Half Year Profit Announcement

2019

Incorporating APPENDIX 4D

For the six months ended
30 June 2019

iress

Contents

ASX Appendix 4D

Half year results announcement to the market

Name of entity	ABN reference
Iress Limited	47 060 313 359

1. REPORTING PERIODS

Financial half year ended ('current period')	Financial half year ended ('previous corresponding period')
30 June 2019	30 June 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	241,768	229,672	5.3%	12,096
Profit before income tax expense	41,501	41,751	(0.6%)	(250)
Net profit attributable to members of parent company	30,351	32,033	(5.3%)	(1,682)

3. DIVIDENDS

Dividend	Period	Payment date	Amount per security Cents	Franked amount per security at 30% tax
Interim dividend*	30 June 2019	27 September 2019	16.0	10%
Final dividend	31 December 2018	22 March 2019	30.0	40%
Interim dividend	30 June 2018	28 September 2018	16.0	60%

* The record date for the interim dividend is 5 September 2019.

4. NTA BACKING

Net tangible asset backing per ordinary share	Current period Cents	31 December 2018 Cents	Previous corresponding period Cents
Net tangible asset backing per ordinary share	(114.89)	(78.36)	(88.34)

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

This Half Year Report should be read in conjunction with the Annual Report of Iress Limited as at 31 December 2018 together with any public announcements made by Iress Limited and its controlled entities during the half year ended 30 June 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001 (Cth).*

Directors' Report

The Directors present their report together with the consolidated financial statements of Iress Limited ("Group"), comprising of the company and its controlled entities, for the half year ended 30 June 2019.

DIRECTORS

The Directors of Iress Limited during the half year ended 30 June 2019 and up to the date of this report are set out below. All Directors held their position throughout the entire period up to the date of this report.

Name	Tenure
A D'Aloisio	Chairman since August 2014, Director since June 2012
A Walsh	Chief Executive Officer and Managing Director since October 2009
N Beattie	Director since February 2015
J Cameron	Director since March 2010
J Fahey	Director since October 2017
J Hayes	Director since June 2011
J Seabrook	Director since August 2008
G Tomlinson	Director since February 2015

PRINCIPAL ACTIVITIES

Iress is a technology company providing software to the financial services industry. We were founded in Australia and the continued strength of our Australian business remains an important component of our strategy. Over time we have diversified and grown by geography, and a material financial contribution is now from overseas operations. Our revenue is primarily recurring monthly subscriptions.

Our unified technology capability

We partner with and support clients from small retail to large institutional firms across multiple segments of the financial services industry. Our software sits at the centre of our clients' businesses, supporting their core operations, providing end-to-end functionality and connectivity through back, middle and front office operations and to our clients' customers.

	TRADING AND MARKET DATA	INVESTMENT MANAGEMENT	FINANCIAL ADVICE AND SUPERANNUATION	MORTGAGES, LIFE AND PENSIONS
Solutions	Global market data and trading software including: • order and execution management services, • smart order routing, • FIX services, • portfolio management, • securities lending, • analytics tools, • connectivity, and • low latency market data feeds.	Integrated software solution offering: • market data, • order management, • portfolio management, • client relationship management, and • financial advice.	Integrated wealth management platform offering: • client management, • business automation, • portfolio data, • research, • financial planning tools, • scaled advice journeys, • digital client solutions, and • data driven compliance and analytics. Superannuation administration platform offering: • fund registry, • digital member portal, and • digital advice solutions.	Multi-channel mortgage sales and origination platform including: • automated workflow, and • application processing. Mortgage intermediary advice solution. Number one online marketplace in the UK for life and health protection, pensions, annuities and investments.
Clients	Sell-side and buy-side institutions, retail advisory and online brokers, and platforms.	Discretionary retail fund managers, private client advisers, wealth managers.	Institutional, retail and independent advisory, wealth managers, mortgage intermediaries and superannuation funds.	Banks, lenders, brokers, mortgage intermediaries and insurance and pension providers.

Changes in state of affairs

Other than the acquisition of QuantHouse on 31 May 2019, there were no significant changes in the state of affairs of the Group during the financial period. For details on the QuantHouse acquisition please refer to Note 3 to the Consolidated Financial Statements on page 15.

Directors' Report
continued

KEY RISKS

The material key risks that have the potential to impact Iress are as outlined in the 2018 Annual Report. In addition, the publicly available Iress Corporate Governance Statement contains detailed descriptions of the key risks. The document is available on our website here:

www.iress.com/trust/corporate-governance/corporate-governance-statement.

