



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

19 August 2021

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 4D; and**
2. **Iress' 2021 Half Year Financial Report**

Please note, the Board has resolved to de-activate the Dividend Reinvestment Plan with respect to the interim dividend detailed in the Report.

Yours sincerely

A blue ink handwritten signature, appearing to be "P. Ferguson", with a long horizontal flourish extending to the right.

Peter Ferguson
Chief Legal Officer & Company Secretary

2021 Half year profit announcement

Incorporating Appendix 4D

For the six months ended
30 June 2021

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We are a global team of more than 2,250 people building software that helps the financial services industry perform at its best.

Contents

| | |
|---|----|
| ASX Appendix 4D - Half year results announcement to the market | 04 |
| Directors' Report | 05 |
| Auditor's Independence Declaration | 15 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 16 |
| Consolidated Statement of Financial Position | 17 |
| Consolidated Statement of Changes in Equity | 18 |
| Consolidated Statement of Cash Flows | 19 |
| Notes to the Consolidated Financial Statements | 20 |
| 1. Basis of preparation | 20 |
| 2. Segment information | 22 |
| 3. Change in accounting policy | 24 |
| 4. Profit before income tax expense | 25 |
| 5. Goodwill | 26 |
| 6. Dividends | 27 |
| 7. Events subsequent to the Statement of Financial Position date | 27 |
| Directors' Declaration | 28 |
| Independent Auditor's Review Report | 29 |



Financial highlights

Sustainable growth and returns for shareholders

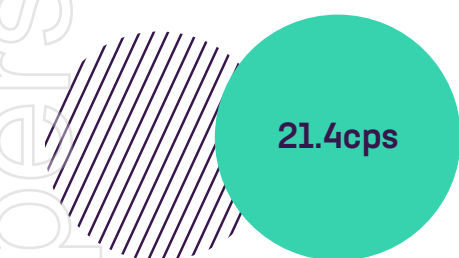
Group revenue growth

+10%

Segment profit growth

+7%

Reported earnings per share



1H20 15.1cps
1H21 21.4cps

Segment profit



1H20 \$71.9m
1H21 \$77.2m

Interim dividend per share



2020 16.0c
2021 16.0c

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 2021 | 30 June 2020 |

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 | 290,208 | 270,689 | 7.2% | 19,519 |
| Profit before income tax expense ⁽¹⁾ | 50,415 | 35,200 | 43.2% | 15,215 |
| Net profit attributable to members of parent company ⁽¹⁾ | 40,919 | 26,395 | 55.0% | 14,524 |

3. DIVIDENDS

| Dividend | Period | Payment date | Amount per security Cents | Franked amount per security at 30% tax |
|-------------------|------------------|-------------------|------------------------------|--|
| Interim dividend* | 30 June 2021 | 24 September 2021 | 16.0 | 80% |
| Final dividend | 31 December 2020 | 19 March 2021 | 30.0 | 40% |
| Interim dividend | 30 June 2020 | 25 September 2020 | 16.0 | 35% |

* The record date for the interim dividend is 2 September 2021.

4. NTA BACKING

| Net tangible asset backing per ordinary share | Current period Cents | 31 December 2020 Cents | Previous corresponding period Cents |
|---|-------------------------|---------------------------|--|
| Net tangible asset backing per ordinary share | (88.02) | (75.41) | (34.54) |

NTA backing for the Group is negative reflecting the nature of the majority of the company's assets relating to recognised intangible assets and unrecognised human capital responsible for creating and maintaining Iress. Net tangible assets for the Group include right-of-use assets and lease liabilities arising from property and other leases.

This Half Year Report should be read in conjunction with the Annual Report of Iress Limited as at 31 December 2020 together with any public announcements made by Iress Limited and its controlled entities during the half year ended 30 June 2021 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001 (Cth)*.

(1) Previous corresponding period restatement due to changes in accounting policy following recent IFRIC agenda decisions. Refer to Note 3 of the Consolidated Financial Statements.

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 2021.

Directors

The Directors of Iress Limited during the half year ended 30 June 2021 and up to the date of this report are set out below:

| Name | Tenure |
|----------------------------|--|
| A D'Aloisio ⁽²⁾ | Chair since August 2014, Independent Non-Executive Director since June 2012 and retired as Director and Chair at the AGM in May 2021 |
| R Sharp ⁽¹⁾ | Chair since May 2021 and Independent Non-Executive Director since February 2021 |
| A Walsh | Managing Director and Chief Executive Officer since October 2009 |
| N Beattie | Independent Non-Executive Director since February 2015 |
| J Cameron | Independent Non-Executive Director since March 2010 |
| M Dwyer | Independent Non-Executive Director since February 2020 |
| J Fahey | Independent Non-Executive Director since October 2017 and Chair of the People & Performance Committee since February 2020 |
| J Hayes ⁽²⁾ | Independent Non-Executive Director since June 2011 and retired as Director at the AGM in May 2021 |
| G Tomlinson ⁽²⁾ | Independent Non-Executive Director since February 2015 and retired as Director at the AGM in May 2021 |
| T Vorhoff | Independent Non-Executive Director since February 2020 and Chair of the Audit & Risk Committee since May 2021 |

⁽¹⁾ Appointed as Independent Non-Executive Director on 18 February 2021 and Chair on 6 May 2021.

⁽²⁾ Retired on 6 May 2021.

Directors' Report

(continued)

Principal activities

Iress is a leading technology company providing software, data and infrastructure for the financial services industry. Iress operates across Asia Pacific, the United Kingdom & Europe, Africa and North America.

Technology & 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 with essential infrastructure and functionality, helping them to deliver to their clients, members and customers.

| | Software, data & infrastructure | Clients |
|-----------------------|--|---|
| Financial advice | Integrated financial advice software offering: <ul style="list-style-type: none"> – client management – business automation – portfolio data – research – financial planning tools – scaled advice journeys – digital client solutions – data-driven compliance and analytics – consent infrastructure | Financial advice clients: <ul style="list-style-type: none"> – institutional advisory and independent advisory |
| Trading & market data | Global market data & trading software including: <ul style="list-style-type: none"> – market data – trading interfaces – order and execution management – smart order routing – FIX services – portfolio management – securities lending – analytical tools – algorithmic trading – market making – CFD clearing – post trade solutions – trading and market data APIs | Trading & market data clients: <ul style="list-style-type: none"> – institutional sell-side brokers – retail brokers – online brokers |
| Investment management | Global investment management & trading software including: <ul style="list-style-type: none"> – portfolio management – order and execution management – FIX services – analytical tools – connectivity Integrated software solution offering: <ul style="list-style-type: none"> – market data – order management – portfolio management – client relationship management – wealth management Funds administration services including: <ul style="list-style-type: none"> – funds registry – retail platform licensing and technology | Investment management clients: <ul style="list-style-type: none"> – investment managers – investment platforms – fund managers – private client advisers and managers – wealth managers – retail platforms |

