
|                                                                           |                            | <b>49,001</b>           |                  |                   |

#### Declared after 31 December 2014

The following dividend was proposed by the directors after the end of the year. This dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2014 and will be recognised in subsequent financial reports.

|                    | <b>Cents per<br/>share</b> | <b>Total<br/>\$'000</b> | <b>Franked %</b> | <b>Date to be paid</b> |
|--------------------|----------------------------|-------------------------|------------------|------------------------|
| Final Dividend (a) | 25.5                       | 50,569                  | 40%              | 31 March 2015          |

- (a) The estimated value of the 2014 final dividend declared subsequent to 31 December 2014 has been calculated based on 159,097,309 ordinary shares on issue.

## Notes to the consolidated financial statements 31 December 2014

### 28 Dividends (continued)

#### (b) FRANKING

The franked portions of the final dividends recommended after 31 December will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax for the year ended 31 December 2015.

The below franking amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

|                                       | <b>Company</b> |               |
|---------------------------------------|----------------|---------------|
|                                       | <b>2014</b>    | <b>2013</b>   |
|                                       | <b>\$'000</b>  | <b>\$'000</b> |
| Adjusted franking account balance (a) | <b>2,347</b>   | 13,362        |

- (a) The franking account balance for 2013 as reported in the 2013 Annual report (of \$13.57 million) was based on the actual balance in the franking account as at the end of the period. This has been restated above to adjust for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax in 2014.

## Notes to the consolidated financial statements 31 December 2014

### 29 Notes to the statement of cash flows

#### (a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows.

|                          | <b>Consolidated</b> |        |
|--------------------------|---------------------|--------|
|                          | <b>2014</b>         | 2013   |
|                          | <b>\$'000</b>       | \$'000 |
| Cash at bank and in hand | <b>74,914</b>       | 71,405 |

#### (b) Reconciliation of profit attributable to members of the parent entity to net cash flows from operating activities

|                                                           | <b>Consolidated</b> |          |
|-----------------------------------------------------------|---------------------|----------|
|                                                           | <b>2014</b>         | 2013     |
|                                                           | <b>\$'000</b>       | \$'000   |
| Profit for the year                                       | <b>50,671</b>       | 24,240   |
| Net (gain)/loss on sale of non-current assets             | -                   | (1)      |
| Depreciation and amortisation                             | <b>23,371</b>       | 19,589   |
| Doubtful debts expense                                    | <b>391</b>          | 53       |
| Net exchange differences                                  | <b>(1,702)</b>      | (10,790) |
| Financing expense                                         | <b>2,275</b>        | 10,636   |
| Non-cash employee benefits expense - share-based payments | <b>8,918</b>        | 8,072    |
| Acquisition costs                                         | <b>3,234</b>        | 14,346   |
| Impairment of goodwill                                    | <b>2,265</b>        | -        |
| Net cash from operating activities                        | <b>89,423</b>       | 66,145   |
| Change in operating assets and liabilities:               |                     |          |
| Increase/(decrease) in deferred tax balances              | <b>4,723</b>        | (7,056)  |
| (Decrease) increase in other borrowings                   | <b>1,784</b>        | -        |
| (Increase)/decrease in current trade receivables          | <b>2,261</b>        | (6,025)  |
| (Increase)/decrease in other current assets               | <b>59</b>           | (56)     |
| (Decrease)/increase in current trade payables             | <b>(7,000)</b>      | 5,279    |
| (Decrease)/increase in other provisions                   | <b>(6,700)</b>      | 1,152    |
| Increase/(decrease) in tax liability                      | <b>(2,003)</b>      | 1,756    |
| Net cash inflow from operating activities                 | <b>82,547</b>       | 61,195   |

## Notes to the consolidated financial statements

### 31 December 2014

### 30 Segment information

In 2013, it was resolved that the Group's operations would be managed by region, where scale permits. The exceptions to this are in Australia and New Zealand, where the operations are still managed by Financial Markets and Wealth Management, and in the United Kingdom, where the operations are currently managed by Financial Markets, Wealth Management and Enterprise. Any transactions directly between segments are charged on an arm's length basis.

The Group's segments are Australia and New Zealand Financial Markets, Australia and New Zealand Wealth Management, Canada, South Africa, Asia, United Kingdom Financial Markets, United Kingdom Wealth Management and United Kingdom Enterprise Lending.

#### FINANCIAL MARKET SERVICES

The financial market services segment provide information, trading, compliance, order management, portfolio systems and related tools to cash equity participants in Australia, New Zealand, Canada, Asia, South Africa and United Kingdom.

#### WEALTH MANAGEMENT SERVICES

This Wealth management services segment provides financial planning systems and related tools to wealth management professionals located in Australia, New Zealand, South Africa, Asia and the United Kingdom.

#### ENTERPRISE LENDING

This Enterprise Lending segment operates in the United Kingdom to provide enterprise mortgage origination software and associated consulting services.

#### Segment Revenues

|                                           | Consolidated |         |
|-------------------------------------------|--------------|---------|
|                                           | 2014         | 2013    |
|                                           | \$'000       | \$'000  |
| Australia & New Zealand Financial Markets | 108,865      | 107,018 |
| Australia & New Zealand Wealth Management | 71,391       | 62,973  |
| Canada                                    | 18,574       | 20,148  |
| South Africa                              | 22,493       | 21,581  |
| Asia                                      | 1,903        | 1,605   |
| United Kingdom Financial Markets          | 1,202        | 446     |
| United Kingdom Wealth Management          | 73,738       | 23,840  |
| United Kingdom Enterprise Lending         | 30,797       | 13,015  |
|                                           | 328,963      | 250,626 |

Notes to the consolidated financial statements  
31 December 2014

### 30 Segment information (continued)

|                                   | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|-----------------------------------|--------------------------------|----------------|
| Other income                      | 109                            | 506            |
| Revenue from operating activities | <u>329,072</u>                 | <u>251,132</u> |
| Interest revenue                  | 5,599                          | 1,847          |
| Total                             | <u>334,671</u>                 | <u>252,979</u> |

#### Segment profits / (losses)

|                                                                           | Consolidated<br>2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------------------------------------|--------------------------------|----------------|
| Australia & New Zealand Financial Markets                                 | 50,596                         | 51,566         |
| Australia & New Zealand Wealth Management (a)                             | 32,703                         | 27,673         |
| Canada                                                                    | 3,884                          | 5,390          |
| South Africa                                                              | 6,375                          | 6,319          |
| Asia                                                                      | (3,644)                        | (3,950)        |
| United Kingdom Financial Markets                                          | (1,279)                        | (952)          |
| United Kingdom Wealth Management                                          | 18,583                         | 1,936          |
| United Kingdom Enterprise Lending                                         | 4,226                          | 219            |
|                                                                           | <u>111,444</u>                 | <u>88,201</u>  |
| Share based payment expense                                               | (8,918)                        | (8,072)        |
| Other contribution (b)                                                    | (4,609)                        | (6,369)        |
| Profit before depreciation, amortisation, interest and income tax expense | <u>97,917</u>                  | <u>73,760</u>  |
| Depreciation and amortisation expense                                     | (23,371)                       | (19,587)       |
| Interest revenue                                                          | 5,599                          | 1,847          |
| Interest expense                                                          | (14,469)                       | (8,919)        |
| Financing expense                                                         | (2,275)                        | (10,636)       |
| Profit before income tax expense                                          | <u>63,401</u>                  | <u>36,465</u>  |
| Income tax expense                                                        | (12,730)                       | (12,224)       |
| Profit attributable to the members of the parent entity                   | <u>50,671</u>                  | <u>24,241</u>  |

Notes to the consolidated financial statements  
31 December 2014

### 30 Segment information (continued)

- (a) 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).
- (b) Other contribution consists of:

|                                         | <b>Consolidated</b> |               |
|-----------------------------------------|---------------------|---------------|
|                                         | <b>2014</b>         | <b>2013</b>   |
|                                         | <b>\$'000</b>       | <b>\$'000</b> |
| Business acquisition expenses           | <b>(1,026)</b>      | (9,846)       |
| Business restructure expenses           | <b>(2,208)</b>      | (4,541)       |
| Unrealised foreign exchange gain/(loss) | <b>1,702</b>        | 10,790        |
| Impairment of goodwill                  | <b>(2,265)</b>      | -             |
| Other                                   | <b>(812)</b>        | (2,772)       |
|                                         | <b>(4,609)</b>      | (6,369)       |

## Notes to the consolidated financial statements

### 31 December 2014

### 30 Segment information (continued)

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

|                                  |      | FINANCIAL<br>MARKETS<br>\$'000 (b) | WEALTH<br>MANAGEMENT<br>\$'000 (b) | ENTERPRISE<br>\$'000 | UNDERLYING<br>GROUP<br>\$'000 | STRATEGIC<br>CHARGES<br>\$'000 | REPORTED<br>GROUP<br>\$'000 |
|----------------------------------|------|------------------------------------|------------------------------------|----------------------|-------------------------------|--------------------------------|-----------------------------|
| <b>RECURRING OPERATIONAL (a)</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                        | (11,722)                       | 59,629                      |
|                                  | 2013 | 37,367                             | 18,458                             | 59                   | 55,884                        | (8,199)                        | 47,685                      |
| NON-CORE                         |      |                                    |                                    |                      |                               |                                |                             |
| Share based payments             | 2014 |                                    |                                    |                      | (7,981)                       | (937)                          | (8,918)                     |
|                                  | 2013 |                                    |                                    |                      | (6,245)                       | (1,827)                        | (8,072)                     |
| Treasury (d)                     | 2014 |                                    |                                    |                      | -                             |                                | (7,868)                     |
|                                  | 2013 |                                    |                                    |                      | -                             |                                | (7,084)                     |
| Other non-core expense           | 2014 |                                    |                                    |                      | -                             |                                | (5,610)                     |
|                                  | 2013 |                                    |                                    |                      | -                             |                                | (16,992)                    |
| Total non-core exp. 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                      |

## Notes to the consolidated financial statements 31 December 2014

### 30 Segment information (continued)

- (a) 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 in this manner for the past 10 years. Reflecting the introduction of debt into Group in September 2013, and its impact on inter-period comparability of results, the underlying Group results have been reported on a de-gearred basis, with all financing impact reflected in the Treasury line included in the Non-Core section.
- (b) These results are inclusive of the Group's investments in the emerging business in Asia and Financial Markets in the United Kingdom.
- (c) This figure is derived from segment profit before tax, after depreciation and amortisation from operations (excludes amortisation of intangible assets recognised through acquisition (strategic charges)). Prior to 2013, this line item also included net interest.
- (d) Reflecting the introduction of debt into Group in September 2013, a separate Treasury line has been introduced. This incorporates all costs associated with the Group's debt funding, and includes net interest.

