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

20 February 2020

Dear Sir or Madam

IRESS LIMITED - RESULTS FOR ANNOUNCEMENT TO THE MARKET

As required by the Listing Rules, Iress encloses for immediate release the following information:

1. **Appendix 4E; and**
2. **Iress' 2019 Annual Report**

Further, Iress confirms that its Annual General Meeting will be held at RACV Club, located at 501 Bourke Street, Melbourne, Victoria on Thursday, 7 May 2020, at 11.30 am (AEST). In accordance with Listing Rule 3.13, Iress confirms that the closing date for receipt of nominations from persons wishing to be considered for election as director is Friday, 13 March 2020, that date being 36 business days before the Annual General Meeting.

Yours sincerely

Peter Ferguson
Group General Counsel & Company Secretary

Iress Limited
Corporate Office:
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MELBOURNE VIC 3000 Australia
ABN: 47 060 313 359

T +61 3 9018 5800
enquiries@iress.com
www.iress.com

Appendix 4E

Name of entity	ABN reference
Iress Limited	47 060 313 359

1. REPORTING PERIODS

Financial year ended ('current period')	Financial year ended ('previous corresponding period')
31 December 2019	31 December 2018

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	Current period $'000	Previous corresponding period $'000	Percentage change increase	Amount increase $'000
Revenue from ordinary activities	508,943	464,624	9.5%	44,319
Profit before income tax expense	88,451	84,969	4.1%	3,482
Net profit attributable to the members of the parent company	65,128	64,096	1.6%	1,032

3. DIVIDENDS

Dividend	Period	Payment date	Amount per security Cents	Franked amount per security at 30% tax
Final dividend*	31 December 2019	20 March 2020	30.0	40%
Interim dividend	30 June 2019	27 September 2019	16.0	10%
Final dividend	31 December 2018	22 March 2019	30.0	40%

* The record date for the final dividend is 27 February 2020. A dividend reinvestment plan will operate in respect of the final dividend.

4. NTA BACKING

Net tangible assets backing per ordinary share	Current period Cents	Previous corresponding period Cents
Net tangible assets backing per ordinary share	(105.67)	(78.36)

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

5. FINANCIAL STATEMENTS

For additional Appendix 4E disclosures, refer to the Directors' Report, audited Financial Report for the year ended 31 December 2019 and the Media Release lodged with the Australian Securities Exchange on 20 February 2020.

2019 Annual Report

iress

2,011 people
18 offices
9 countries
500,000+ users
9,000+ clients
500+ integrations

We believe technology should help people perform better, every day.

We are a global team of 2,011 people building software that helps the financial services industry perform at its best.

More than 9,000 businesses and 500,000 people use our software to help them perform better and deliver more.

AGM details
Thursday 7 May 2020
11.30am AEST
RACV Club
501 Bourke Street
Melbourne, Australia

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At Iress we're focused on finding better ways to work, building better software and making improvements to better service our clients and users. Here are some highlights from 2019.

Improvements to **better** support our clients and users

Throughout 2019 we sought feedback from clients and users to understand how to better support them. Based on that direct feedback, we made improvements to support processes which have driven better resolution times.

Changes to how we work have also resulted in noticeable improvements in software quality and a smoother upgrade process.

We continue to seek feedback from our clients in a structured manner at key interactions in our relationships and have introduced formalised methods to ensure this feedback is a driver of improvement.

Helping our users make **better** use of our software

In 2019 we launched the Iress Community – a dedicated, secure online community providing a single source of information for users about our software. It helps users get the best out of our software and includes searchable help, software release notes, real-time service updates and best practice articles. It also provides users with direct access to our software experts as well as tips from other software users.

The Iress Community was rolled out in 2019 to all users of our financial advice software globally and is now being opened to users of other Iress software.

Recognised as one of the industry's **best** innovators

Our CTO, Andrew Todd, was recognised as one of Australia's top 'technology and digital chiefs.'

Andrew received this prestigious accolade from one of the most influential titles for senior IT professionals in the region, CIO Australia. Each year, CIO Australia selects top C-suite executives who have driven technology-led innovations and significant change in the way organisations operate.

Andrew made the list based on Iress' enhancements to the speed, scale and quality of our delivery to clients, including through delivery of Iress' cloud program.

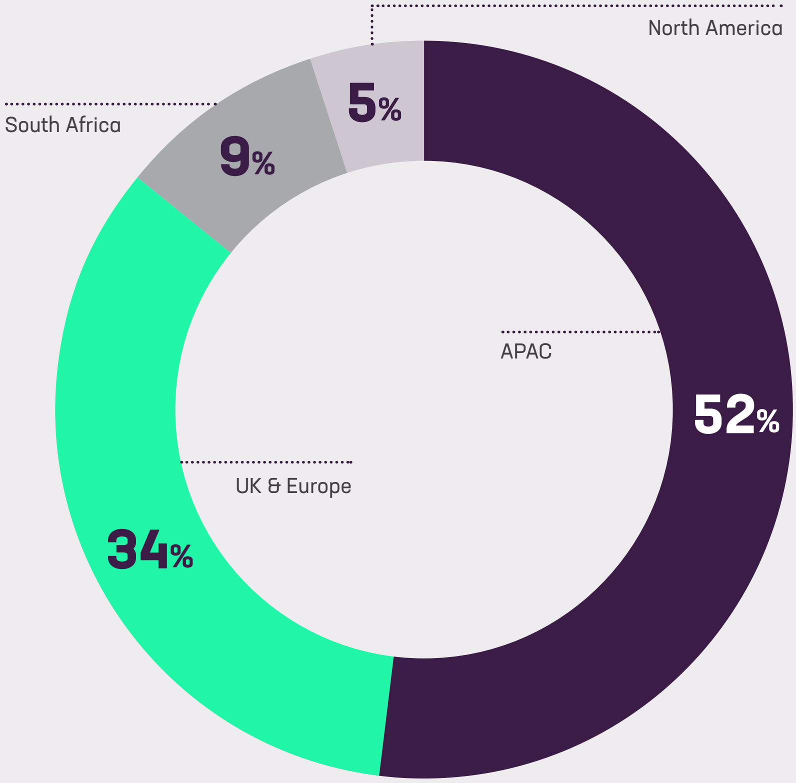
Named in the top 50 **best** places to work

Glassdoor, a website that allows employees to post online reviews about their employer and one of the world's largest recruitment sites, named Iress in its '50 best places to work' list in the UK.

The award takes into account ratings across eight workplace categories including overall company rating, career opportunities, compensation and benefits, culture and values, senior management, work-life balance, likelihood to recommend as an employer and six-month business outlook.

Financial highlights

Revenue growth and improving operating leverage driving earnings



Operating Revenue

$508.9m

▲10% on 2018

▲8% on a constant currency basis

APAC
52%

- Underlying Xplan growth driven by ongoing demand amidst industry change and increased regulatory focus.
- Financial Markets revenue resilient.
- Demand for data analytics ongoing.

UK & Europe
34%

- Revenue growth reflects successful key client deliveries and product uptake.
- Positive contribution from QuantHouse.
- Mortgages client momentum is increasing.

South Africa
9%

- Revenue growth reflects continuing demand across product suite.

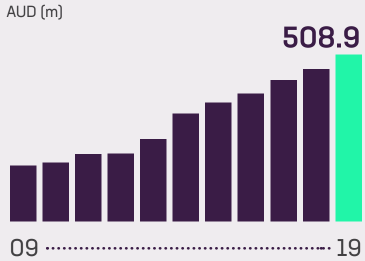
North America
5%

- Revenue growth driven by QuantHouse acquisition combined with stable underlying client base.

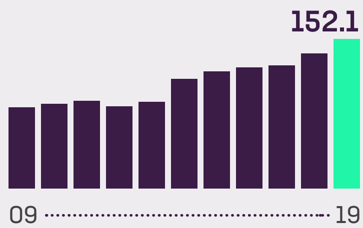
The percentages above represent the geographical segment's share of the Group's total operating revenue.

Strong track record of producing sustainable return for shareholders

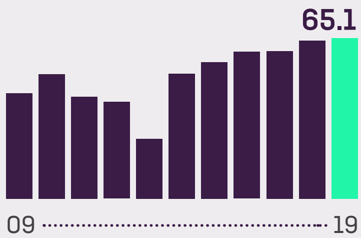
Operating revenue
AUD (m)



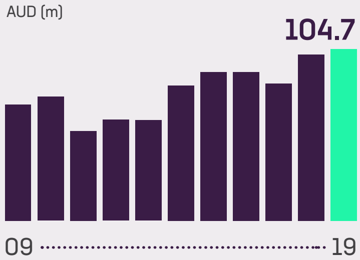
Segment Profit
AUD (m)



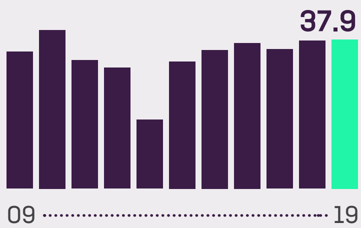
Net Profit After Tax
AUD (m)



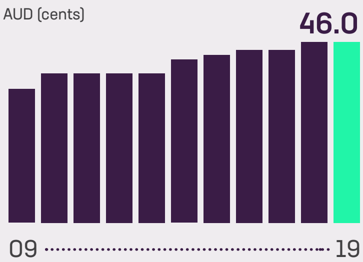
Operating cash flow
AUD (m)



Earnings per share
AUD (cents)



Dividend per share
AUD (cents)



Unless otherwise stated all comparisons are with the prior corresponding period on a constant currency basis. Financial information in this report is extracted or calculated from the half-year and annual financial statements which have been subject to review or audit.

(1) Segment Profit represents earnings before interest, tax, depreciation, amortisation, share-based payments, non-operating items and realised and unrealised FX gains/losses – see page 48 for a full reconciliation.

Chair and CEO's letter

Tony D'Aloisio

Andrew Walsh

One of Iress' strengths is our ability to anticipate the needs of clients, and to build the necessary software and services to meet these needs.

In 2019, we continued to anticipate and deliver to meet growing and changing demand. Iress announced its automated super offering to the Australian superannuation industry, underpinned by a major foundation client. Our regtech software, Lumen, has seen increased demand and, as advisers in the UK seek ways to deliver advice at scale, our Xplan Prime software is exceeding expectations. We are also meeting the demands of disruptive neo-banks with our mortgage software.

At the heart of this innovation is our belief that technology should help people perform better every day. In financial services, performance is a critical measure and we are ever mindful of our role in helping our clients and users achieve this.

Financial results

Our financial performance for the year to 31 December 2019 reflected the continuing demand for our software and services, as financial services businesses globally seek expertise in transitioning to more efficient, data-driven ways of working.

Group operating revenue was $508.9 million, up 10% on 2018 (up 8% on a constant currency basis). Segment Profit was $152.1 million, up 10% on 2018 (also up 10% on a constant currency basis). Reported NPAT was $65.1 million, up 2% on 2018. Excluding the impact of changes in accounting standards and the acquisition of QuantHouse, NPAT was up 11% on 2018.

Revenue growth reflects underlying performance in Australia and the United Kingdom, as well as the acquisition of international market data business QuantHouse.

In Australia, New Zealand & Asia, revenue growth was solid. We've seen continued growth in demand for our financial advice software, against a backdrop of significant industry change. Our private wealth software continues to gain momentum with two major retail firms selecting Iress in 2019. And we're seeing positive momentum in our superannuation business, with two significant client wins for our super administration offer. In Asia we have seen continued strong revenue growth following the successful rollout of online trading software, ViewPoint, to two leading institutions.

In the UK, revenue growth was stronger in the second half, with the continued rollout of our Xplan software among advice businesses and the take up of our private wealth software by two large investment managers.

We also saw strong momentum in our mortgages business with increasing diversification within the mortgage industry for our software.

South Africa's results were driven by continued demand across our software range, as well as successful client deployments. In North America, the contribution from QuantHouse saw increased revenue, balanced against reduced non-recurring revenue from reduced client project activity.

QuantHouse

In May 2019, we announced the acquisition of market data provider, QuantHouse. QuantHouse operates internationally, with a focus on Europe, North America and Asia, providing more than 145 data feeds from exchanges and other data providers to clients globally.

The provision of accurate, timely and cost-effective market data through our software and to a range of clients is an important part of Iress' current and future business and our growth strategy. QuantHouse is highly complementary and strategically aligned to our existing and future activities and to our increasing focus on data. The acquisition further strengthens our international market data business and provides opportunities to achieve cost synergies and scale, which are underway.

Importantly, the acquisition expands our offering to clients globally. In particular, the acquisition allows us to provide clients with real-time access to additional services, including international exchanges, with global MSCI coverage increasing from 52% to 75%. It also meets client demand for increased channels for data beyond desktops. Our business integration efforts are proceeding smoothly.

Your dividend

The Board has confirmed a final dividend of 30 cents per share, franked at 40%. This takes the total dividend payable for 2019 to 46 cents per share, franked at 30%.

Iress continues to maintain a conservative balance sheet at a leverage ratio of 1.28x Segment Profit.

Change and innovation

We are well positioned as financial services changes and transforms and in 2019 we have continued to realise the benefits of our medium to long term investment focus.

Areas of change we are anticipating and leading in are:

- Traders seeking greater access to data and electronic tooling,
- Advisers needing more scaled, automated and quality ways to meet demand for advice,
- Retail stockbrokers expanding their services to include other asset classes and client propositions,
- Superannuation funds seeking improved member experience and returns, and
- Traditional and new mortgage providers seeking greater automation and efficiency.

All of this is underpinned by a global financial services industry that is increasingly alive to the need for technology-led data management for compliance, efficiency and client experience. 2019 saw Iress deliver to clients to meet these needs and in 2020 we anticipate ongoing, strong demand.

Director changes

We recently welcomed two new non-executive directors to the Iress Board, effective 1 February 2020. Trudy Vonhoff and Michael Dwyer are accomplished professionals and their experience in retail banking, financial markets, investments, operations and superannuation, and more broadly, will be invaluable as Iress continues to grow.

Ms Vonhoff is currently a director of Credit Corp Group and Cuscal Limited. Past directorships include AMP Bank, Ruralco Holdings Limited, Tennis NSW and the Westpac Staff Superannuation Fund.

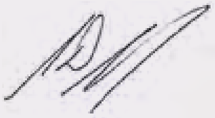
Mr Dwyer was recently CEO of First State Super for 14 years. He is currently a director of TCorp (New South Wales Treasury Corporation), WSC Group, the Global Advisory Council of Tobacco Free Portfolios and the Sydney Financial Forum.

These appointments are part of the Board's succession and renewal plan as outlined at the Annual General Meeting in May 2019.

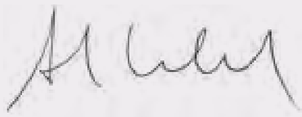
At the AGM in May, Jenny Seabrook will step down from the Board. Jenny has been a non-executive director since 2008, and chair of the People & Performance Committee since 2011. On behalf of the Board and Iress, we thank Jenny for the strong and consistent impact she has had over the last twelve years on Iress' strategic, financial and operational performance.

Thank you

Your Board and our people at Iress continue to focus unrelentingly on delivering to our clients, users and, you, our shareholders. Thank you for your support.



Tony D'Aloisio
Chair



Andrew Walsh
Managing Director &
Chief Executive Officer

Executive remuneration

In last year's report, I outlined changes the Board made to Iress' executive remuneration framework effective 1 January 2019. These changes, in combination with the introduction of a new non-executive remuneration model in 2018, are to ensure Iress can continue to attract and retain the people it needs globally as well as further strengthen alignment between shareholders' and executives' interests.

Recap of key changes

More detail of the changes made in 2019 are set out in the Directors' Report on page 23. In summary, the key changes were:

- Removal of cash short-term incentive, which the Board did not believe was aligned with the long-term nature of Iress' strategy,
- An increase in the proportion of remuneration delivered in deferred equity and introduction of a minimum shareholding requirement to enhance the alignment between shareholders and executives, and
- Absolute Total Shareholder Return replaced Relative Total Shareholder Return as the measure for vesting of long-term incentives to ensure that executives are only rewarded when shareholders have achieved positive returns.

The changes were accompanied by additional safeguards enabling the Board to reduce the grant value of equity and clawback unvested and restricted equity in the event of significant underperformance or misconduct.

Board assessment

As part of the transition to the new framework, a one-off grant of Transition Equity Rights was granted to executives other than the CEO to offset the negative cash flow impact of moving to a framework with a higher proportion of deferred equity and no cash incentives. Excluding this one-off item, Total Remuneration awarded in 2019 was comparable to 2018.

The Board view is that the changes are working as intended with a greater degree of focus on medium to longer term performance from our executives both on an individual and group basis. This is supported by our pleasing financial results and our other key performance measures which are detailed in the Directors' Report on page 29. The Board is satisfied that the new arrangements should be allowed to continue to apply as intended and the Board does not see the need to exercise its discretion to clawback unvested equity granted for financial year 2019 or to adjust any forward grant of equity for the next financial year.

Tony D'Aloisio, Chair

Iress leadership

Our greatest asset at Iress is our people. Supporting them is a leadership team committed to Iress' goals, clients and people.

Standing (left to right)

Coran Lill
Group Executive – Communications & Marketing

Andrew Walsh
Managing Director and Chief Executive Officer

John Harris
Chief Financial Officer

Simon New
Group Executive – Client Solutions

Phil Quin-Conroy
Managing Director – United Kingdom

Ray Pretorius
Managing Director – South Africa

Tizzy Vigilante
Managing Director – Australia & New Zealand (Wealth Management)

Seated (left to right)

Aaron Knowles
Group Executive – Product

Kirsty Gross
Managing Director – Australia & New Zealand (Financial Markets)

Peter Ferguson
Group General Counsel and Company Secretary

Andrew Todd
Chief Technology Officer

Julia McNeill
Group Executive – Human Resources

Jason Hoang
Managing Director – Asia

What **IF** two letters and you could change the world?

In 2017, the Iress Foundation was set up to make a bigger impact on the communities in which we live and work, and to formally recognise and support the valuable efforts of our people.

We understand that real change comes when people get behind common causes, understand why they matter and how they can make a difference. Since its launch, the Iress Foundation has amplified the community support and charity activities our people around the world were already championing.

This year, the Iress Foundation has gone one step further and implemented a Workplace Giving Program called the Iress Foundation Giving Platform. The platform provides our people with a central information source of Foundation initiatives and an easy way to get involved in Foundation activities and donate to Foundation causes. Its comprehensive analytics and reporting provides us with a deeper understanding of how our people get involved and which causes matter to them most.

Iress Opportunity Initiatives

Our people understand a safe family, a home, good health and access to quality food and education are all foundations for making the most of the opportunities that we all hope life will bring.

Through Iress Opportunity Initiatives we have established long-term relationships with 26 regional charitable organisations focused on initiatives where family, health, education, welfare or communities are at risk.

Iress Matching Initiatives

Through the Iress Matching Initiatives, we support people at Iress who want to focus beyond the current Iress Opportunity Initiatives, on causes that are close to their hearts.

Iress Volunteer Opportunities

We give eligible members of our team three days of Iress Foundation Leave each year to help them give back to Iress Foundation supported charitable organisations.

In 2019, our people used 274 days of their Foundation Leave to support charitable organisations; and this doesn't include all of the time so generously donated outside of work hours.

"Do not think only about the anguish of the sore and exhausted hikers. Keep in your mind the people in support of whom we hiked – everything lost, dignity stripped away, the misery of life as a refugee. Thanks to everyone who got involved as a participant or supporter of the 3 Peaks hike for Talent Beyond Boundaries! We have raised almost £38,000."

Peter Ferguson, Iress Group General Counsel & Company Secretary

"Just wanted to send you a quick note to let you know how much we appreciate you coming in to volunteer with enthusiasm, passion and open hearts."

Shannon Chaplin, Coordinator, Community Partnerships, Holland Bloorview Kids Rehabilitation Hospital, Canada

In 2019:

26 registered charitable organisations

focusing on initiatives where health, education, welfare and/or the community is at risk, were supported through our Opportunity Initiatives.

$139,731

in donations was gifted through our Opportunity Initiatives.

$80,739

of funds raised by our people was matched.

274

Iress Foundation Leave workdays were used in supporting Volunteer Opportunities.

248

of our people engaged with the Iress Foundation Giving Platform since its launch in November.

"Since 2017 we've been supporting children through The Pebbles Project, helping them successfully progress through school. Recently our sponsorship has grown to ten deserving children."

Klee Barris, Iress Marketing, Johannesburg

Listing of Iress Opportunity partners

Beyond Blue (APAC)
Birthday Angels (Canada)
Caring for Communities and People (United Kingdom)
Cancer Council Australia (APAC)
Cobalt Health (United Kingdom)
Daily Bread Food Bank (Canada)
Evangel Hall (Canada)
Foundation for National Parks & Wildlife (APAC)
Helping Hands Community Project (United Kingdom)
Holland Bloorview Kids Rehabilitation Hospital Foundation (Canada)
Hope's Children & Young Peoples Support Services (United Kingdom)
iThemba Lethu (South Africa)
James Hopkins Trust (United Kingdom)
Josiah Trust (South Africa)
Macmillian Cancer Support (United Kingdom)
Rural Aid (APAC)
Seeds of Africa (South Africa)
St Kilda Gatehouse Incorporate (APAC)
Talent Beyond Boundaries (APAC)
The Grange Centre for People with Disabilities (United Kingdom)
The Indigenous Literacy Foundation (APAC)
The Myton Hospices (United Kingdom)
The Pebbles Project Trust (South Africa)
The Redwood (Canada)
Two Good Foundation (APAC)
Whitelion Youth Agency (APAC)

Principal activities

Iress is a leading technology company, providing software to the financial services industry.

It was founded in Melbourne in 1993 and now operates in Asia-Pacific, the UK & Europe, Africa and North America. Iress' revenue is primarily subscription-based and recurring.

Software and clients

Our clients range from small retail to large institutional businesses across the financial services industry. Our technology sits at the centre of our clients' businesses, supporting their core operations, providing essential functionality and helping them connect through their back, middle and front offices and to their clients and customers.

	SOFTWARE		CLIENTS
Trading and market data	**Global market data and trading software including:** - market data, - trading interfaces, - order and execution management, - smart order routing,	- FIX services, - portfolio management, - securities lending, - analytical tools, and - connectivity.	**Trading and market data clients:** - institutional sell-side brokers, - retail brokers, and - online brokers.
Investment management	**Global investment management and trading software including:** - portfolio management, - order and execution management, - FIX services, - analytical tools, and - connectivity.	**Integrated software solution offering:** - market data, - order management, - portfolio management, - client relationship management, and - wealth management.	**Investment management clients:** - investment managers, - investment platforms, - discretionary retail fund managers, - private client advisers, and - wealth managers.
Financial advice	**Integrated financial advice software offering:** - client management, - business automation, - portfolio data, - research,	- financial planning tools, - scaled advice journeys, - digital client solutions, and - data-driven compliance and analytics.	**Financial advice clients:** - institutional advisory, and - independent advisory.
Superannuation	**Superannuation administration software offering:** - fund registry, - digital member portal,	- digital advice solutions, and - fund administration services.	**Superannuation clients:** - superannuation funds.
Mortgages	**Multi-channel mortgage sales and origination software including:** - automated workflow, - application processing, and - connectivity.	**Mortgage intermediary software, including:** - mortgage comparison, - mortgage advice, and - lender connectivity.	**Mortgage clients:** - mortgage lenders, and - mortgage intermediaries.
Life and pensions	**Insurance and pension sourcing software including:** - quoting, - comparison, and - application processing.		**Life and pensions clients:** - institutional advisory, - independent advisory, and - mortgage intermediaries.

Material business risks

The material business risks that have the potential to impact Iress are outlined below, together with mitigating actions undertaken to minimise these risks.

RISK	NATURE OF RISK	MITIGATION
Information security breach and failure of critical systems	Due to the nature of Iress' business, Iress could be impacted significantly by the failure of critical systems, whether caused by error or malicious attack.	Iress has increased its investment in information security in recent years in response to several factors including the increased sophistication of cyber terrorists, the increased reliance on our solutions by our clients and increased regulatory pressure from government agencies. We have a dedicated information security function across jurisdictions, Board oversight through the Audit & Risk Committee and executive oversight via the Executive Risk Committee and Chief Information Security Officer. Iress' controls, audit and governance provide a framework for actively identifying gaps, new exposures and the development of appropriate treatment plans and include: - Network and malware scanning and mandatory information security awareness training across the business. - Comprehensive disaster recovery procedures. - Focus on redundancy for internal and critical systems. Iress' Global Information Security Management System (ISMS) is certified by independent audit to meet the global ISO 27001 standard.
Economic climate	Economic conditions, domestically and internationally, can impact client expenditure and accordingly, client demand for Iress' systems.	This risk is mitigated by Iress' diverse geographic presence and diverse product portfolio.
Foreign exchange	Iress is exposed to foreign exchange movements, which may affect the value of profits repatriated to Australia.	Iress mitigates the foreign exchange risk associated with investments in international operations by funding these investments in the local currency. Foreign currency transaction risks are hedged where appropriate. Iress does not hedge translation risk on foreign currency earnings. However, Iress reports the financial performance of its offshore operations in local currency and AUD in order to enable investors to better understand the performance of the underlying business and the exposure to different currencies inherent in Iress' international operations.
Regulation	Regulation can impact Iress and its clients because regulation increases the cost of doing business. Regulation may have the effect of structural changes, including consolidation or fragmentation, both of which can negatively impact Iress' client engagements.	Iress' risk management strategy includes the close monitoring of regulatory developments globally. In Australia over 2019 this has included developments emerging from the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Iress is proactively engaged in the development of new and existing relationships with relevant regulatory stakeholders, policy makers, and media groups to monitor the regulatory landscape. This strategy is focused on limiting potential impacts of regulatory development so that Iress may continue to service its global markets and efficiently respond to compliance requests.
Market or technology risk	The risk that a pronounced shift in technology or a pronounced change in the way market segments organise themselves and make use of Iress' technology.	Iress endeavours to manage this risk by maintaining a highly skilled and educated technology organisation and by exploring the potential utilisation or impact of emerging technologies. In the same way, Iress endeavours to manage market change by maintaining a high degree of engagement with its clients. In that regard Iress is fortunate that its client base, being distributed geographically and being comprised of highly sophisticated industry representatives, is likely to be at the forefront of industry change and evolution.
Reputation risk	Iress provides solutions to the financial services industry. The financial services industry is subject to significant public focus, media attention and government review, as has been the case in Australia through the Hayne Royal Commission. The use of technology within financial services businesses, and especially its role in processing and storing sensitive personal information, can expose both the financial services provider and providers of technology such as Iress, to reputational risk where there is a failure in a critical system or process or the release by error or mischief of personal data.	Mitigation of technology risk lies at the heart of Iress' information security function (refer to comments above under Information Security) and software development practices. The latter includes rigour in architecture, code development and testing. Iress does not outsource development of core technology, maintaining direct oversight and control.