Directors' Report

(continued)

Principal activities (continued)

| | Software, data & infrastructure | Clients |
|-----------------|--|--|
| Superannuation | Superannuation administration software offering: <ul style="list-style-type: none"> – fund registry – clearing house and messaging services – digital member portal – digital advice solutions – fund administration services | Superannuation clients: <ul style="list-style-type: none"> – superannuation funds |
| Mortgages | Multi-channel mortgage sales & origination software including: <ul style="list-style-type: none"> – automated workflow – application processing – connectivity Mortgage intermediary software, including: <ul style="list-style-type: none"> – mortgage comparison – mortgage advice – lender connectivity | Mortgage clients: <ul style="list-style-type: none"> – mortgage lenders – mortgage intermediaries |
| Life & pensions | Insurance & pension sourcing software including: <ul style="list-style-type: none"> – quoting – comparison – application processing | Life & pensions clients: <ul style="list-style-type: none"> – institutional advisory – independent advisory – insurance intermediaries |

Key risks

The material key risks that have the potential to impact Iress are as outlined in the 2020 Annual Report. These risks remain relevant at the interim reporting date.

The Iress Corporate Governance Statement, a link to which is provided on page 8, also contains detailed descriptions of the key risks.

Changes in state of affairs

There were no significant changes in the state of affairs of Iress during the financial period.

Directors' Report

(continued)

Impact of COVID-19 on the Group

In early 2020 there was a global outbreak of a new strain of coronavirus (COVID-19), and on 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic. The global and domestic responses, including mandates from federal, state, and/or local authorities, to mitigate the spread of the virus evolved rapidly in 2020. It has impacted global commercial activity and contributed to significant volatility in financial markets. The pandemic has continued in 2021.

Iress' key focus during this time has been the health and wellbeing of its people, and ensuring that they have been able to work safely and effectively on a remote basis, as well as providing service continuity for clients and users. While some people and teams in certain locations have returned to the office as Government restrictions have allowed, the majority of Iress' people have continued to work from home. For offices that have reopened, Iress' focus has been on ensuring that workplaces are safe.

Operations have not been interrupted by COVID-19 and Iress continues to deliver all services and support to clients and users. Iress' teams, including business-critical teams, have been working well remotely and the business can continue to operate effectively in this manner for an extended period of time if required. Regular updates regarding business continuity are published on Iress' website.

Iress operates a software subscription model, with most of its revenue recurring in nature. Iress has a history of strong cash conversion and low debtor defaults. These features of Iress' commercial model have continued throughout the pandemic.

The majority of client implementation projects have continued since the onset of the pandemic, notwithstanding a short period of adjustment to the new environment.

The Group is exposed to the broader economic uncertainty evident in all of Iress' markets as a result of COVID-19 and Government public health responses including the pace of vaccine rollouts and lockdowns. This makes it difficult to accurately forecast short-term financial performance.

At the date of this report, due to the resilience of Iress' business, Iress has not been eligible for, nor applied for, significant Government COVID-19 related support other than the deferral of certain VAT and payroll tax payments that were offered to all companies in the UK and the state of New South Wales, Australia respectively during 2020. Iress settled the deferred payroll tax payments during the second half of 2020 and settled the UK VAT liabilities during the first half of 2021.

Key risk areas identified by Management and the Board where COVID-19 may impact financial reporting for the Group remain unchanged and are:

- The impact of COVID-19 on Iress' clients and, as a result, on Iress' revenue
- The carrying value of non-financial assets (primarily goodwill) and the forward looking assumptions made about future performance in the models used to test for impairment
- The assumptions utilised in determining the level of the Group's credit loss provisioning including expectations of future credit losses from client default
- The assumptions around future performance used to determine the fair value of contingent consideration relating to the BC Gateways acquisition that are recorded as provisions on Iress' balance sheet as at 30 June 2021.

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)

Review of operations & outlook

Operating & Financial Review

| | | 1H20 \$m | 2H20 \$m | 1H21 \$m | 1H21 v 1H20 | 1H21 v 2H20 |
|--|--|-------------|-------------|-------------|----------------|----------------|
| Operating Revenue | Reported | 270.7 | 271.9 | 290.2 | 7% | 7% |
| | Constant Currency Basis ⁽¹⁾ | 270.7 | 280.0 | 298.7 | 10% | 7% |
| Segment Profit | Reported | 71.9 | 81.0 | 75.5 | 5% | (7%) |
| | Constant Currency Basis ⁽¹⁾ | 71.9 | 83.4 | 77.2 | 7% | (7%) |
| Segment Profit after share-based payments | | 61.5 | 70.4 | 65.2 | 6% | (7%) |
| EBITDA | | 59.0 | 66.5 | 77.3 | 31% | 16% |
| Reported NPAT | | 26.4 | 32.8 | 40.9 | 55% | 25% |

(1) Constant currency basis assumes the financial results are converted at the same average foreign exchange rates used in 1H20.

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, operating revenue from ordinary activities for the half was \$290.2m, reflecting an increase of 7% from both the previous and prior corresponding halves. The increase in revenue compared to 1H20 was contributed by the acquisition of OneVue, growth in Trading & Market Data, Mortgages and North America. On a constant currency basis, revenue for the half grew 10% from 1H20 and 7% from 2H20.

Segment Profit

On a reported basis, Segment Profit for the half was \$75.5m, reflecting an increase of 5% from 1H20, and a decrease of 7% from 2H20. On a constant currency basis Segment Profit increased 7% from 1H20 to 1H21, and declined 7% from 2H20 to 1H21.

The result in 1H21 versus the result in 1H20 was driven by growth in operating revenue, partly offset by the impact of 2020 acquisitions of OneVue, O&M and BC Gateways which currently operate at lower margins than the group, or are loss making in the case of BC Gateways.

The reduction in Segment Profit compared to 2H20 is primarily driven by a \$4m annual leave expense in 1H21. The annual leave expense in 2H20 was a \$4m credit. This is due to the timing of when leave is taken which was significantly weighted towards the second half in 2020, a profile which is expected to be repeated in 2021.