REVIEW OF OPERATIONS AND OUTLOOK

Operating and Financial Review

		1H18 $m	2H18 $m	1H19 $m	1H19 v 1H18	1H19 v 2H18
Operating revenue	Reported	229.7	235.0	241.8	5%	3%
	Constant Currency Basis	228.4	235.0	238.8	5%	2%
Segment profit	Reported	67.5	70.2	74.1	10%	5%
	Constant Currency Basis	66.8	70.2	73.2	10%	4%
Segment profit after share-based payments		62.9	64.5	65.9	5%	2%
EBITDA		57.3	60.6	63.7	11%	5%
Reported NPAT		**32.0**	**32.1**	**30.4**	**(5%)**	**(5%)**

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.

Operating Revenue

On a reported basis, revenue from ordinary activities grew 5% from 1H18 to 1H19 and 3% from 2H18 to 1H19 reflecting underlying growth across Iress' businesses in APAC, South Africa and the UK as well as the recent acquisition of QuantHouse.

Segment Profit

Iress uses Segment Profit as a measure of underlying earnings to aid inter-period comparability of results, as disclosed in Note 2.

On a reported basis, Segment Profit increased 10% from 1H18 to 1H19, and 5% from 2H18 to 1H19 reflecting improved performance in Australia, the UK and South Africa and the adoption of new accounting standard AASB 16. On an underlying basis (excluding movements in foreign exchange and the acquisition of QuantHouse) Segment Profit increased 9% from 1H18 to 1H19, and 5% from 2H18 to 1H19.

On 31 May 2019, Iress completed the acquisition of QuantHouse, a leading international provider of market data and trading infrastructure. In 1H19, QuantHouse contributed operating revenue of $3.1m and a Segment Loss of $0.4m to the Group.

The post-acquisition financial results of QuantHouse have been reported within the existing Iress segments. As a result, the UK segment has been renamed as UK & Europe and the Canada segment has been renamed as North America.

	OPERATING REVENUE					DIRECT CONTRIBUTION				
	1H18 $m	2H18 $m	1H19 $m	H19 v 1H18	1H19 v 2H18	1H18 $m	2H18 $m	1H19 $m	1H19 v 1H18	1H19 v 2H18
APAC	123.9	128.1	128.2	3%	0%	90.3	92.1	92.3	2%	0%
UK & Europe	57.7	61.2	65.1	13%	6%	36.9	41.4	43.3	17%	4%
Mortgages	15.0	13.7	14.6	(2%)	7%	12.1	9.5	9.7	(20%)	2%
South Africa	24.1	22.4	24.2	0%	8%	18.3	17.0	18.9	3%	11%
North America	8.9	9.6	9.6	8%	1%	4.6	5.0	4.3	(6%)	(15%)
Client Contribution	**229.7**	**235.0**	**241.8**	**5%**	**3%**	**162.1**	**165.0**	**168.4**	**4%**	**2%**
Product and Technology						(57.6)	(56.5)	(57.0)	(1%)	1%
Operations						(20.3)	(19.3)	(19.5)	(4%)	1%
Corporate						(16.7)	(18.9)	(17.8)	7%	(6%)
Segment profit						**67.5**	**70.2**	**74.1**	**10%**	**5%**

Directors' Report
continued

APAC

APAC revenue increased 3% from 1H18, and was in line with 2H18.

Financial advice revenue increased 8% from 1H18 and 3% from 2H18, reflecting ongoing demand for Iress' Financial Advice software (Xplan) and recently deployed data analytics software (Lumen) against a backdrop of increased focus on risk and compliance following the Royal Commission into financial services in Australia. Revenue from Superannuation declined in 1H19 reflecting timing of client project activity as industry super funds focused on adopting new "Protecting your super" legislation introduced in early 2019. Iress' digital advice solution continues to attract interest from clients looking at scaled delivery of advice, by both retail and not-for-profit superannuation funds in Australia.

Trading & market data revenue in 1H19 remained in line with 1H18, but declined marginally from 2H18 reflecting ongoing challenging market conditions in Australia and New Zealand. However, demand from buy-side clients for Iress' Investment Management software remains strong as clients focus on transparency and efficiency. There is also continuing interest from retail broking clients in Iress' Private Wealth software to meet changing client demands, with a large Australian stockbroker recently selecting Iress to deliver this solution.

Revenue in Asia grew in 1H19 reflecting the continuing roll-out of Iress' trading solution to clients.

APAC Direct Contribution increased 2% from 1H18, reflecting revenue growth of 3%, partially offset by remuneration increases. APAC Direct Contribution in 1H19 was in line with 2H18.

UK & Europe (previously referred to as UK)

On a reported basis, revenue increased 13% from 1H18 and 6% from 2H18.