Operating & financial review

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

		2018 $M	2019 $M	2018 VS 2019
Operating revenue	Reported	464.6	508.9	10%
	Constant currency basis	464.6	503.5	8%
Segment Profit	Reported	137.7	152.1	10%
	Constant currency basis	137.7	150.9	10%
Segment Profit after share-based payments		127.3	134.4	6%
EBITDA		117.9	133.9	14%
Reported NPAT		**64.1**	**65.1**	**2%**

	2018 CENTS PER SHARE	2019 CENTS PER SHARE	2018 VS 2019
Earnings and dividends per share			
Basic earnings per share	37.6	37.9	1%
Dividends per share	46.0	46.0	0%

Constant currency basis assumes the 2019 financial results are converted at the same average foreign exchange rates used to convert the 2018 financial results.

	OPERATING REVENUE			DIRECT CONTRIBUTION		
	2018 $m	2019 $m	2018 VS 2019	2018 $m	2019 $m	2018 VS 2019
APAC	252.0	264.5	5%	182.3	191.1	5%
UK & Europe	119.0	142.7	20%	78.4	91.9	17%
Mortgages	28.6	29.0	1%	21.6	19.2	(11%)
South Africa	46.5	48.3	4%	35.3	37.5	6%
North America	18.5	24.5	32%	9.6	10.4	8%
Client Contribution	**464.6**	**508.9**	**10%**	**327.2**	**350.1**	**7%**
Product and Technology				(114.1)	(118.6)	4%
Operations				(39.7)	(42.7)	8%
Corporate				(35.6)	(36.7)	3%
Segment Profit				**137.7**	**152.1**	**10%**

Operating revenue

On a reported basis, revenue from ordinary activities grew 10% from 2018 to 2019 which reflects underlying revenue growth across the business particularly in Australia and the UK, and contribution from recently acquired QuantHouse. On a constant currency basis, revenue grew 8% from 2018 to 2019.

Segment Profit(1)

On a reported basis, Segment Profit increased 10% from $137.7m in 2018 to $152.1m in 2019, driven by revenue growth in the key markets of Australian Financial Advice and the UK and further increases in operating leverage as the business continues to scale globally. On a constant currency basis, Segment Profit grew 10% from 2018 to 2019.

APAC

APAC revenue grew 5% from $252.0m in 2018 to $264.5m in 2019, reflecting strong underlying revenue growth in Australian Financial Advice and Asia, a small contribution from recently acquired business QuantHouse, a flat result in Australian Trading and Market Data, and a marginal decline in Superannuation revenue.

Across the APAC region, Trading and Market Data revenue grew 3% in 2019 reflecting contribution from recently acquired QuantHouse and growth in Asia. Interest from Australian retail broking clients for an integrated solution across wealth and trading continued, with two major retail firms selecting Iress in 2019. In Asia, underlying revenue was up 34% from 2018 to 2019 driven primarily by the rollout of retail trading solutions to leading regional brokers.

Financial Advice & Superannuation revenue increased 6% in 2019 reflecting strong growth in the Financial Advice business. New client implementations and ongoing demand for Xplan and compliance data analytics platform Lumen drove 2019 growth in Financial Advice revenue with clients focused on data, risk management, efficiency and compliance following increased regulatory scrutiny and market change. Superannuation revenue declined from 2018 to 2019 reflecting the focus of superannuation funds on addressing legislative change, which impacted the timing of a number of discretionary client projects. In the second half, Iress secured two clients for its technology-led super administration offering which is expected to contribute visibly to revenue growth in future periods.

Direct contribution was up 5% in 2018 reflecting revenue growth.

UK & Europe

On a reported basis, revenue increased 20% from 2018 to 2019. In local currency, revenue increased 16% during the same period, reflecting strong revenue growth in the second half, from the ongoing deployment of Iress' integrated wealth and trading solution to key clients, including existing and new clients in 2019 and continued solid growth in Sourcing.

On a reported basis, direct contribution increased 17% from 2018 to 2019. In local currency, direct contribution was up 13% over the same period reflecting revenue growth, contribution from QuantHouse, and increased operating leverage as the business continues to scale. On an underlying basis (excluding the impact of QuantHouse and currency) client contribution margin improved 2% from 2018.

Mortgages

On a reported basis, revenue increased 1% from 2018 to 2019, while direct contribution fell 11%. In local currency, revenue and direct contribution fell 2% and 14% respectively over the same period, reflecting the timing and mix of client projects.

The Mortgages business continued to exhibit strong operational momentum in 2019 with a large tier two lender going live with Iress' Mortgage Sourcing and Origination platform (MSO), while four other client deployments are progressing well, including a new client won in late 2019.

The Mortgages business continues to make good progress transitioning to a subscription revenue model with recurring licence fees contributing approximately 31% of total revenue in 2019, up from 20% in 2018.

South Africa

On a reported basis, revenue increased 4% from 2018 to 2019 while direct contribution increased 6% during the same period. In local currency, revenue grew 6% and direct contribution increased 9% from 2018, reflecting ongoing underlying demand across trading and wealth, the successful delivery of a Private Wealth solution to a tier one financial services business, and deployment of ViewPoint to the largest online broker in South Africa. The JSE went live with its trading and clearing platform (ITaC) in April 2019 which also contributed to revenue growth during 2019.

Margin accretion reflects ongoing improvements in operational leverage and scale as the business grows.

North America

On a reported basis, revenue increased 32% from 2018 to 2019 while direct contribution increased 8% over the same period. In local currency, revenue increased 26% while direct contribution increased 3% from 2018 to 2019, which reflects the contribution from recently acquired QuantHouse, and a small increase in recurring revenue driven primarily by strong client retention and increased product uptake by existing clients. Underlying revenue was down marginally due to a decline in non-recurring revenue from lower client project activity in 2019 when compared to 2018.

A project to deliver a comprehensive retail trading system to a tier one bank is on track for delivery in 2020.

(1) Iress uses Segment Profit as a measure of underlying earnings to aid inter-period comparability of results.

Operating & financial review (continued)

Product and Technology

Investment in product and technology is at the heart of Iress' success, supporting client retention and future recurring revenue growth.

On a reported basis, costs increased 4% from $114.1m in 2018 to $118.6m in 2019. On an underlying basis (excluding the impact of the acquisition of QuantHouse, the adoption of AASB 16 for the first time in 2019 and currency movements), costs were also up 4% with the impact of the QuantHouse acquisition and movements in currency offset by adjustments required to adopt AASB 16 for the first time in 2019.

Cost increases in 2019 reflect investment in people and capability, through headcount additions and remuneration increases in addition to the full year impact of recruiting in 2018. Software and support costs also increased as a result of investment to enhance the design and deployment process including costs associated with migrating some server infrastructure to cloud infrastructure. In 2019, on a reported basis, Product and Technology costs represented 23% of operating revenue.

Operations

Operations' costs include core business infrastructure and people, such as internal and external communications technology, information security, operating hardware and software, and client support teams.

Reported costs increased 8% from $39.7m in 2018 to $42.7m in 2019 which reflects an increase in people costs, and investment in software used internally by the business to increase business efficiency and enhance collaboration and communication. On an underlying basis (excluding the impact of the QuantHouse acquisition, the adoption of AASB 16 for the first time in 2019, and currency movements) costs were largely flat with higher people costs (headcount and remuneration increases) and higher software costs offset by savings in communication costs and savings from the consolidation of offices in Melbourne. On a reported basis, Operations costs represented 8% of operating revenue in 2019.

Corporate

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

On a reported basis, costs increased 3% from $35.6m in 2018 to $36.7m in 2019. However, on an underlying basis, costs were flat from 2018 to 2019, with higher people and insurance costs offset by the reduction in executive cash bonuses (the result of the change in executive remuneration structure) and lower non-wage costs. In 2019, on a reported basis, Corporate costs represented 7% of operating revenue (8% in 2018).

Net Profit After Tax (NPAT)

Iress' reported NPAT increased 2% from 2018 to 2019 which reflects the growth in Segment Profit, partially offset by an increase in share-based payments and higher depreciation and amortisation, interest and tax charges, all of which are discussed in more detail below.

Share-based payments expense increased from $10.4m in 2018 to $17.7m in 2019, as a result of the previously disclosed changes in both executive and non-executive remuneration structures which increases the proportion of remuneration paid as equity and brings forward the accounting expense recognition of equity remuneration. These changes in remuneration structures are described in the Remuneration Reports included in the 2017, 2018 and 2019 Annual Reports.

Other non-operating expenses are primarily one-off costs in relation to:

- Costs associated with the acquisition of QuantHouse and BC Gateways (mainly external advisors),
- Integration of Financial Synergy (largely product integration costs),
- The migration of some server infrastructure to cloud infrastructure,
- Uplift of corporate core and information security software and infrastructure.

In addition to:

- Sub-lease income separately recognised following the adoption of AASB 16 for the first time in 2019, and
- Revaluation of earn-outs associated with the acquisition of QuantHouse in 2019 and Innergi in 2015. This is discussed in more detail in note 2.6 in the 2019 Financial Report.

Net Profit After Tax (NPAT)

	2018 $m	2019 $m	2018 VS 2019
Segment Profit	**137.7**	**152.1**	**10%**
Share-based payment expense	(10.4)	(17.7)	(71%)
Segment Profit after share-based payments	**127.3**	**134.4**	**6%**
Other non-operating expenses	(9.5)	(0.5)	95%
Profit before depreciation and amortisation, interest and income tax expense	**117.9**	**133.9**	**14%**
Depreciation and amortisation expense	(26.8)	(37.2)	(39%)
Profit before interest and income tax expense	**91.1**	**96.6**	**6%**
Net interest and financing costs	(6.1)	(8.2)	(33%)
Income tax expense	(20.9)	(23.3)	(12%)
Net profit after income tax expense	**64.1**	**65.1**	**2%**

Depreciation and amortisation expense increased from $26.8m in 2018 to $37.2m in 2019 which reflects the adoption of AASB 16, increased depreciation charges in relation to newly refurbished offices (Melbourne and Johannesburg) and the amortisation of intangible assets acquired as part of the QuantHouse business in May 2019.

The increase in net interest and financing costs from $6.1m in 2018 to $8.2m in 2019 reflects the adoption of AASB 16 for the first time in 2019 which requires a notional interest charge against the value of capitalised leases. Underlying net interest and financing costs in 2019 remained in line with 2018.

The Group's tax rate of approximately 26% (25% in 2018) is a function of the tax rates in the jurisdictions in which the business operates and the various tax adjustments impacting the business in the period, including employee share plan deductions, R&D tax concessions and recognition of carry forward tax losses.

Dividends

Iress' dividend policy is to maintain a payout ratio of not less than 80% of underlying earnings[1] on an annualised basis, subject to accounting limitations. The dividend policy may be modified by the Board in the future, where it is felt appropriate. Dividends continue to be franked to the greatest extent possible, while reflecting the geographical context of the business and timing of tax payments.

In respect of 2019 earnings, the Directors determined to pay a final dividend of 30.0 cents per share franked to 40% at a 30% corporate tax rate bringing the full year 2019 dividend to 46.0 cents per share, franked to 30% at a 30% corporate tax rate.

Statement of financial position

Net debt (measured as borrowings excluding capitalised borrowing costs, net of derivatives, and less cash and cash equivalents) increased by $20.3 million mainly due to the acquisition of QuantHouse in May 2019. As a result, the leverage ratio (defined in these financial statements as the ratio of net debt to last twelve months' Segment Profit) increased marginally, but remains conservative at 1.28x at the end of the period. Iress continues to actively manage cash holdings to reduce interest costs.

Current liabilities increased by $27.5 million during the period to 31 December 2019. This was primarily due to the impact of the QuantHouse acquisition with $16.3 million of payables and other liabilities being consolidated from the QuantHouse Group at 31 December 2019 and $1.3 million of current provisions being recognised for deferred and contingent consideration. In addition, current liabilities as at 31 December 2019 include a current lease liability of $9.2 million as a result of the adoption of AASB 16.

(1) Segment Profit less operating depreciation and amortisation and tax at 30%.

Board of Directors

Tony D'Aloisio

Chair since August 2014 and Independent Non-Executive Director since June 2012

Tony has 45 years' experience as a senior executive in government, corporate and legal roles, including Chairman and independent non-executive director of Perpetual, Chairman and Commissioner for the Australian Securities and Investment Commission (ASIC), Chairman of the International Joint Forum of the Basel Committee on Banking Supervision, managing director and chief executive officer at the Australian Securities Exchange (ASX) and chief executive partner at Mallesons Stephen Jaques between 1992 and 2004, having first joined the firm in 1977.

Andrew Walsh

Managing Director and Chief Executive Officer since October 2009

After a career as an actuarial consultant, Andrew co-founded and spearheaded the development of market-leading financial planning software Xplan and joined Iress when it acquired Xplan Technology in 2003. Andrew became Iress' CEO in 2009 and has since led the growth of the group. Since Andrew became CEO, Iress has expanded organically and made several local and international acquisitions and now has 2,011 people designing, developing and delivering software solutions for the financial services industry in Asia-Pacific, the UK & Europe, Africa and North America.

Geoff Tomlinson

Independent Non-Executive Director since February 2015

Geoff has more than 40 years' experience in financial services. His executive career encompassed 29 years with the National Mutual Group, including six years as group managing director and chief executive officer. He was a non-executive director of National Australia Bank from March 2000 to December 2014, including Chairman of its wealth management division MLC. Other companies he has been a director of include Amcor, Suncorp, Dyno Nobel, Programmed Management Services and Neverfail Springwater. Geoff is Chairman of Growthpoint Properties Australia and a director of Wingate Group Holdings.

Jenny Seabrook

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

Jenny has more than 30 years' experience as a chartered accountant, investment banker and capital markets adviser. She is experienced in mergers and acquisitions and has public company board experience. She is a senior advisor to Gresham Advisory Partners and a non-executive director of listed entity Iluka Resources, of federal government corporation Australian Rail Track Corporation and privately-held entities BGC (Australia) Pty Ltd and Esther Investment Pty Ltd. Former directorships include Alinta Gas, Amcor, Australia Post, Bankwest, Edith Cowan University, Export Finance and Insurance Corporation, MG Kailis, MMG, Princess Margaret and King Edward Hospital, West Australian Newspapers, Western Power and Western Australian Treasury Corporation. Jenny has been a member of ASIC's external advisory group and was a member of the Takeovers Panel from 2000 to 2012.

Company Secretary

Peter Ferguson

Peter joined Iress in 2011 and has many years' experience in international legal and commercial appointments in the financial technology sector, with prior international and domestic appointments including seven years with Nasdaq OMX, located in Stockholm and later in Sydney. In addition to his role as Group General Counsel & Company Secretary, Peter is responsible for the Iress Foundation. Peter has been a Board member of the Schizophrenia Fellowship of NSW (trading as One Door) since 2012.

John Cameron

Independent Non-Executive Director since March 2010

John is one of the pioneers of electronic trading. He was a key member of the team that first automated the trading floor of the Australian Securities Exchange, one of the first in the world. He has designed and developed information systems for major financial institutions in the United Kingdom, France, the United States and Australia. In 1997 John created what was to become the world's leading FIX solution, CameronFIX. It was acquired by Orc Software in 2006 where John served as CTO until 2009. In 2007 John created the Cameron Foundation. John now works pro bono for the global refugee initiative Talent Beyond Boundaries and serves as Vice Chair of its board.

John Hayes

Independent Non-Executive Director since June 2011 and Chair of the Audit & Risk Committee since June 2011

John is a Fellow of CPA Australia with over 45 years' experience in financial services. His senior roles have included CFO of both ASX and Advance Bank Australia and Vice President Financial Services with BT Australia. John's previous directorships include ASX Perpetual Registry (now Link Market Services) and Orient Capital as well as executive director roles with the Australian Clearing House, ASTC (CHESS) and ASX Operations. He was also previously a member of the Advisory Council of Comcover, a federal government entity, for six years.

Julie Fahey

Independent Non-Executive Director since October 2017

Julie has over 30 years of experience in technology, including in major organisations such as Western Mining, Exxon, Roy Morgan, General Motors and SAP, covering consulting, software vendor and chief information officer roles. In addition to her industry experience, Julie spent 10 years at KPMG as a partner with the firm, during which time she held roles as national lead partner telecommunications, media and technology, and national managing partner – markets. Julie was also a member of the KPMG National Executive Committee. Julie is a non-executive director of SEEK, Datacom Group, CenITex, Vocus Group, The Australian Red Cross Blood Service and non-profit disability services organisation Yooralla, and a member of the La Trobe University board.

Niki Beattie

Independent Non-Executive Director since February 2015

Niki has more than 25 years' experience in financial technology and capital markets. She currently runs Market Structure Partners, a strategic consulting firm. Niki spent more than a decade in senior positions at Merrill Lynch International. She is currently non-executive Chairman of listed entity Acquis Exchange Limited, which operates a pan-European share trading venue, and of privately owned XTX Markets, a quantitative-driven, electronic global market-maker. She is also a non-executive Director of Kepler Cheuvreux UK Ltd, a French brokerage firm. She was previously on the boards of MOEX, the Moscow Exchange, and of Borsa Istanbul, the Turkish Exchange. She serves on the Secondary Markets Advisory Committee to the European Securities Markets Authority and between 2012 and 2018 she was on the Regulatory Decisions Committee of the UK Financial Conduct Authority.

Michael Dwyer

Independent Non-Executive Director since February 2020

Michael has over 35 years' experience in superannuation and investment, including 14 years as CEO of First State Super. He is currently a director of TCorp (New South Wales Treasury Corporation), WSC Group, the Global Advisory Council of Tobacco Free Portfolios and the Sydney Financial Forum. Since 1998 Michael has also been a director and subsequently Chair of Australia for UNHCR, the private sector partner of the UN Refugee Agency. He is a life member of ASFA (Australia's superannuation industry association) and the Fund Executives Association.

Trudy Vonhoff

Independent Non-Executive Director since February 2020

Trudy has over 20 years' experience in retail banking, financial markets and investment. She is currently a director of Credit Corp Group and Cuscal Limited. Previous directorships include AMP Bank, Ruralco Holdings Limited, Tennis NSW and the Westpac Staff Superannuation Fund. For 13 years Trudy held senior executive roles at Westpac and AMP across retail banking, finance, risk, technology & operations, and agribusiness.

Directors' Report

For the year ended 31 December 2019

The Directors of Iress Limited and its subsidiaries ("the Group") submit the annual financial report for the year ended 31 December 2019.

Directors' meetings

The following table sets out the number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 31 December 2019, and the number of meetings attended by each Director.

	BOARD MEETINGS		AUDIT & RISK		PEOPLE & PERFORMANCE	
Director	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
Tony D'Aloisio	12	12	4	4	*	*
Niki Beattie	12	12	*	*	6	6
John Cameron	12	11	*	*	6	5
Julie Fahey	12	12	4	4	6	6
John Hayes	12	12	4	4	*	*
Jenny Seabrook	12	12	4	4	6	6
Geoff Tomlinson	12	12	4	4	*	*
Andrew Walsh	12	12	*	*	*	*

* Not a member of this committee.

Events subsequent to the Statement of Financial Position date

On 7 January 2020, Iress completed the acquisition of 100% of the share capital of BC Gateways (BCG), a blockchain platform provider incorporated in Hong Kong.

BC Gateways' blockchain platform allows data to be published and distributed in a timely, accurate and auditable way using a 'shared source of truth'. The workflow that exists today between many parties in financial services is distributed and disconnected, which lends itself to a meaningful application of blockchain technology. The acquisition will, therefore, assist the Group in meeting demand from financial institutions for cost-effective, automated and compliant technology.

Initial cash consideration of $1.525 million was paid with further potential payments of up to $2.5 million in 2020 contingent on the achievement of sustained and recurring revenue. The purchase agreement allows for further payments that reflect a multiple of recurring revenue achieved by the business in the 2021 and 2022 financial years if the amount is above the level of consideration already paid to the sellers. At this point the estimated range of outcomes for these further payments cannot be determined as the business is still in the start-up phase.

On 1 February 2020, Trudi Vonhoff and Michael Dwyer were appointed as non-executive directors of Iress Limited.

On 19 February 2020, the Directors declared a final dividend of 30.0 cents per share franked to 40% totaling $52.5 million.

Other than the events above, there has been no other matter or circumstance which has arisen since the end of the financial year which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Changes in operations during the year

During the year, the operations of the Group were not modified in any material way.

Changes in state of affairs

On 31 May 2019, Iress acquired a 100% interest in QuantHouse, a leading international provider of market data and trading infrastructure. QuantHouse operates internationally with a focus on UK & Europe, North America and Asia, providing data feeds from exchanges and other data providers to clients globally. QuantHouse is highly complementary and strategically aligned to Iress' existing and future activities and to its international offering, including Iress' increasing focus on data. The acquisition will further strengthen Iress' international market data business and provide opportunities to achieve cost synergies and scale. For details on the QuantHouse acquisition please refer to Note 4.2 in the Notes to the Consolidated Financial Statements.

Iress acquired the holding company, QH Holdco, via Iress Euro Holdings Pty Ltd which is a company incorporated in Australia and ultimately 100% owned by Iress Limited.

Other than the above, there was no significant change in the state of affairs of the Group during the financial year.

Indemnification of Officers and Auditors

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

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

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

Non-audit services

Details of the amounts paid or payable to the auditor for audit services provided during the year are outlined in Note 1.6(b) to the financial statements. During the year, the Company's auditor performed certain other services in addition to its audit responsibilities. The Board is satisfied that the provision of non-audit services during the year by the auditor is compatible with, and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity of the Company, acting as an advocate of the Company or jointly sharing risks or rewards.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001*, is set out on page 41.

Rounding of amounts

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest thousand dollars, the Company being in a class specified in the ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission.

Corporate governance

The Corporate Governance Statement is located on the Iress website https://www.iress.com/trust/corporate-governance/corporate-governance-statement/.

Directors' Report continued

For the year ended 31 December 2019

Remuneration Report

This remuneration report provides detail of Iress' remuneration policy and practice for Key Management Personnel (KMP) for the 2019 financial year. The information presented in this report has been audited as required under section 308(3C) of the *Corporations Act 2001* and forms part of the Director's report.

For the year ended 31 December 2019, the KMP were:

KMP	Position	Term as KMP
Non-executive Directors (NEDs)		
A D'Aloisio	Non-executive Chair	Full year
N Beattie	Non-executive Director	Full year
J Cameron	Non-executive Director	Full year
J Fahey	Non-executive Director	Full year
J Hayes	Non-executive Director	Full year
J Seabrook	Non-executive Director	Full year
G Tomlinson	Non-executive Director	Full year
Executive Director		
A Walsh	Managing Director and CEO	Full year
Executives		
P Ferguson	Group General Counsel and Company Secretary	Full year
J Harris	Chief Financial Officer	Full year
A Knowles	Group Executive, Product	Full year
J McNeill	Group Executive, People@Iress	Full year
S New	Group Executive, Client Solutions[1]	Full year
A Todd	Chief Technology Officer	Full year

1 S New was appointed to the newly created leadership role of Group Executive, Client Solutions on 30 September 2019. In this role, S New is responsible for leading a global cross-functional team dedicated to client solution design and strategic projects. From 1 January 2019 to 29 September 2019, S New was in the Group Executive, Strategy role which was also KMP.

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Section 1 Overview of remuneration

1.1 Executive Summary

In order to align Iress' executive remuneration structures with the Board's goal of delivering sustainable long term growth in shareholder returns, the Board made changes to Iress' executive remuneration framework effective 1 January 2019, which are detailed in Section 1.2. The changes included:

- Removal of cash short-term incentive (STI) which the Board did not believe was aligned with the long-term nature of the company's strategy;
- An increase in the proportion of remuneration delivered in deferred equity and introduction of a Minimum Shareholding Requirement (MSR) to enhance the alignment between shareholders and executives; and
- Replacement of Relative Total Shareholder Return (RTSR) with Absolute Total Shareholder Return (ATSR) as the measure for vesting of long-term incentives to ensure that executives are only rewarded when shareholders have achieved positive returns.

The changes were accompanied by additional safeguards enabling the Board to reduce the grant value of equity and clawback unvested/restricted equity in the event of significant underperformance or misconduct.

On a total remuneration basis, the new framework had the impact of reducing cash remuneration and proportionately increasing the value of equity awarded. To offset the negative cash flow impact of this change, a one-off grant of Transition Equity Rights (TER) was granted to executives other than the CEO in 2019.

On an accounting basis, the combination of changes to the executive remuneration framework provide a reduction in annual executive remuneration expense from FY22. In the short-term, an increase in share-based payment expense is expected as a result of the TER, the recognition of Equity Rights (ER) expense over two years and the recognition of CEO Performance Rights (PR) over three years, which increases annual expense from FY19 to FY21 inclusive.

The Board's view is that the changes to the remuneration model are working as intended with a greater degree of focus on medium to longer-term performance from executives, both on an individual and group basis. As further detailed in Section 1.3 and 3.2, the Board assessed individual and group performance in 2019 and progress towards the company's longer-term strategic goals. The Board is satisfied that the new arrangements should be allowed to continue to apply as intended and the Board does not see the need to exercise its discretion to clawback unvested equity granted for financial year 2019 or adjust any forward grant of equity for the next financial year.

1.2 Changes to the remuneration framework in 2019

Since its founding in 1993, Iress has grown from an Australian business to an international business with substantial offshore operations. Central to Iress' success is a focus on sustainable long-term growth in shareholder returns built on enduring client relationships, engagement of our people and high-quality recurring revenue. It was within this context that the Board reviewed executive remuneration in 2018 and introduced a new framework effective 1 January 2019. The key changes were:

- Removal of cash STI which, in the Board's view, was too focused on short-term individual objectives whereas Iress' strategy and business model are long-term and global in nature.
- An increased proportion of remuneration delivered in deferred equity to further enhance the alignment between the interests of shareholders and the executives.
- A material minimum shareholding requirement for the CEO and other executives, again ensuring strong alignment with shareholders.
- Moving from RTSR to ATSR as the measure for vesting of long-term performance-based incentives to ensure that executives are only rewarded when shareholders have achieved positive returns. ATSR also makes the vesting conditions clear and transparent to executives and aligns with the shareholder value they deliver.
- Additional safeguards enable the Board to decline to make an equity grant, lapse unvested equity and clawback equity subject to a holding lock to support robust performance and risk management.