| | Operating Revenue | | | | | Direct Contribution | | | | |
|----------------------------|-------------------|--------------|--------------|----------------|----------------|---------------------|--------------|--------------|----------------|----------------|
| | 1H20 \$m | 2H20 \$m | 1H21 \$m | 1H21 v 1H20 | 1H21 v 2H20 | 1H20 \$m | 2H20 \$m | 1H21 \$m | 1H21 v 1H20 | 1H21 v 2H20 |
| APAC | 142.3 | 147.5 | 164.6 | 16% | 12% | 102.1 | 101.9 | 116.1 | 14% | 14% |
| UK & Europe | 79.1 | 75.5 | 75.7 | (4%) | 0% | 47.1 | 47.3 | 46.1 | (2%) | (2%) |
| Mortgages | 11.8 | 15.1 | 13.6 | 15% | (10%) | 7.0 | 11.1 | 9.3 | 34% | (16%) |
| South Africa | 22.8 | 20.1 | 21.3 | (6%) | 6% | 18.1 | 15.8 | 16.9 | (7%) | 7% |
| North America | 14.7 | 13.7 | 15.0 | 2% | 10% | 5.6 | 5.4 | 6.9 | 23% | 27% |
| Client Contribution | 270.7 | 271.9 | 290.2 | 7% | 7% | 179.9 | 181.5 | 195.2 | 9% | 8% |
| Product & Technology | | | | | | (68.1) | (60.3) | (68.5) | (1%) | (14%) |
| Operations | | | | | | (22.0) | (20.6) | (29.7) | (35%) | (44%) |
| Corporate | | | | | | (17.9) | (19.6) | (21.5) | (21%) | (10%) |
| Segment Profit | | | | | | 71.9 | 81.0 | 75.5 | 5% | (7%) |

Directors' Report

(continued)

Review of operations and outlook (continued)

APAC

On a reported basis, APAC revenue increased 16% from 1H20, and 12% from 2H20. The result benefitted from the full period impact of the acquired business OneVue, ongoing resilience in Trading & Market Data and continued growth in Asia. This was partly offset by the timing of key project activity and therefore lower revenue in Superannuation, and lower revenues in Financial Advice with the impact of advisers migrating from large institutions to independent advice firms.

Across the region, Trading & Market Data revenue in 1H21 increased 5% from 1H20 and 3% from 2H20. Australian revenue increased 5% from 1H20 to 1H21, underpinned by stable recurring subscription revenue and the successful deployment of Iress' Private Wealth Solution to one of Australia's leading private wealth management businesses. Asia's revenue increased 10% from 1H20 and 4% from 2H20 which reflects the full period impact of prior client implementations and new sales momentum which continued in the current half.

Financial Advice revenue declined 4% from 1H20 and increased 1% from 2H20. Demand for Iress' Financial Advice software (Xplan) remains strong as advisers continue to focus on digital services, data and compliance following the Royal Commission into financial services in Australia. Financial Advice revenue in 1H21 was lower than 1H20 reflecting the repricing of a number of client contracts following the migration of advisers from large institutions to independent advice firms. Although the shape of the advice industry has been changing, Xplan users have remained relatively stable. This trend continued throughout the first half of 2021.

Superannuation revenue declined 15% from 1H20 and 11% from 2H20. The decrease is due to the timing of client implementation projects with elevated non-recurring project revenue in 1H20 and 2H20, largely driven by the deployment of the automated superannuation administration solution for a key client which was not repeated at the same level in 1H21. The successful deployment of this super administration solution will result in a material increase in recurring revenues in future periods.

APAC Direct Contribution increased by 14% from 1H20 and 2H20, reflecting the revenue growth described above partially offset by an increase in costs largely due to the business investing in super administration.

UK & Europe

On a reported basis, UK & Europe revenue decreased 4% from 1H20 and was in line with 2H20.

In local currency, revenue increased 2% from 1H20 and was in line with 2H20. Growth from 1H20 to 1H21 reflects a full six-month contribution from acquired business O&M Systems in 1H21 as well as new and ongoing projects with key clients. Implementation work at large existing Private Wealth clients continued, as did the transition of Adviser Office users to Xplan.

During 1H21, the UK business achieved a number of important milestones including:

- The successful go-live of CommPay at a large enterprise wealth management client
- The implementation of a market making and trading solution is underway at three clients
- The successful phase one implementation of Xplan at a Private Wealth management client with adoption of further functionality growth in users expected in the periods ahead
- The successful completion of O&M Systems' integration.

On a reported basis, Direct Contribution decreased 2% from both 1H20 and 2H20. In local currency, Direct Contribution was up 5% from 1H20 and declined 2% from 2H20 to 1H21 which reflects the timing of key client projects and the margin impacts from acquired businesses.

Mortgages

On a reported basis, revenue increased 15% from 1H20 and decreased 10% from 2H20, while in local currency, revenue increased 23% from 1H20 and decreased 9% from 2H20.

Revenue increased from 1H20 due to the full period impact of two clients that went live in 2H20 and another successful client deployment in 1H21. The revenue decline from 2H20 to 1H21 was the result of lower non-recurring implementation fees following the successful 'go live' of three clients.

The Mortgages business continues to grow recurring subscription licence revenue which contributed 58% of total revenue in 1H21, up from 46% in 1H20 as a result of two clients going live in 2H20.

On a reported basis, Direct Contribution increased 34% from 1H20 and decreased 16% from 2H20. In local currency, Direct Contribution increased 42% from 1H20 and decreased 16% from 2H20. The increase from 1H20 is driven by growth in revenue and relatively stable costs. The decrease from 2H20 is largely driven by the non-recurring revenue decline and higher people costs partly due to the timing of annual leave and the subsequent impact on expenses.

As announced in June 2021, the Board is considering options for the Mortgage Sales & Originations (MSO) business based in the UK, including a potential sale. This process is in an early stage and no final decision has been made.

Directors' Report

(continued)

Review of operations and outlook (continued)

South Africa

On a reported basis, revenue decreased 6% from 1H20 and increased 6% from 2H20, while in local currency, revenue decreased 3% from 1H20 and increased 1% from 2H20. The weaker ZAR impacted the result unfavourably by \$0.6m in 1H21.

The revenue decline compared to 1H20 was largely due to the impact in 2H20 of political and economic uncertainty which was exacerbated further by COVID-19 lockdowns. The small increase in revenue from 2H20 indicates that revenue has stabilised.

Following the successful deployment of a broad private wealth solution to a Tier 1 financial services firm last year, the client has renewed the contract for an additional four years.

On a reported basis, Direct Contribution decreased 7% from 1H20 and increased 7% from 2H20. In local currency, Direct Contribution decreased 3% from 1H20 and increased 1% from 2H20. Margins are consistent at 79% from 1H20 through to 1H21.

North America

On a reported basis, revenue increased 2% from 1H20 and 10% from 2H20, while in local currency, revenue increased 10% from 1H20 and 11% from 2H20.

The revenue increase from 1H20 and 2H20 largely reflects the revenue contribution from additional project work to assist clients to comply with a major regulatory change, higher recurring revenue due to go-live of a retail trading system to a Tier 1 bank in 2H20 and other new client wins.

On a reported basis, Direct Contribution increased 23% from 1H20 and 27% from 2H20. In local currency, Direct Contribution increased 32% from 1H20 and 27% from 2H20. The increase in Direct Contribution reflects revenue growth, the positive margin impact of synergies arising from the QuantHouse acquisition and ongoing cost discipline.

Product & Technology

Investment in Product and Technology (P&T) is at the heart of Iress' success and market position, supporting client retention and growth in future recurring revenue. P&T costs primarily comprises people costs and reflects Iress' ongoing investment in existing and new technology.