In local currency, revenue increased 10% from 1H18 and 3% from 2H18 reflecting ongoing work with key clients to deliver Private Wealth software, continuing demand for data and distribution products leveraging scale of The Exchange, and the contribution from recently acquired QuantHouse.

On a reported basis, Direct Contribution increased 17% from 1H18 and 4% from 2H18. In local currency, Direct Contribution was up 14% from 1H18 reflecting revenue growth combined with a focus on operational efficiency. Direct Contribution in 1H19 was in line with 2H18.

Mortgages (previously referred to as Lending)

On a reported basis, revenue increased 7% from 2H18 but declined 2% from 1H18. Direct Contribution increased by 2% and declined 20% during the same periods.

In local currency, revenue increased 4% from 2H18, reflecting increased recurring licence fee revenue following the successful delivery of Iress' Mortgage Sourcing and Origination (MSO) software to a key client in the UK, coupled with increased client project activity in both Australia and the UK, where multiple deployments of MSO are progressing well (including two digital challenger banks in Australia).

In local currency, Direct Contribution in 1H19 remained in line with 2H18, but declined 22% from 1H18 reflecting the timing of client project activity and a reclassification of staff costs.

The Mortgages business continues to make good progress transitioning to a subscription revenue model with recurring licence fees contributing approximately 25% of total revenue in 1H19, up from 20% in 2018.

South Africa

On a reported basis, revenue increased 8% from 2H18 and remained in line with 1H18, while Direct Contribution increased 11% and 3% during the same periods.

In local currency, revenue grew 6% on both previous halves and Direct Contribution increased 10% and 9% over the same periods, reflecting the roll-out of new software to increase trading efficiency and enable connectivity to the new derivatives trading platform rolled out by the Johannesburg Stock Exchange (JSE) in April 2019, good progress deploying a broad integrated Private Wealth software to a tier one financial services client and demand for Iress' suite of software across trading solutions, algorithms and automation, market data and trading connectivity. The increase in Direct Contribution margin reflects scale and product mix.

North America (previously referred to as Canada)

On a reported basis, revenue increased 8% from 1H18 and 1% from 2H19, while Direct Contribution declined 6% and 15% during the same periods.

In local currency, revenue increased 3% from 1H18, which largely reflects the revenue contribution from newly acquired QuantHouse, in addition to progress on a number of client deployments across trading & market data and investment management, and a small increase in recurring licence fee revenue.

In local currency, Direct Contribution declined 10% from 1H18 which reflects higher remuneration costs and lower QuantHouse margins.

The Canadian business continues to focus on establishing its presence in the wealth market in Canada.

Directors' Report
continued

Product and Technology

The scale of investment in product and technology is at the heart of Iress' success and market position, supporting client retention and future recurring revenue growth. Product and Technology cost is primarily made up of people costs and reflects Iress' ongoing investment in existing and new technology.

On a reported basis, costs increased 1% from $56.5m in 2H18 to $57.0m in 1H19. Excluding the impact of movements in foreign exchange rates, adjustments made to adopt AASB 16 and the acquisition of QuantHouse, underlying costs increased 2.4% which primarily reflects an increase in staff numbers and inflation linked remuneration increases.

Operations

Operational costs include core business infrastructure and people, such as internal and external communications technology, information security, operating hardware and software, and help desk.

On a reported basis, costs of $19.5m in 1H19 remained in line with $19.3m reported in 2H18. Excluding the impact of movements in foreign exchange rates, adjustments made to adopt AASB 16, and the acquisition of QuantHouse, underlying cost reduced 1%.

Corporate

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

On a reported basis, costs reduced from $18.9m in 2H18 to $17.8m in 1H19, a reduction of 5.8% which primarily reflects a reduction in third-party recruitment and consulting costs.

Net profit after tax (NPAT)

	1H18 $m	2H18 $m	1H19 $m	1H19 v 1H18	1H19 v 2H18
Segment profit	**67.5**	**70.2**	**74.1**	**10%**	**5%**
Share-based payment expense	(4.6)	(5.8)	(8.2)	77%	42%
Segment profit after share-based payments	**62.9**	**64.5**	**65.9**	**5%**	**2%**
Other non-operating expenses	(5.6)	(3.9)	(2.2)	(60%)	(42%)
Profit before interest and tax, depreciation and amortisation	**57.3**	**60.6**	**63.7**	**11%**	**5%**
Depreciation and amortisation	(12.6)	(14.2)	(17.9)	42%	26%
Profit before interest and tax	**44.7**	**46.4**	**45.8**	**2%**	**(1%)**
Net interest and financing costs	(3.0)	(3.1)	(4.3)	43%	35%
Tax expense	(9.7)	(11.2)	(11.2)	15%	0%
Reported NPAT	**32.0**	**32.1**	**30.4**	**(5%)**	**(5%)**

Iress' reported NPAT decreased 5% from both previous halves which reflects growth in Segment Profit offset by higher share-based payment charges following recent changes to executive and non-executive remuneration structures, higher depreciation charges on operating assets, the impact of first time adoption of AASB 16 and the acquisition of QuantHouse which contributed a loss after tax of $0.6m in 1H19.