Directors' Report continued

For the year ended 31 December 2019

1.2 Changes to the remuneration framework in 2019 continued

The new framework applies to the CEO and other executives, of which the Executive Key Management Personnel (KMP) are a subset. Under the new framework, equity is awarded up-front, with service and performance measured from grant as per the below diagram:

	OUR GOAL			
	To be the most innovative, reliable, respected technology partner regarded by our clients as essential and desirable			
	Our goal is supported by our remuneration principles and performance framework			
Remuneration principles	Attract, motivate and retain talent	Reward for value creation	Simple and transparent	Aligned with shareholder interests
Annual performance measurement	**Robust performance management incorporating the 'what' and the 'how'**			
Remuneration components	**Base salary**	**Equity Rights**	**Performance Rights**	**Minimum Shareholding Requirement**
	Market-based reward for role	Equity to reward shareholder returns and retain talent	Equity to reward exceptional shareholder returns	A material minimum shareholding requirement to be met within 5 years
Long-term performance measurement	**Individual performance**	**Share price movement**	**Absolute Total Shareholder Return (ATSR)**	**Shareholder wealth**
	Any increases in Base salary will consider the market and individual contribution and experience	Over the 4-year aggregate ER holding period, executives will be directly exposed to the same share price movements as shareholders	ATSR over a 3-year period, relative to a pre-determined benchmark, will determine vesting for PR awards granted from 2019	Over time, executives will see a direct increase or decrease in their wealth in the same way that shareholders do

1.3 Performance and remuneration outcomes

The Board assessed the Group's performance in 2019 against the financial and non-financial objectives it established at the beginning of the year and viewed that collectively Iress' performance was tracking to achieve its strategic outcomes (see Section 3.2). While growth performance was marginally short of the target set by the Board at the beginning of the year, revenues grew by 10% (8% constant currency). Accordingly, the Board does not intend to make any performance adjustments to unvested equity or equity allocations to be granted in early 2020.

The remuneration framework, together with the Board's assessment of company and individual performance has translated into the following remuneration outcomes for Executive KMP (see Section 3.3 and 3.4 for more details):

Base salary

Base salary paid to Executive KMP in 2019 was $4,187,740 (2018: $4,008,916). This represents an increase of 4.4%, which is due to salary increases averaging 7% for Executive KMP other than the CEO midway through the year. The increases align the salaries with the market and recognise changes in the scope and complexity of the roles since the previous increase.

Equity granted

Following its 2018 year-end assessment of performance at a Group level and performance and conduct at an individual level, the Board determined it was fair and appropriate that the 2019 equity grants proceed in line with the remuneration mix disclosed in Section 2.2. Executive KMP were awarded ER of $2,387,085 and PR of $2,387,085 in total. Additionally, a one-off grant of TER was granted to Executive KMP other than the CEO ($898,925 in total) to offset the negative cash flow impact of moving to a framework with a higher proportion of equity and no cash incentives. Excluding this one-off item, Total Remuneration awarded in 2019 was $8,961,910.

In 2018, no PR were awarded. The 2018 PR would have been granted in May 2019 based on retrospective performance had the old framework continued, increasing 2018 Total Remuneration to $8,769,702. Instead PR were awarded under the new framework bringing the total remuneration in 2019, excluding TER, to $8,961,910. When compared on a like-for-like basis as described above, the increase to Total Remuneration in 2019 was 2.2%.

Equity vested

The Board was satisfied that there were no Group or individual performance or conduct factors which would justify a clawback of unvested equity. Hence, vesting was approved to proceed as scheduled in 2019.

- Based on RTSR performance, the CEO 4-year and 3-year PR granted in 2015 vested at 82.6% and 67.0% respectively and the Executive 3-year PR granted in 2016 vested at 100%.
- The value of equity vested in 2019 (deferred equity and PR totaling $3,473,720) is higher than the amount vested in 2018 ($2,023,989) primarily due to superior RTSR results and thus a higher proportion of PR vesting.

Section 2 Remuneration framework

2.1 Our remuneration structure

	Component	Description
Executive remuneration framework effective from 1 January 2019	**Base salary**	✓ A market-related reward for performing a leadership role at Iress.
	Equity Rights (ER)	✓ An up-front grant of Rights[1] to facilitate immediate, collective alignment of executives with shareholders. ✓ Vesting after two years is subject to continued service. A further two-year restriction period applies[2], supporting retention and sustainable value creation over a total of four years. ✓ Performance is reflected in share price movements and dividends earned which collectively impact the value of ER. Executives will share in the same price movements and dividends[3] as shareholders over the entire vesting and holding period. ✓ If employment ceases due to resignation, termination for cause or gross misconduct, unvested equity lapses. If employment ceases for other reasons, ER will continue to be held subject to original terms (subject to Board discretion)[4].
	Performance Rights (PR)	✓ A grant of Performance Rights[1], with vesting subject to Iress' ATSR performance over three financial years and ongoing service. ✓ ATSR is aligned to Iress' business objectives as ATSR focuses on growth of Iress and value to shareholders, regardless of the broader market and other companies' movements. Awards to executives will not vest unless substantial Iress shareholder value has been created over the measurement period. ✓ ATSR is preferred over other measures as it is simple and transparent to both executives and shareholders. It also enables consideration of a range of benchmarks for performance. ✓ In setting the three-year ATSR target for each PR grant, the Board will reference a vesting range which reflects business strategy but is informed by benchmarks such as recent performance of the All Ordinaries Accumulation index, Iress' cost of equity, market practice for companies with ATSR targets and historical performance of Iress and its peers. ✓ After considering internal and external benchmarks for performance, the Board determined that a three-year ATSR of 6.5% per annum over FY19 – FY21 would be required for 50% of the 2019 PR to vest, with maximum vesting requiring an ATSR of 10.0% per annum. ✓ If employment ceases due to resignation, termination for cause or gross misconduct, unvested PR lapse. If employment ceases for other reasons, PR continue to be held subject to original terms on a pro rata basis (subject to Board discretion)[4].
	Minimum shareholding requirement (MSR)	✓ The CEO will be required to accrue and hold Iress equity equivalent to 400% of base salary within five years (by 31 December 2023). ✓ Executives, other than the CEO, will be required to accrue and hold Iress equity equivalent to 225% of their base salary within five years. ✓ Unvested ER/TER will count towards meeting the requirement; unvested PR, which are subject to an additional ATSR hurdle, will not. ✓ The value of each holding will be calculated as the maximum of – Share price at the time of the measurement, or – Share price at the time when equity is acquired (i.e., when ER/TER is granted, when PR vests and/or when fully-paid shares are purchased).
	Clawback	✓ For both ER and PR, significant underperformance or misconduct can lead to reduced vesting at Board's discretion. In addition, the Board may decline to make future grants in such cases.
Transition arrangements (2019 only)	**Transition Equity Rights (TER)**	✓ An annual cash short-term incentive was removed upon the introduction of the new framework. Until the ER begin to be released from restrictions in 2023, executives have negative cash flow impact. To offset this, a one-off additional grant of TER valued at 30% of an executive's 31 December 2018 base salary was provided to executives (excluding the CEO) in 2019. ✓ TER have the same vesting conditions and holding restrictions as the annual ER allocations. However, for circumstances such as redundancy, TER will be retained on a pro rata basis (subject to Board discretion)[4]. ✓ The CEO did not receive a one-off transition grant. Under the changes to the remuneration framework, the vesting period for the CEO PR was reduced from 4 years to 3 years, which is expected to partially offset the reduction in cash flow.

1 Right is the right to receive one Iress share (or cash of equivalent value) upon vesting and exercise of that Right at no cost, subject to adjustment for certain capital actions. Performance Rights do not carry any dividend entitlements or voting rights. Shares allocated upon exercise carry the same rights as any other Iress share.

2 Depending on the tax rules of the relevant jurisdiction, the restriction will either be in the form of a holding lock (preventing the share received on exercise from being sold) or an exercise restriction (preventing the Right being converted to a share). Australian tax residents have the option of choosing an additional 6-month voluntary holding lock period.

3 Participants are eligible for dividend equivalents during the service period (in the form of additional ER on vesting), and dividends (or cash dividend equivalents for some jurisdictions) during the restriction period.

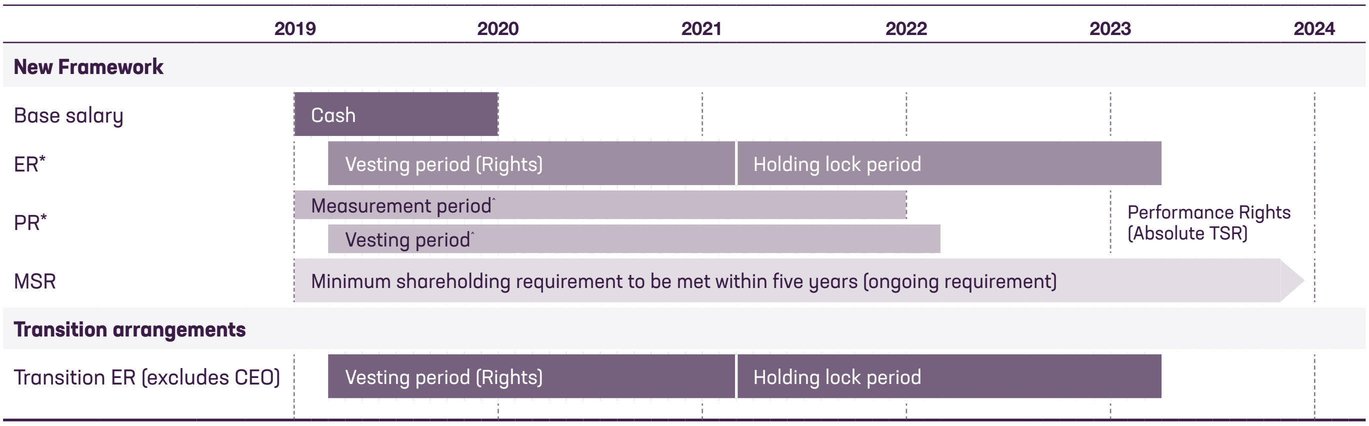
4 Board discretion also applies on a change in control. The Board will consider time elapsed and performance achieved when exercising this discretion.

Directors' Report continued

For the year ended 31 December 2019

2 .1 **Our remuneration structure** continued

Under the new framework, remuneration is delivered over a 4-year timeframe as shown below:



* The Executive grants were awarded on 28 February 2019 with the measurement period for PR starting from 1 January 2019. The CEO grants were awarded post shareholder approval at the AGM on 9 May 2019.

^ Subject to performance, vesting occurs after the vesting period has ended (28 February 2022).

2.2 Our approach to setting remuneration

Iress offers executives a Total Remuneration package and each remuneration component (Base Salary, ER and PR) is calculated as a proportion of Total Remuneration, using the remuneration mix disclosed below. In determining Total Remuneration, Iress considers the skills, experience, performance and value to Iress of the individual and market pay levels of comparable roles. Total Remuneration is reviewed annually and approved by the Board for the CEO and by the People and Performance Committee (PPC) for other executives. Any decision to increase total remuneration is considered in the context of the resulting change to Base Salary, ER and PR.

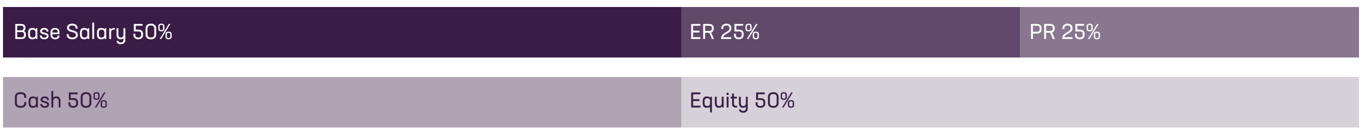
Iress serves multiple sophisticated client segments internationally, faces a range of competitors, and is exposed to global technology and regulatory influences. As a result, Iress competes for the best people on a global basis, with nearly half of the company's executives based outside Australia. The challenges and opportunities faced by Iress reflect the international nature of its business, its size and the industries in which it operates. Recognising this, Iress considers two main comparator groups when assessing executive remuneration: ASX-listed technology companies with complex multinational operations of a similar size (assessed by market capitalisation); and, overseas-listed technology companies operating in a closely comparable industry segment with comparable scale.

The executive remuneration framework delivers a large proportion of remuneration in equity which is deferred for three to four years. Equity represents 64% of Total Remuneration for the CEO and 50% of Total Remuneration for other executives in 2019, as shown in the diagram below. The proportions of equity represent both a target and a maximum allocation at grant date with performance impacting value at vesting rather than value at grant. No allocations are made above target unless the Board exercises discretion.

Nonetheless, the Board can decline to make an equity grant in the case of significant underperformance or misconduct and as such, the minimum equity allocation is nil.

CEO[1]

Executive KMP



1 In 2020, cash and equity will comprise 32% and 68% of Total remuneration respectively.

The number of ER and PR granted to each executive is calculated using a face value approach. Total Remuneration is multiplied by the percentages shown above (32% for the CEO and 25% for other executives in 2019). This amount is divided by the twenty-trading-day volume weighted average share price to 31 December of the year prior to when grant is made.

The 2019 remuneration outcomes for each Executive KMP are shown in Section 3.3.

2.3 Our remuneration principles

Iress' executive remuneration framework aligns with the following remuneration principles:

Our remuneration principles	Alignment with our principles
Alignment with Iress' overall strategy for medium to long-term value creation.	✓ To support Iress' focus on sustainable long-term growth, deferred equity that rewards multi-year performance is used in lieu of traditional cash incentives that reward current year performance. ✓ A focus on medium to long-term outcomes is reinforced by delivering a large proportion of remuneration in equity, requiring that equity be held for three to four years and by having a minimum shareholding requirement. This further enhances the alignment between executive and shareholder long-term interests. ✓ By linking PR vesting to ATSR, the Board seeks to ensure that rewards are available for collective progress against the business strategy, which focuses the executives on generating substantial returns for shareholders.
Alignment of executives with shareholders.	✓ A significant portion of remuneration is granted in equity, providing considerable 'skin in the game'. Equity represents 64% of total remuneration for the CEO and 50% of total remuneration for executives in 2019. With the addition of the minimum shareholding requirement, executives will see a direct increase or decrease in their wealth over the equity holding period in the same way that shareholders do. ✓ Executives are prohibited from hedging unvested equity and ER that are subject to restrictions. ✓ PR which make up half of the equity awarded are subject to an additional ATSR hurdle, which vests only if substantial returns are delivered to shareholders. ✓ In setting the ATSR target for each PR grant, the Board will reference a vesting range which reflects business strategy but is informed by benchmarks such as recent performance of the All Ordinaries Accumulation index, Iress' cost of equity, market practice for companies with ATSR targets and historical performance of Iress and its peers.
Ensure that Iress can attract, motivate and retain the leadership talent needed to succeed on an international basis.	✓ The simplicity and transparency of the framework increases its perceived value for executives. ✓ The design of the executive remuneration framework incorporated a review of market practices for global technology peers and consultation with the executives. ✓ Total remuneration quantum is reviewed against the remuneration offered to executives performing comparable roles in other similarly-sized listed technology companies with dynamic international operations. ✓ The minimum shareholding requirement will result in equity being held for longer periods encouraging increased executive tenure. ✓ ATSR performance is a quantified target which is within the executive's control, thereby maximising the perceived value of the PR grant by an individual. ✓ Substantial equity exposure allows executives to share appropriately in the value they generate for shareholders. This will enhance Iress' ability to attract and retain the executives needed to execute Iress' strategy.
Simple to understand and transparent for all stakeholders.	✓ There are only two incentive instruments used, and equity exposure is real and in the hands of executives. ✓ By establishing a Total Remuneration (TR) approach, with the quantum of each component of remuneration at a set percentage of Total Remuneration, the remuneration and value available is clearly communicated to the executives and shareholders. ✓ The value of unvested equity is easily assessed by stakeholders, based on current share price and ATSR performance. ✓ The absence of traditional STI removes the complexity and lack of transparency about performance measurement, target setting, pool funding and adjustments.
Support robust performance management.	✓ The Board sets financial and non-financial objectives and reviews Iress' performance and the performance of each executive on an ongoing basis and intervenes where required. ✓ By having a significant proportion of remuneration delivered in equity held for long periods, the impact of individual and collective performance is measured over multiple years. ✓ Remuneration outcomes are capped, with grant values a set percentage of Total Remuneration and PR only vesting if shareholders have made substantial returns over three years. ✓ The framework has safeguards that give the Board discretion over remuneration outcomes if company or individual performance is significantly below expectations. In particular, the Board may reduce or decline to make an equity grant (either as both ER and PR) and can clawback unvested equity and restricted ER if the participant has engaged in fraud, misrepresentation, dishonesty, gross misconduct; poor risk practices or reputational issues or any other matters the Board determines is relevant. See Section 3.2 for the outcome of the Board discretion in 2019.

Directors' Report continued

For the year ended 31 December 2019

Section 3 Relationship between performance and remuneration outcomes

3.1 Mechanisms that link remuneration to performance

The Board sets the strategy for the Group with a three to five year outlook. The Strategy is reviewed and adjusted each year in the context of business progress, achievement, and the external environment. Executive remuneration is aligned to the Board's medium to long-term strategic outlook through equity instruments that have a three or four-year holding period and a material Minimum Shareholding Requirement. In this way, the Board incentivises executives to deliver sustainable long-term shareholder value.

The Board sets annual financial and non-financial objectives in areas that progressively and collectively support the Group's medium to long-term strategy. Performance against these objectives is reviewed by the Board at the Group and individual level every six months.

Review of performance against short and medium-term objectives is a key consideration for direct adjustments to individual remuneration. Group and individual performance impacts executives' remuneration in four ways:

- **Impact 1:** Individual and Group performance against the annual objectives set by the Board is a key consideration when the Board determines the Base Salary and Total Remuneration package of an executive.
- **Impact 2:** Share price movements and dividends impact the value of equity over the three to four-year period and aligns reward with shareholder outcomes.
- **Impact 3:** PR vesting is subject to a three-year ATSR measure that aligns reward with shareholder outcomes. PR vesting for awards made prior to 2019 are subject to a RTSR measure.
- **Impact 4:** The Board has discretion to reduce, cancel or clawback equity remuneration if group or individual performance is significantly below expectations, or in the event of individual misconduct. The discretion can be applied at grant, vesting, or during the equity holding period.

The Board has a rigorous process to assess performance and where necessary, adjust remuneration, as described below.

Before the start of the year	During the year	End of the year
Group performance objectives set	**Performance assessed against objectives**	**Performance assessed against objectives**
✓ The Board approves the financial and non-financial objectives and specific targets for the Group to achieve its medium-term strategy. ✓ The Board considers a range of financial and non-financial metrics as summarised in Section 3.2.	✓ In addition to monitoring throughout the year, at mid-year, the Board formally assesses the Group's progress against the objectives and company strategy. ✓ At mid-year, the PPC reviews the CEO's assessment of individual executive's progress against objectives and company strategy.	✓ The Board assesses the performance of the Group and the CEO against the objectives and company strategy. ✓ The CEO's assessment of the performance of other executives against their individual objectives is reviewed by the PPC.
Individual performance objectives set	**Determination of remuneration outcomes**	**Determination of remuneration outcomes**
✓ The Group's financial and non-financial objectives are cascaded to individual objectives for each executive. The targets and weighting of the objectives are specific to each executive's role, but include financial and non-financial objectives in all cases. The Board approves the CEO's objectives and the PPC reviews the objectives for other executives.	✓ At each scheduled vesting date, the PPC reviews Iress' TSR performance and confirms the maximum PR eligible to vest (Impact 3). With consideration also to any **group** and **individual** performance or conduct factors at any time during the equity holding period, the PPC determines the final number of ER and PR to vest (Impact 4). ✓ At half-year, the CEO reviews the remuneration packages of his direct reports taking their **individual** performance into consideration (Impact 1). Any recommended changes are reviewed by PPC.	✓ The Board reviews the CEO's **remuneration package** (Impact 1) for the subsequent year. ✓ The Board (for the CEO) and the PPC (for other executives) determines if there were any **group** or **individual** performance or conduct factors which would justify a reduction in value of ER and PR to be granted in the subsequent cycle (Impact 4). ✓ During the equity holding period, each executive's equity is subject to the same share price movements as other Iress shareholders (Impact 2).

The sections below outline Iress's performance and the resulting remuneration outcomes in 2019.

3.2 Group performance against objectives

The table below provides summary information on the Group's earnings for the five years to 31 December 2019. Iress' shareholders received a TSR of 23.5% in 2019 and 9.3% per annum over the last 3 years.

Measure	2019	2018	2017	2016	2015
Net Profit After Tax ($'000s)	65,128	64,096	59,755	59,452	55,385
Segment profit ($'000s) [(a)]	152,062	137,702	125,383	123,531	119,175
Operating revenue ($'000s)	508,943	464,624	429,952	389,737	361,464
Basic Earnings per share (cents)	37.9	37.6	35.4	37.0	35.2
Annual ATSR [(b)]	23.5%[(c)]	2.7%	2.8%	21.7%	0.2%
Annualised 3-year ATSR [(b)]	9.3%	8.7%	7.8%	10.6%	11.6%
3-year RTSR target for PR grant	n/a	50th-75th percentile			
3-year ATSR target for PR grant	6.5-10% p.a.	n/a			

(a) Segment profit (calculation as set out in Note 1.1 to the Consolidated Financial Statements) is a measure of core underlying business performance

(b) All share prices and the TSR calculation are based on the twenty-trading-day volume weighted average share price on the relevant dates.

(c) Iress' share price (twenty-trading-day volume weighted average share price) was $11.10 at 31 December 2018 and $13.21 at 31 December 2019. As a result, shareholders received a return of 19.0% on all equity held during the year. With the addition of dividends paid to shareholders this reflects an ATSR for the same period of 23.5%.

Iress' 2019 financial and non-financial objectives and performance are summarised below. When determining whether to make (and the extent of) adjustments to remuneration, the Board considers the following areas of performance collectively and in context of achieving the company's medium-term strategy.

Focus area	Performance goal	Result
Financial objectives		
Financial	Achievement of the Board approved budget for Segment Profit, Net Profit After Tax and Earnings per Share.	At target
Non-financial objectives		
Clients	Relationships with clients and users based on oneIress. Materially improved resolution times. Actions to improve advocacy the responsibility of all.	At target
Growth	Revenue growth meeting shareholder expectations. Quality revenue growth from new strategic initiatives. Lending projects successful with full pipeline.	Below target
People	More and clearer opportunities for our people to progress. Iress is able to attract higher volumes of quality candidates. Outcomes are the focus for how people at Iress work together.	At target
Products/Technology	User experience improves, driven by labs. Deliver to clients at materially higher level of quality. Data strategies a primary goal for design and growth.	At target
Company	Each team contributes to efficiency and scale. Achieve cloud infrastructure milestones, with benefits for clients. Simpler brand positioning increasing attraction.	At target

For 2019, the Board assessed achievement of these objectives and viewed that collectively Iress' performance was tracking to achieve its strategic outcomes. While growth performance was marginally short of target set by the Board at the beginning of the year, revenues grew by 10% (8% constant currency). Accordingly, the Board does not intend to make any performance adjustments to unvested equity or equity allocations to be granted in early 2020.

Iress' key achievements in 2019 are further described in pages 2 to 7 of the Annual Report.

Directors' Report continued

For the year ended 31 December 2019

3.3 Remuneration awarded in relation to the current year

Base salary – Executive KMP other than the CEO

In 2019, the CEO benchmarked executive remuneration for his direct reports against the ASX-listed and/or overseas-listed technology comparator groups described in Section 2.2.

Effective 1 August 2019, the Executive KMP (excluding the CEO) received an average increase of 7% to base salary as shown below. The increases were determined in the context of the resulting change to Total Remuneration, with consideration to:

- the individual's skills, experience, performance and value to Iress,
- the market pay levels of comparable roles (using the external market data), and
- changes to the scope of individual roles and the nature of Iress' operations since previous adjustments, which in some cases had been two or more years ago.

No changes to base salary were made as a result of changes to the executive remuneration framework on 1 January 2019. On a total remuneration basis, the new framework had the impact of reducing executive's cash remuneration and increasing remuneration expense over FY19–21, followed by a net reduction to remuneration expense from FY22.

Executive	Total of Base salaries at 1 January 2019[a]	Increase	Total of Base salaries at 31 December 2019[a]
Executive KMP (other than the CEO)	$3,093,806	$225,440	$3,319,245

(a) For UK-based executives the Australian dollar amounts shown in the table have been converted at an average exchange rate of 0.5300.

Total remuneration – CEO

The Board reviews CEO performance and remuneration each year as it does for other executives. From time-to-time, it supplements an internal review of remuneration considering achievement of objectives with market data for comparable roles. In December 2019, the Board reviewed the CEO's performance and remuneration and assessed his remuneration against the market considering the comparator groups described in Section 2.2, with particular emphasis to the ASX-listed Technology group.

The Board concluded that considering both demonstrated achievement and market data, it was not only appropriate but important for Iress' future plans, that the CEO's remuneration should be increased by $300,000. However, consistent with the new executive remuneration framework and the Board's emphasis on sustained long-term performance, the Board viewed that this increase should be delivered in equity with a higher weighting to PR (which are subject to the ATSR hurdle).

Hence the Board determined to maintain the CEO's current base salary of $1,000,000 and apply an increase of $300,000 to his Total Remuneration in 2020 with the increase weighted 40% ($120,000) to ER and 60% ($180,000) to PR. This change is intended to appropriately position the CEO's 2020 Total Remuneration in the market, and reward sustained long-term performance. This change represents an 11% increase to his potential total remuneration as shown below. The final value of equity to be granted is subject to shareholder approval at the 2020 AGM and ongoing Board discretion as described in Section 3.1.