On a reported basis, P&T costs increased 1% from 1H20 and 14% from 2H20 largely driven by the full period impact of acquired businesses OneVue and O&M Systems. Excluding the impact of these acquired businesses and currency movements, P&T decreased 3% from 1H20 and increased 7% from 2H20 which was largely attributable to people movements across the periods, annual leave movements and attrition.

Iress continues to invest in people and capability to pursue emerging revenue opportunities and continue to improve the way Iress designs, engineers and deploys software.

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, Operations costs increased 35% from 1H20 and 44% from 2H20 to 1H21.

Operations costs in 1H21 included the full period impact of 2020 acquisitions OneVue and O&M Systems. Excluding the impact of acquisitions and currency, costs were 1% lower than 1H20 and 6% higher than 2H20 primarily due to the timing of annual leave in 2H20 versus 1H21 thus reducing the leave expense.

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 increased 21% from 1H20 and 10% from 2H20 to 1H21.

Corporate costs in 1H21 included the full period impact of 2020 acquisitions OneVue and O&M, and increased marketing, legal and other general corporate costs. These cost increases were offset by the impact of currency movements, reduced travel expenditure due to COVID-19 and lower professional fees.

Directors' Report

(continued)

Net profit after tax (NPAT)

| | 1H20 \$m | 2H20 \$m | 1H21 \$m | 1H21 v 1H20 | 1H21 v 2H20 |
|--|-------------|-------------|-------------|----------------|----------------|
| Segment profit | 71.9 | 81.0 | 75.5 | 5% | (7%) |
| Share-based payment expense | (10.4) | (10.6) | (10.3) | (1%) | (3%) |
| Segment profit after share-based payments | 61.5 | 70.4 | 65.2 | 6% | (7%) |
| Other non-operating expenses | (2.5) | (3.9) | 12.1 | n/a | n/a |
| Profit before interest and tax, depreciation and amortisation | 59.0 | 66.5 | 77.3 | 31% | 16% |
| Depreciation and amortisation | (19.0) | (20.1) | (22.5) | 19% | 13% |
| Profit before interest and tax | 40.0 | 46.4 | 54.8 | 37% | 18% |
| Net interest and financing costs | (4.8) | (3.2) | (4.4) | (8%) | 36% |
| Tax expense | (8.8) | (10.3) | (9.5) | 8% | (8%) |
| Reported NPAT | 26.4 | 32.8 | 40.9 | 55% | 25% |

Iress' reported NPAT increased 55% from 1H20 and 25% from 2H20. The increase in NPAT largely reflects the net provision release associated with the finalisation of QuantHouse earnout arrangements.

Share based payment expense was largely consistent with 1H20 and 3% below 2H20 primarily due to a higher level of forfeitures reducing the expense in 1H21.

Other non-operating expenses decreased from an expense of \$2.5m in 1H20 to a benefit of \$12.1m in 1H21. Non-operating costs in 1H21 primarily represents:

- A benefit of \$15.2m relating to the provision release less payments made in relation to the finalisation of the QuantHouse earnout arrangements
- A benefit of \$1.1m from a partial release of the BC Gateways earnout provision; partially offset by:
 - Costs in relation to the acquisition and integration of OneVue
 - Costs resulting from the uplift of corporate infrastructure and capability including information security projects, restructuring activities and office refurbishment costs.

Depreciation and Amortisation (D&A) expenses increased from \$19.0m in 1H20 and from \$20.2m in 2H20 to \$22.5m in 1H21.

Right-of-use lease assets, leasehold improvement, office equipment and furniture and fitting D&A expense increased as a result of new UK and Sydney leases, office equipment and furniture required for the new offices and the full period impact of OneVue depreciation. This was partially offset by a net reduction in computer equipment depreciation as assets became fully depreciated during the period and have not yet been fully replaced.

Intangible amortisation expense increased as a result of the full period impact of the amortisation of intangible assets acquired through the O&M and OneVue acquisitions partially offset by a portion of the Avelo and Pathway acquisition related intangibles becoming fully amortised during 1H21.

Net interest and financing costs of \$4.4m in 1H21 were lower than the \$4.8m in 1H20 but higher than the \$3.2m in 2H20. The increase in interest expense from 2H20 to 1H21 was due primarily to higher average borrowings in 1H21 than 2H20. Average borrowings in 2H20 and 1H21 were lower than in 1H20 due to the impact of the \$175m of equity that was raised in June and July 2020. Since the completion of the \$115m OneVue acquisition in November 2020 and the payment of the final FY20 dividend in March 2021 borrowings have increased and as a result interest expense has risen in line with the increased level of drawn debt.

The Group's effective tax rate was 19% in 1H21 which was lower than the 24% in 2H20 and 25% in 1H20. This is due to the impact of the earnout provision releases for QuantHouse (\$15.2m) and BC Gateways (\$1.1m) which are treated as capital rather than income items for company tax purposes and, therefore, attract no accounting tax charge.

Directors' Report

(continued)

Statement of Financial Position

Net debt (measured as borrowings excluding capitalised borrowing costs, net of derivatives, and less cash and cash equivalents) increased by \$58.5m during the period to 30 June 2021 mainly due to the payment of the \$54.8m final 2020 dividend, the on-market purchase of \$20.4m of treasury shares to satisfy employee share plan obligations and the payment of \$8.8m in deferred contingent consideration in relation to the QuantHouse acquisition. These outflows were partially offset by net operating cash inflow of \$50.2m during the period.

As a result, the leverage ratio (defined in these financial statements as the ratio of net debt to last twelve months Segment Profit) increased to 1.17x at the end of the period compared to 0.82x at the start of the period.

Current provisions reduced by \$4.7m and non-current provisions reduced by \$20.8m during the period, primarily due to the finalisation and settlement of deferred contingent consideration relating to the QuantHouse acquisition. A current provision of \$4.2m and a non-current provision of \$21.1m were released during the period in relation to this offset by the \$8.8m payment referred to above.

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 1H21 earnings, the Directors determined to pay an interim dividend of 16.0 cents per share franked to 80% at a 30% corporate tax rate.

Events subsequent to the Statement of Financial Position date

On 29 July 2021, Iress announced the launch of an on-market buyback of up to \$100m of ordinary fully-paid shares which will be funded from Iress' existing cash and committed debt facilities.

On 10 August 2021 Iress received a confidential, non-binding and indicative proposal from funds represented by EQT Fund Management S.p.A. (EQT) to acquire all of Iress' shares via a scheme of arrangement at a revised implied value of A\$15.91 cash per share before franking credits, comprising cash consideration of A\$15.75 to be paid by EQT plus a permitted FY21 interim dividend for eligible shareholders of up to A\$0.16 per Iress share. The Board has carefully considered the Proposal, including obtaining advice from its financial and legal advisers, and considers it in the best interests of shareholders to engage further with EQT in relation to the Proposal. Iress has agreed to grant EQT a period of 30 days to undertake its due diligence.