Share-based payments increased from $5.8m in 2H18 to $8.2m in 1H19 as a result of the change in both executive and non-executive remuneration structures which increased the total value of grant awards, reduced cash remuneration and brings forward accounting expense recognition. These changes in remuneration structures are described in the Remuneration Reports included in the 2017 and 2018 Annual Reports.

Other non-operating expenses declined from $3.9m in 2H18 to $2.2m in 1H19. Non-operating costs in 1H19 primarily represents one-off costs in relation to:

– The acquisition of QuantHouse (largely external advisers costs);
– Integration of Financial Synergy (largely product integration costs);
– The migration of some server infrastructure to Amazon Web Services; and
– Uplift of corporate core infrastructure including information security.

Net interest and financing costs increased from $3.1m in 2H18 to $4.3m in 1H19 which reflects charges associated with the adoption of AASB 16. Underlying net interest and financing costs remained in line with 2H18.

The Group's effective tax rate of 27% is a function of the tax rates in the jurisdictions in which the business operates and a number of tax adjustments in 1H19 relating to prior period tax returns.

Statement of Financial Position

Net debt (measured as borrowings excluding capitalised borrowing costs, net of derivatives, and less cash and cash equivalents) increased by $18.7 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 1.34x at the end of the period. Iress continues to actively manage cash holdings to reduce interest costs.

Directors' Report
continued

Statement of Financial Position continued

Current liabilities increased by $33.5 million during the period to 30 June 2019. This was primarily due to the impact of the QuantHouse acquisition with $16.9 million of payables and other liabilities being consolidated from the QuantHouse Group at 30 June 2019 and $3.1 million of current provisions being recognised for deferred and contingent consideration. In addition, current liabilities as at 30 June 2019 include a current lease liability of $10.4 million as a result of the adoption of AASB 16.

DIVIDENDS

Iress' dividend policy is to maintain a payout ratio of not less than 80% of underlying earnings 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 1H19 earnings, the Directors determined to pay an interim dividend of 16.0 cents per share franked to 10% at a 30% corporate tax rate.

EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

Other than the declaration of the interim dividend noted above, there has been no other matter nor circumstance which has arisen since the end of the financial period which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)*, is set out on page 8.

ROUNDING OFF

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

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

On behalf of the Directors

TONY D'ALOISIO
Chairman

ANDREW WALSH
Chief Executive Officer and Managing Director

Melbourne
22 August 2019

Auditor's Independence Declaration

Deloitte.

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The Board of Directors
IRESS Limited
Level 16, 385 Bourke Street
MELBOURNE VIC 3000

22 August 2019

Dear Board Members,

IRESS Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of IRESS Limited.

As lead audit partner for the review of the financial statements of IRESS Limited for the half year ended 30 June 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 June 2019

	Notes	HALF YEAR ENDED 30 JUNE 2019 $'000	2018 $'000
Revenue from contracts with customers		241,768	229,672
Customer data fees		(19,302)	(17,613)
Communication and other technology expenses		(18,338)	(14,556)
Employee benefit expenses		(129,070)	(119,493)
Net other expenses	4	(11,433)	(20,274)
Share of loss of equity accounted investments, net of tax		–	(459)
Profit before depreciation, amortisation, interest and income tax expense		**63,625**	**57,277**
Depreciation and amortisation expense		(17,873)	(12,555)
Profit before interest and income tax expense		**45,752**	**44,722**
Interest revenue		467	111
Financing costs		(4,718)	(3,082)
Net interest and financing costs		(4,251)	(2,971)
Profit before income tax expense		**41,501**	**41,751**
Income tax expense		(11,150)	(9,718)
Profit after income tax expense		**30,351**	**32,033**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		1,594	5,947
Tax related to exchange differences recognised directly in foreign currency translation reserve(1)		(42)	-
Total other comprehensive income for the period		1,552	5,947
Total comprehensive income for the period		**31,903**	**37,980**

	Cents per share	Cents per share
Earnings per share		
Basic earnings per share	17.7	18.9
Diluted earnings per share	17.5	18.7