	2019		2020			
Remuneration Package	Amount ($)	% of Total remuneration	Increase ($)	Amount ($)	% of Total remuneration	Increase %
Base Salary	1,000,000	36%	0	1,000,000	32%	0%
Equity Rights	888,889	32%	120,000	1,008,889	33%	13%
Performance Rights	888,889	32%	180,000	1,068,889	35%	20%
Total	**2,777,778**	**100%**	**300,000**	**3,077,778**	**100%**	**11%**

Executive KMP equity grants

Following its 2018 year-end assessment of performance at a Group level and performance and conduct at an individual level, the Board determined it was fair and appropriate that the 2019 equity grants proceed in line with the remuneration mix disclosed in Section 2.2.

The face value of equity granted to Executive KMP in 2019 (and 2018) is shown below. Executive KMP had an increase in their remuneration awarded in 2019 as compared to 2018, which was primarily driven by the transition to the new remuneration model and minor adjustments to base salary. The impact of the transition to the new remuneration model in 2019 was:

- An annual cash short-term incentive was removed upon the introduction of the new framework. Until the ER begin to be released from restrictions in 2023, executives have a negative cash flow impact. A one-off grant of TER was awarded in 2019 to provide a fair and equitable transition to the new model, and
- No PR were awarded in relation to 2018 performance (which would have been granted May 2019 had the old framework continued). Instead PR were delivered under the new framework and are thus included in 2019 remuneration.

Both of these factors lead to a higher reported total remuneration in 2019 compared to 2018. Without the effect of these factors, the total remuneration in 2019 would have been $8,961,910 (excluding TER), compared to $8,769,702 (including 2019 PR) in 2018, representing an increase of 2.2%. The value of equity awarded is not realised unless and until the equity vests (subject to the satisfaction of vesting conditions) and is released from restrictions.

Executive	Year	Base Salary $	Cash STI $	Deferred Equity [a] $	ER [b] $	TER [b] $	PR [b] $	Total remun-eration $
CEO								
A Walsh	2019	1,000,000	–	–	888,894	–	888,894	2,777,788
	2018	1,000,000	246,583	550,000	–	–	–	1,796,583
Other Executive KMP								
P Ferguson	2019	375,417	–	–	182,511	109,507	182,511	849,946
	2018	365,000	61,000	129,000	–	–	–	555,000
J Harris	2019	573,333	–	–	270,001	162,005	270,001	1,275,340
	2018	540,000	92,000	192,000	–	–	–	824,000
A Knowles [c]	2019	611,636	–	–	283,320	169,992	283,320	1,348,268
	2018	571,435	98,215	213,329	–	–	–	882,979
J McNeill [c]	2019	422,956	–	–	194,786	116,871	194,786	929,399
	2018	392,861	66,072	136,886	–	–	–	595,819
S New [c]	2019	589,623	–	–	265,613	159,372	265,613	1,280,221
	2018	535,720	89,287	181,329	–	–	–	806,336
A Todd	2019	614,775	–	–	301,960	181,178	301,960	1,399,873
	2018	603,900	102,000	216,000	–	–	–	921,900
Total Executive KMP	**2019**	**4,187,740**	**-**	**-**	**2,387,085**	**898,925**	**2,387,085**	**9,860,835**
	2018	**4,008,916**	**755,157**	**1,618,544**	**-**	**-**	**-**	**6,382,617**

(a) Deferred equity accompanied cash STI in the prior executive remuneration framework (see Section 5.4) and is shown at grant value. The number of Deferred Share Rights (DSR) granted to each executive is based on the five-trading-day volume weighted average share price in the week up to and including the grant date, adjusted for ineligibility to receive dividends.

(b) ER, TER and PR are shown at face value which includes the value of dividends. The number of rights granted to each executive in 2019 was based on the twenty-trading-day volume weighted average share price up to and including 31 December 2018.

(c) Salary and Cash STI of J McNeil, S New and A Knowles are denominated in British Pounds. The Australian dollar amounts shown in the table have been converted at an average exchange rate of 0.5300 (2018: 0.5600).

Based on group and individual performance to grant date, the Board determined that the full value of ER and PR as calculated using the remuneration mix would be granted. At year-end, following assessment of performance and conduct at an individual level, the Board determined not to clawback any equity granted in 2019.

Directors' Report continued

For the year ended 31 December 2019

3.4 Remuneration realised from equity granted in previous years

Equity vested

In May 2019, based on Iress' superior RTSR performance in the preceding three and four year periods, there was partial vesting of PR granted to the CEO in 2015 and full vesting of PR granted to other executives in 2016.

		AT END OF MEASUREMENT PERIOD [A,B]	
Award	Initial measurement period [a]	RTSR percentile	Final vesting
CEO 2015 4-yr	7 May 2015 to 7 May 2019	66.3rd	82.6%
CEO 2015 3-yr	7 May 2016 to 7 May 2019	58.5th	67.0%
Executive 2016 3-yr	1 Jan 2016 to 31 Dec 2018	76.0th	100%

(a) PR granted prior to 2019 had one re-test 6 months after the initial measurement period. The final outcomes above are thus based on maximum performance as measured on 7 May 2019 and 7 November 2019 for the CEO grants; and as measured on 31 December 2018 and 30 June 2019 for other executives.

(b) TSR amounts are calculated as per the terms of each PR offer, which provide for a 20-day volume weighted average share price at the start and end, and the inclusion of franking credits for grants made prior to 2016.

In addition to the RTSR vesting criteria that applied to PR, equity granted prior to 2019 required satisfactory individual performance to vest. Following its assessment of performance and conduct at an individual level at the end of the year, the Board determined not to clawback any of the above awards and that the full value of PR as determined by RTSR performance would vest.

The value of equity vested to Executive KMP in 2019 (and 2018) is shown below. Executive KMP had an increase in their realised remuneration in 2019 as compared to 2018, which was primarily driven by superior RTSR results and thus a higher proportion of PR vesting.

Position	Financial Year	Base Salary $	Cash STI earned	Deferred Equity vested [a]	PR vested [a] $	Total remuneration $
CEO						
A Walsh	2019	1,000,000	–	831,836	1,244,426	3,076,262
	2018	1,000,000	246,583	592,900	552,820	2,392,303
Other Executive KMP						
P Ferguson	2019	375,417	–	135,256	136,837	647,510
	2018	365,000	61,000	113,535	–	539,535
J Harris	2019	573,333	–	135,256	193,187	901,776
	2018	540,000	92,000	n/a	–	632,000
A Knowles [b]	2019	611,636	–	236,699	193,187	1,041,522
	2018	571,435	98,215	197,199	–	866,849
J McNeill [b][c]	2019	422,956	–	140,993	80,488	644,437
	2018	392,861	66,072	567,535	n/a	1,026,468
S New [b]	2019	589,623	–	81,159	64,396	735,178
	2018	535,720	89,287	n/a	n/a	625,007
A Todd	2019	614,775	–	n/a	n/a	614,775
	2018	603,900	102,000	n/a	n/a	705,900
Total Executive KMP	**2019**	**4,187,740**	**0**	**1,561,199**	**1,912,521**	**7,661,460**
	2018	**4,008,916**	**755,157**	**1,471,169**	**552,820**	**6,788,062**

(a) The value of equity that vested is based on the twenty-trading-day volume weighted average share price up to and including the vesting date. Where not applicable (n/a) is stated, the executive started with the Group after the eligibility date for this award.

(b) Salary and Cash STI of A Knowles, J McNeil and S New are denominated in British Pounds. The Australian dollar amounts shown in the table have been converted at an average exchange rate of 0.5300 (2018: 0.5600).

(c) J McNeill's deferred equity vesting in 2018 and 2019 includes Tranches 1 and 2 of her Avelo award respectively (see Section 5.4). She was not eligible for the PR vesting in 2018 due to her inclusion in the Avelo award.

Other unvested equity held during the year

In its 2019 half-year and year-end assessments, the Board did not identify any individual or company performance or conduct factors that would warrant clawback at future vesting dates. The Board will continue to monitor such factors until the relevant vesting date for each grant of equity.

Section 4 Non-executive director fees

4.1 Fee policy

NEDs receive fees for their services plus the reimbursement of reasonable expenses. To ensure objective and independent oversight of the Group, Non-executive Directors (NEDs) do not participate in performance-based incentives or receive post-employment benefits. The fee levels that applied during 2019 were:

		FEE ($)	
Role	**Iress Ltd Board**	**Audit & Risk committee**	**People & Performance Committee**
Chair	240,000 [a]	24,000	24,000
Member	130,000	Nil	Nil

(a) The Chair is entitled to the Board Chair fee only (no additional Committee fees).

NED fees are reviewed at appropriate intervals and are determined by the Board in consideration of fees paid to NEDs of comparable companies.

4.2 Maximum aggregate NED fee pool

The maximum aggregate pool available for NED fees is approved by the shareholders at the Annual General Meeting in accordance with the Group's Constitution. The maximum pool is set around the median level for comparable companies, to provide the ability for Iress to attract and retain appropriately qualified and experienced directors.

The maximum aggregate fee pool of $1,500,000 per annum was approved at the Annual General Meeting held on 2 May 2019. The total amount of remuneration paid to NEDs in 2019 was $1,080,350 (2018: $1,080,351).

For the NED statutory remuneration details, please see Section 5.3

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For the year ended 31 December 2019

Section 5 Additional required disclosures

5.1 Remuneration governance

The Board and the People & Performance Committee (PPC) work closely to apply the Group's remuneration philosophy and ensure the company's remuneration strategy supports the creation of sustainable shareholder value.

The Board oversees remuneration for Iress and approves remuneration for NEDs and the CEO. The PPC reviews remuneration taking into account a wide variety of information including business strategy and culture, stakeholder interests, market practice and corporate governance principles and also approves remuneration arrangements of Directors. More information about the Board's role in remuneration governance can be found at https://www.iress.com/trust/corporate-governance/governance-documents/board-charter/.

No remuneration recommendations (as defined by the Corporations Act 2001) were provided to the Iress Board during the reporting period.

5.2 Executive KMP statutory remuneration

The table below presents details of Executive KMP remuneration prepared in accordance with statutory requirements and accounting standards. Under this standard DSR, ER, TER and PR are expensed based on the grant date fair value over the vesting period.

		SHORT-TERM BENEFITS ($)			POST-EMPLOYMENT BENEFITS ($)	LONG-TERM BENEFITS ($)				
Executive	Year	Salary and fees [a]	Non-monetary benefits [b]	STI	Super-annuation	Share-based payments DSR/ER/TER	Share-based payments PR	Long-service leave	Total remun-eration $	Perform-ance related remun-eration
MD/CEO										
A Walsh [b]	2019	1,000,000	21,971	–	25,000	931,879	744,050	16,112	2,739,012	61%
	2018	1,000,000	13,258	246,583	25,000	540,762	683,125	13,319	2,522,047	58%
Other Executive KMP										
P Ferguson	2019	375,417	2,535	–	25,990	250,695	82,644	9,728	747,009	45%
	2018	365,000	2,419	61,000	25,000	109,376	75,782	15,419	653,996	38%
J Harris	2019	573,333	2,535	–	25,000	366,637	123,256	24,379	1,115,140	44%
	2018	540,000	2,202	92,000	25,000	130,718	112,714	–	902,634	37%
A Knowles [b,c,d]	2019	611,636	3,611	–	26,250	387,711	123,352	14,786	1,167,346	44%
	2018	616,078	3,264	98,215	25,000	173,829	110,423	–	1,026,809	37%
J McNeill [c]	2019	438,239	12,077	–	38,066	246,671	75,195	–	810,248	40%
	2018	407,326	8,453	66,072	35,358	37,654	49,634	–	604,497	25%
S New [c]	2019	589,623	5,062	–	58,962	317,106	90,594	–	1,061,347	38%
	2018	535,720	4,581	89,287	53,572	80,987	51,415	–	815,562	27%
A Todd [e]	2019	614,775	–	–	25,000	512,339	80,739	5,445	1,238,298	48%
	2018	603,900	–	102,000	25,000	44,397	24,913	–	800,210	21%
Total	**2019**	**4,203,023**	**47,791**	**-**	**224,268**	**3,013,038**	**1,319,830**	**70,450**	**8,878,400**	**49%**
	2018	**4,068,024**	**34,177**	**755,157**	**213,930**	**1,117,723**	**1,108,006**	**28,738**	**7,325,755**	**41%**

(a) Salary includes allowances and short-term compensated absences paid during the 2018 and 2019 years.

(b) Non-monetary benefits include health and life insurance subsidies. For A Walsh, this also includes the market value of his/Iress' ongoing arrangement for settling UK tax and insurance obligations on equity awards that were on foot during his 2013-2015 secondment to the UK. Excluded from non-monetary benefits for A Knowles is the cost of Visa processing and filing tax returns in the UK ($6,061). Also excluded from non-monetary benefits for A Walsh is the cost of filing tax returns in the UK($3,336).

(c) Remuneration of A Knowles, J McNeill and S New is denominated in British Pounds and is subject to FX movements. The Australian dollar amounts shown in the table were converted at an average foreign exchange rate of 0.5300 (2018: 0.5600).

(d) In 2018, A Knowles' salary included a $20,534 secondment allowance related to his relocation in 2017.

(e) Share-based payments for A Todd includes DSR granted in 2019, that due to administration error, was not granted in 2017. This grant was on the same terms as other DSR awarded to executives in 2017, but due to the grant not being made in that year, the majority of the share-based payment expense has been incurred in 2019.

5.3 Non-executive Director statutory remuneration

The total statutory remuneration paid to NEDs during 2019 and 2018 is as set out in the table below.

		SHORT-TERM BENEFITS	POST-EMPLOYMENT ENTITLEMENTS	
Non-Executive Director	Year	Fees ($)	Super-annuation ($)	Total ($)
A D'Aloisio	2019	219,178	20,822	240,000
	2018	219,178	20,822	240,000
N Beattie [a]	2019	130,000	12,350	142,350
	2018	130,000	12,350	142,350
J Cameron	2019	118,721	11,279	130,000
	2018	118,721	11,279	130,000
J Fahey	2019	118,721	11,279	130,000
	2018	118,722	11,279	130,001
J Hayes	2019	140,639	13,361	154,000
	2018	140,639	13,361	154,000
J Seabrook	2019	140,639	13,361	154,000
	2018	140,639	13,361	154,000
G Tomlinson	2019	118,721	11,279	130,000
	2018	118,721	11,279	130,000
Total Non-Executive Director fees	**2019**	**986,619**	**93,731**	**1,080,350**
	2018	**986,620**	**93,731**	**1,080,351**

(a) NED fees are paid inclusive of superannuation for all NEDs except for N Beattie. N Beattie is paid superannuation on-top of fees based on the percentage of total fees relating to work performed in Australia.

5.4 Terms of equity grants

2019 Performance Rights

The 2019 PR were granted consistent with the terms described in Section 2.1. The number of PR that will vest will depend on Iress' ATSR performance over the measurement period, measured using a twenty-trading-day volume weighted average share price at the start and end of the measurement period. The vesting schedule for the 2019 PR award is given below:

Iress' annualised ATSR over the 3-year measurement period	% of PR that will vest
Below 6.5%	0%
6.5%	50%
Between 6.5% and 10%	Pro-rata portion will vest on a straight-line basis between 50% (at 6.5%) and 100% (at 10%)
10% or higher	100%

This vesting schedule was set with consideration to the benchmarks outlined in Section 2.3. The above are stretch targets against those benchmarks.

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5.4 Terms of equity grants continued

Performance Rights granted prior to 2019

PR granted prior to 2019 had similar terms to the 2019 PR grant. The main difference was that vesting was based on RTSR performance over the measurement period. Iress' TSR performance was measured against a comparator group consisting of companies listed in the S&P/ASX 200 index, excluding mining and resource companies, and listed property trusts. The comparator group companies were determined as at 1 January of the year of grant. For grants made prior to 2016 (the last of which vested in 2019), the comparator group was adjusted to exclude companies that exited the S&P/ASX 200 index during the measurement period. For all PR granted prior to 2019, 0% of the rights vested for RTSR performance below the 50th percentile and 100% of the rights vested for RTSR performance of 75th percentile with pro-rata vesting on a straight-line basis in between. Iress allowed for one re-test, six months after the initial test date, for any portions of awards that do not vest on the initial test date.

Deferred Share Rights

Under the previous remuneration framework, executives were eligible for a cash short-term incentive and deferred equity, as well as PR. Deferred Equity was delivered in the form of Deferred Share Rights (DSR). A grant under this plan was made in May 2019 in relation to performance in the 2018 financial year. A grant was also made under this plan to A Todd in December 2019. This was granted in lieu of a grant he should have received in May 2017 after joining Iress, which in error, had been missed. A DSR is a right to acquire one fully paid ordinary share in Iress (subject to adjustment for certain capital actions) at no cost. Vesting is conditional on three-years' continued service and achievement of a satisfactory level of individual performance during these three years.

Employee share plans

Iress has an employee share plan covering the two major employee populations of Australia and the UK. Eligible participants are invited to acquire Iress shares by salary sacrifice and Iress supplements this with approximately one share for every two shares the employee acquires up to a maximum value of $300 (share matching).

The Australian plan has been operating since 2013. In 2019, 462 employees participated (58% of eligible employees), subscribing to 39,960 shares including 11,088 matched shares. The UK plan was established in 2015. In 2019, 272 employees participated (41% of eligible employees), subscribing to 33,953 shares including 5,152 matched shares. Equity is granted in the form of Deferred Shares (DS).

Special acquisition related incentives ('Avelo awards')

As disclosed in the 2013 Annual Report, a special set of DSR awards were made in September 2013 in relation to the acquisition of Avelo FS Holdings Limited and its subsidiaries in the United Kingdom.

A core group of former Avelo Senior Management and staff were granted equity under this plan (including J McNeill: 54,981 DSR) to secure their retention and to ensure ongoing support for the integration and development of the business opportunity in the United Kingdom. Vesting is subject to commercially sensitive performance criteria over two tranches:

Tranche 1: 1 January 2014 – 31 December 2017. The performance conditions were assessed in February 2018 and 89% of the DSR vested and the remainder were forfeited.

Tranche 2 (former Avelo Senior Management only): 1 January 2014 – 31 December 2018. The performance conditions were assessed in February 2019 and 90% of the DSR vested and remainder were forfeited.

5.5 Unvested equity

The table below presents the ER, DSR (Deferred equity and Avelo awards) and PR held during the financial year by each Executive KMP. No rights are granted to NEDs or related parties. Any rights that vest will be automatically exercised on or around the time Iress notifies the participant that their rights have vested. ER, DSR and PR are granted for no consideration, and upon vesting, can be exercised at no cost.

Name	Type of equity	Grant date	Number granted	Fair value at grant date [(a)]	Vesting date	Expiry date	Number vested [(a)]	% vested	Number lapsed	% lapsed	Number unvested [(e)]
A Walsh[(b,c)]	ER	10-May-19	80,020	14.22	26-Feb-21	28-Feb-21	-	-	-	-	80,020
	PR	10-May-19	80,020	8.60	28-Feb-22	28-Feb-22	-	-	-	-	80,020
	DSR	10-May-19	42,736	12.73	10-May-22	10-May-22	-	-	-	-	42,736
	PR[(c)]	10-May-18	91,210	5.75/5.78	10-May-22	10-May-22	-	-	-	-	91,210
	DSR	10-May-18	51,707	9.58	10-May-21	10-May-21	-	-	-	-	51,707
	PR[(c)]	11-May-17	109,478	6.64/7.05	11-May-21	11-May-23	-	-	-	-	109,478
	DSR	11-May-17	47,575	10.86	11-May-20	11-May-21	-	-	-	-	47,575
	PR[(c)]	5-May-16	120,000	6.24/8.00	5-May-20	5-May-23	-	-	-	-	120,000
	DSR	5-May-16	60,000	10.25	5-May-19	5-May-20	60,000	100.0%	-	-	-
	PR	7-May-15	60,000	5.13	7-May-19	7-May-22	40,200	67.0%	19,800	33.0%	-
	PR	7-May-15	60,000	5.17	7-May-19	7-May-22	49,560	82.6%	10,440	17.3%	-
	Total of ER, TER and DSR										**222,038**
	Total of PR										**400,708**
P Ferguson[(b)]	ER	28-Feb-19	16,430	12.00	26-Feb-21	28-Feb-21	-	-	-	-	16,430
	PR	28-Feb-19	16,430	5.54	28-Feb-22	28-Feb-22	-	-	-	-	16,430
	TER	28-Feb-19	9,858	12.00	26-Feb-21	28-Feb-21	-	-	-	-	9,858
	DSR	10-May-19	9,966	12.73	10-May-22	10-May-22	-	-	-	-	9,966
	PR	10-May-18	12,770	5.79	10-May-21	10-May-21	-	-	-	-	12,770
	DSR	10-May-18	12,772	9.58	10-May-21	10-May-21	-	-	-	-	12,772
	PR	11-May-17	9,646	7.13	11-May-20	11-May-24	-	-	-	-	9,646
	DSR	11-May-17	10,728	10.86	11-May-20	11-May-21	-	-	-	-	10,728
	PR	5-May-16	10,000	8.50	5-May-19	5-May-20	10,000	100.0%	-	-	-
	DSR	5-May-16	9,756	10.25	5-May-19	5-May-20	9,756	100.0%	-	-	-
	Total of ER, TER and DSR										**59,754**
	Total of PR										**38,846**
J Harris	ER	28-Feb-19	24,306	12.00	26-Feb-21	28-Feb-21	-	-	-	-	24,306
	PR	28-Feb-19	24,306	5.54	28-Feb-22	28-Feb-22	-	-	-	-	24,306
	TER	28-Feb-19	14,584	12.00	26-Feb-21	28-Feb-21	-	-	-	-	14,584
	DSR	10-May-19	14,861	12.73	10-May-22	10-May-22	-	-	-	-	14,861
	PR	10-May-18	19,154	5.79	10-May-21	10-May-21	-	-	-	-	19,154
	DSR	10-May-18	18,666	9.58	10-May-21	10-May-21	-	-	-	-	18,666
	PR	11-May-17	14,752	7.13	11-May-20	11-May-24	-	-	-	-	14,752
	DSR	11-May-17	16,325	10.86	11-May-20	11-May-21	-	-	-	-	16,325
	PR	5-May-16	14,118	8.50	5-May-19	5-May-20	14,118	100.0%	-	-	-
	DSR	5-May-16	9,756	10.25	5-May-19	5-May-20	9,756	100.0%	-	-	-
	Total of ER, TER and DSR										**88,742**
	Total of PR										**58,212**
A Knowles	ER	28-Feb-19	25,505	12.00	26-Feb-21	28-Feb-23	-	-	-	-	25,505
	PR	28-Feb-19	25,505	5.54	28-Feb-22	28-Feb-22	-	-	-	-	25,505
	TER	28-Feb-19	15,303	12.00	26-Feb-21	28-Feb-21	-	-	-	-	15,303
	DSR	10-May-19	16,473	12.73	10-May-22	10-May-22	-	-	-	-	16,473
	PR	10-May-18	18,242	5.79	10-May-21	10-May-21	-	-	-	-	18,242
	DSR	10-May-18	18,175	9.58	10-May-21	10-May-21	-	-	-	-	18,175
	PR	11-May-17	14,752	7.13	11-May-20	11-May-24	-	-	-	-	14,752
	DSR	11-May-17	16,325	10.86	11-May-20	11-May-21	-	-	-	-	16,325
	PR	5-May-16	14,118	8.50	5-May-19	5-May-20	14,118	100.0%	-	-	-
	DSR	5-May-16	17,073	10.25	5-May-19	5-May-20	17,073	100.0%	-	-	-
	Total of ER, TER and DSR										**91,781**
	Total of PR										**58,499**

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5.5 Unvested equity continued

Name	Type of equity	Grant date	Number granted	Fair value at grant date [a]	Vesting date	Expiry date	Number vested [a]	% vested	Number lapsed	% lapsed	Number unvested [e]
J McNeill [b]	ER	28-Feb-19	17,535	12.00	26-Feb-21	28-Feb-23	-	-	-	-	17,535
	PR	28-Feb-19	17,535	5.54	28-Feb-22	28-Feb-22	-	-	-	-	17,535
	TER	28-Feb-19	10,521	12.00	26-Feb-21	28-Feb-21	-	-	-	-	10,521
	DSR	10-May-19	10,567	12.73	10-May-22	10-May-22	-	-	-	-	10,567
	PR	10-May-18	13,682	5.79	10-May-21	10-May-21	-	-	-	-	13,682
	DSR	10-May-18	13,731	9.58	10-May-21	10-May-21	-	-	-	-	13,731
	PR	11-May-17	6,731	7.13	11-May-20	11-May-24	-	-	-	-	6,731
	DSR	11-May-17	7,114	10.86	11-May-20	11-May-21	-	-	-	-	7,114
	PR	5-May-16	5,882	8.50	5-May-19	5-May-20	5,882	100.0%	-	-	-
	DSR	5-May-16	5,854	10.25	5-May-19	5-May-20	5,854	100.0%	-	-	-
	DSR	1-Sep-13	5,498	7.73	31-Dec-18	31-Dec-21	4,949	90.0%	549	10.0%	-
	Total of ER, TER and DSR										**59,468**
	Total of PR										**37,948**
S New [b]	ER	28-Feb-19	23,911	12.00	26-Feb-21	28-Feb-23	-	-	-	-	23,911
	PR	28-Feb-19	23,911	5.54	28-Feb-22	28-Feb-22	-	-	-	-	23,911
	TER	28-Feb-19	14,347	12.00	26-Feb-21	28-Feb-21	-	-	-	-	14,347
	DSR	10-May-19	13,520	12.73	10-May-22	10-May-22	-	-	-	-	13,520
	PR	10-May-18	15,962	5.79	10-May-21	10-May-21	-	-	-	-	15,962
	DSR	10-May-18	17,164	9.58	10-May-21	10-May-21	-	-	-	-	17,164
	PR	11-May-17	7,692	7.13	11-May-20	11-May-24	-	-	-	-	7,692
	DSR	11-May-17	7,114	10.86	11-May-20	11-May-21	-	-	-	-	7,114
	PR	5-May-16	4,706	8.50	5-May-19	5-May-20	4,706	100.0%	-	-	-
	DSR	5-May-16	5,854	10.25	5-May-19	5-May-20	5,854	100.0%	-	-	-
	Total of ER, TER and DSR										**76,056**
	Total of PR										**47,565**
A Todd	DSR[d]	13-Dec-19	15,932	13.17	11-May-20	11-May-24	-	-	-	-	15,932
	ER	28-Feb-19	27,183	12.00	26-Feb-21	28-Feb-21	-	-	-	-	27,183
	PR	28-Feb-19	27,183	5.54	28-Feb-22	28-Feb-22	-	-	-	-	27,183
	TER	28-Feb-19	16,310	12.00	26-Feb-21	28-Feb-21	-	-	-	-	16,310
	DSR	10-May-19	16,784	12.73	10-May-22	10-May-22	-	-	-	-	16,784
	PR	10-May-18	20,067	5.79	10-May-21	10-May-21	-	-	-	-	20,067
	DSR	10-May-18	21,614	9.58	10-May-21	10-May-21	-	-	-	-	21,614
	Total of ER, TER and DSR										**97,823**
	Total of PR										**47,250**

(a) All DSR and PR that vested during the year were exercisable. A Knowles has 49,484 vested DSR and PR which have not been exercised.