#### Segment assets and liabilities

|                         |        | <b>2014</b>   |                       |          |            |                                |           |  |
|-------------------------|--------|---------------|-----------------------|----------|------------|--------------------------------|-----------|--|
|                         |        | <b>\$'000</b> |                       |          |            |                                |           |  |
|                         | Cash   | Receivables   | Derivative Assets (a) | Payables | Borrowings | Derivative Liabilities (a) (b) | Total     |  |
| Australia & New Zealand | 40,924 | 11,756        | 12,910                | (6,473)  | (179,110)  | (12,910)                       | (132,903) |  |
| Canada                  | 4,090  | 1,040         | -                     | (700)    | -          | -                              | 4,430     |  |
| South Africa            | 9,903  | 1,613         | -                     | (700)    | -          | -                              | 10,816    |  |
| Asia                    | 3,297  | 300           | -                     | (160)    | -          | -                              | 3,437     |  |
| United Kingdom          | 16,700 | 9,991         | -                     | (6,076)  | -          | (12,910)                       | 7,705     |  |
| Total consolidated (a)  | 74,914 | 24,700        | 12,910                | (14,108) | (179,110)  | (25,820)                       | (106,514) |  |

|                         |        | <b>2013</b>   |                       |          |            |                            |           |  |
|-------------------------|--------|---------------|-----------------------|----------|------------|----------------------------|-----------|--|
|                         |        | <b>\$'000</b> |                       |          |            |                            |           |  |
|                         | Cash   | Receivables   | Derivative Assets (a) | Payables | Borrowings | Derivative Liabilities (a) | Total     |  |
| Australia & New Zealand | 45,319 | 13,090        | 10,636                | (10,985) | (177,326)  | (10,636)                   | (129,902) |  |
| Canada                  | 1,160  | 1,466         | -                     | (672)    | -          | -                          | 1,954     |  |
| South Africa            | 6,414  | 1,518         | -                     | (964)    | -          | -                          | 6,968     |  |
| Asia                    | 2,430  | 154           | -                     | (204)    | -          | -                          | 2,380     |  |
| United Kingdom          | 16,082 | 9,456         | -                     | (8,283)  | -          | (10,636)                   | 6,619     |  |
| Total consolidated (a)  | 71,405 | 25,684        | 10,636                | (21,108) | (177,326)  | (21,272)                   | (111,981) |  |

- (a) Derivative Assets in Australia & New Zealand of \$12.910 million (2013: 10.636 million) relates to the fair value of the internal swaps between IRESS Limited and Apollo III in United Kingdom.

## Notes to the consolidated financial statements

### 31 December 2014

### 30 Segment information (continued)

- (b) Derivative Liabilities in Australia & New Zealand of \$12.910 million (2013: \$10.636 million) relates to the fair value of the external swap arrangement (refer to note Non-current liabilities - Borrowings and derivative liabilities).

#### Other segment information

|                                  | <b>Consolidated</b> |         |
|----------------------------------|---------------------|---------|
|                                  | <b>2014</b>         | 2013    |
|                                  | <b>\$'000</b>       | \$'000  |
| Depreciation and amortisation    |                     |         |
| Australia & New Zealand          | <b>13,287</b>       | 13,888  |
| Canada                           | <b>480</b>          | 648     |
| South Africa                     | <b>1,020</b>        | 2,106   |
| Asia                             | <b>185</b>          | 323     |
| United Kingdom                   | <b>8,399</b>        | 2,622   |
| Total                            | <b>23,371</b>       | 19,587  |
| Additions to Plant and Equipment |                     |         |
| Australia & New Zealand          | <b>3,436</b>        | 2,359   |
| Canada                           | <b>194</b>          | 289     |
| South Africa                     | <b>722</b>          | 1,402   |
| Asia                             | <b>67</b>           | 135     |
| United Kingdom                   | <b>1,656</b>        | 1,257   |
| Total                            | <b>6,075</b>        | 5,442   |
| Additions to Computer software   |                     |         |
| Australia & New Zealand          | <b>2,713</b>        | 2,400   |
| South Africa                     | <b>4</b>            | 26      |
| United Kingdom                   | <b>35</b>           | -       |
| Total                            | <b>2,752</b>        | 2,426   |
| Total Non-current assets         |                     |         |
| Australia & New Zealand          | <b>407,838</b>      | 440,238 |
| Canada                           | <b>9,002</b>        | 10,578  |
| South Africa                     | <b>12,462</b>       | 15,272  |
| Asia                             | <b>241</b>          | 2,743   |
| United Kingdom                   | <b>34,896</b>       | 7,671   |
| Total                            | <b>464,439</b>      | 476,502 |

## Notes to the consolidated financial statements 31 December 2014

### 31 Contingencies

Other than as noted below, the Directors are of the opinion that there are no contingent liabilities that need to be disclosed at the reporting date.

A planned move to a new office location in Toronto has resulted in a potential exposure. IRESS is in discussions with the owner to discontinue its interest in the site. The owner has asserted a claim; IRESS disputes the claim.

### 32 Commitments

#### (a) Leasing arrangements

Operating leases relate to office facilities with lease terms of between 2 to 10 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period. Melbourne, Sydney, Brisbane and Perth office lease arrangements are supported by bank guarantees. At 31 December 2014, the total rental bank guarantees in place amounted to \$3.453m (2013: \$3.013m).

##### *(i) Non-cancellable operating leases*

|                                                                                                                | <b>Consolidated</b> |        |
|----------------------------------------------------------------------------------------------------------------|---------------------|--------|
|                                                                                                                | <b>2014</b>         | 2013   |
|                                                                                                                | <b>\$'000</b>       | \$'000 |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: |                     |        |
| Within one year                                                                                                | <b>5,230</b>        | 3,813  |
| Later than one year but not later than five years                                                              | <b>16,053</b>       | 9,996  |
| Later than five years                                                                                          | <b>8,235</b>        | 263    |
|                                                                                                                | <b>29,518</b>       | 14,072 |

## Notes to the consolidated financial statements 31 December 2014

### 32 Commitments (continued)

In respect of non-cancellable operating leases, the following liabilities have been recognised.

*(ii) Make good provisions*

|                       | <b>Consolidated<br/>2014<br/>\$'000</b> | 2013<br>\$'000 |
|-----------------------|-----------------------------------------|----------------|
| Current provision (a) | <b>288</b>                              | 288            |
|                       | <b>288</b>                              | 288            |

(a) This amount is included in Sundry creditors and accruals (Note 19)

### 33 Business combination

**(a) Summary of acquisition**

On 1 September 2013, the Company acquired 100% of IRESS (UK) Limited (previously Avelo FS Holdings Limited ("Avelo")). Avelo is a leading independent technology provider in the United Kingdom with a comprehensive product suite, clients spanning the entire financial services value chain, and a technology capability for mortgage origination and processing.

Avelo was acquired for a cash payment of GBP 210.000m (AUD 357.507m).

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

|                                            | 2013<br>\$'000 |
|--------------------------------------------|----------------|
| Fair value of net assets acquired          |                |
| Cash                                       | 3,095          |
| Trade receivables                          | 16,369         |
| Plant and equipment                        | 1,598          |
| Deferred tax asset                         | 5,768          |
| Intangible assets - customer relationships | 16,290         |
| Intangible assets - software               | 13,704         |
| Payables                                   | (18,896)       |
| Provision for employee benefits            | (3,883)        |
| Deferred tax liability                     | (5,999)        |
| Fair value of identifiable assets acquired | <u>28,046</u>  |
| Goodwill arising on acquisition            | <u>334,218</u> |

## Notes to the consolidated financial statements 31 December 2014

### 33 Business combination (continued)

#### (a) Summary of acquisition (continued)

|                                                 | 2013<br>\$'000 |
|-------------------------------------------------|----------------|
| Purchase consideration (refer to (b) below):    |                |
| Cash paid                                       | 357,507        |
| Effect of cash flow hedge of the purchase price | 4,757          |
| Total purchase consideration                    | <u>362,264</u> |

#### (i) Revenue and profit contribution

For the period of acquisition to 31 December 2013 Avelo contributed revenue of AUD35.301m to the Group. Had this business combination been effected at 1 January 2013 the revenue of the Group from continuing operations would have been AUD 321.735m, and the profit for the full year from continuing operations would have been AUD 22.792m.

In determining the 'pro-forma' revenue and profit of the Group had Avelo been acquired at the beginning of the current reporting period, the Directors have evenly apportioned the revenue and profit of Avelo over this period on the basis of there being no abnormal items within those results. While expenses associated with integration activities are one off in nature they are not considered abnormal and therefore the impact of these costs have not been excluded from the calculation of 'pro-forma' profit.