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

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 $'000	31 December 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		29,161	30,190
Receivables and other assets		70,851	59,693
Current taxation receivables		–	1,959
Total current assets		**100,012**	**91,842**
Non-current assets			
Intangible assets		607,991	555,190
Plant and equipment		30,045	30,851
Right-of-use assets	6	56,723	–
Deferred tax assets		29,692	17,800
Derivative assets		453	783
Total non-current assets		**724,904**	**604,624**
Total assets		**824,916**	**696,466**
LIABILITIES			
Current liabilities			
Payables and other liabilities[1]		69,977	50,795
Lease liabilities	6	10,392	–
Provisions[1]		9,601	7,332
Current taxation payables		1,698	–
Total current liabilities		**91,668**	**58,127**
Non-current liabilities			
Payables and other liabilities		533	1,600
Lease liabilities	6	51,312	–
Provisions		32,426	5,222
Borrowings		222,015	204,389
Deferred tax liabilities		19,739	7,697
Total non-current liabilities		**326,025**	**218,908**
Total liabilities		**417,693**	**277,035**
Net assets		**407,223**	**419,431**
EQUITY			
Issued capital		381,018	378,577
Share-based payments reserve		21,708	24,683
Foreign currency translation reserve		4,871	3,319
Retained earnings		(374)	12,852
Total equity		**407,223**	**419,431**

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

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

Consolidated Statement of Changes in Equity

For the half year ended 30 June 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 period	–	–	–	32,033	32,033
Other comprehensive income	–	–	5,947	–	5,947
Total comprehensive income	**–**	**–**	**5,947**	**32,033**	**37,980**
Transactions with owners in their capacity as owners:					
Dividends declared or paid[2]	1,032	–	–	(48,075)	(47,043)
Share-based payment expense, net of tax[3]	–	4,979	–	–	4,979
Transfer of share-based payments reserve [4]	–	(10,647)	–	10,647	–
	1,032	(5,668)	–	(37,428)	(42,064)
Balance at 30 June 2018	**377,341**	**18,545**	**(479)**	**8,056**	**403,463**

	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[5]	–	–	–	(2,110)	(2,110)
Adjusted balance at 1 January 2019	**378,577**	**24,683**	**3,319**	**10,742**	**417,321**
Profit for the period	–	–	–	30,351	30,351
Other comprehensive income	–	–	1,552	–	1,552
Total comprehensive income	**–**	**–**	**1,552**	**30,351**	**31,903**
Transactions with owners in their capacity as owners:					
Dividends declared[2]	2,441	–	–	(51,915)	(49,474)
Share-based payment expense, net of tax[3]	–	7,473	–	–	7,473
Transfer of share-based payments reserve[4]	–	(10,448)	–	10,448	–
	2,441	(2,975)	–	(41,467)	(42,001)
Balance at 30 June 2019	**381,018**	**21,708**	**4,871**	**(374)**	**407,223**

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 174,751,628, arising from the vesting of share rights and performance rights relating to the 2016 plans and the issue of 2019 deferred shares granted to employees as part of the 2019 equity participation scheme for nil consideration. These issues do not adjust the total value of Issued Capital as they relate to equity-settled share-based payments.

The number of treasury shares outstanding as at 30 June 2019 is 2,240,511 (31 December 2018: 2,183,000). The movement is attributable to the issue of shares to employees under the employee share plans.

(2) Shares issued under the Dividend Reinvestment Plan.

(3) The share-based payment expense includes the tax impact of $0.68 million (2018: $(0.37) million) on vesting of employee share-based payments.

(4) 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 half year. The amount has been recognised as a share-based payment expense over the vesting period.

(5) 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. Refer to note 6(h).

Consolidated Statement of Cash Flows

For the half year ended 30 June 2019

	Notes	HALF YEAR ENDED 30 JUNE 2019 $'000	2018 $'000
Cash flows from operating activities			
Cash generated from operating activities		73,781	66,806
Interest received		467	111
Interest and borrowing costs paid		(4,960)	(2,565)
Income taxes paid		(6,933)	(16,773)
Net cash inflow from operating activities		**62,355**	**47,579**
Cash flows from investing activities			
Net payments for plant and equipment		(5,082)	(15,553)
Payments for intangible assets		(898)	(284)
Payment of deferred consideration[1]		–	(1,905)
Acquisition and integration costs paid		–	(170)
Payments for acquisition of subsidiaries & businesses, net of cash acquired		(20,112)	83
Net cash outflow from investing activities		**(26,092)**	**(17,829)**
Cash flows from financing activities			
Proceeds from borrowings		75,657	65,000
Repayment of borrowings		(58,725)	(54,500)
Repayment of the lease liability		(4,696)	-
Consideration paid towards an equity accounted investment[2]		–	(1,308)
Dividends paid		(49,240)	(47,031)
Net cash outflow from financing activities		**(37,004)**	**(37,839)**
Net decrease in cash and cash equivalents		**(741)**	**(8,089)**
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		(288)	(575)
Cash and cash equivalents at end of the half year		**29,161**	**19,951**

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

(1) Deferred consideration paid in the previous year in relation to the 2015 acquisition of Pulse Software Systems Limited as the required conditions were fulfilled.