(b) In addition to the above unvested awards, P Ferguson has 84 restricted shares, J McNeill has 1,012 restricted shares and S New has 608 restricted shares which were acquired under the Australian and UK Employee Share Plans respectively. Under those plans, P Ferguson and A Walsh also had 87 shares vest each in 2019 (acquired in August 2016).

(c) A Walsh's PR were granted in two equal tranches (one tranche having a one year deferred start to the measurement period) with each tranche having a different fair value.

(d) A Todd was awarded an additional grant of DSRs in 2019 in lieu of a grant that should have been awarded in 2017. This award has a service period of 11 May 2017 to 11 May 2020 as per other DSR awarded in 2017.

(e) This includes equity instruments held by the individual and in a nominated trust.

The maximum value of the grants yet to vest has been determined as the fair value of awards at the grant date. The minimum value is zero as no rights vest if the conditions are not satisfied.

5.6 Shareholdings

The number of ordinary shares held in the Company during the financial year by each KMP is set out below for NEDs and Executive KMP respectively. Included for each individual are shares held on their behalf by the trustee of the Iress Limited Equity Plans Trust and their personally related parties.

NED	Balance as at 1 Jan 2019	Shares acquired during the year [a]	Other changes	Balance as at 31 Dec 2019
A D'Aloisio	49,402	–	–	49,402
N Beattie	6,000	–	–	6,000
J Cameron	36,668	–	–	36,668
J Fahey	–	2,584	–	2,584
J Hayes	13,788	–	–	13,788
J Seabrook	40,053	1,496	–	41,549
G Tomlinson	8,000	–	–	8,000
Total	**153,911**	**4,080**	**–**	**157,991**

The Board acknowledges the importance of aligning the interests of non-executive directors with the interests of shareholders and, to that end, the Board has adopted a policy effective 1 January 2020 according to which all non-executive directors, by 31 December 2022 or within three years of their appointment, are required to accrue and hold Iress equity equivalent to 100% of the base fee for being a Member of the Board, unless otherwise determined by the Board.

Iress executives have a Minimum Shareholding Requirement (MSR) to be met by December 2023, or within five years of commencing. The CEO is required to accrue and hold Iress equity equivalent to 400% of base salary. Other executives are required to hold 225% of their base salary. Until December 2023, the MSR only applies to equity granted under the new remuneration framework implemented in 2019. Unvested ER and TER count towards the requirement but unvested PR do not.

EXECUTIVE	PRIOR REMUNERATION FRAMEWORK AWARDS (PRE 2019) AND DIRECTLY ACQUIRED SHARES				MINIMUM SHAREHOLDING REQUIREMENT NEW REMUNERATION FRAMEWORK AWARDS (2019 AND AFTER)				VALUE OF TOTAL HOLDINGS AS % OF BASE SALARY [c]
	Balance as at 1 Jan 2019	Shares acquired during the year [a]	Other changes	Balance as at 31 Dec 2019 [d]	Balance as at 1 Jan 2019	ER/TER granted during the year	Balance as at 31 Dec 2019 [d]	Value of Holding as % of base salary [b]	
A Walsh	376,867	149,760	(120,000)	406,627	–	80,020	80,020	106%	643%
P Ferguson	10,171	19,756	(8,330)	21,597	–	26,288	26,288	89%	162%
J Harris	–	23,874	–	23,874	–	38,890	38,890	83%	134%
A Knowles	13,164	–	–	13,164	–	40,808	40,808	87%	115%
J McNeill	29,118	16,685	(42,121)	3,682	–	28,056	28,056	85%	97%
S New	608	10,560	–	11,168	–	38,258	38,258	81%	105%
A Todd	–	–	–	–	–	43,493	43,493	91%	91%
Total	**429,928**	**220,635**	**(170,451)**	**480,112**	**–**	**295,813**	**295,813**		

(a) Shares acquired by Executive KMP during the year were acquired on the exercise of DSR and PR. A Knowles had awards that vested in 2019 but these were not exercised in 2019.

(b) The value of ER for the purpose of the MSR calculation is the higher of the grant price and share price at 31 December 2019, in both cases using the twenty-trading-day volume weighted average share price.

(c) For equity awarded under pre 2019 remuneration frameworks and directly acquired shares, the share price at 31 December 2019 (twenty-trading-day volume weighted average share price up to and including 31 December 2019) was used to calculate the value.

(d) This includes equity instruments held individually and in trusts.

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5.7 Executive KMP service agreements

All Iress Executive KMP have a formal contract, known as a service agreement. These agreements are of an ongoing nature and have no set term of service.

The key terms of the service agreements for the CEO and other Executive KMP are summarised below. Executive KMP termination entitlements are limited to 12 months' base salary unless shareholder approval is received.

MD/CEO

Criterion	Arrangements
Term of contract	Ongoing.
Notice period	Six months (from the employee and Group).
Resignation	The CEO may resign by giving six months' written notice.
Retirement	There are no additional financial entitlements due from Iress on retirement.
Termination on notice by Iress	Iress may terminate the employment agreement by providing six months' written notice, or payment in lieu of the notice period.
Redundancy	If Iress terminates employment for reasons of bona fide redundancy, a severance payment will be made. The quantum of the payment will be determined subject to the Board's discretion, considering matters such as statutory requirements, the executive's contribution, position and length of service.
Termination for serious misconduct	Iress may terminate the employment agreement at any time without notice.
Non-Compete	A non-compete arrangement exists during the CEO's employment and for a period of six months following his employment with the Group.

Executive KMP

Details of the contractual terms for the other Executive KMP members are aligned with the terms set out above for the CEO, with the exception that J Harris, J McNeill, S New and A Todd have non-compete clauses for the 12-months following employment (in addition to the non-compete arrangements during employment).

5.8 Transactions with KMP

No transactions (excluding share-based payment compensation) occurred between KMP and the Company during 2019.

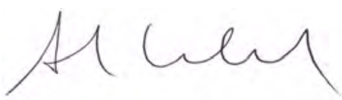
5.9 Loans to KMP or related parties

No loans to KMP or related parties were provided during 2019.

This Directors' Report has been verified by Management and reviewed by the Company's Board of Directors and its Audit and Risk Committee.

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

TONY D'ALOISIO
CHAIR



ANDREW WALSH
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Melbourne
19 February 2020

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Iress Limited
Level 16, 385 Bourke Street
MELBOURNE VIC 3000

19 February 2020

Dear Board Members

Auditor's Independence Declaration to 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 2019, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants

Financial Statements

For the year ended 31 December 2019

This is the financial report for Iress Limited (the 'Company') and its controlled entities (collectively referred to as the 'Group' or 'Iress') for the year ended 31 December 2019.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Revenue from contracts with customers	1.3(a)	508,943	464,624
Customer data fees		(42,952)	(35,127)
Communication and other technology expenses		(43,339)	(28,653)
Employee benefit expenses	1.4	(269,075)	(241,652)
Net other expenses	1.6	(19,713)	(40,871)
Share of loss of equity accounted investments, net of tax		-	(459)
Profit before depreciation, amortisation, interest and income tax expense		**133,864**	**117,862**
Depreciation and amortisation expense	1.7	(37,244)	(26,773)
Profit before interest and income tax expense		**96,620**	**91,089**
Interest income		547	370
Interest expense		(8,716)	(6,490)
Net interest and financing costs	**3.1(e)**	**(8,169)**	**(6,120)**
Profit before income tax expense		**88,451**	**84,969**
Income tax expense	4.1	(23,323)	(20,873)
Profit after income tax expense		**65,128**	**64,096**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		10,775	9,765
Tax related to exchange differences recognised directly in foreign currency translation reserve[1]		39	(20)
Total other comprehensive income for the period		**10,814**	**9,745**
Total comprehensive income for the period		**75,942**	**73,841**

	Notes	Cents per share	Cents per share
Earnings per share			
Basic earnings per share	1.2(a)	37.9	37.6
Diluted earnings per share	1.2(a)	37.6	37.3

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

(1) Relates to the tax effect on the exchange differences arising from intercompany monetary items that are treated as part of a net investment in a foreign operation. Under AASB121, the foreign exchange gains or losses on these monetary items are recognised directly in other comprehensive income rather than the profit or loss.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	1.8(a)	33,386	30,190
Receivables and other assets	2.4(a)	81,710	59,570
Current taxation receivables		200	2,082
Total current assets		**115,296**	**91,842**
Non-current assets			
Intangible assets	2.1(a)	619,748	555,190
Plant and equipment	2.2(a)	27,547	30,851
Right-of-use assets	2.3(b)	51,901	-
Deferred tax assets	4.1(c)	22,479	17,800
Derivative assets	3.1(c)	-	783
Total non-current assets		**721,675**	**604,624**
Total assets		**836,971**	**696,466**
LIABILITIES			
Current liabilities			
Payables and other liabilities[1]	2.5	64,525	50,972
Lease liabilities	2.3(c)	9,179	-
Provisions[1]	2.6(a)	6,669	7,155
Current taxation payables		5,253	-
Total current liabilities		**85,626**	**58,127**
Non-current liabilities			
Payables and other liabilities	2.5	-	1,600
Lease liabilities	2.3(c)	48,356	-
Provisions	2.6(a)	30,560	5,222
Borrowings	3.1(a)	225,914	204,389
Deferred tax liabilities	4.1(c)	9,789	7,697
Derivative liabilities	3.1(c)	1,820	-
Total non-current liabilities		**316,439**	**218,908**
Total liabilities		**402,065**	**277,035**
Net assets		**434,906**	**419,431**
EQUITY			
Issued capital	3.2	383,083	378,577
Share-based payments reserve		30,990	24,683
Foreign currency translation reserve		14,133	3,319
Retained earnings		6,700	12,852
Total equity		**434,906**	**419,431**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

(1) A prior year reclassification was made to reclassify $8.8 million of annual leave accruals from current provisions to "employee liabilities" within current payables and other liabilities.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Issued capital[(1)] $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2018	**376,309**	**24,213**	**(6,426)**	**13,451**	**407,547**
Profit for the year	–	–	–	64,096	64,096
Other comprehensive income	–	–	9,745	–	9,745
Total comprehensive income	**–**	**–**	**9,745**	**64,096**	**73,841**
Transactions with owners in their capacity as owners:					
Shares issued during the year[(2)]	887	–	–	–	887
Dividends declared[(3)]	1,381	–	–	(75,744)	(74,363)
Share-based payment expense, net of tax[(4)]	–	11,519	–	–	11,519
Transfer of share-based payments reserve[(5)]	–	(11,049)	–	11,049	–
	2,268	**470**	**–**	**(64,695)**	**(61,957)**
Balance at 31 December 2018	**378,577**	**24,683**	**3,319**	**12,852**	**419,431**

	Issued capital[(1)] $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2019	**378,577**	**24,683**	**3,319**	**12,852**	**419,431**
Impact of change in accounting policy[(6)]	–	–	–	(2,110)	(2,110)
Adjusted balance at 1 January 2019	**378,577**	**24,683**	**3,319**	**10,742**	**417,321**
Profit for the year	–	–	–	65,128	65,128
Other comprehensive income	–	–	10,814	–	10,814
Total comprehensive income	**–**	**–**	**10,814**	**65,128**	**75,942**
Transactions with owners in their capacity as owners:					
Shares issued during the year[(2)]	448	–	–	–	448
Dividends declared[(3)]	4,058	–	–	(79,839)	(75,781)
Share-based payment expense, net of tax[(4)]	–	16,976	–	–	16,965
Transfer of share-based payments reserve[(5)]	–	(10,669)	–	10,669	–
	4,506	**6,307**	**–**	**(69,170)**	**(58,357)**
Balance at 31 December 2019	**383,083**	**30,990**	**14,133**	**6,700**	**434,906**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

(1) During the period, the total number of ordinary shares in issue increased from 173,250,207 to 174,923,447 arising from the vesting of share rights and performance rights mainly relating to the vesting of 2015, 2016 and Avelo grants and the issue of 2019 deferred shares granted to employees as part of the 2019 equity participation scheme and employee share plans for nil consideration. These issues do not adjust the total value of Issued Capital as they relate to equity-settled share-based payments.

(2) Shares issued to satisfy Employee Share Plan obligations. Refer to Note 3.2.

(3) Shares issued under the Dividend Reinvestment Plan. Refer to Note 3.2 and for dividends declared refer to Note 1.2(c).

(4) Share-based payment expense includes a favourable tax impact of $0.7 million (2018: $1.2 million tax expense) on vesting of employees' share-based payments.

(5) The movement from share-based payment reserves to retained earnings represents the grant date fair value of share-based payments that have vested or lapsed during the year. The amount has been recognised as a share-based payment expense over the vesting period. Details of share-based payment arrangements are provided in Note 1.5.

(6) Impact of adopting AASB 16's modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The impact is disclosed in Note 4.6 (a)(iii).

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash generated from operating activities	1.8(b)	131,762	129,721
Interest received		538	370
Interest and borrowing costs paid		(5,911)	(5,726)
Income taxes paid		(21,696)	(23,104)
Net cash inflow from operating activities		**104,693**	**101,261**
Cash flows from investing activities			
Net payments for intangible assets	2.1(a)	(2,487)	(2,610)
Net payments for plant and equipment	2.2(a)	(10,480)	(22,814)
Proceeds from sale of plant and equipment	2.2(a)	1,313	-
Payment of deferred consideration[1]	2.6(b)	(1,436)	(1,905)
Payments for acquisition of subsidiaries and businesses, net of cash acquired	4.2	(20,411)	-
Acquisition and integration costs paid		-	(87)
Net cash outflow from investing activities		**(33,501)**	**(27,416)**
Cash flows from financing activities			
Payment of lease liability and interest[2]		(12,275)	-
Consideration paid towards an equity accounted investment[3]		-	(1,308)
Proceeds from employee share plan repayments		448	1,235
Dividends paid		(75,882)	(75,359)
Proceeds of borrowings	3.1(b)	123,645	89,000
Repayment of borrowings	3.1(b)	(107,022)	(82,500)
Net cash outflow from financing activities		**(71,086)**	**(68,932)**
Net increase in cash and cash equivalents		**106**	**4,913**
Cash and cash equivalents at the beginning of the financial year		30,190	28,615
Effects of exchange rate changes on cash and cash equivalents		3,090	(3,338)
Cash and cash equivalents at the end of the year		**33,386**	**30,190**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

(1) Deferred consideration paid in the current year relates to the 2015 acquisition of Innergi as the required conditions were partially fulfilled and to the 2019 acquisition of QuantHouse in relation to additional consideration paid that was subject to a post acquisition condition that was satisfied.

(2) Prior year operating leases were treated in terms of AASB 117 and the operating lease payments were included in cash generated from operating activities.

(3) Advances paid towards an equity accounted investment. The equity accounted investment is now a wholly-owned subsidiary of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

Section 1. Financial results

1.1 Segment information

Iress has a global presence, with the Managing Director and Chief Executive Officer, who is Iress' Chief Operating Decision Maker, receiving internal reporting split by the segments listed below. Any transactions directly between segments are charged on an arm's length basis.

Iress segments comprise:

(a) Client segments

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

APAC

Consists of:

- The APAC Financial Markets business which provides market data, trading, compliance, order management, portfolio systems and related tools to financial markets participants in Australia, New Zealand and Asia; and
- The ANZ Wealth Management business which provides financial planning systems and related tools to wealth management professionals located in Australia and New Zealand, and fund administration software to the superannuation and wealth management industries.

UK & Europe (previously referred to as UK)

Incorporates the financial markets business which provides information, trading, compliance, order management, portfolio systems and related tools to cash equity participants; and the wealth management business which provides financial planning systems and related tools to wealth management professionals located in the United Kingdom. In addition, as a result of the QuantHouse acquisition, market data services are provided to customers throughout UK & Europe.

Mortgages (previously referred to as Lending)

The Mortgages segment operates in the United Kingdom and Australia to provide mortgage origination software and associated consulting services to mortgage lenders.

South Africa

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

North America (previously referred to as Canada)

Provides information, trading, compliance, order management, portfolio systems and related tools to financial markets and wealth management participants in Canada. In addition, as a result of the QuantHouse acquisition, market data services are provided to customers in the United States of America.

(b) Cost segments

Product and Technology

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

Operations

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

1.1 Segment information continued

(b) Cost segments continued

Corporate

All other corporate functions including legal, strategy, finance and administration, human resources, communications and marketing, Board of Directors and Chief Executive Officer.

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

		OPERATING REVENUE [1]		DIRECT CONTRIBUTION	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
CLIENT SEGMENTS	APAC	264,475	251,996	191,113	182,329
	UK & Europe	142,686	118,960	91,949	78,370
	Mortgages	29,026	28,639	19,151	21,591
	South Africa	48,304	46,522	37,503	35,311
	North America	24,452	18,507	10,364	9,557
	Total Group	**508,943**	**464,624**	**350,080**	**327,158**
COST SEGMENTS	Product and Technology			(118,635)	(114,149)
	Operations			(42,707)	(39,671)
	Corporate			(36,676)	(35,636)
	Total indirect costs			**(198,018)**	**(189,456)**
GROUP RESULTS	**Segment profit**			**152,062**	**137,702**
	Share-based payment expense			(17,701)	(10,365)
	Segment profit after share-based payment expense			**134,361**	**127,337**
	Other non-operating expenses[2]			(497)	(9,475)
	Profit before depreciation, amortisation, interest and income tax expense			**133,864**	**117,862**
	Depreciation and amortisation			(37,244)	(26,773)
	Profit before interest and income tax expense			**96,620**	**91,089**
	Net interest and financing costs			(8,169)	(6,120)
	Income tax expense			(23,323)	(20,873)
	Net profit after income tax expense			**65,128**	**64,096**

(1) Operating revenue is recognised 'over time' in accordance with AASB 15.

(2) Predominately relates to office move costs, non-operating income, business acquisition and integration expenses, and realised and unrealised foreign exchange gains and losses (refer to Note 1.6).

The below table outlines operating revenue and non-current assets by geographical area, being Australia and New Zealand, Asia, United Kingdom and Europe, South Africa and North America:

	OPERATING REVENUE		NON-CURRENT ASSETS [1]	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Australia and New Zealand	257,397	248,565	128,247	145,133
Asia	7,078	3,431	343	100
Total APAC	**264,475**	**251,996**	**128,590**	**145,233**
United Kingdom and Europe	171,712	147,599	491,685	415,190
South Africa	48,304	46,522	17,631	15,950
North America	24,452	18,507	9,389	9,668
Grand total	**508,943**	**464,624**	**647,295**	**586,041**

(1) Excludes right-of-use assets, financial instruments and deferred taxes, and predominantly relates to intangible assets (refer to Note 2.1).

1.2 Earnings per share and dividends per share

(a) Basic and diluted earnings per share, and dividends per share for the year are:

	Cents per share 2019	Cents per share 2018
Earnings per share	37.9	37.6
Diluted earnings per share	37.6	37.3
Dividends per share:		
Interim dividend franked to 10% (2018: 60%)	16.0	16.0
Final dividend declared after the Statement of Financial Position date franked to 40% (2018: 40%)	30.0	30.0

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

	Number of shares 2019 '000	Number of shares 2018 '000
Weighted average number of ordinary shares used in basic earnings per share	171,980	170,467
Effect of potentially dilutive shares	1,457	1,494
Weighted average number of ordinary shares used in diluted earnings per share	**173,437**	**171,961**

(c) Dividends recognised during the year and after the Statement of Financial Position date were as follows:

	2019 $'000	2018 $'000
Dividends paid during the year		
Final dividend for 2018 30.0 cents per share franked to 40% (2017: 28.0 cents per share franked to 60%)[1]	51,915	48,074
Interim dividend for 2019 16.0 cents per share franked to 10% (2018: 16.0 cents per share franked to 60%)	27,924	27,670
	79,839	**75,744**
Dividends declared after balance date		
Since the end of the year, the Directors declared a final dividend of 30.0 cents per share franked to 40% (2018: 30.0 cents per share franked to 40%)	52,477	51,975
Franking credit balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	2,055	23

(1) Dividends declared at the end of 2018 were based on the number of shares on issue as at 31 December 2018, while the dividends paid in 2019 were based on the number of shares on issue as at 28 February 2019.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

1.3 Revenue from contracts with customers

Iress designs, develops and delivers technology solutions for the financial services industry in Australia, New Zealand, the United Kingdom & Europe, South Africa, North America and Asia.

From these activities, Iress generates the following streams of revenue:

- Software licence revenue
- Implementation and consulting revenue
- Royalties revenue from provision of financial market information
- Other ancillary fees such as hosting and support service fees

Each of the above services delivered to customers are considered separate performance obligations, even though for practical expedience they may be governed by a single legal contract with the customer.

Revenue recognition for each of the above revenue streams is as follows:

Revenue stream	Performance obligation	Timing of recognition
Software licence revenue	Access to software.	Software license revenue is recognised over time as the customer simultaneously receives and consumes the benefit of accessing the software. Revenue is calculated based on the number of licences used and rate per licence, or as a negotiated package for large customers. Changes in these factors over time may impact the revenue recognised over the life of the contract. Software license revenue is recognised as the amount to which the Group has a right to invoice. Customers are typically invoiced monthly and consideration is payable when invoiced, which corresponds directly with the performance completed to date in respect of this stream.
Implementation and consulting revenue	As defined in the contract. For implementation revenue – typically completion of data conversions, completion of user acceptance testing, provision of functional environments.	Revenue is recognised over time as services are delivered. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is calculated based on time and materials usage. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period. Recognition is determined based on the actual labour hours spent as a proportion of total expected hours. This requires judgment of the forecast expected hours and changes in implementation timing. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware.
Royalties revenue	Provision of financial market information.	Royalties revenue is recognised over time as the customer simultaneously receives and consumes the benefit of accessing the information. Royalties revenue is recognised as the amount to which the Group has the right to invoice. Customers are typically invoiced monthly and consideration is payable when invoiced, which corresponds directly with the performance completed to date in respect of this stream.
Other ancillary fees	Provision of hosting services, cloud services, support and maintenance services.	Over time, depending on circumstances.

Some contracts include multiple deliverables, such as implementation services and software licences. Because the implementation services do not include material software customisation that are specific to the client and could be performed by another party, the implementation service and software licences are accounted for as separate performance obligations. In these cases, the transaction prices are allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus a margin.

In fixed-price contracts, the customer pays the fixed amount based on an agreed payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised at the amount to which the Group has the right to invoice (i.e. based on hours actually incurred in providing the service to the client). Customers are invoiced monthly and consideration is payable when invoiced.

(a) Revenue by client segment is summarised below:

Revenue stream	Revenue recognition	APAC $'000	UK & Europe $'000	Mortgages $'000	South Africa $'000	North America $'000	Total $'000
For the year ended 31 December 2018							
Software licence revenue	Over time	204,217	100,997	4,605	43,512	13,517	366,848
Implementation and consulting revenue	Over time	14,358	1,903	22,086	–	–	38,347
Royalties revenue	Over time	22,986	3,191	–	1,828	1,797	29,802
Other ancillary fees	Over time	10,435	12,869	1,948	1,182	3,193	29,627
Total revenue		**251,996**	**118,960**	**28,639**	**46,522**	**18,507**	**464,624**

Revenue stream	Revenue recognition	APAC $'000	UK & Europe $'000	Mortgages $'000	South Africa $'000	North America $'000	Total $'000
For the year ended 31 December 2019							
Software licence revenue	Over time	218,490	118,042	7,562	45,305	19,890	409,289
Implementation and consulting revenue	Over time	11,268	2,407	19,630	9	–	33,314
Royalties revenue	Over time	23,930	5,893	–	1,896	2,849	34,568
Other ancillary fees	Over time	10,787	16,344	1,834	1,094	1,713	31,772
Total revenue		**264,475**	**142,686**	**29,026**	**48,304**	**24,452**	**508,943**

(b) Receivables, contract assets and contract liabilities from contracts with customers by client segment are summarised below:

	APAC $'000	UK & Europe $'000	Mortgages $'000	South Africa $'000	North America $'000	Total $'000
For the year ended 31 December 2018						
Trade receivables	19,861	11,892	2,066	3,917	1,426	39,162
Contract assets	2,447	3,009	2,467	379	–	8,302
Contract liabilities	(883)	(3,023)	(950)	(55)	(4)	(4,915)

	APAC $'000	UK & Europe $'000	Mortgages $'000	South Africa $'000	North America $'000	Total $'000
For the year ended 31 December 2019						
Trade receivables	14,309	17,325	557	3,075	1,522	36,788
Contract assets	3,398	8,256	5,189	380	–	17,223
Contract liabilities	(653)	(11,282)	(145)	(3)	–	(12,083)

(c) Revenue recognised in relation to contract assets and liabilities

The following table shows the revenue recognised in the current reporting period in relation to the contact assets and contract liabilities:

	CONTRACT ASSETS		CONTRACT LIABILITIES	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at the beginning of the year	8,302	11,459	(4,915)	(6,228)
Transfer from contract assets to receivables	(8,302)	(11,459)	–	–
Revenue raised for work performed but not yet billed	16,997	7,933	–	–
Decrease due to revenue recognised from performance obligations satisfied	–	–	4,915	6,228
Increase due to cash received, excluding amount recognised during the year	–	–	(3,601)	(4,661)
Acquired from business combinations	–	–	(8,201)	–
Foreign currency translation	226	369	(281)	(254)
Balance at the end of the year	**17,223**	**8,302**	**(12,083)**	**(4,915)**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

1.3 Revenue from contracts with customers continued

(d) Transaction price allocated to the remaining performance obligations

The following table includes the revenue on existing contracts expected to be recognised in the future which relates to performance obligations that are unsatisfied (or partially satisfied) at the reporting date:

Year in which transaction price is expected to be realised	Revenue stream	Revenue recognition	APAC $'000	UK & Europe $'000	Mortgages $'000	South Africa $'000	North America $'000	Total $'000
2020	Software licence revenue	Over time	2,943	628	5,399	3	–	8,345
	Implementation and consulting revenue	Over time	5,023	3,268	9,580	–	–	18,499
	Other ancillary fees	Over time	–	–	1,094	–	–	1,094
	Total revenue		**7,966**	**3,896**	**16,073**	**3**	**–**	**27,938**
2021	Software licence revenue	Over time	–	608	518	–	–	518
	Implementation and consulting revenue	Over time	1,185	–	–	–	–	1,793
	Total revenue		**1,185**	**608**	**518**	**–**	**–**	**2,311**
2022	Software licence revenue	Over time	–	620	–	–	–	620
	Total revenue		**–**	**620**	**–**	**–**	**–**	**620**
2023	Software licence revenue	Over time	–	632	–	–	–	632
	Total revenue		**–**	**632**	**–**	**–**	**–**	**632**
2024	Software licence revenue	Over time	–	809	–	–	–	809
	Total revenue		**–**	**809**	**–**	**–**	**–**	**809**
Total	Software licence revenue	Over time	2,943	3,297	5,917	3	–	8,863
	Implementation and consulting revenue	Over time	6,208	3,268	9,580	–	–	22,353
	Other ancillary fees	Over time	–	–	1,094	–	–	1,094
	Total revenue		**9,151**	**6,565**	**16,591**	**3**	**–**	**32,310**

The Group applies the practical expedient in the revenue standard and does not disclose information about the remaining performance obligation on contracts that have an original expected duration of one year or less or where the Group has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance to date.