For further details of the proposal and the Board's response please refer to the ASX announcement dated 10 August 2021 which is available on the Iress website and through the ASX.

Other than the declaration of the interim dividend and the items 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.

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

Directors' Report

(continued)

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 15.

Rounding of amounts

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.

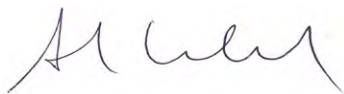
Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001 (Cth)*.

On behalf of the Directors



Roger Sharp

Chair



Andrew Walsh

Managing Director & Chief Executive Officer

Melbourne 18 August 2021

Auditor's Independence Declaration



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

18 August 2021

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 review of the half-year financial report of IRESS Limited for the half year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink that reads "Tom Imbesi".

Tom Imbesi
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 June 2021

| | Half year ended 30 June | |
|--|-------------------------|-------------------------------|
| | 2021 \$'000 | 2020 ⁽¹⁾ \$'000 |
| Revenue from contracts with customers | 290,208 | 270,689 |
| Customer data fees | (26,435) | (24,398) |
| Communication and other technology expenses | (30,966) | (27,277) |
| Employee benefit expenses | (154,964) | (147,463) |
| Net other expenses | (516) | (12,567) |
| Profit before depreciation, amortisation, interest and income tax expense | 77,327 | 58,984 |
| Depreciation and amortisation expense ⁽¹⁾ | (22,548) | (19,019) |
| Profit before interest and income tax expense | 54,779 | 39,965 |
| Interest income | 87 | 147 |
| Interest expense | (4,451) | (4,912) |
| Net interest and financing costs | (4,364) | (4,765) |
| Profit before income tax expense | 50,415 | 35,200 |
| Income tax expense ⁽¹⁾ | (9,496) | (8,805) |
| Profit after income tax expense | 40,919 | 26,395 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss:</i> | | |
| Exchange differences on translation of foreign operations | 11,749 | (17,405) |
| Tax related to exchange differences recognised directly in foreign currency translation reserve ⁽²⁾ | (20) | (17) |
| Total other comprehensive income/(loss) for the period | 11,729 | (17,422) |
| Total comprehensive income for the period | 52,648 | 8,973 |
| | Cents per share | Cents per share |
| Earnings per share | | |
| Basic earnings per share ⁽¹⁾ | 21.4 | 15.1 |
| Diluted earnings per share | 21.3 | 14.9 |

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

(1) Prior year restatement due to changes in accounting policy following recent IFRIC agenda decisions. Refer to note 3.

(2) 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 AASB121 - *The Effects of Changes in Foreign Exchange Rates*, 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 2021

| | 30 June 2021 \$'000 | 31 December 2020 ⁽¹⁾ \$'000 |
|---|---------------------------|--|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 47,262 | 63,141 |
| Receivables and other assets | 72,398 | 66,113 |
| Current taxation receivables | 12,032 | 2,845 |
| Derivative assets | - | 1,739 |
| Total current assets | 131,692 | 133,838 |
| Non-current assets | | |
| Intangible assets ⁽¹⁾ | 745,053 | 732,578 |
| Plant and equipment | 33,694 | 32,740 |
| Right-of-use assets | 90,547 | 75,307 |
| Deferred tax assets | 24,500 | 29,289 |
| Total non-current assets | 893,794 | 869,914 |
| Total assets | 1,025,486 | 1,003,752 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables and other liabilities | 84,703 | 82,457 |
| Lease liabilities | 14,991 | 13,383 |
| Provisions | 1,217 | 5,914 |
| Current taxation payables | 563 | 486 |
| Derivative liabilities | 725 | - |
| Total current liabilities | 102,199 | 102,240 |
| Non-current liabilities | | |
| Lease liabilities | 85,457 | 71,125 |
| Provisions | 22,747 | 43,517 |
| Borrowings | 228,881 | 188,433 |
| Deferred tax liabilities ⁽¹⁾ | 11,627 | 11,639 |
| Total non-current liabilities | 348,712 | 314,714 |
| Total liabilities | 450,911 | 416,954 |
| Net assets | 574,575 | 586,798 |
| EQUITY | | |
| Issued capital | 541,220 | 558,416 |
| Share-based payments reserve | 21,499 | 35,020 |
| Foreign currency translation reserve | 6,636 | (5,093) |
| Retained earnings ⁽¹⁾ | 5,220 | (1,545) |
| Total equity | 574,575 | 586,798 |

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

(1) Prior year restatement due to changes in accounting policy following recent IFRIC agenda decisions. Refer to note 3.

Consolidated Statement of Changes in Equity

For the half year ended 30 June 2021

| | Issued capital \$'000 | Share-based payments reserve \$'000 | Foreign currency translation reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|---|--|--|-----------------------------|------------------------|
| Balance at 1 January 2020 | 383,083 | 30,990 | 14,133 | 6,700 | 434,906 |
| Impact of change in accounting policy ⁽²⁾ | - | - | - | (1,211) | (1,211) |
| Adjusted balance at 1 January 2020 | 383,083 | 30,990 | 14,133 | 5,489 | 433,695 |
| Profit for the period ⁽²⁾ | - | - | - | 26,395 | 26,395 |
| Other comprehensive loss | - | - | (17,422) | - | (17,422) |
| Total comprehensive (loss)/income | - | - | (17,422) | 26,395 | 8,973 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares issued during the year | 150,000 | - | - | - | 150,000 |
| Share raising costs | (2,600) | - | - | - | (2,600) |
| Dividends declared or paid ⁽⁴⁾ | 1,830 | - | - | (52,476) | (50,646) |
| Share-based payment expense, net of tax ⁽⁵⁾ | - | 10,747 | - | - | 10,747 |
| Transfer of share-based payments reserve ⁽⁶⁾ | - | (13,892) | - | 13,892 | - |
| | 149,230 | (3,145) | - | (38,584) | 107,501 |
| Balance at 30 June 2020 | 532,313 | 27,845 | (3,289) | (6,700) | 550,169 |
| | Issued capital ⁽¹⁾ \$'000 | Share-based payments reserve \$'000 | Foreign currency translation reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
| Balance at 1 January 2021 | 558,416 | 35,020 | (5,093) | (1,545) | 586,798 |
| Profit for the period | - | - | - | 40,919 | 40,919 |
| Other comprehensive income | - | - | 11,729 | - | 11,729 |
| Total comprehensive income | - | - | 11,729 | 40,919 | 52,648 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Purchase of treasury shares ⁽³⁾ | (20,386) | - | - | - | (20,386) |
| Dividends declared or paid ⁽⁴⁾ | 3,190 | - | - | (57,998) | (54,808) |
| Share-based payment expense, net of tax ⁽⁵⁾ | - | 10,323 | - | - | 10,323 |
| Transfer of share-based payments reserve ⁽⁶⁾ | - | (23,844) | - | 23,844 | - |
| | (17,196) | (13,521) | - | (34,154) | (64,871) |
| Balance at 30 June 2021 | 541,220 | 21,499 | 6,636 | 5,220 | 574,575 |