(2) 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 half year ended 30 June 2019

1. BASIS OF PREPARATION
Iress Limited (the 'Company') is a for profit company domiciled in Australia. The half year financial report is a general purpose financial report comprising the Company and its subsidiaries (collectively referred to as the 'Group' or 'Iress') for the period ended 30 June 2019. The half year financial statements:

- were prepared in accordance with the *Corporations Act 2001 (Cth)*, Australian Accounting Standards and Interpretations, and International Financial Reporting Standards (IFRS) including AASB 134 *Interim Financial Reporting*;
- were authorised for issue by the Directors on 22 August 2019;
- were prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets which have been measured at fair value;
- all amounts are presented in Australian dollars, unless otherwise stated; and
- the amounts in this report have been rounded off to the nearest thousand dollars, unless otherwise stated, as allowed under ASIC Corporations (Rounding in Financial /Directors Reports) Instrument 2016/191 dated 24 March 2016 (ASIC guidance).

The half year financial report does not include all notes of the type normally included within the annual financial report. Accordingly, it should be read in conjunction with the annual financial report of Iress for the year ended 31 December 2018 and any public announcements made by Iress during the half year ended 30 June 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001 (Cth)*.

The accounting policies used are consistent with those applied in the 2018 annual report except as noted below:

(a) Adoption of new accounting standards
In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods commencing on or after 1 January 2019.

The adoption of AASB 16 *Leases* has had a material impact on the accounting policies of the Group. The adoption of other revised standards and interpretations have not resulted in changes to the Group's policies.

Refer to Note 6 for the impact of adoption of AASB 16.

(b) Standards in issue but not yet effective
At the date of authorisation of the financial report, certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not yet been applied by Iress within this financial report.

Iress does not believe these new accounting standards and interpretations will have a material impact on the financial statements of the Group in future periods.

2. SEGMENT INFORMATION
The Chief Operating Decision Maker measures the performance of the segments based on comparison to the previous half (in this case 2H18) and the previous corresponding half (1H18). As such, both the previous half (2H18) and the previous corresponding period (1H18) segment results have been presented.

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 the 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 banks and other financial institutions.

Notes to the Consolidated Financial Statements
continued

2. SEGMENT INFORMATION CONTINUED

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 will be reported under this segment giving a clear view of the quantum of investment made by Iress in maintaining and enhancing its products.

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

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

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

		OPERATING REVENUE[1]			DIRECT CONTRIBUTION		
		1H19 $'000	2H18 $'000	1H18 $'000	1H19 $'000	2H18 $'000	1H18 $'000
CLIENT SEGMENTS	APAC	128,230	128,105	123,894	92,305	92,071	90,261
	UK & Europe	65,128	61,241	57,719	43,265	41,440	36,931
	Mortgages	14,644	13,650	14,988	9,682	9,468	12,124
	South Africa	24,184	22,390	24,132	18,895	17,036	18,274
	North America	9,582	9,568	8,939	4,271	5,005	4,552
	Total Group	**241,768**	**234,954**	**229,672**	**168,418**	**165,020**	**162,142**
COST SEGMENTS	Product and Technology				(57,047)	(56,545)	(57,604)
	Operations				(19,496)	(19,334)	(20,337)
	Corporate				(17,820)	(18,917)	(16,720)
	Total indirect costs				**(94,363)**	**(94,796)**	**(94,661)**
GROUP RESULTS	**Group Segment Profit**				**74,055**	**70,224**	**67,481**
	Share-based payment expense				(8,160)	(5,760)	(4,605)
	Segment Profit after share-based payment expense				**65,895**	**64,464**	**62,876**
	Other non-operating expenses[2]				(2,270)	(3,853)	(5,599)
	Profit before interest and tax, depreciation and amortisation				**63,625**	**60,611**	**57,277**
	Depreciation and amortisation				(17,873)	(14,217)	(12,555)
	Profit before interest and tax				**45,752**	**46,394**	**44,722**
	Net interest and financing costs				(4,251)	(3,150)	(2,971)
	Tax expense				(11,150)	(11,150)	(9,718)
	Net profit after tax				**30,351**	**32,094**	**32,033**

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

(2) Predominately relates to office move costs, business acquisition and integration expenses and realised and unrealised foreign exchange gains and losses (Refer to note 4).