The table above, therefore, does not include revenue expected to be recognised in future years on software licence, royalties and other ongoing contracts where the Group will recognise revenue in the amount to which the entity has a right to invoice.

1.4 Employee benefit expenses

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

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

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

	Notes	2019 $'000	2018 $'000
Short-term and other employee benefits		(222,906)	(207,816)
Post-employment benefits		(17,081)	(15,291)
Termination benefits		(833)	(68)
Share-based payment expense	1.5(c)	(17,701)	(10,365)
Employee administration expense		(10,554)	(8,112)
		(269,075)	**(241,652)**

Key Management Personnel

Executive and non-executive Director Key Management Personnel compensation included in total employee benefits for the year is set out below:

	2019 $'000	2018 $'000
Short-term and other employee benefits	(5,237)	(5,844)
Long-term employee benefits	(70)	(29)
Post-employment benefits	(318)	(308)
Share-based payment expense	(4,333)	(2,226)
	(9,958)	**(8,407)**

Detailed remuneration disclosures are provided in the Audited Remuneration Report including a description of the new executive remuneration framework effective 1 January 2019.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

1.5 Share-based payments

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(a) Details of share plans

To assist in the attraction, retention and motivation of employees, the Group operates the following share-based payment plans:

Plan	Key terms	Performance condition	Performance/ Restriction period	Dividends received before vesting	If participant leaves before end of performance period
Executive Equity Rights - From 2019	Eligible participants receive equity rights at no cost.	Individual performance criteria	2 year vesting followed by 2 year holding lock	No but dividend equivalent “top-up” on vesting	Generally forfeited (Board discretion may apply)
Executive Transition Equity Rights - In 2019	Eligible participants receive equity rights at no cost.	Individual performance criteria	2 year vesting followed by 2 year holding lock	No but dividend equivalent “top-up” on vesting	Pro-rata portion of equity generally held subject to original terms (Board discretion may apply)
Executive PR Plan - CEO - From 2019	CEO receives performance rights at no cost.	Absolute total shareholder return (ATSR) against hurdles	3 years	No	Generally forfeited (Board discretion may apply)
Executive PR Plan - From 2019	Eligible participants receive performance rights at no cost.			No	Generally forfeited (Board discretion may apply)
Executive PR Plan - CEO - Prior to 2019	CEO receives performance rights at no cost.	Total shareholder return (TSR) against peer group	3 years and 4 years	No	Generally forfeited (Board discretion may apply)
Executive PR Plan - Prior to 2019	Eligible participants receive performance rights at no cost.		3 years	No	
Employee Deferred Share Plan - From 2019	Eligible participants receive deferred shares at no cost.	Individual performance criteria	3 years (Vesting in equal portions annually)	Yes	Generally forfeited (Board discretion may apply)
Employee Deferred Share Plan - Prior to 2019	Eligible participants receive deferred shares at no cost.		3 years	Yes	
Employee Deferred Share Rights Plan - From 2019	Eligible participants receive deferred rights at no cost.		3 years (Vesting in equal portions annually)	Yes	
Employee Deferred Share Rights Plan - Prior to 2019	Eligible participants receive deferred rights at no cost.		3 years	No	
General Employee Share Plan/UK Share Incentive Plan	Eligible participants are invited to acquire Iress shares, Iress matches this participation to a set value.	Nil	3 years	Yes	Matched shares are forfeited under the UK Share Incentive Plan and granted under the General Employee Share Plan

As at 31 December 2019, the total unvested shares in the General Employee Share Plan were 28,958 (2018: 39,089).

(b) Grant date fair value

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

Grant date fair value

Key inputs in determining grant date fair value	Executive LTI Plan	Employee Deferred Share Rights Plan
Model used	Monte Carlo	Monte Carlo
Risk free rate	1.6 – 3%	1.6 – 3%
Share price volatility	22.5 – 27.5%	22.5 – 27.5%
Dividend yield	3.25 – 4.25%	3.25 – 4.25%

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

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

			NUMBER OF SHARES					AT GRANT DATE		
Type	Grant date	Vesting date	At 1 Jan 2019	Granted	Forfeited	Vested	At 31 Dec 2019	Share price $	Fair value $	2019 $'000
Executive Plans – CEO										
2015 Grant – 3 year	7/5/15	7/5/19	60,000	–	(10,440)	(49,560)	–	10.15	5.17	(27)
2015 Grant – 4 year	7/5/15	7/5/19	60,000	–	(19,980)	(40,020)	–	10.15	5.13	(27)
2016 Grant – 3 year	5/5/16	5/5/20	60,000	–	–	–	60,000	11.87	8.00	(120)
2016 Grant – 4 year	5/5/16	5/5/20	60,000	–	–	–	60,000	11.87	6.24	(94)
2017 Grant – 3 year	11/5/17	11/5/21	54,739	–	–	–	54,739	12.24	6.64	(91)
2017 Grant – 4 year	11/5/17	11/5/21	54,739	–	–	–	54,739	12.24	7.05	(96)
2018 Grant – 3 year	10/5/18	10/5/22	45,605	–	–	–	45,605	10.86	5.75	(66)
2018 Grant – 4 year	10/5/18	10/5/22	45,605	–	–	–	45,605	10.86	5.78	(66)
2019 Grant – PR pre 19	10/5/19	10/5/22	–	42,736	–	–	42,736	14.22	12.73	(117)
2019 Grant – ER	10/5/19	26/2/21	–	80,020	–	–	80,020	14.22	14.22	(407)
2019 Grant – PR	10/5/19	28/2/22	–	80,020	–	–	80,020	14.22	8.60	(158)
			440,688	**202,776**	**(30,420)**	**(89,580)**	**523,464**			**(1,269)**
Executive Plans – Non-CEO										
2016 Grant	5/5/16	5/5/19	143,087	–	(1,482)	(141,605)	–	11.87	8.50	(126)
2017 Grant	11/5/17	11/5/20	116,758	–	(11,297)	–	105,461	12.24	7.13	(206)
2018 Grant	10/5/18	10/5/21	194,919	–	(24,449)	–	170,470	10.86	5.79	(298)
2019 Grant – PR pre 19	10/5/19	10/5/22	–	133,502	–	–	133,502	14.22	12.73	(366)
2019 Grant – ER & TER	28/2/19	26/2/21	–	372,509	–	–	372,509	12.00	12.00	(1,877)
2019 Grant – PR	28/2/19	28/2/22	–	240,289	–	–	240,289	12.00	5.54	(380)
			454,764	**746,300**	**(37,228)**	**(141,605)**	**1,022,231**			**(3,253)**
Employee Deferred Share Plan										
2016 Grant[1]	5/5/16	5/5/19	480,199	–	(8,999)	(471,200)	–	11.87	11.87	(612)
2017 Grant – Special	11/5/17	11/5/19	44,181	–	–	(44,181)	–	12.24	12.39	(98)
2017 Grant[1]	11/5/17	11/5/20	568,527	–	(21,465)	(2,376)	544,686	12.24	12.39	(2,122)
2018 Grant[1]	10/5/18	10/5/21	863,357	–	(44,448)	(1,382)	817,527	10.86	10.86	(2,868)
2019 Grant – EAG	28/2/19	28/2/22	–	916,425	(32,948)	–	883,477	12.00	12.00	(5,429)
			1,956,264	**916,425**	**(107,860)**	**(519,139)**	**2,245,690**			**(11,129)**
Employee Deferred Share Rights Plan										
2014 Grant – Special	1/1/14	31/12/17	57,244	–	(5,723)	(51,521)	–	8.27	7.73	–
2016 Grant	5/5/16	5/5/19	231,798	–	–	(231,798)	–	11.87	10.25	(271)
2017 Grant	11/5/17	11/5/20	223,739	15,392	(18,033)	–	221,098	12.24	10.86	(815)
2018 Grant	10/5/18	10/5/21	289,664	–	(33,605)	–	256,059	10.86	9.58	(748)
2019 Grant – EAG	28/2/19	28/2/22	–	42,031	(7,078)	–	34,953	12.00	12.00	(216)
			802,445	**57,423**	**(64,439)**	**(283,319)**	**512,110**			**(2,050)**
Total			**3,654,161**	**1,922,924**	**(239,947)**	**(1,033,643)**	**4,303,495**			**(17,701)**

The weighted average remaining contractual life of the above grants is 1.4 years (2018: 1.6 years).

(1) The opening balances have been restated to correct an error in the 2018 closing balance.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

1.6 Other expenses

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

	Notes	2019 $'000	2018 $'000
Other operating income/(expenses)			
Fees to auditors	1.6(b)	(845)	(746)
Irrecoverable trade debtors written off		(807)	(1,002)
Credit loss allowances released to the profit and loss		392	-
Rental expense relating to operating leases		(184)	(10,872)
Other operating expenses		(17,772)	(18,776)
		(19,216)	**(31,396)**
Other non-operating income/(expenses)			
Unrealised gains/(losses) on foreign balances		533	(670)
Non-operating income		1,634	836
Business acquisition, integration and restructuring expenses		(5,088)	(2,660)
Remeasurement of deferred acquisition consideration	2.6(b)	3,203	-
Release of deferred consideration provision	2.6(b)	576	-
Release of onerous loss provision	2.6(b)	300	-
Release of severance pay provision	2.6(b)	315	-
Other non-operating expenses[1]		(1,970)	(6,981)
		(497)	**(9,475)**
Net other expenses		**(19,713)**	**(40,871)**

(1) Comprises all other project related expenses.

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

	2019 $	2018 $
Auditors of the parent entity		
Audit or review of the financial report	(356,927)	(363,619)
Other non-audit services[1]	(74,449)	-
	(431,376)	**(363,619)**
Network firms of the parent entity auditor		
Audit or review of the financial report	(413,788)	(363,991)
Other non-audit services[1]	-	(18,495)
	(413,788)	**(382,486)**
Total fees to auditors	**(845,164)**	**(746,105)**

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

1.7 Depreciation and amortisation

Depreciation and amortisation is calculated on a straight line basis over the expected useful life of the respective assets.

	Notes	2019 $'000	2018 $'000
Depreciation and amortisation expense			
Amortisation – intangible assets	2.1(a)	(14,825)	(17,557)
Depreciation – plant and equipment	2.2(a)	(11,118)	(9,216)
Depreciation – right-of-use assets	2.3(b)	(11,301)	-
		(37,244)	**(26,773)**

1.8 Notes to the Consolidated Statement of Cash Flows

(a) Cash and cash equivalents comprise cash at bank held in the following currencies:

	2019 $'000	2018 $'000
Australian dollar	14,325	10,972
Euro	1,666	42
British pound	5,781	8,382
United States dollar	1,716	517
South African rand	5,746	7,243
Other currencies	4,152	3,034
Total cash and cash equivalents	**33,386**	**30,190**

(b) Reconciliation of profit attributable to members of the parent entity to cash generated from operating activities:

	Notes	2019 $'000	2018 $'000
Profit for the financial year		65,128	64,096
Adjustments for non-cash items and non-operating cash flow items:			
Depreciation and amortisation	1.7	37,244	26,773
Net credit loss allowances reversed on trade receivables	2.4(c)	(392)	(1,002)
Net provision recognised on employee benefits	2.6(b)	1,071	-
Net provision reversed on deferred payments	2.6(b)	(3,779)	-
Net provision reversed on onerous loss	2.6(b)	(300)	-
Net provision reversed for other provisions	2.6(b)	(315)	-
Share-based payment expense	1.5(c)	17,701	10,365
Foreign exchange (gains)/losses		(533)	670
Amortisation of financing charges	3.1(e)	651	651
Fair value of cross currency swap		11	110
Fair value of investment on acquisition		-	(897)
Net losses on sale of assets		74	-
Net gains on derecognition of lease asset and liability		(405)	-
Interest expensed in relation to property leases		2,086	-
Interest recognised in relation to finance lease liability		(9)	-
Share of losses of equity-accounted investees, net of tax		-	459
Tax on share-based payment		(725)	1,156
Interest received		(538)	(370)
Interest paid		5,968	5,726
Taxation		24,048	19,718
Changes in working capital, net of effects from acquisition of controlled entities:			
Increase in receivables and other assets		(9,486)	(2,627)
(Decrease)/increase in payables and other liabilities		(4,821)	2,388
(Decrease)/increase in provisions		(917)	2,505
Cash generated from operating activities		**131,762**	**129,721**

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For the year ended 31 December 2019

Section 2. Core assets and working capital

2.1 Intangible assets

Intangible assets for the Group comprise goodwill arising from business combinations, customer relationships, computer software and other intangibles (mainly acquired databases and brands). Intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Goodwill recognised arose from business combinations where the fair value of the consideration paid exceeded the fair value of the assets acquired. Goodwill is considered to have an indefinite life and is not amortised as it represents the synergistic benefits of bringing the businesses together.

Customer relationships, a proportion of computer software and other intangibles were acquired as part of business combinations. These intangible assets are initially recognised at their fair value at the acquisition date. The remainder of the computer software was separately acquired, and initially recognised at cost. Subsequent to initial recognition, intangible assets other than goodwill are amortised over the expected useful lives noted below.

Internally generated assets will be recognised where the cost of actual development can be reliably measured and clearly distinguished from research and ongoing operating and maintenance activities. Given software development occurs contemporaneously with the research phase and operating and maintenance activities, the separation of the cost of development can be imprecise and difficult to reliably measure. Accordingly, where the expenditure related to the development activity cannot be reliably measured, the Group expenses the amounts in the period they are incurred. During the year, $0.4 million (2018: Nil) of internally generated computer software assets have been recognised.

(a) The carrying value of intangible assets is shown below:

	GOODWILL		CUSTOMER RELATIONSHIPS		COMPUTER SOFTWARE		OTHER INTANGIBLES		TOTAL	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cost	528,676	458,144	57,419	54,368	207,664	210,756	8,399	8,257	802,158	731,525
Accumulated amortisation	–	–	(31,274)	(24,882)	(146,527)	(147,266)	(4,609)	(4,187)	(182,410)	(176,335)
Net carrying value	**528,676**	**458,144**	**26,145**	**29,486**	**61,137**	**63,490**	**3,790**	**4,070**	**619,748**	**555,190**
Opening carrying value	458,144	442,802	29,486	34,005	63,490	66,783	4,070	3,695	555,190	547,285
Separately acquired	–	–	–	–	2,510	3,660	–	597	2,510	4,257
Acquired through business combinations[1][2]	54,822	395	1,618	–	10,455	4,700	–	–	66,895	5,095
Transfers[3]	–	–	–	–	(6,218)	–	–	–	(6,218)	–
Disposal	–	–	–	–	(23)	–	–	–	(23)	–
Amortisation[4]	–	–	(5,446)	(5,256)	(9,086)	(12,062)	(293)	(239)	(14,825)	(17,557)
Foreign currency translation	15,710	14,947	487	737	9	409	13	17	16,219	16,110
Closing carrying value	**528,676**	**458,144**	**26,145**	**29,486**	**61,137**	**63,490**	**3,790**	**4,070**	**619,748**	**555,190**
Expected useful life (years)			**1 to 10**		**3 to 20**		**1 to 10**			

(1) Acquisition of QuantHouse Group on 31 May 2019. Refer to Note 4.2.

(2) Acquisition of Lucsan Capital Pty Ltd on 18 April 2018.

(3) Third party computer software held under finance lease arrangements was previously presented within intangible assets. As a result of the adoption of AASB 16 *Leases* the software asset was derecognised within intangible assets and re-recognised as a prepayment within trade and other receivables. There has been no change in the expense recognised.

(4) The amortisation expense decreased from the previous year primarily due to the transfer of assets out of intangible assets referred to in the note above. The impact is a $3.8 million reduction in amortisation expense with an offsetting increase in communication and other technology expenses.

(b) Impairment testing for goodwill

Goodwill is tested for impairment annually or more frequently whenever indicators of impairment are identified. In testing for impairment, the carrying amount of each Cash Generating Unit (CGU) is compared against the recoverable amount.

The recoverable amount has been calculated based on the value in use, using a discounted cash flow (DCF) approach. The DCF uses post-tax cash flow projections that are based on the most recent five-year financial plan updated for current performance and is discounted at an appropriate after-tax discount rate taking into account the Group's weighted average cost of capital adjusted for any risks specific to the CGU.

Terminal growth rates applied in the DCF take into account historic growth trends, future strategy and the long term outlook of the business.

The allocation of goodwill to each cash generating unit and assumptions applied in calculating the recoverable amounts of the goodwill in testing for impairment are as follows:

	ALLOCATED GOODWILL		POST-TAX DISCOUNT RATES		LONG-TERM GROWTH RATES	
Cash generating unit	**2019 $'000**	**2018 $'000**	**2019 %**	**2018 %**	**2019 %**	**2018 %**
APAC Financial Markets	30,856	–	8.6	n/a	2.7	n/a
ANZ Wealth Management	45,841	45,767	8.6	9.1	2.7	2.7
International Market Data	5,447	–	11.8	n/a	2.0	n/a
UK	333,154	311,751	9.3	9.6	2.7	2.7
UK Mortgages	82,608	79,511	9.3	9.6	2.7	2.7
South Africa	15,542	12,423	18.3	16.5	4.7	4.7
Canada	15,228	8,692	9.2	8.6	2.0	0.5
	528,676	**458,144**				

International Market Data

International Market Data is a new CGU resulting from the acquisition of QuantHouse during the year. A proportion of the goodwill arising from the acquisition of QuantHouse was allocated to this CGU based on future cost synergies expected to arise from combining the QuantHouse business with Iress.

The CGU was loss making in 2019. The cashflows included in the DCF model used for impairment testing assume that it will be profitable from 2020 onwards thus supporting the current carrying value of goodwill. A 5% risk premium has been included in the post-tax discount rate used in the DCF model to reflect the risk inherent in the revenue growth rate assumed in the DCF model for this CGU. The appropriateness of the cashflow and discount rate assumptions used in the DCF model will continue to be assessed as part of the impairment assessment in future periods.

Canada

During the year the Canada goodwill carrying amount of $15.2 million was tested for impairment as part of the annual testing for impairment for all CGUs described above.

The post-tax discount rates and terminal growth rates applied were 9.2% (2018: 8.6%) and 2.0% (2018: 0.5%), respectively. The discount rate increased in line with market movements and the long-term growth rate increased from 0.5% to 2% to reflect OECD forecasts of Canadian inflation and the midpoint of the Bank of Canada's inflation target range (1% to 3%). There was no change to the impairment outcome from changing these assumptions.

Significant estimate made

The continued profitability and growth of the Canada business is dependent on retained client revenue and future growth from Iress' products deployed to Canadian clients and prospects in the financial markets business. If either of these initiatives are unsuccessful or delayed, it will result in reduced headroom or impairment of the goodwill allocated to the Canada CGU.

2.2 Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any impairment losses. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The depreciation charge for each period is recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

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2.2 Plant and equipment continued

(a) The carrying value of plant and equipment is shown below:

	Leasehold improvement $'000	Furniture & fittings $'000	Office equipment $'000	Computer equipment $'000	Work in progress $'000	Total $'000
As at 31 December 2018						
Cost	14,283	15,002	1,943	44,751	-	75,979
Accumulated depreciation	(4,484)	(5,538)	(540)	(34,566)	-	(45,128)
Carrying value	**9,799**	**9,464**	**1,403**	**10,185**	**-**	**30,851**
Movement for the year						
Balance at 1 January 2018	703	8,743	136	10,062	128	19,772
Transfer[1]	-	-	-	128	(128)	-
Additions	10,151	4,250	1,485	6,237	-	22,123
Disposal	(37)	(1,781)	1	(95)	-	(1,912)
Depreciation	(1,030)	(1,798)	(284)	(6,104)	-	(9,216)
Foreign currency translation	12	50	65	(43)	-	84
Balance at 31 December 2018	**9,799**	**9,464**	**1,403**	**10,185**	**-**	**30,851**
Expected useful life (years)	3 to 10	3 to 10	3	3		

	Leasehold improvement $'000	Furniture & fittings $'000	Office equipment $'000	Computer equipment $'000	Work in progress $'000	Total $'000
As at 31 December 2019						
Cost	13,184	15,771	1,943	61,624	548	93,070
Accumulated depreciation	(5,265)	(8,022)	(853)	(51,383)	-	(65,523)
Carrying value	**7,919**	**7,749**	**1,090**	**10,241**	**548**	**27,547**
Movement for the year						
Balance at 1 January 2019	9,799	9,464	1,403	10,185	-	30,851
Transfer[1][2]	(1,523)	-	-	-	(1,748)	(3,271)
Acquired through business combinations	163	34	19	1,576	-	1,792
Additions	1,241	532	24	6,387	2,296	10,480
Disposal	(494)	(6)	-	(887)	-	(1,387)
Depreciation	(1,291)	(2,307)	(357)	(7,163)	-	(11,118)
Foreign currency translation	24	32	1	143	-	200
Balance at 31 December 2019	**7,919**	**7,749**	**1,090**	**10,241**	**548**	**27,547**
Expected useful life (years)	3 to 10	3 to 10	3	3		

(1) Work-in-progress are transferred to plant and equipment asset classes as brought into use.

(2) An amount of leasehold improvements previously presented within plant and equipment are now presented as a component of the right-of-use assets. There has been no change in the amount recognised.

(b) Plant and equipment pledged as security

The Group does not have any plant and equipment that have been pledged to secure borrowings of the Group. In addition, the Group does not have any obligations under finance leases, or any restrictions on title or items pledged as security for liabilities.

2.3 Leases

(a) Iress Group lease portfolio

The Group leases real estate and data servers in the ordinary course of its business. The Group's real estate leases comprise office building leases in the countries in which the Group operates. Data servers are leased in South Africa. The Group previously classified these as operating leases under AASB 117.

The Group's regional lease portfolio is presented below:

Region	Lease characteristic features
Australia	The Group leases office buildings in numerous Australian cities, with its head office in Melbourne and an office in Sydney being the most significant. The non-cancellable period of the leases range from 2 to 12 years with variable options to extend the lease terms. The lease payments are adjusted every year, based on contractual fixed percentage increases and in certain instances additionally increased by the prevailing consumer price index ("CPI") at the lease review date. **Provision for make-good** The Group is required to make-good (rehabilitate) the installed interconnecting stairs as part of its fit-out to connect floors at its head office in Melbourne. A leasehold improvement and provision for make-good was raised in the previous year. On the adoption of AASB 16, the net leasehold improvement asset and provision for make-good liability were transferred to the right-of-use asset and lease liability respectively. **Real estate sub-leases** The Group leases an office building in Sydney through a lease (the head lease) that commenced on 1 January 2013. The head lease terminates in February 2020. The Group has entered into a sub-lease that covers the period to the end of the head lease term. Under AASB 17, the Group classified the head lease and the sub-lease as operating leases. Under AASB 16, the Group continues to account for the sub-lease as an operating lease.
South Africa	**Real estate leases** The Group leases office buildings in a number of cities. The non-cancellable period of these leases range from 5 to 7 years with options to extend the lease terms up to 5 years. The lease payments are adjusted every year by a fixed percentage increase at the lease review date. In March 2019, the Group substantially re-negotiated one of its leases, which effectively terminated its existing lease 17 months ahead of its lease term and replaced it with a new 7 year lease. The previously recognised right-of-use asset and lease liability of the terminated lease were derecognised. **Data servers** The Group leases data servers which are principally used to host Iress software on client premises. Lease terms are 5 years.
United Kingdom	**Real estate leases** The Group leases office buildings in the UK. The non-cancellable period of these leases range from 5 to 8 years. The lease payments are fixed with no increases over the lease terms. **Sub-leases** The Group leases an office building on a 10 year lease (the head lease) that commenced on 1 January 2016. The Group has entered into a sub-lease that leases part of the office building for the next 3 years. Under AASB 117, the Group classified the head lease and the sub-lease as operating leases. Under AASB 16, the Group continues to classify the sub-lease as an operating lease.
Other	The Group leases other office buildings in other countries. The non-cancellable period of these leases range from 3 to 8 years. The lease payments are fixed with no increases over the lease terms. During the period, office building leases were acquired through the QuantHouse acquisition. Refer to Note 4.2.

(i) Group as a lessee

Right-of-use asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group's average incremental borrowing rate used is 3.45%.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

2.3 Leases continued

(a) Iress Group lease portfolio continued

(i) Group as a lessee continued

Lease liability continued

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office and information technology equipment that have a lease term of 12 months or less or for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Group as a lessor

When the Group acts as a lessor, which is generally when it sub-leases property on which it has entered a head lease as a lessee, it determines at the sub-lease inception whether each sub-lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case then the lease is a finance lease. If not, then it is accounted for as an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately.