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 193,326,463 to 193,676,652 as result of the issuance of 350,189 shares in relation to the Dividend Reinvestment Plan component of the 2020 final dividend. The number of treasury shares outstanding as at 30 June 2021 is 2,637,083 (31 December 2020: 2,514,104). The movement is attributable to the purchase of shares by the employee share trust and the trust delivering vested shares to employees under the employee share plans.
- (2) Impact of change of accounting policy following recent IFRIC agenda decisions. Refer to note 3.
- (3) Reflects the on-market purchase of treasury shares by the employee share trust during the period.
- (4) The movement in share capital reflects the value of shares issued under the Dividend Reinvestment Plan.
- (5) The share-based payment expense includes a tax impact of Nil (2020: \$0.34 million) on vesting of employee share-based payments. The tax impact of the share-based payment expense is accounted for in the movement of current and deferred taxes.
- (6) The movement from share-based payment reserves to retained earnings represents the grant date fair value of share-based payments that have vested during the period. In addition it includes the grant date fair value of awards that have been forfeited or lapsed during the period. The amount transferred reflects the value recognised as a share-based payment expense over the vesting period.

Consolidated Statement of Cash Flows

For the half year ended 30 June 2021

| | Half year ended 30 June | |
|--|-------------------------|-----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Cash flows from operating activities | | |
| Cash generated from operating activities | 67,815 | 96,265 |
| Interest received | 87 | 147 |
| Interest and borrowing costs paid | (2,662) | (5,274) |
| Interest on lease liabilities | (1,212) | (1,043) |
| Income tax paid ⁽¹⁾ | (13,829) | (18,982) |
| Net cash inflow generated from operating activities | 50,199 | 71,113 |
| Cash flows from investing activities | | |
| Payments for purchase of intangible assets | (5,639) | (2,154) |
| Payments for purchase of plant and equipment | (6,168) | (11,976) |
| Payment for deferred consideration ⁽²⁾ | (8,818) | (1,599) |
| Payments for acquisition of subsidiaries & businesses, net of cash acquired | - | (6,121) |
| Net cash outflow utilised by investing activities | (20,625) | (21,850) |
| Cash flows from financing activities | | |
| Proceeds from issue of share capital | - | 150,000 |
| Share issue costs paid | - | (3,620) |
| Payment of lease liabilities ⁽³⁾ | (7,131) | (4,904) |
| Purchase of shares to satisfy Employee Share Plan obligations | (20,387) | - |
| Dividends paid | (54,768) | (50,654) |
| Proceeds from borrowings | 75,085 | 93,868 |
| Repayment of borrowings | (39,000) | (166,358) |
| Net cash (outflow utilised by)/inflow generated from financing activities | (46,201) | 18,332 |
| Net (decrease)/increase in cash and cash equivalents | (16,627) | 67,595 |
| Cash and cash equivalents at the beginning of the financial year | 63,141 | 33,386 |
| Effects of exchange rate changes on cash and cash equivalents | 748 | (1,017) |
| Cash and cash equivalents at end of the half year | 47,262 | 99,964 |

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

- (1) The decrease in income tax paid during the current period compared to the corresponding prior period is as a result of changes in the timing of income tax instalment payments primarily in the UK.
- (2) Deferred consideration paid in the current and previous year are in relation to the 2019 acquisition of QuantHouse.
- (3) Increase in the payment of lease liabilities during the current period principally relates to leases acquired through the acquisition of OneVue in November 2020.

Notes to the Consolidated Financial Statements

For the half year ended 30 June 2021

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 2021. 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 18 August 2021
- 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
- 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 2020 and any public announcements made by Iress during the half year ended 30 June 2021 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 2020 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 2021 including the following:

| | |
|---|---|
| – AASB 3 <i>Business combinations</i> (amendments) | • <i>Definition of a business</i> |
| – AASB 101 and AASB 108 (amendments) | • <i>Definition of material</i> |
| – Conceptual Framework for Financial Reporting (updated 2018) | • <i>Amendments to and reference to the Conceptual Framework in IFRS Standards</i> |
| – AASB 2019-3 Amendments to Australian Accounting Standards | • <i>Interest rate benchmark reform</i> |
| – AASB 2019-5 Amendments to Australian Accounting Standards | • <i>Disclosure of the effect of new IFRS Standards not yet issued in Australia</i> |
| – AASB 2020-4 Amendments to Australian Accounting Standards | • <i>COVID-19 related rent concessions</i> |
| – AASB 2020-1 Amendments to Australian Accounting Standards | • <i>Classification of liabilities as current or non-current</i> |
| – AASB 2020-3 Amendments to Australian Accounting Standards | • <i>Annual improvements 2018-2020 and other amendments</i> |

None of these standards have had a material impact on the Group in the current period and are not expected to have a material impact in future reporting periods or on foreseeable future transactions.

(b) Standards in issue but not yet effective

At the date of authorisation of the financial report, the following new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not yet been applied by Iress within this financial report:

| | |
|--------------------------------------|--|
| – AASB 10 and AASB 128 (amendments) | • <i>Sale or contribution of assets between an investor and its associate or joint venture</i> |
| – AASB 17 <i>Insurance contracts</i> | • <i>Measurement of insurance liabilities</i> |

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

Notes to the Consolidated Financial Statements

(continued)

1. Basis of preparation (continued)

The impact of the COVID-19 pandemic on these financial statements

In early 2020 there was a global outbreak of a new strain of coronavirus (COVID-19), and on 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic. The global and domestic responses, including mandates from federal, state, and/or local authorities, to mitigate the spread of the virus evolved rapidly in 2020. It has impacted global commercial activity and contributed to significant volatility in financial markets. The pandemic has continued in 2021.

Iress' key focus during this time has been the health and wellbeing of its people, and ensuring that they have been able to work safely and effectively on a remote basis, as well as providing service continuity for clients and users. While some people and teams in certain locations have returned to the office as Government restrictions have allowed, the majority of Iress' people have continued to work from home. For offices that have reopened, Iress' focus has been on ensuring that workplaces are safe.

Operations have not been interrupted by COVID-19 and Iress continues to deliver all services and support to clients and users. Iress' teams, including business-critical teams, have been working well remotely and the business can continue to operate effectively in this manner for an extended period of time if required. Regular updates regarding business continuity are published on Iress' website.

Iress operates a software subscription model, with most of its revenue recurring in nature. Iress has a history of strong cash conversion and low debtor defaults. These features of Iress' commercial model have continued throughout the pandemic.

The majority of client implementation projects have continued since the onset of the pandemic, notwithstanding a short period of adjustment to the new environment.

The Group is exposed to the broader economic uncertainty evident in all of Iress' markets as a result of COVID-19 and Government public health responses including the pace of vaccine rollouts and lockdowns. This makes it difficult to accurately forecast short-term financial performance.

