

22 February 2012



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

**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Appendix 4E – IRESS Preliminary Final Report**

Please find attached an Appendix 4E Notice relating to the company's full year financial results for the financial year ending 31 December 2011.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Peter Ferguson", with a long horizontal flourish extending to the right.

Peter Ferguson  
Company Secretary

**IRESS Market Technology Ltd**  
A.B.N. 47 060 313 359

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# Appendix 4E

## Preliminary final report

|                                 |                |
|---------------------------------|----------------|
| Name of entity                  | ABN reference  |
| IRESS Market Technology Limited | 47 060 313 359 |

### 1. Reporting periods

|  |   |
|--|---|
| Financial year ended<br>(‘current period’) | Financial year ended<br>(‘previous corresponding period’) |
| <b>31 December 2011</b>                    | <b>31 December 2010</b>                                   |

### 2. Results for announcement to the market

\$A'000

| Key Information  | Current Period | Previous Corresponding Period | % Change Increase/(Decrease) | Amount Increase/(Decrease) |
|--|----------------|-------------------------------|------------------------------|----------------------------|
| Revenue from ordinary activities                         | 204,758        | 179,585                       | 14.0%                        | 25,173                     |
| Net profit/(loss) for the period attributable to members | 41,341         | 50,479                        | (18.1)%                      | (9,138)                    |

| Dividends /distributions |                     |                                | Amount per security | Franked amount per security at 30% tax |
|--------------------------|---------------------|--------------------------------|---------------------|--|
| Final Dividend           | Record Date Payable | 16 March 2012<br>30 March 2012 | 24.0c               | 19.92c                                 |
| Interim Dividend         | Paid                | 30 Sept 2011                   | 14.0c               | 14.0c                                  |

#### Supplementary Comments of any figures above:

In respect of the financial year ended 31 December 2011, an interim dividend of 14.0 cents per share franked to 90% at 30% corporate tax rate was paid to the holders of fully paid ordinary shares on 30 September 2011.

In respect of the financial year ended 31 December 2011, the Directors recommend a final dividend of 24.0 cents per share franked to 83% at 30% corporate tax rate to be paid to the holders of fully paid ordinary shares on 30 March 2012. The record date to participate in the final dividend is 16 March 2012.

In respect of the financial year ended 31 December 2010, the Directors recommended a final dividend of 24.0 cents per share franked to 66% at 30% corporate tax rate to be paid to the holders of fully paid ordinary shares on 31 March 2011. The record date to participate in the final dividend is 15 March 2011.

In addition, directors recommended a once off special unfranked dividend of 3.5 cents per share to be paid to the holders of fully paid ordinary shares on 31 March 2011.

For further information, please refer to the Audited Financial Statements for the year ended 31 December 2011.

### 3. Statement of Comprehensive Income

Please refer to the Audited Financial Statements for the year ended 31 December 2011.

#### 4. Statement of Financial Position

Please refer to the Audited Financial Statements for the year ended 31 December 2011.

#### 5. Statement of Changes in Equity

Please refer to the Audited Financial Statements for the year ended 31 December 2011.

#### 6. Statement of Cash Flows

Please refer to the Audited Financial Statements for the year ended 31 December 2011.

#### 7. Dividends

|                   |               | Date paid/payable | Amount per security | Franked amount per security at 30% tax | Amount per security of foreign sourced dividend |
|-------------------|---------------|-------------------|---------------------|--|---|
| Final dividend:   | Current year  | 30 March 2012     | 24.0c               | 19.92c                                 | –   |
|                   | Previous year | 31 March 2011     | 24.0c               | 15.84c                                 | –   |
| Interim Dividend: | Current year  | 30 September 2011 | 14.0c               | 12.6c                                  | –   |
|                   | Previous year | 30 September 2010 | 14.0c               | 14.0c                                  | –   |
| Special Dividend: | Current year  | n/a               | n/a                 | n/a                                    | –   |
|                   | Previous year | 31 March 2011     | 3.5c                | 0.0c                                   | –   |

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

+ Ordinary securities  
Preference + securities

| Current year | Previous year |
|--------------|---------------|
| 38.0c        | 41.5c         |