The Group assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains a lease and non-lease component, the Group applies AASB 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'non-operating income'.

(b) Carrying value of right-of-use assets

The Group's right-of-use assets comprise real estate and data server leases. Right-of-use assets have finite lives and are carried at cost less accumulated depreciation.

The carrying value of right-of-use assets is presented below:

	OFFICE BUILDINGS		DATA SERVERS		TOTAL	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cost	90,538	–	274	–	90,812	–
Accumulated depreciation	(38,688)	–	(223)	–	(38,911)	–
Carrying value	**51,850**	**-**	**51**	**-**	**51,901**	**-**
Opening carrying value	**-**		**-**	**-**	**-**	**-**
Change in accounting policy[1]	52,192	–	107	–	52,299	–
Acquired through business combinations	4,881	–	–	–	4,881	–
Additions	6,744	–	1	–	6,745	–
Disposal	(792)	–	–	–	(792)	–
Depreciation	(11,247)	–	(54)	–	(11,301)	–
Foreign currency translation	72	–	(3)	–	69	–
Closing carrying value	**51,850**	**-**	**51**	**-**	**51,901**	**-**
Expected useful life (years)	**2 to 12**		**5**			

(1) Impact of adopting AASB 16's modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The impact is disclosed in Note 4.6 (a)(iii).

(c) Lease liabilities

(i) Lease liabilities included in the Statement of Financial Position at the end of the period:

	2019 $'000	2018 $'000
Current	9,179	–
Non-current	48,356	–
Total	**57,535**	**–**

The Group's liquidity risk with regard to its lease liabilities is managed by the inclusion of lease liability cashflows in the cashflow forecasts regularly monitored by the Group in line with the Group's treasury policy.

(ii) Reconciliation of the movement of the lease liabilities:

	2019 $'000	2018 $'000
Opening carrying value	–	–
Change in accounting policy[1]	(56,880)	–
Lease liabilities assumed in business combinations	(5,060)	–
Lease liabilities raised from the negotiation of new lease contracts	(6,532)	–
Lease liabilities raised from changes to existing lease contracts	(119)	–
Lease liabilities reversed from early termination of lease contracts	1,178	–
Lease liabilities incurred from rent free periods	(132)	–
Settlement of lease liabilities	10,189	–
Foreign currency translation	(179)	–
Closing carrying value	**(57,535)**	**–**

(1) Impact of adopting AASB 16's modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The impact is disclosed in Note 4.6 (a)(iii).

(iii) Maturity analysis – contractual undiscounted cash flows:

	2019 $'000	2018 $'000
Less than one year	11,026	11,317
More than one year and not more than 5 years	38,996	33,925
More than five years	14,114	14,946
Total undiscounted lease liabilities at the end of the period	**64,136**	**60,188**

(d) Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income

The table below shows the amounts recognised in the Statement of Profit or Loss affected by the application of the AASB 16 for the current and prior year:

	Notes	2019 $'000	2018 $'000
Depreciation expense on right-of-use assets	1.7	(11,301)	–
Interest expense on lease liabilities	3.1(e)	(2,086)	–
Property lease expense		–	(10,740)
Expenses relating to short term or low value assets leases		(184)	(132)
Gain on the de-recognition of right-of-use assets and lease liabilities		387	–
Income from the sub-leasing of right-of-use assets		1,501	836

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

2.3 Leases continued

(e) Operating lease arrangements

Operating leases, in which the Group is the lessor, relates to sub-leased office buildings with lease terms between 1 to 5.5 years. The lease contracts do not include extension or early termination options. The cash outflows relating to the head leases on these buildings are included in the amounts disclosed in Note 2.3(c)(i) above. The Group is not significantly exposed to foreign currency risk as a result of the lease arrangements, as the sub-leases are denominated in the same currency as those of the head leases. The lessee does not have the option to purchase the property at the expiry of the lease period.

Maturity analysis of the operating lease payments are presented below:

	2019 $'000	2018 $'000
Year 1	690	1,044
Year 2	617	1,470
Year 3	617	677
Year 4	617	604
Year 5	617	604
Year 6 and onwards	-	1,207
Total	**3,158**	**5,606**

2.4 Receivables and other assets

Trade receivables arise from revenue that has been billed, but not yet settled by the customer.

Revenue arises from providing access to Iress software, rendering of services or recharging for access to capital markets data. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised over time as the relevant performance obligations identified in a customer contract are satisfied. Refer to Note 1.3 for further details of revenue recognition.

Where revenue recognised exceeds billings it results in a contract asset as disclosed in the table below, and where cash amounts are received in advance of revenue recognition it results in a contract liability as disclosed in Note 1.3(b).

Iress' credit terms are generally 30 days from the date of invoice. As such, the carrying amount of receivables approximates their fair value.

(a) Receivables and other assets as at the end of the year comprises of:

	Notes	2019 $'000	2018 $'000
Trade receivables	2.4(d)	36,788	39,162
Credit loss allowance	2.4(b)	(1,718)	(1,553)
		35,070	**37,609**
Contract assets	1.3(b)	17,223	8,302
Prepayments		22,861	9,116
Deposits		1,043	685
VAT receivables		687	-
Other assets		4,826	3,858
		81,710	**59,570**

(b) Credit Loss Allowance

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Expected credit losses are measured by grouping trade receivables and contract assets based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

A provision matrix is then determined based on the historic credit loss rate for each group of customers, adjusted for any material expected changes to the future credit risk for that customer group.

The credit loss allowance as at 31 December 2018 is determined as follows:

Provision matrix As at 31 December 2018	APAC	UK & Europe	South Africa	North America
1 to 30 days	0.3%	0.4%	0.3%	0.7%
31 to 60 days	0.6%	0.8%	0.5%	1.5%
61 to 90 days	1.4%	1.9%	1.3%	3.7%
Over 90 days	1.5%	2.0%	1.3%	3.8%
Contract assets	0.1%	0.1%	0.1%	0.3%

Ageing of receivables As at 31 December 2018	APAC $'000	UK & Europe $'000	South Africa $'000	North America $'000	Group $'000
1 to 30 days	17,267	9,410	2,143	984	**29,804**
31 to 60 days	1,072	2,427	386	155	**4,040**
61 to 90 days	854	314	361	70	**1,599**
Over 90 days	669	1,806	1,027	217	**3,719**
Total receivables	**19,862**	**13,957**	**3,917**	**1,426**	**39,162**
Contract assets	2,447	5,476	379	–	8,302
Allowance based on historic credit losses	87	112	27	22	248
Adjustment for expected changes in credit risk[1]	140	714	331	120	**1,305**
Credit loss allowance	**227**	**826**	**358**	**142**	**1,553**

(1) Adjustment to reflect the higher credit risk and probability of default relating to customers that are over 90 days past due.

The credit loss allowance as at 31 December 2019 is determined as follows:

Provision matrix As at 31 December 2019	APAC	UK & Europe	South Africa	North America
1 to 30 days	0.2%	0.5%	0.3%	1.0%
31 to 60 days	0.5%	0.6%	0.6%	1.5%
61 to 90 days	1.1%	2.1%	1.3%	2.2%
Over 90 days	1.1%	2.1%	1.3%	2.2%
Contract assets	0.1%	0.2%	0.1%	0.3%

Ageing of receivables As at 31 December 2019	APAC $'000	UK & Europe $'000	South Africa $'000	North America $'000	Group $'000
1 to 30 days	13,499	14,394	2,117	1,275	**31,285**
31 to 60 days	659	1,893	152	119	**2,823**
61 to 90 days	86	595	125	25	**831**
Over 90 days	66	1,000	680	103	**1,849**
Total receivables	**14,310**	**17,882**	**3,074**	**1,522**	**36,788**
Contract assets	3,398	13,445	380	–	17,223
Allowance based on historic credit losses	36	135	18	18	207
Adjustment for expected changes in credit risk[1]	81	940	374	117	**1,511**
Credit loss allowance	**117**	**1,075**	**392**	**135**	**1,718**

(1) Adjustment to reflect the higher credit risk and probability of default relating to customers that are over 90 days past due.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

2.4 Receivables and other assets continued

(c) Movement in credit loss allowance

The movement in the credit loss allowance during the year is as follows:

	Notes	2019 $'000	2018 $'000
Balance at the beginning of the year		(1,553)	(668)
Credit loss allowances recognised during the year		(415)	(1,887)
Credit loss allowance utilised during the year against irrecoverable trade debtors		807	1,002
Acquired through business combinations		(520)	-
Foreign currency translation		(37)	-
Balance at the end of the year	2.4(a)	**(1,718)**	**(1,553)**

(d) Quality of trade receivables

The quality of trade receivables is monitored by the ageing of invoiced amounts yet to be received. The ageing at the end of the year is as follows:

	Notes	2019 $'000	2018 $'000
Neither past due nor impaired – less than 30 days		21,681	29,696
Past due but not impaired:			
+31 to 90 days		11,741	5,581
+91 days		1,648	2,332
Impaired		1,718	1,553
	2.4(a)	**36,788**	**39,162**

Receivables that are neither past due nor impaired comprise customers with a long term record of timely payments and/or no recent history of default arising from financial difficulty.

Receivables that are past due but not impaired comprise customers which do not have any objective evidence that the receivable may be impaired. Iress has actively engaged these customers and reasons for the invoices remaining outstanding are being actively resolved. A credit loss allowance is recognised where

- Iress has identified objective evidence that an amount owing may not be recoverable, mainly arising from observed financial difficulty of a customer, or
- Iress has identified a risk of expected credit loss based on historical trend of credit losses.

2.5 Payables and other liabilities

Payables and other liabilities are initially measured at fair value. Subsequent to initial measurement, these are recognised at amortised cost. Liabilities are classified as current where Iress does not have an unconditional right to defer settlement beyond 12 months.

Employee related liabilities primarily comprise of the annual leave liability and other employee related entitlements. The annual leave liability is measured as current leave accrued multiplied by current salary plus statutory charges.

Contract liabilities represent amounts received from customers for which revenue has not been earned or recognised. Finance arrangements relate to the acquisition of software licences.

Due to the short term nature of current liabilities, the carrying amount approximates their fair value.

	Notes	2019 $'000	2018 $'000
Current			
Trade payables		4,958	3,407
General accruals		17,700	15,884
Audit fee accruals		518	923
Contract liabilities	1.3(b)	12,083	4,915
GST/VAT payable		6,729	3,976
Finance arrangements		1,600	2,605
Employee related liabilities[1]		17,605	17,013
Dividend payable		75	176
Accrued interest		325	276
Other liabilities		2,932	1,797
		64,525	**50,972**

(1) A prior year reclassification was made to reclassify $8.8 million of annual leave accruals from current provisions to current employee related liabilities.

	2019 $'000	2018 $'000
Non-current		
Finance arrangements	–	1,600
	–	1,600

The Group's exposure to foreign currency risk arising from translating payables and other liabilities to the Group's functional currency is considered insignificant. The exposure is monitored on a net working capital basis as disclosed in Note 3.3.

Liquidity risk arises from current payables and other liabilities that are payable in less than one year. The Group manages this liquidity risk by maintaining sufficient cash and current assets to meet the contractual obligations as they arise.

2.6 Provisions

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Employee benefits mainly comprise long service leave entitlements of employees.

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

Significant estimate made

Non-current provisions contain $27.1 million of deferred consideration in relation to the acquisition of QuantHouse during 2019.

The measurement of deferred consideration at fair value at each reporting date requires estimates to be made about expected revenue and expenses over the measurement period to which the deferred consideration relates. In respect of the deferred consideration arising from the QuantHouse acquisition, estimates have been established for expected revenue and certain costs in the 2020 financial year and revenue in the 2021 financial year. If actual revenue and costs differ from these estimates the amounts of deferred consideration paid will change. The minimum and maximum amounts payable under these arrangements are $0 and $31.8 million respectively.

Onerous losses represent the expected losses on non-cancellable property lease commitments which the Group no longer utilises. These leases will expire in 2020. The amount provided for represents the present value of the future payments on the leases, net of expected income from sub-leasing the properties.

The make good provision relates to restoration expenses which will be incurred upon termination of property leases in order to reinstate the leased properties to their original condition.

(a) Provisions as at the end of the year comprises of:

	2019 $'000	2018 $'000
Current provisions		
Employee benefits[1]	5,210	5,074
Deferred consideration[2]	1,235	1,360
Onerous losses provision[3]	192	611
Make good provision[4]	–	109
Other provisions[5]	32	1
	6,669	**7,155**

	2019 $'000	2018 $'000
Non-current provisions		
Employee benefits	3,484	2,387
Deferred consideration[2]	27,076	–
Make good provision[4]	–	1,647
Other provisions[5]	–	1,188
	30,560	**5,222**

(1) A prior year reclassification was made to reclassify $8.8 million of annual leave accruals from current provisions to employee related liabilities included within current payables and other liabilities.

(2) The current year deferred consideration relates to the QuantHouse acquisition (refer to note 4.2). A payment of $1.2 million (€0.8 million) is expected to be paid in the first quarter of 2020 should the required conditions be attained. The prior year deferred consideration relates to the Innergi acquisition and was settled in 2019 as the conditions were partially fulfilled and a payment of $0.7 million made during 2019.

(3) Part of the provision for onerous operating lease contracts required under AASB 117 was derecognised upon the application of AASB 16 *Leases*.

(4) The provision for make good was previously presented as a provision. Upon the application of AASB 16 *Leases*, the amount was transferred to lease liabilities. There was no change in the amount recognised.

(5) The current year provision relates to a potential litigation severance claim. The prior year provisions include straight-line lease and incentive liabilities of $1.2 million which were previously recognised with respect to operating leases. Upon the application of AASB 16 *Leases*, the amounts were derecognised and factored in the measurement of the right-of-use assets and lease liabilities.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

2.6 Provisions continued

(b) The carrying value of provisions are reconciled as follows:

As at 31 December 2018	Employee benefits $'000	Deferred consideration $'000	Onerous losses provision $'000	Make good provision $'000	Other provisions $'000	Total $'000
Opening carrying value	15,033	3,265	-	-	1,449	19,747
Transfer to payables and other liabilities[1]	(8,791)	-	-	-	(176)	(8,967)
Provision raised during the year	1,239	-	822	1,755	672	4,488
Provision utilised during the year	-	(1,905)	(211)	1	(727)	(2,842)
Foreign currency translation	(20)	-	-	-	(29)	(49)
Closing carrying value	**7,461**	**1,360**	**611**	**1,756**	**1,189**	**12,377**

As at 31 December 2019	Employee benefits $'000	Deferred consideration $'000	Onerous losses provision $'000	Make good provision $'000	Other provisions $'000	Total $'000
Opening carrying value	7,461	1,360	611	1,756	1,189	12,377
Change in accounting policy[2]	-	-	(119)	(1,756)	(1,199)	(3,074)
Assumed in business combination	288	32,527	-	-	348	33,163
Provision raised during the year	1,367	-	-	-	-	1,367
Provision reversed during the year	(296)	(3,779)	(300)	-	(315)	(4,690)
Provision utilised during the year	(130)	(1,436)	-	-	-	(1,566)
Foreign currency translation	4	(361)	-	-	9	(348)
Closing carrying value	**8,694**	**28,311**	**192**	**-**	**32**	**37,229**

(1) A prior year reclassification was made to reclassify $8.8 million of annual leave accruals from current provisions to current payables and other liabilities.

(2) Impact of adopting AASB 16 Leases' modified retrospective approach whereby amounts as at 1 January 2019 were either derecognised or transferred to lease liabilities.

2.7 Commitments and contingencies

(a) Capital commitments

No capital expenditure has been contracted or provided for at balance date (2018: Nil).

(b) Contingencies

There are no material contingent liabilities or capital expenditure that have been contracted or provided for at the reporting date (2018: Nil).

Section 3. Debt and equity

3.1 Debt facilities and derivatives

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any gains or losses are recognised in the Statement of Profit or Loss in the event the borrowings are derecognised.

(a) Details of borrowings held by the Group are as follows:

	2019 $'000	2018 $'000
Non-current		
4 year $300 million bank facility to November 2021		
AUD	87,500	96,500
GBP	113,377	109,126
EUR	25,623	–
Total amount drawn	**226,500**	**205,626**
Borrowing costs capitalised	(586)	(1,237)
Total borrowings	**225,914**	**204,389**

The bank facilities allow multi-currency drawdowns and are at variable interest rates based on BBSY, LIBOR and EURIBOR benchmark rates plus a market margin. Amounts can be repaid at the discretion of the Group. As such, the amounts drawn approximates their fair value.

Not included in the table above is a $10 million multi-currency guarantee facility that is used for any bank guarantees required by the Group. At year end, $5.8 million (2018: $5.9 million) was utilised. The borrowings are unsecured, and the Group has complied with the financial covenants of its borrowing facilities during the year.

(b) Reconciliation of the movement in borrowings to the financing cash flows is shown as follows:

	2019 $'000	2018 $'000
Opening balance	204,389	192,865
Proceeds from borrowings	123,645	89,000
Repayments of borrowings	(107,022)	(82,500)
Net borrowing costs amortised	651	651
Foreign exchange rate movements	4,251	4,373
Closing balance	**225,914**	**204,389**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

3.1 Debt facilities and derivatives continued

(c) Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently revalued to fair value at the end of each reporting period.

The fair value of the derivatives is determined by first calculating the future cash flows that are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, and then discounting the future cash flows at a rate that reflects the credit risk of various counterparties.

Iress has the following cross currency swaps:

	2019 $'000	2018 $'000
Assets at fair value		
3 year receive AUD/pay GBP to September 2021	–	783
Liabilities at fair value		
3 year receive AUD/pay GBP to September 2021	1,820	–

The cross currency swaps minimise unfavourable foreign exchange rate movements and also reduce the Group's cost of funding.

The fair value of the swaps is classified as Level 2 as the calculation is based on observable inputs. The change in the fair value during the year is due to the impact of the appreciation of the British pound against the Australian dollar. No credit risk adjustments have been recognised on the fair value of the derivative as these are not material.

(d) Contractual maturity analysis

Contractual cash outflow maturity analysis is shown based on undiscounted cash flows. An estimate, based on forward interest rates and foreign currency rates, has been applied in determining interest and foreign cash outflows and inflows. The actual contractual outflow may vary to the amounts disclosed.

31 December 2018 Outflows/(inflows)	Within 1 year $'000	1-3 years $'000	Greater than 3 years $'000
4 year facilities – principal	–	205,626	–
Interest on borrowings	5,943	11,390	–
3 year cross currency swaps – principal exchange [1]	–	(462)	–
3 year cross currency swaps – interest [1]	(823)	(1,440)	–

31 December 2019 Outflows/(inflows)	Within 1 year $'000	1-3 years $'000	Greater than 3 years $'000
4 year facilities – principal	–	226,500	–
Interest on borrowings	4,938	4,526	–
3 year cross currency swaps – principal exchange [1]	–	1,856	–
3 year cross currency swaps – interest [1]	(164)	(123)	–

(1) Represents expected net cash exchange in AUD that occurs at settlement. Under the terms of the cross currency swaps, the settlements are on a gross basis where Iress receives AUD and pays GBP.

(e) Interest expense and financing costs

Interest expenses are recognised using the effective interest rate method. Interest expense includes exchange differences arising from foreign currency borrowings to the extent they are regarded as adjustments to interest costs.

Net interest expense and financing costs for the year comprise the following:

	Notes	2019 $'000	2018 $'000
Interest income		547	370
Interest expense		(5,968)	(5,729)
Other financing costs comprising:			
Interest expense of lease liabilities	2.3(d)	(2,086)	–
Amortisation of borrowing costs		(651)	(651)
Translation gains/(losses) on intra-group financing arrangements		2,592	(561)
Fair value changes on cross currency swaps		(2,603)	451
Net interest expense and financing costs		**(8,169)**	**(6,120)**

3.2 Issued capital

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

	NUMBER OF SHARES	
	2019 '000	2018 '000
Balance at 1 January	173,251	171,507
Shares issued under the Employee Share Plan[1]	1,346	1,615
Shares issued[2]	327	129
	174,924	**173,251**
Less Treasury Shares[3]	(2,442)	(2,183)
Number of shares on issue	**172,482**	**171,068**

(1) New shares issued to meet obligations in relation to Performance Rights, Deferred Shares and Deferred Share Rights for employees.

(2) Shares issued during the current year for the Dividend Reinvestment Plan.

(3) The change is due to the net movement in shares issued and shares vested under the Employee Share Plan.

3.3 Managing financial risks

(a) Market risks

Interest rate risk

The Group's exposure to interest rate risk mainly arises from its variable rate borrowings and cross currency swaps. A decrease in the benchmark interest rates of 50 basis points (0.5%), with all other factors held constant, would result in a decrease in the annual interest cost of the Group by $1.1 million (2018: $1.0 million decrease).

Foreign currency risk

GBP and EUR borrowings do not give rise to foreign currency risk to the Group as they are ultimately held in entities that have a GBP or EUR functional currency respectively.

The Group is exposed to foreign currency transaction risk mainly from intercompany balances denominated in foreign currency, the majority of which is mitigated by internal GBP/AUD cross currency derivatives. Additional foreign currency risk arises from cash balances, receivables and payables held within each subsidiary but denominated in a currency different to the functional currency of that subsidiary.

The material exposure to foreign currency movements arising from foreign currency working capital balances held within the Group is summarised below:

	2019 '000	2018 '000
Working capital denominated in foreign currency		
GBP	(12,041)	47,289
ZAR	31,280	5,758
AUD impact on profit or loss of a 1% reduction in foreign currency rates		
GBP	(226)	845
ZAR	32	6

The above excludes the exposure of the Group from translating its foreign operations to the Group presentation currency.

(b) Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any regulatory capital requirements.

Management reviews the capital structure of the Group on a regular basis. As part of this review, the cost of capital and the risks associated with each class of capital is considered.

The Group's year end gearing ratio is outlined below:

	2019 $'000	2018 $'000
Net debt[1]	194,934	174,653
Net debt plus total equity	629,840	594,084
Gearing ratio	**30.9%**	**29.4%**

(1) Measured as borrowings and net derivatives liabilities/assets less cash and cash equivalents.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

Section 4. Other disclosures

4.1 Taxation

Total income tax expense or revenue comprises current and deferred tax recognised in the Statement of Profit or Loss in the year. Current and deferred tax is also recognised directly in equity, and not in the Statement of Profit or Loss, to the extent it is attributable to amounts and movements which have also been recognised directly in equity.

Current tax

Current tax comprises expected tax payable/receivable on business taxable income/loss which is recognised in the Statement of Profit or Loss in the current year, as well as any adjustments to tax payable/receivable recognised in the current year which relate to taxable income/loss recognised in the Statement of Profit or Loss in prior years.

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

Deferred tax

Deferred tax represents the movements in deferred tax assets and liabilities which have been recognised during the year and which are attributable to amounts recognised in the Statement of Profit or Loss in the current year, as well as amounts recognised in the Statement of Profit or Loss in prior years. Deferred tax assets and liabilities are attributable to temporary timing differences between the carrying amount of assets and liabilities recognised for financial reporting purposes and the tax base of assets and liabilities recognised for tax purposes.

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

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

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

Tax consolidation

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

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement.

(a) Income tax expense for the year including current and deferred tax is as follows:

	2019 $'000	2018 $'000
Income tax expense recognised in profit or loss		
Current income tax expense		
Current income tax charge	24,819	23,748
Adjustments in respect of current income tax of the previous year	3,416	(2,093)
	28,235	**21,655**
Deferred income tax expense		
Origination and reversal of temporary differences	(685)	204
Adjustments in respect of deferred income tax of the previous year	(4,227)	(986)
	(4,912)	**(782)**
Total income tax expense recognised in Statement of Profit or Loss	**23,323**	**20,873**
Income tax expense recognised in other comprehensive income		
Arising from gains or losses on long term monetary intercompany balances	39	(20)
Income tax expense recognised directly in equity		
Current tax credited directly to other reserves	809	(1,255)
Deferred tax credited directly to other reserves	(775)	99
Total income tax expense recognised in Other Comprehensive Income and Equity	**73**	**(1,176)**

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

	2019 $'000	2018 $'000
Profit from continuing operations before income tax expense	88,451	84,969
Tax at the Australian tax rate of 30% (2018: 30%)	26,535	25,491
Income tax expense adjustments:		
Effect of different tax rates in foreign jurisdictions	(3,441)	(2,806)
Effect of non-assessable income and non-deductible expenses	(617)	1,727
Adjustments for current and deferred tax of prior periods	(811)	(3,079)
Employee share plan	127	(637)
Unrecognised tax losses	1,530	177
Income tax expense	**23,323**	**20,873**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

4.1 Taxation continued

(c) Deferred income tax assets and liabilities recognised in the Statement of Financial Position are as follows:

For the year ended 31 December 2018	Opening balance $'000	Charged to income $'000	Charged to OCI/Equity $'000	From business combinations $'000	Exchange differences $'000	Closing balance $'000
Deferred tax assets						
Receivables and other assets	90	87	–	–	(1)	176
Plant and equipment	3,934	790	–	–	129	4,853
Computer software	1,787	(480)	–	–	–	1,307
Payables and other liabilities	995	1,050	–	–	–	2,045
Provisions and accruals	4,760	189	–	–	(18)	4,931
Derivative liabilities	31	139	–	–	–	170
Carry forward tax losses	4,073	(1,717)	–	–	6	2,362
Capital transaction costs	1,712	(458)	(121)	–	–	1,133
Share-based payments	462	(118)	22	–	–	366
Other	493	(35)	–	–	(1)	457
Total deferred tax assets	**18,337**	**(553)**	**(99)**	**–**	**115**	**17,800**
Deferred tax liabilities						
Computer software	(510)	149	–	–	(19)	(380)
Intangible assets	(8,262)	1,325	–	–	(132)	(7,069)
Other financial assets	(109)	(139)	–	–	–	(248)
Total deferred tax liabilities	**(8,881)**	**1,335**	**–**	**–**	**(151)**	**(7,697)**

For the year ended 31 December 2019	Opening balance $'000	Charged to income $'000	Charged to OCI/Equity $'000	From business combinations $'000	Exchange differences $'000	Closing balance $'000
Deferred tax assets						
Receivables and other assets	176	(30)	–	–	–	146
Plant and equipment	4,853	(612)	–	–	195	4,436
Computer software	1,307	1,240	–	–	1	2,548
Payables and other liabilities	2,045	(877)	–	–	(94)	1,074
Provisions and accruals	4,931	4,057	–	–	11	8,999
Derivative liabilities	170	(700)	–	–	–	(530)
Carry forward tax losses	2,362	(124)	–	–	120	2,358
Capital transaction costs	1,133	(434)	(121)	–	–	578
Share-based payments	366	771	77	–	58	1,272
Leases	–	345	819	–	–	1,164
Other	457	(26)	–	–	3	434
Total deferred tax assets	**17,800**	**3,610**	**775**	**–**	**294**	**22,479**
Deferred tax liabilities						
Other receivables	–	(990)	–	–	–	(990)
Computer software	(380)	217	–	–	(28)	(191)
Intangible assets	(7,069)	1,361	–	(3,174)	(192)	(9,074)
Other financial assets	(248)	761	–	–	–	513
Employee share plan	–	(47)	–	–	–	(47)
Total deferred tax liabilities	**(7,697)**	**1,302**	**–**	**(3,174)**	**(220)**	**(9,789)**

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

	2019 $'000	2018 $'000
Singapore (Tax rate 17.0%, 2018: 17.0%)	1,539	1,143
Hong Kong (Tax rate 16.5%, 2018: 16.5%)	135	128
France (Tax rate 28.0%)	66,707	-
Potential tax benefit	**18,962**	**215**

4.2 Businesses and investments acquired and divested

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If any obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisition of subsidiary

On 31 May 2019, Iress acquired a 100% interest in QuantHouse, a leading international provider of market data and trading infrastructure. QuantHouse operates internationally with a focus on UK & Europe, North America and Asia, providing data feeds from exchanges and other data providers to clients globally.