#### (b) Purchase consideration - cash outflow

The following table sets out the cash flow impact of the Avelo acquisition

|                                                             | 2013<br>\$'000   |
|-------------------------------------------------------------|------------------|
| Outflow of cash to acquire subsidiary, net of cash acquired |                  |
| Cash consideration                                          | 357,507          |
| Cash and cash equivalent balances acquired                  | (3,095)          |
| Pre-acquisition loan advanced (a)                           | <u>(252,050)</u> |
| Net cash flow on acquisition date                           | <u>102,362</u>   |

- (a) This amount was advanced prior to acquisition to facilitate the repayment of Avelo's existing external bank debt. This was advanced as two intercompany loans between:
- IRESS UK Holdings Limited and IRESS (UK) Limited (formerly Avelo FS Holdings Limited); and
  - IRESS UK Holdings Limited and IRESS FS Group Limited (formerly Avelo FS Group Limited)

In addition to the cash outflow required to purchase Avelo, significant additional incremental specific costs have been recognised in the consolidated statement of comprehensive income in 2013 as a result of the acquisition as follows:

Notes to the consolidated financial statements  
31 December 2014

### 33 Business combination (continued)

#### (b) Purchase consideration - cash outflow (continued)

|                                                              | 2013<br>\$'000 |
|--------------------------------------------------------------|----------------|
| Advisor fees directly associated with the acquisition        | 11,614         |
| Debt arrangement costs (not including advisor costs)         | 6,514          |
| Underwriting and similar arrangement costs                   | 4,938          |
| Costs associated with integration activities                 | 3,844          |
| Cost of cashflow hedge on Avelo purchase price               | 2,661          |
| Other (a)                                                    | 938            |
|                                                              | <hr/> 30,509   |
| Costs relating to debt raising (b)                           | (6,535)        |
| Costs relating to equity raising (c)                         | (7,623)        |
| Derivative cost (d)                                          | (2,661)        |
| Total costs incurred in relation to the acquisition of Avelo | <hr/> 13,690   |

- (a) Comprises Government fees and charges, travel and staff project related incentive payments.
- (b) As described in Note 1, borrowing costs relating to the establishment of facilities are capitalised as part of the debt instrument and amortised over the life of the facility.
- (c) As described in Note 1, transaction costs relating to the issue of equity are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.
- (d) Cost of cashflow hedge on purchase price of Avelo.

## Notes to the consolidated financial statements 31 December 2014

### 34 Remuneration of auditors

|                                             | Consolidated<br>2014 | 2013    |
|---------------------------------------------|----------------------|---------|
|                                             | \$                   | \$      |
| <i>Audit and other assurance services</i>   |                      |         |
| Auditor of the parent entity                |                      |         |
| Audit or review of the financial report (a) | <b>582,327</b>       | 310,316 |
| Other non-audit services                    | <b>17,230</b>        | 52,080  |
|                                             | <b>599,557</b>       | 362,396 |
| Network firm of the parent entity auditor   |                      |         |
| Audit or review of the financial report (b) | <b>200,226</b>       | 197,824 |
|                                             | <b>799,783</b>       | 560,220 |

- (a) The auditor of IRESS Limited is Deloitte Touche Tohmatsu. The fees above represent the amount paid to the auditor during the year. The increase in the amount paid in 2014 is predominately associated with audit related services relating to the acquisition of Avelo.
- (b) Remuneration paid to international associates of Deloitte Touche Tohmatsu located in Canada, New Zealand, South Africa, Singapore, Hong Kong, Malaysia, Ireland and the United Kingdom.

### 35 Subsidiaries

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

| Name of entity                              | Country of<br>incorporation | Principal activity                                                                    | Ownership<br>interest |      |
|---------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------|-----------------------|------|
|                                             |                             |                                                                                       | 2014                  | 2013 |
|                                             |                             |                                                                                       | %                     | %    |
| PARENT ENTITY                               |                             |                                                                                       |                       |      |
| IRESS Limited (a)                           |                             |                                                                                       |                       |      |
| SUBSIDIARIES                                |                             |                                                                                       |                       |      |
| IRESS (NZ) Limited (c)                      | New Zealand                 | Provision of sales and related services to users of IRESS technologies in New Zealand | <b>100</b>            | 100  |
| IRESS Wealth Management Pty Ltd (b) (d) (e) | Australia                   | Provision of financial planning technology and related services                       | <b>100</b>            | 100  |

Notes to the consolidated financial statements  
31 December 2014

### 35 Subsidiaries (continued)

| Name of entity                                  | Country of incorporation | Principal activity                                                                                                | Ownership interest |           |
|-------------------------------------------------|--------------------------|-------------------------------------------------------------------------------------------------------------------|--------------------|-----------|
|                                                 |                          |                                                                                                                   | 2014<br>%          | 2013<br>% |
| IRESS Canada Holdings Limited (d)               | Canada                   | Holding company                                                                                                   | 100                | 100       |
| IRESS Asia Holdings Limited (c)                 | Hong Kong                | Provision of financial market and financial planning technology and related services                              | 100                | 100       |
| IRESS Data Pty Ltd (b) (c) (e)                  | Australia                | Data procurement                                                                                                  | 100                | 100       |
| IRESS Market Technology (Singapore) Pte Ltd (c) | Singapore                | Provision of financial market and financial planning technology and related services                              | 100                | 100       |
| IRESS South Africa (Australia) Pty Ltd (b) (e)  | Australia                | Entity licensing company software for use in Africa                                                               | 100                | 100       |
| IRESS Financial Markets (Pty) Ltd (d)           | South Africa             | Provision of financial market technology and related services                                                     | 100                | 100       |
| IRESS Technology Limited (c)                    | United Kingdom           | Provision of financial market and financial planning technology and related services                              | 100                | 100       |
| Planning Resources Group Pty Ltd (b) (e)        | Australia                | No active operations, currently receives small amount of passive income associated with former PlanTech business. | 100                | 100       |
| Apollo I Australia Pty Ltd (e) (b)              | Australia                | Holding company                                                                                                   | 100                | 100       |
| Apollo II Australia Pty Ltd (e) (b)             | Australia                | Holding company                                                                                                   | 100                | 100       |
| Apollo III UK Holdings Limited (d)              | United Kingdom           | Holding company                                                                                                   | 100                | 100       |
| IRESS Malaysia Holdings Sdn Bhd                 | Malaysia                 | Provision of financial market and financial planning technology and related services                              | 100                | 100       |

- (a) IRESS Limited is the head entity within the tax consolidated Group.  
(b) This company and its Australian subsidiaries (if any) are members of the tax consolidated Group.  
(c) Subsidiary provided with a letter of support from Parent entity.  
(d) These entities also owns subsidiaries in other jurisdictions, disclosed as follows.  
(e) This company and its Australian subsidiaries (if any) are entered into an ASIC Class Order and Deed of Cross Guarantee with IRESS Limited in December 2014.

## Notes to the consolidated financial statements

### 31 December 2014

### 35 Subsidiaries (continued)

In relation to its Australian and New Zealand wealth management operations, IRESS Wealth Management Pty Ltd holds the following controlled entities:

| Name of entity                                | Country of incorporation | Principal activity                                      | Ownership interest |           |
|-----------------------------------------------|--------------------------|---------------------------------------------------------|--------------------|-----------|
|                                               |                          |                                                         | 2014<br>%          | 2013<br>% |
| PlanTech Holdings Pty Ltd (a) (d)             | Australia                | No active operations                                    | 100                | 100       |
| IRESS Information Pty Ltd (b)                 | Australia                | Provider of risk (life insurance) and fund related data | 100                | 100       |
| VisiPlan Pty Ltd (c) (d)                      | Australia                | No active operations                                    | 100                | 100       |
| TransActive Systems Pty Ltd (a) (c) (d)       | Australia                | No active operations                                    | 100                | 100       |
| Dealer Management Systems Pty Ltd (a) (c) (d) | Australia                | No active operations                                    | 100                | 100       |
| FundData Pty Ltd (a) (c) (d)                  | Australia                | No active operations                                    | 100                | 100       |

(a) Currently in the process of liquidation as at 31 December 2014.

(b) This entity holds an Australian Financial Service licence.

(c) This entity will be liquidated in 2015.

(d) This company and its Australian subsidiaries (if any) are entered into an ASIC Class Order and Deed of Cross Guarantee with IRESS Limited in 2014.

In relation to its South African wealth management operations, IRESS Wealth Management Pty Ltd holds the following controlled entities:

| Name of entity                                                | Country of incorporation | Principal activity                                              | Ownership interest |           |
|---------------------------------------------------------------|--------------------------|-----------------------------------------------------------------|--------------------|-----------|
|                                                               |                          |                                                                 | 2014<br>%          | 2013<br>% |
| IRESS Spotlight Wealth Management Solutions (RSA) Pty Ltd (a) | Australia                | No active operations                                            | 100                | 100       |
| IRESS Wealth Mngt (Pty) Ltd                                   | South Africa             | Provision of financial planning technology and related services | 100                | 100       |
| Advicenet Advisory Services (Pty) Ltd                         | South Africa             | No active operations                                            | 100                | 100       |
| IRESS Wealth Management (RSA) (Pty) Ltd                       | South Africa             | No active operations                                            | 100                | 100       |

(a) This company and its Australian subsidiaries (if any) are entered into an ASIC Class Order and Deed of Cross Guarantee with IRESS Limited in 2014.

Notes to the consolidated financial statements  
31 December 2014

### 35 Subsidiaries (continued)

IRESS Canada Holdings Limited holds the following controlled entities:

| Name of entity                    | Country of incorporation | Principal activity                                            | Ownership interest |           |
|-----------------------------------|--------------------------|---------------------------------------------------------------|--------------------|-----------|
|                                   |                          |                                                               | 2014<br>%          | 2013<br>% |
| IRESS (Ontario) Limited           | Canada                   | Holding company                                               | 100                | 100       |
| KTG Technologies Corp.            | Canada                   | No active operations                                          | 100                | 100       |
| IRESS Market Technology Canada LP | Canada                   | Provision of financial market technology and related services | 100                | 100       |
| IRESS (LP) Holdings Corp.         | Canada                   | General partner to IRESS Market Technology Canada LP          | 100                | 100       |

IRESS Financial Markets (Pty) Ltd holds the following controlled entity:

| Name of entity           | Country of incorporation | Principal activity   | Ownership interest |           |
|--------------------------|--------------------------|----------------------|--------------------|-----------|
|                          |                          |                      | 2014<br>%          | 2013<br>% |
| Peresys Software Limited | Ireland                  | No active operations | 100                | 100       |

Apollo III UK Holdings Limited holds the following controlled entities:

| Name of entity          | Country of incorporation | Principal activity | Ownership interest |           |
|-------------------------|--------------------------|--------------------|--------------------|-----------|
|                         |                          |                    | 2014<br>%          | 2013<br>% |
| Apollo III (UK) Limited | United Kingdom           | Holding company    | 100                | 100       |

IRESS (AUS) Limited Partnership is held by:

## Notes to the consolidated financial statements

### 31 December 2014

### 35 Subsidiaries (continued)

| Name of entity             | Country of incorporation | Principal activity                                                                   | Ownership interest |      |
|----------------------------|--------------------------|--------------------------------------------------------------------------------------|--------------------|------|
|                            |                          |                                                                                      | 2014               | 2013 |
|                            |                          |                                                                                      | %                  | %    |
| IRESS UK Holdings Limited  | United Kingdom           | Holding company which manages consolidated United Kingdom earnings and cash reserves | 99.0               | 99.0 |
| Apollo I Australia Pty Ltd | Australia                | Partnership                                                                          | 0.5                | 0.5  |
| Holding company            | Australia                | Holding company                                                                      | 0.5                | 0.5  |

IRESS (AUS) Limited partnership holds IRESS UK Holdings Ltd as a controlled entity. (2013 100%)

IRESS UK Holdings is a holding company which manages consolidated United Kingdom earnings on cash reserves.