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

+Ordinary securities (each class separately)

Interim  
Final (a)  
Special

|  | Current period \$A'000 | Previous corresponding period \$A'000 |
|--|------------------------|---------------------------------------|
|  | 17,785                 | 17,642                                |
|  | 30,489                 | 30,244                                |
|  | –                      | 4,411                                 |
|  | 48,274                 | 52,297                                |
| Preference + securities (each class separately)  | –                      | –                                     |
|  | –                      | –                                     |
|  | –                      | –                                     |
| Other equity instruments (each class separately) | –                      | –                                     |
|  | –                      | –                                     |
|  | –                      | –                                     |
| <b>Total</b>                                     | <b>48,274</b>          | <b>52,297</b>                         |

(a) The current period final dividend amount has been calculated based on the number of shares on issue as at 31 December 2011. The previous corresponding period final dividend amount has been updated to reflect the actual dividend paid.

## 8. Dividend Reinvestment plans

The +dividend or distribution plans shown below are in operation.

NIL

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

N/A

## 9. Statement of Retained Earnings

Please refer to note 19 of the Audited Financial Statements for the year ended 31 December 2011.

## 10. NTA Backing

|  | Current Period | Previous Corresponding Period |
|--|----------------|-------------------------------|
| Net tangible asset backing per +ordinary security (\$) | 65.34c         | 83.20c                        |

## 11. Subsidiaries

Please refer to note 30 of the Audited Financial Statements for the year ended 31 December 2011.

## 12. Associates and Joint Ventures

N/A

## 13. Other Significant Information

Please refer to the Audited Financial Statements for the year ended 31 December 2011.

## 14. Foreign Entities

Please refer to note 30 of the Audited Financial Statements for the year ended 31 December 2011.

## 15. Commentary

### 15.1 Earnings per security

Please refer to note 5 of the Audited Financial Statements for the year ended 31 December 2011.

### 15.2 Returns to shareholders including distributions and buy backs

Please refer to the Audited Financial Statements for the year ended 31 December 2011.

Note 21 Dividends

Note 17 Issued capital

### 15.3 – 15.5 Significant features of operating performance

In looking at the consolidated entity's performance during 2011, the following are important themes:

- Pursuit of medium term growth opportunities:
  - In January 2011, the Peresys operations were acquired, establishing IRESS Financial Market activities in South Africa. In addition to being a new and profitable business segment providing good growth opportunities, it does impact year on year comparisons for the consolidated entity;
  - Organic growth initiatives to establish IRESS services in Asia which commenced in 2010 continued in the current year. Significant progress in trialling of services and engagement with clients continued and was broadly in line with expectations. The financial investment of seeding this longer term opportunity continued in the current

year and remains an important avenue for future growth; and

- In a similar manner to our organic initiative in Asia, in November 2011 wealth management operations were commenced in the United Kingdom supported through securing a seed client arrangement with the largest retail distributor in the United Kingdom.
- Economic Conditions:
  - In the broad 2011 was a tough year for the financial services sector, which generally translated into softer demand for new services, and some cancellations;
  - Despite this, opportunity and demand for our leading solutions in segments remained, most noticeably in expanded requirement for retail wealth management technology and services;
  - Failures by Minc Financial and MF Global impacted on the current year through lost recurring revenue as well as sizeable bad debts; and
  - Demand for skilled staff relevant to our business activities continues to remain high.
- Conversion of off-shore results to Australian Dollars:
  - Group consolidated results for the year are impacted by appreciation of the Australian dollar, most noticeably in conversion of the results from our South African operations given the 22% decline in the South African Rand.

IRESS' recurring subscription model continues to drive results and outlook.