Iress acquired the holding company, QH Holdco, via Iress Euro Holdings Pty Ltd which is a company incorporated in Australia and ultimately 100% owned by Iress Limited.

QuantHouse is highly complementary and strategically aligned to Iress' existing and future activities and to its international offering, including Iress' increasing focus on data. The acquisition will further strengthen Iress' international market data business and provide opportunities to achieve cost synergies and scale.

The earnouts are payable to the sellers on the achievement of specific cost and revenue targets in the 2019, 2020 and 2021 financial years. The range of possible outcomes for the earnout payments in total are $0 to $34.7 million.

The earnouts have been individually measured at the acquisition date based on the discounted present value of the expected payment achieved under the respective earnout formulae. In order to assess the expected outcome, management made assumptions as to the probability of achieving the specific earnout targets and the range of possible outcomes. These probability assumptions were made on the basis of financial forecasts available at the date of the acquisition.

Acquisition costs of $2.5 million relating to the QuantHouse acquisition were incurred during 2019 and are included in 'Business acquisition, integration and restructuring expenses' (refer to Note 1.6).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

4.2 Businesses and investments acquired and divested continued

Acquisition of subsidiary continued

The following table summarises consideration paid and payable and the fair value of net assets acquired at the date of acquisition:

	31 May 2019 $'000
Consideration	
Cash consideration	25,571
Post-acquisition cash consideration	660
Fair value of contingent consideration ('the earnouts')	31,862
Total fair value of consideration	**58,093**
Assets acquired	
Cash and cash equivalents	5,160
Trade and other receivables	6,341
Intangible assets	12,072
Plant and equipment	1,792
Right-of-use assets	4,881
Payables and other liabilities	(18,421)
Lease liabilities	(5,060)
Provisions	(320)
Deferred tax liabilities	(3,174)
Fair value of assets acquired	**3,271**
Goodwill recorded on acquisition	**54,822**

The revenue resulting from the operations of QuantHouse since acquisition and included in the Group's Consolidated Statement of Profit or Loss for the year ended 31 December 2019 was $21.9 million. QuantHouse's loss after tax since acquisition included in the Group's Consolidated Statement of Profit or Loss for the year ended 31 December 2019 was $4.1 million.

Had the acquisition of QuantHouse been effected at 1 January 2019, the revenue of the Group for the year ended 31 December 2019 would have been $524.1 million and the profit after tax of the Group for the year ended 31 December 2019 would have been $60.2 million.

4.3 Iress Limited – parent entity financial information

The ultimate controlling entity of the Group is Iress Limited, which is a for profit entity listed on the Australian Securities Exchange.

(a) Summary financial information

The individual financial statements for the parent entity, Iress Limited, show the following aggregate amounts:

	2019 $'000	2018 $'000
Current assets	214,482	185,566
Non-current assets	759,879	733,700
Total assets	**974,361**	**919,266**
Current liabilities	166,566	119,700
Non-current liabilities	238,989	217,940
Total liabilities	**405,555**	**337,640**
Net assets	**568,806**	**581,626**
Equity		
Issued capital	383,083	378,577
Reserves	31,021	24,714
Retained earnings	154,702	178,335
Total equity	**568,806**	**581,626**
Profit for the year[1]	46,421	102,615
Total comprehensive income	**46,421**	**102,615**

(1) Included within profit for the year is dividend income from subsidiaries of $87.0 million (2018: $130 million).

(b) Capital commitments and contingent liabilities

There are no material contingent liabilities or capital expenditure that have been contracted or provided for at the reporting date (2018: Nil).

4.4 Subsidiaries

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

Australia	
Iress International Holding Pty Ltd[1]	Iress Data Pty Ltd[1]
Apollo II Australia Pty Ltd[1][4]	Iress Euro Holdings Pty Ltd[1][2]
Financial Synergy Pty Ltd[1]	Iress Information Pty Ltd
Financial Synergy Actuarial Pty Ltd[1]	Iress Wealth Management Pty Ltd[1]
Financial Synergy Holdings Pty Ltd[1]	Iress South Africa (Australia) Pty Ltd[1]
Lucsan Capital Pty Ltd	Iress Spotlight Wealth Management Solutions (RSA) Pty Ltd[1]
Innergi Pty Ltd	Planning Resources Group Pty Ltd[1]
Iress (AUS) Limited Partnership[5]	Top Quartile Management Pty Ltd[1]
Canada	
Iress (LP) Holdings Corp.	Iress Market Technology Canada LP
Iress (Ontario) Limited	KTG Technologies Corp.
Iress Canada Holdings Limited	
South Africa	
Advicenet Advisory Services (Pty) Ltd	Iress Financial Markets (Pty) Ltd
Iress Hosting (Pty) Ltd	Iress Wealth MNGT (Pty) Ltd
Iress MD RSA (Pty) Ltd	Iress Wealth Management (RSA) (Pty) Ltd
United Kingdom	
Iress FS Group Limited	Iress UK Holdings Limited
Iress FS Limited	Iress Web Limited
Iress Mortgage Services Limited	Proquote Limited
Iress Portal Limited	Pulse Software Systems Limited
Iress Solutions Limited	Pulse Software Management Limited
Iress Technology Limited	TrigoldCrystal Limited
Iress (UK) Limited	
Other countries	
Iress Asia Holdings Limited (Hong Kong)	QuantHouse SAS[3]
Iress Malaysia Holdings Sdn Bhd (Malaysia)	QuantHouse Sàrl[3]
Iress (NZ) Limited (New Zealand)	QuantHouse Singapore Pte Ltd[3]
Iress Market Technology (Singapore) Pte Ltd (Singapore)	QuantHouse UK Limited[3]
Peresys Software Limited (Ireland)	QuantHouse Inc.[3]
QH Hold Co[3]	

(1) Iress Limited and its Australian subsidiaries entered into an ASIC Class Order and Deed of Cross Guarantee with Iress Limited in December 2014.

(2) Company was incorporated on 17 May 2019 and entered into the Deed of Cross Guarantee with Iress Limited in December 2019.

(3) Group acquired these entities on 31 May 2019.

(4) The entity was deregistered on 15 May 2019

(5) The entity was deregistered on 19 June 2019.

4.5 Deed of Cross Guarantee

Iress Limited and a number of Australian wholly-owned subsidiaries as specified in Note 4.4 are party to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, the relevant wholly-owned subsidiaries have been relieved from the requirement to prepare the financial report and Directors' Report under ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

(a) Consolidated Statement of Profit or Loss and retained earnings:

	2019 $'000	2018[2] $'000
Profit before tax	66,878	68,744
Income tax expense	(16,399)	(16,525)
Net profit after tax	**50,479**	**52,219**
Retained earnings at the beginning of the year	7,081	19,557
Impact of change in accounting policy[1]	(955)	-
Transfers from reserves	10,669	11,049
Dividends declared	(79,839)	(75,744)
Retained earnings at the end of the year	**(12,565)**	**7,081**

(1) Impact of adopting AASB 16's modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

(2) The prior year was restated due to the inclusion of Iress South Africa (Australia) Pty Ltd's branch, resident in South Africa, which had not been treated as a member of the Deed of Cross Guarantee in prior years but would provide financial assistance to its parent to the limit of its net assets.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

4.5 Deed of Cross Guarantee continued

(b) Consolidated Statement of Financial Position

	2019 $'000	2018[1] $'000
ASSETS		
Current assets		
Cash and cash equivalents	15,645	17,378
Receivables and other assets	27,546	17,609
Receivables from Iress Group companies outside the Deed	-	24,853
Current taxation receivables	208	6,825
Total current assets	**43,399**	**66,665**
Non-current assets		
Intangible assets	106,250	112,834
Plant and equipment	18,760	24,406
Right-of-use assets	33,204	-
Deferred tax assets	12,984	10,793
Investment in subsidiaries	414,149	345,490
Other financial assets	175,109	168,336
Total non-current assets	**760,456**	**661,859**
Total assets	**803,855**	**728,524**
LIABILITIES		
Current liabilities		
Payables and other liabilities	28,655	27,660
Lease liabilities	5,330	-
Provisions	6,634	2,279
Current taxation payables	1,684	1,285
Total current liabilities	**42,303**	**31,224**
Non-current liabilities		
Payables and other liabilities	50,851	52,451
Lease liabilities	31,374	-
Provisions	30,244	10,089
Payables to Iress Group companies outside the Deed	20,053	17,806
Borrowings	225,914	204,389
Deferred tax liabilities	692	2,028
Total non-current liabilities	**359,128**	**286,763**
Total liabilities	**401,431**	**317,987**
Net assets	**402,424**	**410,537**
EQUITY		
Issued capital	383,083	378,577
Share-based payments reserve	30,990	24,683
Foreign currency translation reserve	916	196
(Accumulated losses)/retained earnings	(12,565)	7,081
Total equity	**402,424**	**410,537**

(1) The prior year was restated due to the inclusion of Iress South Africa (Australia) Pty Ltd's branch, resident in South Africa, which had not been treated as a member of the Deed of Cross Guarantee in prior years but would provide financial assistance to its parent to the limit of its net assets.

4.6 Basis of preparation

Iress Limited (the 'Company') is a for profit company domiciled in Australia. The full year financial report is a general purpose financial report comprising the Company and its subsidiaries (collectively referred to as the 'Group' or 'Iress') for the year ended 31 December 2019. It:

- has been prepared in accordance with the Corporations Act 2001 (Cth), Australian Accounting Standards and Interpretations, and International Financial Reporting Standards (IFRS);
- was authorised for issue by the Directors on 19 February 2020;
- has been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets which have been measured at fair value;
- has all amounts presented in Australian dollars, unless otherwise stated; and
- has amounts rounded off to the nearest thousand dollars, unless otherwise stated, as allowed under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 dated 24 March 2016 (ASIC guidance).

(a) Adoption of new standards

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods on or after 1 January 2019.

None of these standards have had a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

In the current year, the Group has applied a number of amendments to AASBs issued by the AASB that are mandatorily effective for an accounting period that begins on or after 1 January 2019. Other than AASB 16 *Leases*, their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The impact of adopting AASB 16 *Leases* on the Group is described in detail below.

(i) AASB 16 *Leases* overview

AASB 16 is effective for years commencing 1 January 2019. AASB 16 eliminates the classification of leases as either operating leases or finance leases as required by AASB 117 and instead introduces a single lessee accounting model.

Applying the model, a lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- amortisation of lease assets separately from interest on lease liabilities in the Statement of Profit or Loss.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group adopted AASB 16 *Leases* from 1 January 2019 and elected to apply the modified retrospective approach to their real estate and data server leases. For these leases, which were classified as operating leases under AASB 117, the Group has recognised right-of-use assets and lease liabilities as at the transition date (1 January 2019).

The Group elected to apply the recognition exemption for leases of low-value assets or short term leases including office equipment such as printers, coffee machines and other information technology related equipment for use by staff in its offices.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- applied a single regional discount rate to a portfolio of leases with similar characteristics;
- adjusted the right-of-use assets by the amount of any recognised AASB 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with lease terms less than 12 months;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The net effect on 1 January 2019 of the recognition of the new right-of-use assets and lease liabilities, adjusted for deferred tax and the reversal of the existing straight-line lease and incentive liability, were recognised against retained earnings. The impact is disclosed below in Note 4.6 (a)(iii).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

4.6 Basis of preparation continued

(a) Adoption of new standards continued

(ii) Significant accounting policies resulting from the adoption of AASB 16 *Leases*

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and IFRIC 4.

The policy applicable from 1 January 2019

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of buildings in which it is a lessee, the Group has elected not to separate non-lease components and instead accounts for the lease and non-lease components as a single lease component.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveys the right to use the asset if one of the following were met:
  - the Group had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the Group had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Refer to Note 2.3 for disclosures on the leases currently held by the Group.

(iii) Impact on the financial statements

Group as a lessee

The table below summarises the impacts of the adoption application of AASB 16 for each line item on the Group's consolidated financial statements:

Impact on assets, liabilities and equity in the Statement of Financial Position as at 1 January 2019:

	IMPACT OF CHANGES IN AASB 16 ACCOUNTING POLICY		
Balances as at 1 January 2019	**Balances prior to adoption $'000**	**Accounting policy adjustments $'000**	**Balance as restated $'000**
Intangible assets[1]	555,190	(6,218)	548,972
Plant and equipment[2]	30,851	(1,523)	29,328
Right-of-use assets[3]	-	52,299	52,299
Receivables and other assets[1]	59,570	6,218	65,788
Lease liabilities non-current[3]	-	(56,880)	(56,880)
Provisions current liabilities[4]	(7,155)	119	(7,036)
Provisions non-current liabilities[3,5]	(5,222)	2,955	(2,267)
Payables and other liabilities current[6]	(50,972)	118	(50,854)
Deferred tax assets[7]	17,800	13,325	31,125
Deferred tax liabilities[7]	(7,697)	(12,523)	(20,220)
Retained earnings[8]	(12,852)	2,110	(10,742)

(1) Third party computer software held under finance lease arrangements previously presented within intangible assets was de-recognised and is now presented as prepayments included in trade and other receivables. There has been no change in the expense recognised.

(2) Leasehold improvements previously presented within plant and equipment are now presented as the right-of-use assets. There has been no change in the amount recognised.

(3) The application of AASB 16 to leases previously classified as operating leases under AASB 117 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in other expense and an increase in depreciation and interest expense.

(4) Provision for onerous operating lease contracts required under AASB 117 was derecognised.

(5) The provision for recognising operating lease expenses on a straight-line basis as required under AASB 117 was derecognised.

(6) The lease incentive liability previously recognised with respect to operating leases was derecognised and the amount factored in the measurement of the right-of-use assets and lease liabilities.

(7) Impact of the deferred tax assets and liabilities as a result of the recognition of the right-of-use-assets and the lease liabilities.

(8) Impact of adopting the modified retrospective approach under AASB 16 in which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

Impact on the Group's consolidated statement of cash flows:

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by $12.3 million for the year ended 31 December 2019 whilst net cash used in financing activities increased due to payments of $10.2 million and $2.1million which represent repayment of lease liabilities and lease interest payments respectively.

The adoption of AASB 16 did not have an impact on overall net cash flows for the Group.

Group as lessor

The Group, as lessor, continued to classify its sub-lease agreements as operating leases and there were no changes to the accounting treatment. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Other Income'.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

4.6 Basis of preparation continued

(b) Standards on issue but not yet effective

At the date of authorisation of the financial statements, the following new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not yet been applied by the Company within this financial report:

– AASB 3 *Business combinations* (amendments)	– *Definition of a business* [1]
– AASB 10 and AASB 128 (amendments)	– *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
– AASB 17 *Insurance contracts*	– *Measurement of insurance liabilities* [2]
– AASB101 and AASB 108 (amendments)	– *Definition of Material* [1]
– Conceptual Framework for Financial Reporting (updated 2018)	– *Amendments to and reference to the Conceptual Framework in IFRS Standards*[1]

(1) Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

(2) Effective for annual periods beginning on or after 1 January 2021.

Management have assessed the impact of the adoption of these Accounting Standards and Interpretations in future periods on the financial statements of the Company.

Management does not believe these Accounting Standards and Interpretations will have a material impact in future periods on the financial statements of the Company at this point in time.

(c) Summary of general accounting policies

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

(i) Consolidation

The consolidated financial statements include the financial statements of the Company, and the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

An entity is controlled when Iress is exposed to, or has rights, to variable returns from involvement with the entity and has the ability to affect those returns through power over the entity.

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

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

(ii) Foreign currency translation

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at the reporting date.

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

Foreign operations

Assets and liabilities of foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Any exchange differences are recognised in equity. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

(iii) Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the Group can adopt one of the following policies for the amortisation of day 1 gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or
- release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

Financial assets

The Company's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are initially recognised at fair value plus transaction costs, when the Company becomes a party to the contractual provisions of the instrument. Interest resulting from holding financial assets is recognised in the statement of comprehensive income on an accruals basis.

Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Provision for impairment of trade and other receivables is made when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective rate computed at initial recognition. Any change in value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred, and that transfer qualifies for de-recognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Company transfers substantially all the risks and rewards of ownership of the asset.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share capital represents the nominal value of equity shares issued. Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares, net of direct issue costs.

Retained earnings include all current and prior year results as disclosed in the statement of comprehensive income. Retained earnings include realised and unrealised profits. Profits are considered unrealised where they arise from movements in the fair value of investment properties that are considered to be temporary rather than permanent.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

4.7 Transactions with related parties

The Group previously disclosed its transactions with ASX Limited ("ASX") as it was a substantial holder of shares in the Group (2018: 18.58%).

In February 2019 ASX divested its entire holding in Iress. As a result, ASX is no longer considered a related party and therefore no disclosure of transactions with the Group has been made.

There are no other shareholders with substantial holdings that materially transacted with the Group during the year.

4.8 Events subsequent to the Statement of Financial Position date

On 7 January 2020, Iress completed the acquisition of 100% of the share capital of BC Gateways (BCG), a blockchain platform provider incorporated in Hong Kong.

BC Gateways' blockchain platform allows data to be published and distributed in a timely, accurate and auditable way using a 'shared source of truth'. The workflow that exists today between many parties in financial services is distributed and disconnected, which lends itself to a meaningful application of blockchain technology. The acquisition will, therefore, assist the Group in meeting demand from financial institutions for cost-effective, automated and compliant technology.

Initial cash consideration of $1.525 million was paid with further potential payments of up to $2.5 million in 2020 contingent on the achievement of sustained and recurring revenue. The purchase agreement allows for further payments that reflect a multiple of recurring revenue achieved by the business in the 2021 and 2022 financial years if the amount is above the level of consideration already paid to the sellers. At this point the estimated range of outcomes for these further payments cannot be determined as the business is still in the start-up phase.

On 19 February 2020, the Directors declared a final dividend of 30.0 cents per share franked to 40% totaling $52.5 million.

Other than the events above, there has been no other matter or circumstance which has arisen since the end of the financial year which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Directors' Declaration

31 December 2019

In the Directors' opinion:

(a) the financial statements and notes set out on pages 42 to 84 are in accordance with the *Corporations Act 2001*, including:

(i) complying with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 4.4 will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the deed of cross guarantees described in Note 4.5.

Note 4.6 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

TONY D'ALOISIO
Chair

ANDREW WALSH
Managing Director and Chief Executive Officer

Melbourne
19 February 2020

Independent Auditor's Report

Deloitte.

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Independent Auditor's Report to the members of Iress Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Iress Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of goodwill in the Canadian business *Refer to Note 2.1 - Impairment assessment.* As at 31 December 2019, the Group's goodwill totalled $528.7 million which is allocated to the relevant Cash Generating Units (CGUs). Goodwill is required to be assessed for impairment on an annual basis or when any indicators of impairment exist. At the beginning of the year, the Canadian CGU was identified as having a heightened risk of impairment due to their dependency on securing key contracts and the achievement of forecast growth rates which require judgement. Included within the Canadian CGU at 31 December 2019 is goodwill of $15.2 million. The Group has prepared value in use models to determine the recoverable amount of the Canadian CGUs.	Our procedures included but were not limited to: • Obtaining an understanding of the key controls associated with the preparation of the value in use models and critically evaluating management's methodologies. With the assistance of our valuation specialists, we: • Assessed key assumptions, including forecast growth rates by comparing to economic and industry growth rates • Challenged the forecasted revenue for the Canadian CGU with reference to: - review of the historical accuracy of forecasting of the Group - evaluation of current pipeline and historical pipeline conversion rate • Evaluated discount rates used to assess the cost of capital for the Canadian CGU against comparable organisations • Agreed the cash flow forecast with the latest Board approved four year financial plan for the Canadian CGU • Tested on a sample basis the mathematical accuracy of the cash flow models • Assessed the net present value of the Canadian CGU in local currency to the carrying values in local currency. We also performed a sensitivity analysis to stress test the key assumptions used in the value in use models, including revenue growth, terminal growth rates and discount rates used. We have assessed the appropriateness of the disclosures included in Note 2.1 to the financial statements.
Acquisition accounting of QuantHouse *Refer to Note 4.2 – Businesses and investment acquired and divested.* On the 31st May 2019, the Group acquired 100% interest in QuantHouse for a total consideration of $58.1 million. QuantHouse is a leading international provider of market	With respect to the accounting for the QuantHouse acquisition, we performed the following procedures, in conjunction with our valuation specialists: *Determination of purchase price*:

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data and trading infrastructure. The consideration comprises cash of $25.6 million and contingent consideration of $31.9 million. The fair value of the net assets acquired is $3.3 million resulting in goodwill of $54.8 million. Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill.	• Obtained an understanding of the contractual terms in the purchase contract concerning assets acquired, liabilities assumed and the purchase price • Obtained the actual year-to-date performance of the QuantHouse business since the date of acquisition, in order to determine the total value of the contingent consideration. *Determination of fair value of assets and liabilities*: • Obtained a copy of the external valuation report and critically challenged the underlying assumptions used to determine the fair values of the assets acquired and liabilities assumed as part of the acquisition • Considered the objectivity and competence of the external valuation specialist used by management • Evaluated and challenged management's methodology for the identification of, and the determination of fair values of the assets acquired and liabilities assumed, including any fair value adjustments. As part of this we considered the valuation method used, underlying forecast cashflow, comparable transactions, discount rates and tax rates. *Re-assessment of Contingent Consideration*: • Obtained management's updated position paper on the contingent consideration and challenged the underlying assumptions used to determine the earn out target percentage applied • Evaluated the adjustment of the revised contingent consideration posted in the financial report to assess the treatment in line with *AASB 3 Business Combinations*. We have also assessed the appropriateness of the disclosures included in Note 4.2 of the financial report.

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Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

Independent Auditor's Report continued

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related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 40 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Iress Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants
Melbourne 19 February 2020

Shareholder Information

The shareholder information set out below was applicable as at 31 December 2019.

Distribution of members and their holdings

	Number of shareholders	Number of shares	% of issued capital
1 to 1,000	3,551	1,559,414	0.89
1,001 to 5,000	2,959	6,892,007	3.94
5,001 to 10,000	535	3,815,896	2.18
10,001 to 100,000	281	6,487,661	3.71
100,001 and over	40	156,168,469	89.28
Total	**7,366**	**174,923,447**	**100.00**

Substantial shareholders

	Number held	%
HYPERION ASSET MANAGEMENT LIMITED	19,827,778	11.34
GREENCAPE CAPITAL PTY LIMITED	10,700,119	6.12
SELECTOR FUNDS MANAGEMENT	6,687,524	3.82
Total substantial shareholders	**37,215,421**	**21.28**
Balance of register	137,708,026	78.72
Total	**174,923,447**	**100.00**

20 largest shareholders of quoted equity securities

Rank	Name	Number held	% of issued shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,336,227	36.21
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	31,389,827	17.94
3	CITICORP NOMINEES PTY LIMITED	16,916,133	9.67
4	NATIONAL NOMINEES LIMITED	10,498,669	6.00
5	BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING DRP)	6,178,395	3.53
6	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	5,471,523	3.13
7	BNP PARIBAS NOMS PTY LTD (DRP)	3,300,847	1.89
8	PACIFIC CUSTODIANS PTY LIMITED (EQUITY PLANS TST)	2,828,332	1.62
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (NT-COMNWLTH SUPER CORP)	2,144,715	1.23
10	PACIFIC CUSTODIANS PTY LIMITED (IRE PLANS)	1,611,762	0.92
11	AMP LIFE LIMITED	1,184,430	0.68
12	CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV)	1,091,816	0.62
13	NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES)	1,059,908	0.61
14	NATIONAL NOMINEES LIMITED	928,000	0.53
15	ARGO INVESTMENTS LIMITED	891,884	0.51
16	DJERRIWARRH INVESTMENTS LIMITED	878,327	0.50
17	MIRRABOOKA INVESTMENTS LIMITED	866,324	0.50
18	AVANTEOS INVESTMENTS LIMITED	736,682	0.42
19	WARBONT NOMINEES PTY LTD	569,708	0.33
20	AMCIL LIMITED	545,498	0.31
Total top twenty shareholders		**152,429,007**	**87.14**
Balance of register		22,494,440	12.86
Total		**174,923,447**	**100.00**

Corporate Directory

Directors

Tony D'Aloisio – Chair

Andrew Walsh – Managing Director and Chief Executive Officer

Niki Beattie

John Cameron

Julie Fahey

John Hayes

Jenny Seabrook

Geoff Tomlinson

Trudy Vonhoff[1]

Michael Dwyer[1]

Company Secretary

Peter Ferguson

Registered Office

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Share Registry

Link Market Services Limited

Level 13, Tower 4

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Stock Exchange Listing

Iress Limited shares are quoted on the Australian Securities Exchange under the code: IRE

Auditor

Deloitte Touche Tohmatsu

(1) Appointed on 1 February 2020.

www.iress.com