At the date of this report, due to the resilience of Iress' business, Iress has not been eligible for, nor applied for, significant Government COVID-19 related support other than the deferral of certain VAT and payroll tax payments that were offered to all companies in the UK and the state of New South Wales, Australia respectively during 2020. Iress settled the deferred payroll tax payments during the second half of 2020 and settled the UK VAT liabilities during the first half of 2021.

Significant sources of estimation uncertainty

The following assets and liabilities recognised in the Consolidated Statement of Financial Position as at 30 June 2021 are subject to estimates made about future performance and as such require significant judgment:

(a) Goodwill

Significant judgment is required in the assumptions used in the value-in-use models used in impairment testing. Refer to Note 5 for more detailed information.

(b) Credit Loss Allowance

The Group's credit loss allowance is recognised within 'Receivables and other assets' in the Consolidated Statement of Financial Position.

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 clients, adjusted for any material expected changes to the future credit risk for that client group.

The adjustment for material expected changes to credit risk for each client group requires judgment about future events and as such a significant increase in actual credit losses from that expected would lead to a significant impact on financial performance. To date, COVID-19 has not had a material impact on the credit risk profile of Iress' clients. However, the broader economic uncertainty as a result of COVID-19 could lead to a deterioration in the credit profile within the client base. Iress continues to monitor credit exposures closely and carefully.

Notes to the Consolidated Financial Statements

(continued)

1. Basis of preparation (continued)

Significant sources of estimation uncertainty (continued)

(c) Provision for deferred consideration

The Group's provision for deferred consideration is recognised within 'Provisions' in the Consolidated Statement of Financial Position.

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.

As at 30 June 2021, current provisions contain \$0.4 million and non-current provisions contain \$11.0 million of deferred consideration in relation to the acquisition of BC Gateways (\$11.4 million in total) during 2020.

The measurement of deferred consideration at fair value at each reporting date requires estimates to be made about expected revenue over the measurement period to which the deferred consideration relates.

In respect of the deferred consideration arising from the BC Gateways acquisition, estimates have been established for expected client acquisitions and revenue in the remainder of the 2021 financial year as well as the 2022 and 2023 financial years. If actual client acquisitions and revenue differ from these estimates, including as a result of future disruption from the COVID-19 pandemic on prospective clients, the amounts of deferred consideration payable will change. The fair value of acquisition deferred consideration recorded at 30 June 2021 was \$11.4 million based on a probability weighted assessment of likely revenue outcomes for the periods in question. The estimated potential range of likely outcomes of amounts payable under these arrangements is between \$0 and \$20 million.

2. Segment information

Iress has a global presence. The Managing Director and Chief Executive Officer (Iress' Chief Operating Decision Maker) receives internal reporting split by the segments listed below and measures the performance of the segments based on comparison to the previous half (in this case 2H20) and the previous corresponding half (1H20). Therefore, both the previous half (2H20) and the previous corresponding period (1H20) segment results have been presented.

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 Trading & Market Data business which provides market data, trading, compliance, order management, portfolio systems and related tools to financial markets participants in Australia, New Zealand and Asia
- The Financial Advice & Superannuation 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, and
- The operations of OneVue which provides administration platforms for managed funds, superannuation and investments.

UK & Europe

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, market data services are provided to customers throughout the UK and Europe.

Mortgages

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

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

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

Notes to the Consolidated Financial Statements

(continued)

2. Segment information (continued)

(b) Cost segments

Product & 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, 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 | | |
|-----------------|--|----------------------------------|----------------|----------------|---------------------|------------------|------------------|
| | | 1H21 \$'000 | 2H20 \$'000 | 1H20 \$'000 | 1H21 \$'000 | 2H20 \$'000 | 1H20 \$'000 |
| Client segments | APAC | 164,574 | 147,531 | 142,312 | 116,065 | 101,868 | 102,109 |
| | UK & Europe | 75,662 | 75,508 | 79,082 | 46,094 | 47,255 | 47,108 |
| | Mortgages | 13,636 | 15,100 | 11,825 | 9,328 | 11,119 | 6,983 |
| | South Africa | 21,339 | 20,119 | 22,812 | 16,887 | 15,850 | 18,078 |
| | North America | 14,997 | 13,683 | 14,658 | 6,872 | 5,411 | 5,598 |
| | Total group | 290,208 | 271,941 | 270,689 | 195,246 | 181,503 | 179,876 |
| Cost segments | Product & Technology | | | | (68,509) | (60,336) | (68,071) |
| | Operations | | | | (29,663) | (20,609) | (22,010) |
| | Corporate | | | | (21,528) | (19,571) | (17,864) |
| | Total indirect costs | | | | (119,700) | (100,516) | (107,945) |
| Group results | Group segment profit | | | | 75,546 | 80,987 | 71,931 |
| | Share-based payment expense | | | | (10,323) | (10,613) | (10,407) |
| | Segment profit after share-based payment expense | | | | 65,223 | 70,374 | 61,524 |
| | Other non-operating income and expenses ⁽²⁾ | | | | 12,104 | (3,869) | (2,540) |
| | Profit before interest and tax, depreciation and amortisation | | | | 77,327 | 66,505 | 58,984 |
| | Depreciation and amortisation ⁽³⁾ | | | | (22,548) | (20,127) | (19,019) |
| | Profit before interest and tax | | | | 54,779 | 46,378 | 39,965 |
| | Net interest and financing costs | | | | (4,364) | (3,219) | (4,765) |
| | Tax expense ⁽³⁾ | | | | (9,496) | (10,341) | (8,805) |
| | Net profit after tax | | | | 40,919 | 32,818 | 26,395 |

(1) Operating revenue is recognised 'over time' in accordance with AASB 15 - *Revenue from Contracts with Customers*.

(2) Predominantly relates to office move costs, non-operating income, business acquisition and integration expenses, revaluation of financial liabilities relating to deferred contingent consideration and realised and unrealised foreign exchange gains and losses. Refer to Note 4.

(3) Prior year restatement due to changes in accounting policy following recent IFRIC agenda decisions. Refer to Note 3.

Notes to the Consolidated Financial Statements

(continued)

3. Change in accounting policy

During the period the Group revised its accounting policy in relation to upfront configuration costs incurred in implementing third-party Software-as-a-Service (SaaS) arrangements, through which the Group gains access to the underlying software over a contract period but does not obtain possession of the underlying software.

The change resulted from the agenda decision issued by the IFRS Interpretation Committee (IFRIC) in April 2021 that clarified its interpretation of how current accounting standards apply to these types of arrangements.

As a result of the change in accounting policy, certain costs that would previously have been capitalised and amortised over their expected useful lives will now be expensed as the service is received.