In relation to its United Kingdom operations, IRESS UK Holdings Limited holds the following controlled entities:

| Name of entity                  | Country of incorporation | Principal activity                                                                                   | Ownership interest |      |
|---------------------------------|--------------------------|------------------------------------------------------------------------------------------------------|--------------------|------|
|                                 |                          |                                                                                                      | 2014               | 2013 |
|                                 |                          |                                                                                                      | %                  | %    |
| IRESS (UK) Limited              | United Kingdom           | Provision of financial planning technology and related services                                      | 100                | 100  |
| IRESS FS Group Limited          | United Kingdom           | Holding company                                                                                      | 100                | 100  |
| IRESS Portal Limited            | United Kingdom           | Provision of financial planning technology and related services                                      | 100                | 100  |
| TrigoldCrystal Limited          | United Kingdom           | Holding company                                                                                      | 100                | 100  |
| IRESS FS Limited                | United Kingdom           | Provision of financial planning technology and related services and provision of Enterprise Software | 100                | 100  |
| IRESS Web Limited               | United Kingdom           | Provision of financial planning technology and related services                                      | 100                | 100  |
| IRESS Solutions Limited         | United Kingdom           | Provision of financial planning technology and related services                                      | 100                | 100  |
| IRESS Mortgage Services Limited | United Kingdom           | Provision of financial planning technology and related services                                      | 100                | 100  |

### 35 Subsidiaries (continued)

Within the IRESS Group there are unsecured funding arrangements in place.

### 36 Deed of cross guarantee

IRESS Limited, and its wholly-owned subsidiaries listed below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned subsidiaries have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The subsidiaries who entered into the Deed of Cross Guarantee on 22 December 2014 are:

- IRESS Wealth Management Pty Ltd
- Planning Resources Group Pty Ltd
- IRESS Spotlight Wealth Management Solutions (RSA) Pty Ltd
- IRESS Data Pty Ltd
- IRESS South Africa (Australia) Pty Ltd
- Apollo I Australia Pty Ltd
- Apollo II Australia Pty Ltd

#### (a) Consolidated statement of profit or loss and other comprehensive income

The above companies represent a 'closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by IRESS Limited, they also represent the 'extended closed Group'.

Set out below is a consolidated income statement, a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2014 of the closed Group consisting of IRESS Limited and its 'closed Group' entities:

Notes to the consolidated financial statements  
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### 36 Deed of cross guarantee (continued)

(a) Consolidated statement of profit or loss and other comprehensive income (continued)

|                                                                       | 2014<br>\$'000 |
|-----------------------------------------------------------------------|----------------|
| Revenue from ordinary activities                                      | 171,344        |
| Customer data fees                                                    | (13,047)       |
| Communication and other technology expenses                           | (6,320)        |
| Employee benefits expenses                                            | (64,329)       |
| Employee administration expense                                       | (5,775)        |
| Other expenses including general administration expenses              | (9,061)        |
| Facilities rent                                                       | (2,536)        |
| Bad and doubtful debts                                                | (1,945)        |
| Business acquisition expenses                                         | (630)          |
| Share of net profits                                                  | 19             |
| Unrealised Foreign Currency Gain/(Loss)                               | 3,464          |
| <b>Earnings Before Interest, Taxes, Depreciation and Amortisation</b> | <b>71,184</b>  |
| Depreciation and amortisation expense                                 | (13,286)       |
| <b>Earnings Before Interest and Taxes</b>                             | <b>57,898</b>  |
| Interest revenue                                                      | 19,680         |
| Interest expense                                                      | (14,538)       |
| Financing expense                                                     | (2,275)        |
| <b>Net Interest</b>                                                   | <b>2,867</b>   |
| <b>Net Profit before Tax</b>                                          | <b>60,765</b>  |
| Income tax expense                                                    | (20,232)       |
| <b>Net Profit</b>                                                     | <b>40,533</b>  |

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 31 December 2014 of the closed Group consisting of IRESS Limited and its 'closed Group' entities.

|                             | 2014<br>\$'000 |
|-----------------------------|----------------|
| Current assets              |                |
| Cash and cash equivalents   | 28,436         |
| Trade and other receivables | 10,018         |
| Trade receivables           | 26,077         |
| Other financial assets      | 223,878        |
| <b>Total current assets</b> | <b>288,409</b> |

Notes to the consolidated financial statements  
31 December 2014

### 36 Deed of cross guarantee (continued)

(b) Consolidated statement of financial position (continued)

|                               | 2014<br>\$'000 |
|-------------------------------|----------------|
| Non-current assets            |                |
| Property, plant and equipment | 4,463          |
| Computer software             | 8,810          |
| Deferred tax assets           | 11,016         |
| Other financial assets        | 259,391        |
| Total non-current assets      | <u>283,680</u> |
| <b>Total assets</b>           | <u>572,089</u> |
| Current liabilities           |                |
| Trade and other payables      | 5,846          |
| Other payables                | 8,962          |
| Current tax liabilities       | 3,556          |
| Provisions                    | 4,240          |
| Total current liabilities     | <u>22,604</u>  |
| Non-current liabilities       |                |
| Borrowings                    | 177,859        |
| Derivative liability          | 12,910         |
| Provisions                    | 4,334          |
| Deferred tax liabilities      | 2,529          |
| Total non-current liabilities | <u>197,632</u> |
| <b>Total liabilities</b>      | <u>220,236</u> |
| <b>Net assets</b>             | <u>351,853</u> |
| Equity                        |                |
| Contributed equity            | 275,315        |
| Other reserves                | 15,006         |
| Retained earnings             | 61,532         |
| <b>Total equity</b>           | <u>351,853</u> |

## Notes to the consolidated financial statements

### 31 December 2014

### 37 Subsequent events

To date there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 38 Financial instruments

This note explains the Group's exposure to capital and financial risks and how these risks could affect the Group's future financial performance.

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of net debt (borrowings as detailed in note 22 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, and retained earnings as detailed in notes 24 to 26).

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.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The Group's year end gearing ratio has been calculated as follows:

$$\frac{\text{Net debt}}{\text{Net debt} + \text{Total equity}}$$

The gearing ratio at 31 December 2014 and 31 December 2013 was follows:

|                  | <b>Consolidated</b>                                                                                     |               |
|------------------|---------------------------------------------------------------------------------------------------------|---------------|
|                  | <b>2014</b>                                                                                             | <b>2013</b>   |
|                  | <b>\$'000</b>                                                                                           | <b>\$'000</b> |
| Net debt (a)     | 117,108                                                                                                 | 116,557       |
| Total equity (b) | 330,948                                                                                                 | 326,769       |
| Gearing ratio    | 26.1%                                                                                                   | 26.3%         |
| (a)              | Net debt is measured as borrowings and derivative liabilities (Note 22) less cash and cash equivalents. |               |
| (b)              | Total equity is measured as issued capital, reserves, and retained earnings.                            |               |

## 38 Financial instruments (continued)

### *Loan covenants*

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- (a) interest coverage restrictions; and
- (b) ratio of debt to EBITDA.

The Group has complied with these covenants throughout the reporting period.

### **Financial risk factors**

The Company and Group undertakes transactions in a limited range of financial instruments including cash assets and receivables.

These transactions and activities result in exposure to a number of financial risks, including market risk (interest rate risk, foreign currency risk), credit risk, and liquidity risk. These financial risks are managed such to mitigate inappropriate volatility of financial performance and maintain an optimal capital structure that provides returns for shareholders, provides benefits for other stakeholders and an appropriate cost of capital.

| <b>Risk</b>                         | <b>Exposure arising from Measurement</b>                                                                               |                               | <b>Management</b>                                                                                                                                                                     |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market risk - Foreign currency risk | Recognised financial assets and liabilities not denominated in AUD (Translation FX)                                    | Sensitivity analysis          | Cross currency interest rate swap with offsetting intercompany loan which result in naturally offsetting impacts                                                                      |
| Market risk - Interest rate risk    | Long-term borrowings at variable rates                                                                                 | Sensitivity analysis          | Borrowings: Cross currency interest rate swap.<br>Deposits: Regularly reassesses market conditions, the financial risk, and the terms of deposits so as to optimise return on capital |
| Credit risk                         | Cash and cash equivalents, trade receivables, derivative financial instruments and available-for-sale debt instruments | Aging analysis Credit ratings | Active management and Executive reporting                                                                                                                                             |
| Liquidity risk                      | Borrowings and other liabilities                                                                                       | Rolling cash flow forecasts   | Active management and Executive reporting                                                                                                                                             |

## 38 Financial instruments (continued)

There has been no change to the Group's exposure to financial risks or the manner in which these risks are managed and measured. Further details of these risks are provided below.

### (a) Foreign currency risk

The Consolidated Entity has exposures to movements in foreign currency rates, which can be viewed as:

- (i) Conversion of each overseas entity results to their Australian dollar equivalent for financial reporting (Translation FX).
  - Translation FX does not result in foreign currency gains or losses in the profit or loss of the Group.
  - Translation FX does impact the relative contribution attributed to the offshore entities in the Group's Australian dollar result, when assessed period on period. Accordingly, foreign currency movements will impact on the perceived performance of the company when viewed in Australian Dollars.
- (ii) Transactions entered into by the entity which are denominated in a foreign currency (Transaction FX).
  - Transaction FX exposures arise where the entity sources services invoiced in a currency other than the entity's functional currency. For all entities in the Group other than the Company these exposures are relatively modest.
  - The predominant exposure of the Company to Transaction FX arises from loans to wholly owned foreign subsidiaries which are denominated in currencies other than Australian Dollars.