Notes to the Consolidated Financial Statements
continued

3. ACQUISITION OF SUBSIDIARY

On the 31st 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 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	25,271
Post-acquisition cash consideration	660
Fair value of contingent consideration ('the earnouts')	31,862
Total fair value of consideration	**57,793**
Assets acquired	
Cash and cash equivalents	5,160
Trade and other receivables	6,341
Intangible assets	12,072
Plant and equipment	1,791
Right-of-use assets	4,881
Payables and other liabilities	(18,147)
Lease liabilities	(5,060)
Provisions	(320)
Fair value of assets acquired	**6,718**
Goodwill recorded on acquisition	**51,075**

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.

The value of goodwill remains subject to the finalisation of the tax acquisition accounting.

Acquisition costs of $1.5 million are included in 'Business acquisition, integration and restructuring expenses' (Refer to note 4).

The revenue resulting from the operations of QuantHouse since acquisition and included in the Group's Consolidated Statement of Profit or Loss for the half year ended 30 June 2019 was $3.1 million. QuantHouse's loss after tax since acquisition included in the Group's Consolidated Statement of Profit or Loss for the half year ended 30 June 2019 was $0.6 million.

Had the acquisition of QuantHouse been effected at 1 January 2019, the revenue of the Group for the half year ended 30 June 2019 would have been $257 million and the profit after tax of the Group for the half year ended 30 june 2019 would have been $25.4 million.

Notes to the Consolidated Financial Statements
continued

4. PROFIT BEFORE INCOME TAX EXPENSE

The profit before income tax includes the following:

	Notes	HALF YEAR ENDED 30 JUNE 2019 $'000	2018 $'000
Other operating income/(expenses)			
Reversal/(increase) of credit loss allowances		77	(178)
Rental expense relating to operating leases		(80)	(5,389)
Fees to auditors[1]		(341)	(105)
Other operating expenses		(8,819)	(9,003)
		(9,163)	**(14,675)**
Other non-operating income/(expenses)			
Fair value gain on step acquisition[2]			
Realised/unrealised losses on foreign balances		(173)	(664)
Non-operating income		914	836
Business acquisition, integration and restructuring expenses		(2,586)	(1,102)
Other non-operating expenses		(425)	(5,566)
		(2,270)	**(5,599)**
Net other expenses		**(11,433)**	**(20,274)**

(1) The increase in fees to auditors expensed in the current period is due to an increase in the proportion of the Group's annual audit fee being accrued at the end of the period. The Group's 2019 annual audit fee is not expected to be significantly different from 2018.

(2) The fair value gain on step acquisition arose from the accounting requirements under AASB 3 Business Combinations, and relate to prior period business combinations.

5. GOODWILL

During the half year, and at the date of this report, no indicators were identified that would require a reassessment of the recoverable amount of goodwill for the ANZ Wealth Management, UK, Mortgages and South Africa Cash Generating Units (CGUs).

Canada

During the half year the Canada goodwill carrying amount of $8.7 million was tested for impairment.

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.

Post tax discount rates and terminal growth rates applied were 9.3% (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 delayed or unsuccessful, it will result in reduced headroom or impairment of the goodwill allocated to the Canada CGU.

Notes to the Consolidated Financial Statements
continued

6. NEW ACCOUNTING STANDARDS

The only new standard applicable for periods commencing 1 January 2019 that has had a material impact on the Group is AASB 16 *Leases*. The impact of adopting AASB 16 on the Group is described in detail below.

(a) 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 has 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 has 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 6(h)(i).

6. NEW ACCOUNTING STANDARDS CONTINUED

(b) Significant accounting policies resulting from the adoption of AASB 16

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 land and 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.

(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 property 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.

Notes to the Consolidated Financial Statements
continued

6. NEW ACCOUNTING STANDARDS CONTINUED

(b) Significant accounting policies resulting from the adoption of AASB 16 continued

(i) Group as a lessee continued

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.

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. The Group did not make any such adjustments during the periods presented.

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. It 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'.

The accounting policies applicable to the Group as a lessor in the comparative period were generally consistent with AASB 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset rather than to the nature of the head lease itself.

Notes to the Consolidated Financial Statements
continued

6. NEW ACCOUNTING STANDARDS CONTINUED

(c) 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. Both 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 sublease 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 3.