During the year, the profitability of the consolidated entity was impacted by:

- Australia & New Zealand Financial Markets - Revenue \$108.9m. (2010: \$104.5m) up 4.2%; segment profits \$56.3m (2010: \$58.9m) down 4.4%. Revenue growth was strongly associated with project deliveries in the commencing and final periods of the second half, driven by client preparation for multiple trading venues late in 2011. While revenue for our leading range of multi-markets products and services commenced once venue competition opened in October, its positive effect was impacted through the loss of MF Global and increased cancellations. While headcount did increase during 2011 (mainly in H2'2011), it was also impacted by the full year impact of the headcount increases late in H2'2010 which was largely to support project work associated with the move to multi-markets. The collapses of Minc Financial and MF Global resulted in a \$0.519m bad debt expense. The combined impact of these resulted in a margin decline from 56.3% to 51.7%.
- Canadian Financial Markets – Revenue \$24.0m. (2010: \$23.5m) up 2.0% (10.9% in CAD); segment profits \$8.2m (2010: \$7.8m) up 4.5% (13.5% in CAD). The segment produced good revenue growth in line with project completions, although its impact was somewhat lessened due to broader economic factors. Modest improvements in contribution from news, data and communication services combined with moderated growth in the operating cost base saw margins in CAD improve from 33.5% to 34.2%.
- South African Financial Markets – Revenue \$15.3m (ZAR 114.2m) (2010: nil); segment profits \$5.5m (ZAR 41.8m) (2010: nil). The underlying entity making up this segment (Peresys (Pty) Ltd) was acquired with effect from 20 January 2011. This business has high levels of recurring revenues, some of which are linked to volume usage. Due to reduced trading volumes as experienced globally, this component of their revenues was negatively impacted. Revenue growth in H2'11 was up 20.4% in ZAR, supported in part from the part period in January missing from H1, a price increase in April as well as growth in subscription revenues. Cost growth associated with post acquisition changes, and some initiatives to support future growth resulted in H2 margins staying largely unchanged for H2'11 at 36.6% in ZAR.
- Asian Financial Markets – Revenue \$1.1m. (2010: \$0.6m); segment loss \$(1.5)m (2010: \$(0.6)m). The segments results were impacted through the loss of MF Global in the second half, reducing revenues from a major client to the division as well as a bad debt of \$0.262m.
- Australia & New Zealand Wealth Management – Revenue \$49.1m. (2010: \$43.8m) up 12.2%; segment profits \$20.3m (2010: \$18.6m) up 8.7%. The business has continued to perform well, with revenues driven by transitional rollouts as well as solid organic growth across the broader client base. Demand for services continues to be driven by the efficiencies available through the suite of technology offerings. Growth in headcount to support the large number of migrations saw margins decline marginally from 42.6% to 41.3%.
- South African Wealth Management – Revenue \$6.0m. (2010: \$7.1m) down 15.3% (6.3% in ZAR); segment profits \$1.7m (2010: \$2.5m) down 31.6% (23.9% in ZAR). The known loss of two clients (as announced with last year's results) produced a financial outcome inconsistent with the level of activity and work performed on XPLAN rollouts and responding to client requirements and opportunities. With modest cost increases, margins decreased from 35.0% to 28.4%.
- Asian Wealth Management – Revenue \$0.2m (2010: \$0.3m) down \$0.1m and segment loss \$(1.3)m (2010: loss \$(1.1)m). The business continues to make progress in engaging clients and establishing solutions with seed clients across the broad spectrum of wealth management services in these markets. The cost base remained substantially

unchanged from 2010.

- United Kingdom Wealth Management – This operation was established in November 2011, and generated no revenue in the period, and a segment loss of \$(0.1)m.

The reported net profit after tax was \$41.3m, an 18.1% decrease on reported profits for the same period last year. Impacting on comparability of results for 2011 and 2010 are:

- a primary factor in increased operating expenses in 2011 on 2010 was the 28.7% increase in group headcount across the year. In addition to the 93 staff introduced into the group through the acquisition of Peresys, headcount was increased in both financial markets and wealth management A&NZ to support client lead initiatives (approximately a further 35 staff), the other area of growth was staffing for financial market activities in Asia. Also very late in 2011 there were some new staff associated with setting up wealth management operations in the UK. Further 2011 wages and other related costs reflected the full year impact for the 58 additional staff added during 2010;
- the increase in total direct staff costs before share based payments at 27.1% was in line with the movement in headcount. Short term incentives increased very slightly as a percentage of base wages, reflecting amongst other factors the enormous effort by many associated with very major projects across the group, most notably the multi-market implementation in Australia. Share based payments, which lag headcount movements, increased by 2.8%. Overall total employee related expenses increased by \$15.635m or 24.4%;
- customer data fees increased by 8.5% reflecting expanded data requirement, largely associated with the commencement of our financial markets South Africa operations;
- communication and technology expenses increased by \$1.270m or 13.6% reflecting in part expansion and upgrade to our networks, including in Asia and South Africa;
- primarily as a direct result of the increased headcount, and the introduction of Peresys into the group results, facility related expenses increased by 28.1%. Office relocations in Brisbane, Perth and Singapore were also a factor;
- during 2011 the group experienced two large bad debts (Minc Financial and MF Global) which together with an increase in the doubtful debts provision at Peresys, resulted in a net bad debt expense for the year of \$0.882m. Until this year, bad debts of this magnitude were unprecedented for the consolidated entity. In 2010, given our negligible claims history, there was a write back in the bad debt provision which resulted in a credit of \$0.722m in the Income Statement. In 2011 the bad debt expense was \$0.882m, which represents a net movement year on year of \$1.604m;
- depreciation and amortisation increased by \$7.489m (49.6%) primarily due to recognition of new assets associated with the purchase of assets from Peresys and the subsequent purchase of Peresys, which collectively gave rise to assets such as computer software and referred to in management presentations as Strategic Charges;
- net interest income decreased by \$1.862m primarily from decreased average cash holdings during the year. In addition interest expense flowing from deferred consideration associated with the Peresys vendor earnout, resulted in a non-cash interest expense being recognised;
- as previously flagged the effective income tax rate increased back to longer term levels at 31.3% from 25.6% in 2010. The change arose from concluding the previously observed overlap on tax deductions arising from the transition of share grants from performance rights to deferred shares; and
- the collective impact of these changes was a decrease in basic EPS from 40.335 cents per share to 32.644 cents per share, a decrease of 19.1%.

#### CHANGES IN OPERATIONS DURING THE YEAR

During the course of the year, the operations of the consolidated entity were modified by the following changes:

##### Establishment of Financial Market operations in South Africa

Effective from 20 January 2011, IRESS Market Technology Limited ('IRESS') acquired Peresys (Pty) Ltd ('Peresys') and its subsidiaries. Shortly prior to this in a separate transaction, IRESS acquired all the computer software and registered intellectual property rights of Peresys (collectively the 'transaction').

Peresys is a South African based technology solutions provider to the financial markets, specialising in building and running FIX enabled connected trading communities across all asset classes, including equities, fixed interest and derivatives.

Peresys was acquired for an expected ZAR 375m (approximately AUD 56.1m). The transaction included an upfront cash payment of ZAR 340.5m (approximately AUD 51.0m) and performance based payments based around the growth of the business of up to ZAR 24.2m (approximately AUD 3.6m), most of which is payable at the end of three years. The total aggregate purchase price is capped at ZAR 364.7m (approximately AUD 54.6m). In addition, up to an additional ZAR 10m (approximately AUD 1.5m) is available to certain staff, with payment based on performance of the business over three

years.

Establishment of Wealth Management operations in the United Kingdom

In November 2011, IRESS Market Technology Limited ('IRESS') announced the establishment of wealth management operations in the United Kingdom through a wholly owned UK subsidiary, IRESS Technology Limited ('IRESS UK'). At the same time it was announced IRESS UK had been selected as the strategic supplier of wealth management advice technology to the largest distributor of retail financial advice in the UK. Supporting this new initiative the former Directors of leading financial services consultancy business were employed, after agreeing to wind down their consulting business.

As this is an organic entry into the UK, there were no upfront payments or acquisition related amounts. The arrangement with our seed client recognises their position in terms of future pricing of services, but there are no capital payment amounts involved. The arrangement with the new local management team, includes potential to participate in share grants assessed exclusively on the performance of the UK business over the medium term.

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

Please refer to the Audited Financial Statements for the year ended 31 December 2011.

## 16. Compliance Statement

This report should be read in conjunction with the attached Audited Financial Statements for the year ended 31 December 2011.

Sign here:



(Company Secretary)

Date: 22 February 2012

Print name:

PETER FERGUSON