These exposures are described in greater detail below.

#### (i) Translation FX

Translation FX arises when entities within the Group transact in their local currencies, which differ from the Group's presentation currency of Australian Dollars. Whilst a movement in these local currencies when compared with the Australian Dollar does not impact underlying profit or loss (as differences are recognised in comprehensive income through the foreign currency translation reserve), movements do impact on the Australian Dollar equivalent reported earnings.

To assist users in understanding the impact exchange rate movements had on reported revenues from the year ended 31 December 2014 and 31 December 2013, the financial performance of business units (as set out in Note 30) can be viewed as follows:

## Notes to the consolidated financial statements 31 December 2014

### 38 Financial instruments (continued)

|                                             | LC<br>(a) | LOCAL CURRENCY<br>(b) |                | TOTAL<br>(AUD) (c) |                |
|---------------------------------------------|-----------|-----------------------|----------------|--------------------|----------------|
|                                             |           | 2014<br>\$'000        | 2013<br>\$'000 | 2014<br>\$'000     | 2013<br>\$'000 |
| TOTAL SEGMENT REVENUES                      |           |                       |                |                    |                |
| Australia & New Zealand - Financial Markets | AUD       | 108,865               | 107,018        | 108,865            | 107,018        |
| Australia & New Zealand - Wealth Management | AUD       | 71,391                | 62,973         | 71,391             | 62,973         |
| Canada                                      | CAD       | 18,468                | 20,073         | 18,574             | 20,148         |
| South Africa                                | ZAR       | 219,950               | 199,871        | 22,493             | 21,581         |
| Asia                                        | AUD       | 1,903                 | 1,605          | 1,903              | 1,605          |
| United Kingdom - Financial Markets          | GBP       | 657                   | 305            | 1,202              | 446            |
| United Kingdom - Wealth Management          | GBP       | 40,343                | 13,819         | 73,738             | 23,840         |
| United Kingdom - Enterprise Lending         | GBP       | 16,675                | 7,470          | 30,797             | 13,015         |
| Total of all segments                       |           |                       |                | <b>328,963</b>     | <b>250,626</b> |

- (a) LC is the local currency unit for the segment used in the management accounts. New Zealand results are not reported separately and instead are converted to AUD in the management accounts. For the Company's Asia operations, the two primary underlying currencies are SGD and HKD, but these are not reported separately in the management accounts and instead are converted to AUD.
- (b) These are the segment revenues as reflected in the management accounts and review of operations.
- (c) Reported segment revenues as reflected in Note 30.

#### (ii) Transaction FX

Transaction FX arises when the Group enters into transactions which are denominated in a foreign currency.

The predominant exposure of the Company to Transaction FX arises primarily from loans to wholly owned foreign subsidiaries with the following currencies, Canadian dollar, New Zealand dollar, South African rand, Singapore dollar, Hong Kong dollar and the Great British Pound. These loans can give rise to realised and unrealised gains and losses in the Company.

In addition, two foreign currency swaps have been entered into by the Company. These swaps partially convert the external borrowings into Great British Pound which was on-lent to partially fund the acquisition of Avelo.

Balances subject to Transaction FX for the year ended 31 December 2014 and 31 December 2013 are set out below. The carrying value of the Company's intercompany receivables or payables is based on the prevailing exchange rates at year end. Unrealised gains and losses arise in the Company's carrying value of these loans, from movements in the subsidiaries' local currency.

## Notes to the consolidated financial statements 31 December 2014

### 38 Financial instruments (continued)

|                                                         | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------------------|----------------|----------------|
| <b>Net subsidiary intercompany balances by currency</b> |                |                |
| <b>Receivable / (payable) by parent company</b>         |                |                |
| AUD (a)                                                 | <b>85,380</b>  | 139,376        |
| GBP (a)                                                 | <b>64,439</b>  | 69,941         |
| CAD                                                     | <b>5,947</b>   | 4,142          |
| SGD                                                     | <b>5,896</b>   | 6,016          |
| NZD                                                     | <b>5,343</b>   | 465            |
| HKD                                                     | <b>2,708</b>   | 1,923          |
| MYR                                                     | <b>(405)</b>   | -              |

(a) In the 2013 Annual report a GBP66m receivable was incorrectly classified as an AUD receivable. Amounts disclosed in 2013 were: AUD 261.9m, GBP 3.9m.

The Group does not hedge the effect of the exchange rate movements on these intercompany loans. All intercompany loans are interest bearing and in most cases are denominated in the local currency of the subsidiary (refer Note 39).

#### *Foreign currency sensitivity analysis*

The Group is primarily exposed to changes in the AUD/GBP exchange rate arising on the foreign currency derivatives detailed in Note 9.

The primary currency risk for subsidiaries of the Group is the underlying local currency for that subsidiary. A material enduring change in relative exchange rates could have a significant effect on the Australian dollar equivalent value of these operations.

The sensitivity of profit or loss to changes in the exchange rates arises mainly from cross currency interest rate swaps that are marked to market in the income statement each period and internal funding arrangements between the Group's Australian and United Kingdom subsidiaries. The net effect of these items is moderated profit and loss exposure as these transactions largely offset each other. The Group does not apply hedge accounting for these derivative contracts. The internal funding arrangements are not regarded as being in place for the foreseeable future.

## Notes to the consolidated financial statements 31 December 2014

### 38 Financial instruments (continued)

The following table details the Group's sensitivity to a 1% increase and decrease in the Australian dollar against the Pound Sterling. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1% change in foreign currency rates.

|                                     | Impact on pre tax profit |                | Impact on other components of equity |                |
|-------------------------------------|--------------------------|----------------|--------------------------------------|----------------|
|                                     | 2014<br>\$'000           | 2013<br>\$'000 | 2014<br>\$'000                       | 2013<br>\$'000 |
| <b>Consolidated</b>                 |                          |                |                                      |                |
| Foreign currency derivative         |                          |                |                                      |                |
| GBP/AUD exchange rate - increase 1% | (242)                    | (717)          | -                                    | -              |
| GBP/AUD exchange rate - decrease 1% | 242                      | 717            | -                                    | -              |
| Internal funding arrangements       |                          |                |                                      |                |
| GBP/AUD exchange rate - increase 1% | (1,206)                  | (1,225)        | -                                    | -              |
| GBP/AUD exchange rate - decrease 1% | 1,206                    | 1,225          | -                                    | -              |

#### (b) Interest rate risk

The cash of the Group comprises highly liquid deposits, generally bank deposits, which earn interest at a variable rate.

Liabilities of the Group subject to interest rate risk are non-current bank loans which incur interest.

Sensitivity of cash deposits to movements in the interest rate can be demonstrated using assumptions that are not necessarily relevant to the future financial position of the Company, and assuming a constant deposit amount based on 31 December 2014 year end balances. The effect of a change in the interest rate, interest income and reported financial performance is as follows:

|                           | Consolidated   |                |
|---------------------------|----------------|----------------|
|                           | 2014<br>\$'000 | 2013<br>\$'000 |
| MOVEMENT IN INTEREST RATE |                |                |
| 1%                        | 68             | 709            |
| (1%)                      | (68)           | (709)          |

The Group regularly reassesses market conditions, the financial risk, and the terms of deposits so as to optimise return on capital.

## Notes to the consolidated financial statements

### 31 December 2014

## 38 Financial instruments (continued)

### (c) Credit risk

Credit risk refers to the risk a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group (other than in relation to loans with wholly owned subsidiaries) does not have any significant credit risk to any single counterparty. The Group has a material exposure through receivables to clients in the financial services, wealth management and banking industries. The Company actively manages this exposure.

Credit risk on cash and cash equivalent instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

### (d) Liquidity risk

Liquidity risk includes the risk that the Company has insufficient funds to settle a transaction; or it is forced to sell financial assets at a value less than what they are worth.

The Group's liquidity is regularly monitored. The Group's financial liabilities comprised trade payables and other creditors, which are non-interest bearing liabilities, and external debt and derivative liabilities, which are interest bearing. Refer to Note 22 for details regarding contractual maturity of facilities, interest bearing non-current secured borrowings and related swap.

The following table details the Group's exposure to liquidity risk as at December 2014:

|                               | Weighted<br>Average<br>Effective<br>Interest<br>Rate<br>% | 1 month to<br>3 months<br>\$'000 | 3 months<br>to 1 Year<br>\$'000 | 1 Year to<br>5 Years<br>\$'000 | More than<br>5 Years<br>\$'000 | Total<br>\$'000 |
|-------------------------------|-----------------------------------------------------------|----------------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------|
| Financial Liabilities         |                                                           |                                  |                                 |                                |                                |                 |
| Current trade payables        | -                                                         | 14,106                           | -                               | -                              | -                              | 14,106          |
| Sundry creditors and accruals | -                                                         | -                                | 12,412                          | -                              | -                              | 12,412          |
| Tax payable                   | -                                                         | -                                | 1,761                           | -                              | -                              | 1,761           |
| Provisions                    | -                                                         | -                                | 6,502                           | 4,862                          | -                              | 11,364          |
| External debt (a)             | 4.3                                                       | -                                | -                               | 179,112                        | -                              | 179,112         |
| Swap Liability                | -                                                         | -                                | -                               | 12,910                         | -                              | 12,910          |
|                               |                                                           | 14,106                           | 20,675                          | 196,884                        | -                              | 231,665         |

## Notes to the consolidated financial statements 31 December 2014

### 38 Financial instruments (continued)

#### (d) Liquidity risk (continued)

The following table details the Group's exposure to liquidity risk as at 31 December 2013:

|                               | Weighted<br>Average<br>Effective<br>Interest<br>Rate<br>% | 1 month to<br>3 months<br>\$'000 | 3 months<br>to 1 Year<br>\$'000 | 1 Year to<br>5 Years<br>\$'000 | More than<br>5 Years<br>\$'000 | Total<br>\$'000 |
|-------------------------------|-----------------------------------------------------------|----------------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------|
| Financial Liabilities         |                                                           |                                  |                                 |                                |                                |                 |
| Current trade payables        | -                                                         | 21,109                           | -                               | -                              | -                              | 21,109          |
| Sundry creditors and accruals | -                                                         | -                                | 17,451                          | -                              | -                              | 17,451          |
| Tax payable                   | -                                                         | -                                | 3,902                           | -                              | -                              | 3,902           |
| Provisions                    | -                                                         | -                                | 10,173                          | 5,790                          | -                              | 15,963          |
| External debt (a)             | 4.3                                                       | -                                | -                               | 177,326                        | -                              | 177,326         |
| Swap Liability                | -                                                         | -                                | -                               | 10,636                         | -                              | 10,636          |
|                               |                                                           | 21,109                           | 31,526                          | 193,752                        | -                              | 246,387         |

(a) Effective blended interest rate of funding. Bank loans 5.27% (2013: 5.37%), Derivative liabilities 2.9% (2013: 3.82%).