6. NEW ACCOUNTING STANDARDS CONTINUED

(d) 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	
	30 June 2019 $'000	31 December 2018 $'000	30 June 2019 $'000	31 December 2018 $'000	30 June 2019 $'000	31 December 2018 $'000
Cost	89,133	–	273	–	89,406	–
Accumulated depreciation	(32,488)	–	(195)	–	(32,683)	–
Carrying value	**56,645**	**–**	**78**	**–**	**56,723**	**–**
Opening carrying value	–	–	–	–	–	–
Change in accounting policy	52,192	–	107	–	52,299	–
Acquired through business combinations	4,881	–	–	–	4,881	–
Additions	5,750	–	–	–	5,750	–
Disposal	(794)	–	–	–	(794)	–
Depreciation	(5,553)	–	(27)	–	(5,580)	–
Foreign currency translation	169	–	(2)	–	167	–
Closing carrying value	**56,645**	**–**	**78**	**–**	**56,723**	**–**
Expected useful life (years)	**2 to 12**		**5**			

(e) Lease liabilities

(i) Maturity analysis – contractual undiscounted cash flows:

	HALF YEAR ENDED 30 JUNE	
	2019 $'000	2018 $'000
Less than one year	13,032	10,701
More than one year and not more than 5 years	47,198	44,079
More than five years	10,447	11,384
Total undiscounted lease liabilities at the end of the period	**70,677**	**66,164**

(ii) Lease liabilities included in the statement of financial position at the end of the period:

	30 June 2019 $'000	31 December 2018 $'000
Current	10,392	–
Non-current	51,312	–
Total	**61,704**	**–**

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

(f) 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:

	HALF YEAR ENDED 30 JUNE	
	2019 $'000	2018 $'000
Depreciation expense on right-of-use assets	(5,580)	–
Interest expense on lease liabilities	(1,022)	–
Property lease expense	–	(5,340)
Expenses relating to short term or low value assets leases	(80)	(49)
Gain on the de-recognition of right-of-use assets and lease liabilities	387	–
Income from the subleasing of right-of-use assets	912	206

6. NEW ACCOUNTING STANDARDS CONTINUED

(g) Operating lease arrangements

Operating leases, in which the Group is the lessor, relates to sub-leased office buildings with lease terms between 1 to 6.5 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 6 (e)(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 headleases.

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:

	HALF YEAR ENDED 30 JUNE	
	2019 $'000	**2018 $'000**
Year 1	1,109	1,044
Year 2	601	1,470
Year 3	601	677
Year 4	601	604
Year 5	601	604
Year 6 and onwards	300	1,207
Total	**3,813**	**5,606**

(h) 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:

(i) 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
Trade and other receivables[1]	59,693	6,218	65,911
Lease liabilities non-current[3]	-	(56,772)	(56,772)
Provisions current liabilities[4]	(7,332)	237	(7,095)
Provisions non-current liabilities[5]	(5,222)	2,847	(2,375)
Deferred tax assets[6]	17,800	13,325	31,125
Deferred tax liabilities[6]	(7,697)	(12,523)	(20,220)
Retained earnings[7]	(12,852)	2,110	(10,742)

(1) Third party computer software held under finance lease arrangements previously presented within intangible assets were de-recognised and are 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 property, plant and equipment are now presented as 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 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.

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

(7) 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.

Notes to the Consolidated Financial Statements
continued

6. NEW ACCOUNTING STANDARDS CONTINUED

(h) Impact on the financial statements Group as a lessee continued

Group as a lessee continued

(ii) 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 $3.6 million for the half year ended 30 June 2019 and net cash used in financing activities increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

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'.

7. DIVIDENDS

	HALF YEAR ENDED 30 JUNE	
	2019 $'000	2018 $'000
Dividends recognised and paid during the half year		
Final dividend for 2018: 30.0 cents per share franked to 40% (2017: 28.0 cents per share franked to 60%)	51,915	48,075
Dividends declared after balance date		
Interim dividend for 2019: 16.0 cents per share franked to 10% (2018: 16.0 cents per share franked to 60%)	27,960	27,703
Franking credit balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	6,303	2,353

8. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

Other than the declaration of the interim dividend noted above, there has been no other matter nor circumstance which has arisen since the end of the financial period which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

Directors' Declaration

For the half year ended 30 June 2019

The Directors declare that in the Directors' opinion:

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

(b) the attached half year financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:

  i) giving a true and fair view of the financial position as at 30 June 2019 and the performance of the Group for the half year ended on that date; and

  ii) compliance with Accounting Standards AASB 134 Interim Financial Reporting and the *Corporation Regulations 2001*.

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

On behalf of the Directors.

TONY D'ALOISIO
Chairman

ANDREW WALSH
Chief Executive Officer and Managing Director

Melbourne
22 August 2019

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of IRESS Limited, which comprises the statement of financial position as at 30 June 2019, and income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year set out on pages 9 to 24.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IRESS limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants
Melbourne, 22 August 2019