#### (e) Hedging and use of derivative financial instruments

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The Group's policy is to hedge significant transactions as determined by the Board.

Hedging is not undertaken for transactions in the ordinary course of business.

There are no derivatives outstanding in a hedge relationship at 31 December 2014 (2013: nil). During 2013 the Group undertook a cash flow hedge on the foreign currency risk on the acquisition of the Avelo business.

## Notes to the consolidated financial statements

### 31 December 2014

### 38 Financial instruments (continued)

#### (f) Fair value

The carrying amount of financial assets and financial liabilities for the Company and Group recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Due to the short term nature of the trade and other receivables, their carrying amount is assumed to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

The following table gives information about how the fair values of financial assets and financial liabilities that are measured at fair value at the end of each reporting period are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/<br>financial liabilities        | Fair value as at           |                            | Fair value hierarchy | Valuation technique (s) and key input(s)                                                                                                                                                                                                                            | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---------------------------------------------------|----------------------------|----------------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------|
|                                                   | 31 December 2014<br>\$'000 | 31 December 2013<br>\$'000 |                      |                                                                                                                                                                                                                                                                     |                                   |                                                   |
| Foreign currency interest rate swap (see note 22) | 12,910                     | 10,636                     | Level 2              | Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties. | N/A                               | N/A                                               |

There were no transfers between the levels of the fair value hierarchy for 2014 or 2013. There were no changes made during the year to any of the valuation techniques applied as of 31 December 2014.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2014 (2013: nil).

## 39 Related party transactions

### (a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 35 to the financial statements.

### (b) Key management personnel

Details of Key Management Personnel disclosures are set out in the audited remuneration report.

During the year, there were no transactions with Directors or Key Management Personnel or their related parties other than transactions associated with the Directors or Key Management Personnel's compensation or equity holdings, which impacted on profit from ordinary activities before income tax, assets or liabilities.

### (c) Transactions within the wholly owned group

The wholly owned Group includes:

- the ultimate parent entity in the wholly owned Group; and
- wholly owned subsidiaries.

The ultimate parent entity in the wholly owned Group is IRESS Limited.

All loans advanced to and payable to subsidiaries are unsecured and in some instances subordinate to other liabilities.

During the financial year, IRESS Limited recognised a net receivable of \$4,460,178 (2013: receivable of \$2,668,957) from its wholly owned Australian subsidiaries under its tax funding agreement for the Australian income tax consolidated group.

The Company has a series of arrangements with subsidiaries which support the basis on which charges between entities are made.

### (d) Transactions with other related parties

During part of the year, IRESS Wealth Management (Pty) Ltd rented premises at commercial rates from Spotlight House (Pty) Ltd, an entity associated with P Moretonas, an employee of IRESS Wealth Management (Pty) Ltd. The amount paid was \$66,464 (2013: \$165,046) or in local currency terms ZAR 649,203 (2013: ZAR 1,528,938). This lease arrangement ceased in November 2014.

## Notes to the consolidated financial statements 31 December 2014

### 39 Related party transactions (continued)

#### (e) Transactions with ASX Limited

ASX Limited ("ASX") owns 30,752,355 of the ordinary shares in IRESS. ASX is a major supplier of Australian equity market data to IRESS.

All transactions with ASX are conducted on a full arm's length basis.

Total fees paid to ASX for Australian equity and related market data and associated services in 2014 were \$12,808,935 (2013: \$10,377,731). Depending on the particular data set or service being subscribed for, these fees are typically based on either:

- a per user royalty type charge; or
- a fixed annual amount.

IRESS, as a listed entity on the Australian Securities Exchange, pays ASX listing and other related fees at the scheduled rate.

### 40 Key management personnel disclosures

The aggregate compensation of the Key Management Personnel of the Group and the Company is set out below.

|                              | <b>Consolidated</b> |           |
|------------------------------|---------------------|-----------|
|                              | <b>2014</b>         | 2013      |
|                              | \$                  | \$        |
| Short-term employee benefits | <b>4,674,434</b>    | 4,019,628 |
| Post-employment benefits     | <b>223,035</b>      | 186,908   |
| Long-term benefits           | -                   | -         |
| Termination benefits         | -                   | -         |
| Share-based payments         | <b>2,254,045</b>    | 1,772,626 |
|                              | <b>7,151,514</b>    | 5,979,162 |

### 41 Share-based payments

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

- the Executive LTI Plan;
- the General Employee Share Plan;
- the Employee Deferred Share Plan; and
- the Employee Deferred Share Rights Plan.

Summaries of the rules governing the above plans are set out in Notes 42 to 44 respectively.

## 41 Share-based payments (continued)

### (a) May 2014 Grants

Effective from 7 May 2014, the Board issued share grants with a fair value of \$9,093,814 (2013: \$9,282,993) made up as follows:

- 126,000, nil and 58,000 (2013: 130,000, 55,000 and nil) performance rights, deferred shares and deferred share rights respectively to the Chief Executive Officer and Managing Director;
- 108,610, nil, and 79,310 performance rights, deferred shares and deferred share rights respectively (2013: 83,300 performance rights, 65, 580 deferred shares and 5,160 deferred share rights) to Key Executives;
- 108,610 (2013: 83,300), nil (2013: 55,000) and 174,260 (2013: 114,200) performance rights, deferred shares and deferred share rights respectively to employees of the Group;
- In 2013, 333,361 and 581,212 deferred shares and deferred share rights respectively to certain employees in the United Kingdom associated with the establishment of the Group's operations in the United Kingdom (UK Establishment Share Grants. There were no share grants of that description in 2014.

Deferred Shares and Deferred Share Rights will, subject to the satisfaction of individual performance criteria, vest in 2 and 3 years in accordance with the Employee Deferred Share Plan and Employee Deferred Share Rights Plan.

Performance Rights issued to the Chief Executive Officer and Managing Director were issued in two series as set out below and subject to the satisfaction of the peer Group performance criteria, will vest in 4 years from the grant date (i.e. 7 May 2017) in accordance with the Employee Performance Rights Plan:

- 63,000 performance rights with measurement commencing May 2014 (2013: 65,000 measurement commencing May 2013)
- 63,000 performance rights with measurement commencing May 2015 (2013: 65,000 measurement commencing May 2013)

Performance Rights issued to Executives, subject to the satisfaction of the peer Group performance criteria, will vest in 3 years in accordance with the Employee Performance Rights Plan. Only 3 year deferred shares grants were made to Executives in 2014.

## 41 Share-based payments (continued)

### (b) UK Establishment Share Grants

The UK Establishment Share Grants are linked to specific criteria associated with the establishment of these businesses in the region and have 1, 2, 3 and 4 year vesting periods.

The UK Establishment Share Grants which had an aggregate fair value of \$5,215,630 in 2013 were a once-off grant. As such, there were no grants issued in 2014. The combination of the performance criteria applied to meet vesting requirements combined with the ultimate value being linked to the share price is intended to provide a close alignment to shareholder interests.

While vesting outcomes for the UK Establishment Share Grants are weighted to years 3 and 4 actual share accounting expense is weighted more heavily to years 1 and 2. The UK Establishment Share Grants, after cancellations, represented \$1,115,508 or 13.8% of the Group's total 2014 share based payment expense (2013: \$1,115,508 or 13.8%).

### (c) Avelo Share Grants

Following the acquisition of Avelo, deferred share rights were granted to Executives and staff of Avelo in two share grants. The fair value of the grant was \$5,975,128 made up as follows:

- 93,466 deferred share rights to the Executives;
- 679,513 deferred share rights to the staff.

Deferred Share Rights will, subject to the satisfaction of individual performance criteria, vest in 3 years in accordance with the Employee Deferred Share Rights Plan.

The SBP expenses relating to these grants commenced 1 January 2014.

### (d) Fair value of share rights available during the year

The per unit fair value of share rights granted to Directors, Executives and staff during the financial year has been derived based on the external valuation advice from PricewaterhouseCoopers Securities Limited. The valuation has been made using a Monte Carlo simulation option pricing model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk free rates and expected share price volatility. In addition, the likely achievement of performance hurdles of the share rights (where applicable) has been taken into account.

Notes to the consolidated financial statements  
31 December 2014

## 41 Share-based payments (continued)

The following table summarises the movements in not-fully-vested share rights in place during the year.

| CEO        | Instrument            | Year | Opening<br>unvested<br>balance<br>No. | Granted as<br>compensation<br>No. | Vested<br>during the<br>period (b)<br>No. | Cancelled/<br>Lapsed during<br>the period (c)<br>No. | Closing<br>unvested<br>balance<br>No. |
|------------|-----------------------|------|---------------------------------------|-----------------------------------|-------------------------------------------|------------------------------------------------------|---------------------------------------|
|            | Performance rights    | 2014 | 590,000                               | 126,000                           | -                                         | -                                                    | 716,000                               |
|            |                       | 2013 | 585,000                               | 130,000                           | (77,813)                                  | (47,187)                                             | 590,000                               |
|            | Deferred shares       | 2014 | 120,000                               | -                                 | -                                         | -                                                    | 120,000                               |
|            |                       | 2013 | 95,000                                | 55,000                            | (30,000)                                  | -                                                    | 120,000                               |
|            | Deferred share rights | 2014 | -                                     | 58,000                            | -                                         | -                                                    | 58,000                                |
|            |                       | 2013 | -                                     | -                                 | -                                         | -                                                    | -                                     |
| Executives | Instrument            | Year | Opening<br>unvested<br>balance<br>No. | Granted as<br>compensation<br>No. | Vested<br>during the<br>period (b)<br>No. | Cancelled/<br>Lapsed during<br>the period (c)<br>No. | Closing<br>unvested<br>balance<br>No. |
|            | Performance rights    | 2014 | 287,010                               | 108,610                           | -                                         | (63,750)                                             | 331,870                               |
|            |                       | 2013 | 267,090                               | 83,300                            | (39,454)                                  | (23,926)                                             | 287,010                               |
|            | Deferred shares       | 2014 | 128,460                               | -                                 | -                                         | -                                                    | 128,460                               |
|            |                       | 2013 | 83,460                                | 65,580                            | (20,580)                                  | -                                                    | 128,460                               |
|            | Deferred share rights | 2014 | 60,141                                | 79,310                            | -                                         | -                                                    | 139,271                               |
|            |                       | 2013 | -                                     | 60,141                            | -                                         | -                                                    | 60,141                                |
| Staff (a)  | Instrument            | Year | Opening<br>unvested<br>balance<br>No. | Granted as<br>compensation<br>No. | Vested<br>during the<br>period (b)<br>No. | Cancelled/<br>Lapsed during<br>the period (c)<br>No. | Closing<br>unvested<br>balance<br>No. |
|            | Performance rights    | 2014 | 587,100                               | 154,540                           | -                                         | (320,120)                                            | 421,520                               |
|            |                       | 2013 | 567,420                               | 165,810                           | (90,967)                                  | (55,163)                                             | 587,100                               |
|            | Deferred shares       | 2014 | 1,756,257                             | 657,604                           | (280,497)                                 | (170,358)                                            | 1,963,006                             |
|            |                       | 2013 | 1,681,121                             | 727,874                           | (512,271)                                 | (140,467)                                            | 1,756,257                             |
|            | Deferred share rights | 2014 | 468,298                               | 947,239                           | (112,105)                                 | (265,423)                                            | 1,038,009                             |
|            |                       | 2013 | 733,602                               | 59,219                            | (200,821)                                 | (123,702)                                            | 468,298                               |

Notes to the consolidated financial statements  
31 December 2014

## 41 Share-based payments (continued)

| TOTAL | Instrument            | Year        | Opening<br>unvested<br>balance<br>No. | Granted as<br>compensation<br>No. | Vested<br>during the<br>period (b)<br>No. | Cancelled/<br>Lapsed during<br>the period (c)<br>No. | Closing<br>unvested<br>balance<br>No. |
|-------|-----------------------|-------------|---------------------------------------|-----------------------------------|-------------------------------------------|------------------------------------------------------|---------------------------------------|
|       | Performance rights    | <b>2014</b> | 1,464,110                             | 389,150                           | -                                         | (383,870)                                            | 1,469,390                             |
|       |                       | 2013        | 1,419,510                             | 379,110                           | (208,234)                                 | (126,276)                                            | 1,464,110                             |
|       | Deferred shares       | <b>2014</b> | 2,004,717                             | 657,604                           | (280,497)                                 | (170,358)                                            | 2,211,466                             |
|       |                       | 2013        | 1,859,581                             | 848,454                           | (562,851)                                 | (140,467)                                            | 2,004,717                             |
|       | Deferred share rights | <b>2014</b> | 528,439                               | 1,084,549                         | (112,105)                                 | (265,423)                                            | 1,235,460                             |
|       |                       | 2013        | 733,602                               | 119,360                           | (200,821)                                 | (123,702)                                            | 528,439                               |

(a) This includes deferred share rights granted as part of the UK Establishment grants. These grants are set out separately below:

| UK<br>Establishment<br>Grant | Instrument                | Year        | Opening<br>unvested<br>balance<br>No. | Granted as<br>compensation<br>No. | Vested<br>during the<br>period (b)<br>No. | Cancelled/<br>Lapsed during<br>the period (c)<br>No. | Closing<br>unvested<br>balance<br>No. |
|------------------------------|---------------------------|-------------|---------------------------------------|-----------------------------------|-------------------------------------------|------------------------------------------------------|---------------------------------------|
|                              | Performance rights        | <b>2014</b> | -                                     | -                                 | -                                         | -                                                    | -                                     |
|                              |                           | 2013        | -                                     | -                                 | -                                         | -                                                    | -                                     |
|                              | Deferred shares (b)       | <b>2014</b> | 222,127                               | -                                 | (40,067)                                  | (5,560)                                              | 176,500                               |
|                              |                           | 2013        | 333,361                               | -                                 | (36,681)                                  | (74,553)                                             | 222,127                               |
|                              | Deferred share rights (b) | <b>2014</b> | 321,369                               | 772,979                           | (90,655)                                  | (183,263)                                            | 820,430                               |
|                              |                           | 2013        | 581,212                               | -                                 | (138,901)                                 | (120,942)                                            | 321,369                               |

(b) UK establishment grants were also issued in May 2012. These awards are included in the applicable balances in this table.

## 42 Summary of the Executive LTI Plan

On 7 May 2003, the IRESS Employee Performance Rights Plan (the PR Plan) was established to assist in the attraction, retention and motivation of employees of the Group. This plan was modified on 26 March 2008 following the creation of the IRESS Market Technology Equity Plan Trust (the Trust). In 2014 the PR Plan was amended to:

- (i) Change the name of the PR Plan to the Executive LTI Plan;
- (ii) The number of retest available after the initial measurement date was reduced from monthly retesting for the six months subsequent to the initial measurement date, to a single retest six months after the initial measurement date.
- (iii) The calculation of the performance measurement calculation was altered from a calculation based on the closing share prices for the Company and the Peer Group of companies on the vesting date, to measuring based on the volume weighted average closing share price for the preceding 20 trading days ending on the vesting date.

The key terms of the PR Plan are set out below:

### **(d) General rules**

- (i) The PR Plan is open to employees of an entity in the Group or long term consultants to an entity in the Group.
- (ii) The Board will determine the quantum of performance rights issued under the PR Plan.
- (iii) The total number of unvested performance rights together with all other shares outstanding under the various employee share plans, must not exceed 5% of the total number of issued shares in that class at the time of the offer.
- (iv) The PR Plan will be administered by the trustee in accordance with the instructions of the Board. The Board may make further rules for the operation of the PR Plan which are consistent with the PR Plan.
- (v) The PR Plan provides for the possibility of accelerated vesting of performance rights upon the occurrence of a specified 'event' (such as a takeover is made for the Company, a scheme of arrangement is proposed or the Company is wound up).
- (vi) Performance rights lapse in certain circumstances, including where:
  - (a) the performance criteria have not been satisfied within the required time period;
  - (b) vested performance rights expire; or
  - (c) an employee or consultant ceases their employment with the Group, other than for a qualifying reason.

## 42 Summary of the Executive LTI Plan (continued)

- (vii) Where an employee leaves the Group as a result of a qualifying reason, performance rights granted in the last six months lapse but remaining unvested rights vest on a pro-rata basis having regard to the period which has elapsed between the issue of the performance rights to the employee and the employee leaving the Group. Finally, where in the Board's view there are special circumstances under which it would be unfair not to allocate shares or the cash equivalent to a departing employee, the Board has the capacity to make such an allocation of shares or cash.
- (viii) The quantum of performance rights issued to an employee under the PR Plan are modified in accordance with standard industry adjustments to reflect:
  - (a) a bonus issue; or
  - (b) a reconstruction of the Company's issued capital.
- (ix) Performance rights will not be quoted on the ASX, however upon issuance of shares in accordance with the PR Plan rules, the Company will immediately apply for quotation of those shares on the ASX.
- (x) The exercise price for a performance right holder to subscribe for and be allotted, credited as fully paid, shares arising under the Plan, is \$1, irrespective of the number of performance rights exercised on the applicable day. The \$1 fee is payable each time a performance right holder subscribes for shares under the Plan.
- (xi) During the 'restriction period', any share provided on the exercise of a performance right is held on trust by the trustee. In addition to other restrictions the Board considers necessary to give effect to the restrictions, it may place a holding lock on these shares.
- (xii) Shares may be withdrawn from the Trust upon the submission and approval of a valid 'withdrawal notice'.

### (e) Performance criteria

The following performance criteria shall apply to performance rights issued under the PR Plan:

- (i) Performance ranking

The Company's performance ranking for a performance period is determined by reference to the total shareholder return of the Company during the performance period as compared to the total shareholder return for each company in a peer Group of companies. The peer Group of companies comprises the top 200 companies listed in the S&P/ASX 200 companies index after excluding mining companies and listed property trusts. A peer company must have been in the S&P/ASX 200 companies index for the entire performance period (i.e. new entrants and companies dropping out of the S&P/ASX 200 companies index are excluded). The Company's ranking within that Group of companies at the end of the relevant performance period determines the number of performance rights in the particular series that become exercisable (if any) on the following basis.

## 42 Summary of the Executive LTI Plan (continued)

| Performance Ranking Range                                  | Number of Performance Rights Exercisable                                                                                                                                        |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Below 50 <sup>th</sup> percentile                          | 50% of the rights in the series available to be exercised.                                                                                                                      |
| 51 <sup>st</sup> percentile to 74 <sup>th</sup> percentile | Rights available in the series available to be exercised will be determined on a pro-rata basis between 50% and 100% depending on the Company's percentile performance ranking. |
| 75 <sup>th</sup> percentile or higher                      | 100% of rights in the series available to be exercised.                                                                                                                         |

Total shareholder return in respect of a company in a performance period, is the increase in the value of a shareholder's investment in that company during the performance period, on the basis that all dividends and other returns grossed up for franking credits, are immediately reinvested in the Company, at the closing price for the shares on the payment date of the dividend or other return.

- (ii) Vesting period  
Performance rights typically have a three year term. Performance rights granted to the CEO in 2011 and subsequent years have a four year term, where a portion have a one year deferred start date for the performance measurement period.
- (iii) Performance measurement period  
The performance measurement period is the term commencing on the commencement date and ending three / four years after the commencement date (as the case may be).

For 2015 onwards, the calculation of performance is assessed using the closing share price for the Company and the peer Group of companies measured based on the volume weighted average closing share price for the preceding 20 trading days ending on the vesting date. Prior to this, the closing share price on the initial vesting date was used for both the Company and the peer Group of companies.

### (f) Terms of the rights

- (i) Rights may be exercised during a two year period from the date on which they become exercisable, and to the extent they are not exercised within that period, they will lapse.
- (ii) For grants issued in 2014 and subsequently, should the performance criteria not be met in the performance period for that series, the Company's ranking will be retested once six months after the initial measurement date. Grants issued prior to 2014 are eligible for retests on a monthly basis for the six months following the initial measurement date.

## 43 Summary of the Employee Deferred Share Plan

On 26 March 2008, the IRESS Employee Deferred Share Rights Plan (the Deferred Share Rights Plan) was established. The Deferred Share Rights plan is very similar in operation to the Executive LTI Plan outlined in Note 42.

Key areas of difference are as follows.

### (a) General rules

- (i) No exercise price is payable for a deferred share holder to subscribe for and be allotted, credited as fully paid, shares arising under the Plan;
- (ii) Participants are eligible to receive dividends and vote during the vesting period; and
- (iii) The vesting term and performance criteria are stipulated in the individual offering.

### (b) Vesting term and criteria

The vesting period is typically 3 years, although deferred shares granted prior to 2011 had a two year vesting period, in 2012 the vesting period was extended to three years for all awards made to Executives, with awards to other employees having a combination of two and three year vesting periods. Since 2013 all awards have a three year term.

The performance criteria requires satisfactory individual performance during the vesting period. There is no benchmarking against an external peer Group of companies with graduated vesting based on relative ranking, as is the case for performance rights.

Deferred shares issued in 2012 as part of the UK Establishment Share Grants have specific vesting criteria associated with the establishment of these businesses in the region.

## 44 Summary of the Employee Deferred Share Rights Plan

On 26 March 2008, the IRESS Employee Deferred Share Rights Plan (the Deferred Share Rights Plan) was established. The Deferred Share Rights plan is very similar in operation to the Deferred Share Plan outlined in Note 43.

In 2014 the Deferred Shares Rights Plan rules were amended to modify the outcome where an employee leaves the Group as a result of a qualifying reason. The change was to bring rules in line with the Group's treatment under the other share plans in this situation.

Key areas of difference are as follows.

### (a) General rules

- (i) Participants are not eligible to receive dividends or vote during the vesting period.
- (ii) The vesting term and performance criteria are stipulated in the individual offering.

## 44 Summary of the Employee Deferred Share Rights Plan (continued)

### (b) Vesting term and criteria

The vesting period is typically 3 years, although deferred shares rights granted prior to 2012 had a two year vesting period, with grants issued to employees in 2012 comprising a combination of two and three year vesting periods. Since 2013 all awards have a three year term.

The performance criteria requires satisfactory individual performance during the vesting period. As with deferred shares, there is no benchmarking against an external peer Group of companies or graduated vesting based on relative ranking, as is the case for performance rights.

Deferred shares rights issued in September 2013 following the Avelo acquisition have specific vesting criteria associated with them which are linked to key strategic drivers for the UK business. The Board modified the vesting criteria and extended the vesting period on these awards during 2014 to reflect the restructure of the Enterprise Lending business during 2014.

## 45 Summary of the IRESS Non-Executive Director Share Plan

The IRESS Non-Executive Directors share plan ('NED Plan') was established following the Company's Annual General Meeting in May 2008. As at 31 December 2014, and at the date of this report, no shares have been issued under the NED plan. The key terms of the NED Plan are set out below.

### (a) General rules

- (i) Participation in the NED Plan is voluntary.
- (ii) The maximum proportion of a participating Non-Executive Director's remuneration which may be provided in the form of shares is 50%.
- (iii) It is currently proposed that shares will be allocated to participants for prescribed periods (either quarterly or half-yearly) and in advance. If a participating Director ceases to hold office during this period he or she will forfeit a pro rata portion of shares for that period.
- (iv) Once allocated, the shares will be held in trust on behalf of participating Directors in accordance with the terms of the NED Plan until the earlier of:
  - (a) a prescribed period from the date of allocation;
  - (b) cessation of office; or
  - (c) the occurrence of a specified 'event' (such as a takeover is made for the Company, a scheme of arrangement is proposed or the Company is wound up).
- (v) During this period, participating Directors will not be able to sell or otherwise deal in the shares.
- (vi) While the shares are held on trust, participating Directors will be entitled to dividends and voting rights and may enjoy other rights accruing to the shares in common with other shareholders (e.g. rights to participate in bonus and rights issues).

**45 Summary of the IRESS Non-Executive Director Share Plan  
(continued)**

- (vii) If shares are not able to be provided to a participating Director for any reason (e.g. because of legal impediments applicable at the time), cash will be provided instead.

## Additional shareholder information

The shareholder information set out below was applicable as at 31 January 2014.

### (a) Distribution of members and their holdings

| Size of Holding  | Number Of<br>Ordinary<br>Shareholders | Shares             | Number of<br>Performance<br>Rights<br>Holders | Number of<br>Deferred<br>Share Holders | Number of<br>Deferred<br>Share Rights<br>Holders |
|------------------|---------------------------------------|--------------------|-----------------------------------------------|----------------------------------------|--------------------------------------------------|
| 1 - 1000         | 2,726                                 | 1,288,271          | -                                             | 114                                    | 4                                                |
| 1,001 - 5,000    | 3,193                                 | 7,809,413          | 4                                             | 137                                    | 23                                               |
| 5,001 - 10,000   | 722                                   | 5,053,116          | 1                                             | 62                                     | 9                                                |
| 10,001 - 100,000 | 446                                   | 9,834,807          | 13                                            | 92                                     | 40                                               |
| 100,001 and over | 40                                    | 135,111,712        | 1                                             | 4                                      | -                                                |
|                  | <b>7,127</b>                          | <b>159,097,319</b> | <b>19</b>                                     | <b>409</b>                             | <b>76</b>                                        |

| Size of Holding      | Number of<br>Ordinary<br>Shareholders | Shares |
|----------------------|---------------------------------------|--------|
| Unmarketable parcels | 151                                   | 1,621  |

### (b) Ordinary Share Capital

- 159,097,319 fully paid ordinary shares are held by 7,127 shareholders.
- All issued ordinary shares carry one vote per share held.

### (c) Share Rights

- 1,464,390 performance rights held by 19 individual holders
- 2,211,466 deferred shares held by 409 individual holders
- 1,235,460 deferred shares rights held by 76 individual holders
- Only deferred shares carry a right to vote.

### (d) Unallocated Treasury Shares

- Unallocated 241,224 treasury shares.
- Unallocated treasury shares have the right to vote and would be voted in accordance with the recommendation of the Directors.

## Shareholder information 31 December 2014

### (e) Substantial shareholders

|                                       | Number<br>held     | Percentage     |
|---------------------------------------|--------------------|----------------|
| ASX Limited                           | 30,752,355         | 19.33%         |
| Hyperion Asset Management Limited     | 20,268,165         | 12.74%         |
| Challenger Limited                    | 11,985,686         | 7.53%          |
| Greencape Capital Pty Ltd             | 8,065,050          | 5.07%          |
| <b>Total substantial shareholders</b> | <b>71,071,256</b>  | <b>44.67%</b>  |
| Balance of register                   | 88,026,063         | 55.33%         |
| <b>Total</b>                          | <b>159,097,319</b> | <b>100.00%</b> |

### (f) Twenty largest shareholders of quoted equity securities

| Name                                                                   | Ordinary shares<br>Percentage<br>of<br>Number<br>held | issued<br>shares |
|------------------------------------------------------------------------|-------------------------------------------------------|------------------|
| ASX Limited                                                            | 30,752,355                                            | 19.33%           |
| J P Morgan Nominees Australia Limited                                  | 29,464,400                                            | 18.52%           |
| National Nominees Limited                                              | 16,700,539                                            | 10.50%           |
| HSBC Custody Nominees Limited                                          | 8,065,050                                             | 8.84%            |
| Citicorp Nominees Pty Ltd                                              | 8,460,955                                             | 5.32%            |
| BNP Paribas Nominees (Australia) Limited <DRP>                         | 6,314,523                                             | 3.97%            |
| Pacific Custodians Pty Limited <Equity Plans Trust A/C>                | 4,697,312                                             | 2.95%            |
| RBC Investor Services Australia Nominees Pty Ltd <BKCUST A/C>          | 4,517,072                                             | 2.84%            |
| RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>   | 3,878,731                                             | 2.44%            |
| Australian Foundation Investment Company Limited                       | 2,709,412                                             | 1.70%            |
| Citicorp Nominees Pty Limited <Colonial First State Inv A/C>           | 1,548,839                                             | 0.97%            |
| Smallco Investment Manager Limited <The Cut A/C>                       | 1,326,650                                             | 0.83%            |
| BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>                  | 927,276                                               | 0.58%            |
| Navigator Australia Ltd <MLC Investment Sett A/C>                      | 910,353                                               | 0.57%            |
| HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C> | 909,111                                               | 0.57%            |
| Mirrabooka Investments Limited                                         | 840,000                                               | 0.53%            |
| Argo Investments Limited                                               | 791,884                                               | 0.50%            |
| RBC Investor Services Australia Nominees Pty Limited                   | 742,451                                               | 0.47%            |
| Aventeos Investments Limited <2477966 DNR A/C>                         | 653,614                                               | 0.41%            |
| Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>      | 572,616                                               | 0.36%            |
| <b>Total top 20 shareholders</b>                                       | <b>130,788,252</b>                                    | <b>82.21%</b>    |
| Balance of register                                                    | 28,309,067                                            | 17.79%           |
| <b>Total</b>                                                           | <b>159,097,319</b>                                    | <b>100.00%</b>   |