In accordance with the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the accounting policy change is required to be applied retrospectively and, therefore, historical financial information has been restated to account for the impact of the change in accounting policy as follows:

(a) Increase in the net profit as a result of a decrease in depreciation and amortisation expense:

| | Half year ended 30 June 2020 | | |
|---|------------------------------|------------------|--------------------|
| | As presented \$'000 | Change \$'000 | Restated \$'000 |
| Statement of Profit or Loss and Other Comprehensive Income | | | |
| Depreciation and amortisation | (19,124) | 105 | (19,019) |
| Taxation | (8,773) | (32) | (8,805) |
| Net impact on the profit after tax | (27,897) | 73 | (27,824) |

(b) Restatement of the Statement of Financial Position in respect of prior year adjustments:

| | 1 January 2020 | | | 31 December 2020 | | |
|--|------------------------|------------------|--------------------|------------------------|------------------|--------------------|
| | As presented \$'000 | Change \$'000 | Restated \$'000 | As presented \$'000 | Change \$'000 | Restated \$'000 |
| Statement of financial position | | | | | | |
| Non-current assets | | | | | | |
| Intangible assets | 619,748 | (1,730) | 618,018 | 734,098 | (1,520) | 732,578 |
| Deferred tax liabilities | (9,788) | 519 | (9,269) | (12,095) | 456 | (11,639) |
| Impact on net assets | 609,960 | (1,211) | 608,749 | 722,003 | (1,064) | 720,939 |
| Retained earnings | | | | | | |
| Gross | 6,700 | (1,730) | 4,970 | (481) | (1,520) | (2,001) |
| Taxation | - | 519 | 519 | - | 456 | 456 |
| Impact on total equity | 6,700 | (1,211) | 5,489 | (481) | (1,064) | (1,545) |

Notes to the Consolidated Financial Statements

(continued)

4. Profit before income tax expense

The profit before income tax includes the following:

| | Half year ended 30 June | |
|--|-------------------------|-----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Other operating income/(expenses) | | |
| Fees to auditors ⁽¹⁾ | (936) | (344) |
| Irrecoverable trade debtors written off | (247) | (323) |
| Reversal of credit loss allowances | 361 | 333 |
| Rental expense relating to operating leases | (75) | (121) |
| Other operating expenses ⁽²⁾ | (11,723) | (9,572) |
| | (12,620) | (10,027) |
| Other non-operating income/(expenses) | | |
| Realised/unrealised losses on foreign balances | (30) | (759) |
| Non-operating income | 60 | 833 |
| Business acquisition, integration and restructuring expenses | (2,776) | (2,226) |
| Remeasurement of deferred acquisition consideration ⁽³⁾ | 16,247 | 828 |
| Release of other provisions | 9 | - |
| Other non-operating expenses ⁽⁴⁾ | (1,406) | (1,216) |
| | 12,104 | (2,540) |
| Net other expenses | (516) | (12,567) |

(1) Increase in audit fees relate to ordinary course of business internal control audits that relate to OneVue's client services.

(2) Includes office related expenses, insurance premiums, professional and legal fees and marketing expenses.

(3) The remeasurement includes the net release \$15.2 million of QuantHouse deferred acquisition consideration after settlement of the contractual earnout arrangements. The remainder of the amount relates to a release from the BC Gateways deferred consideration provisions following revaluation of the provisions at 30 June 2021.

(4) Comprises all other non-operating project related expenses.

Notes to the Consolidated Financial Statements

(continued)

5. Goodwill

In accordance with the accounting standard AASB 136 *Impairment of Assets*, the Group has conducted a review of indicators of impairment during the half year for each of the cash generating units (CGUs) to which goodwill has been allocated.

During the half year, and as at 30 June 2021, no indicators were identified that would require a reassessment of the recoverable amount of goodwill for the ANZ Wealth Management, APAC Financial Markets, UK, UK Mortgages and Canada Cash Generating Units (CGUs).

For the International Market Data and South Africa CGUs, Iress identified indicators that could imply impairment including CGU performance for the half year that was below that previously assumed in the impairment model. As a result the goodwill allocated to these CGUs was tested for impairment at the half year end date.

For each CGU tested, the recoverable amount has been calculated based on its 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 are based on estimates of long term inflation and GDP growth in the country in which the CGU primarily operates.

The allocation of goodwill to each CGU tested for impairment in the half year ended 30 June 2021 and the assumptions applied in calculating the recoverable amounts of the goodwill in testing for impairment are as follows:

| Cash generating unit tested | Allocated goodwill | | Post-tax discount rates | | Long-term growth rates | |
|-----------------------------|--------------------|----------------|-------------------------|-----------|------------------------|-----------|
| | 2021 \$'000 | 2020 \$'000 | 2021 % | 2020 % | 2021 % | 2020 % |
| International Market Data | 5,329 | 5,384 | 11.5 | 10.5 | 2.0 | 2.0 |
| South Africa | 14,366 | 13,939 | 20.0 | 17.6 | 4.5 | 4.7 |
| | 19,695 | 19,323 | | | | |

The post-tax discount rate applied to the International Market Data CGU increased by 1.0% in 2021 due to an increase in the observed French long-term government bond yield used as a proxy for the risk free rate during 2021. The post-tax discount rate applied to the South Africa CGU increased by 2.4% in 2021 due to an increase in the observed South African long term government bond yield used as a proxy for the risk free rate during 2021.

The long term growth rate for the South Africa CGU reduced slightly from 4.7% to 4.5% to reflect long term inflation forecasts for the South African economy.

No impairments of goodwill have been recognised in the half year to 30 June 2021 (2020: nil).

Significant estimates made

The cash flow projections included in the value in use models for each CGU assume that any delays in achieving new business revenue as a result of COVID-19 related lockdowns are recovered in future periods. This assumption is based on the impact of COVID-19 observed during 2020 and in 2021 to date. If COVID-19 does have a longer-term material impact on revenue within a CGU, then it will result in reduced headroom or impairment of the goodwill allocated to that CGU.

Notes to the Consolidated Financial Statements

(continued)

6. Dividends

| | Half year ended 30 June | |
|--|-------------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Dividends recognised and paid during the half year | | |
| Final dividend for 2020: 30.0 cents per share franked to 40% (2019: 30.0 cents per share franked to 40%) | 57,998 | 52,476 |
| | 57,998 | 52,476 |
| Dividends declared after balance date | | |
| Interim dividend for 2021: 16.0 cents per share franked to 80% (2020: 16.0 cents per share franked to 35%) | 30,988 | 30,535 |
| Franking credit balance | | |
| Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020: 30%) | 3,618 | 2,780 |

7. Events subsequent to the Statement of Financial Position date

On 29 July 2021, Iress announced the launch of an on-market buyback of up to \$100 million of ordinary fully-paid shares which will be funded from Iress' existing cash and committed debt facilities.

On 10 August 2021 Iress received a confidential, non-binding and indicative proposal from funds represented by EQT Fund Management S.a.r.l. (EQT) to acquire all of Iress' shares via a scheme of arrangement at a revised implied value of A\$15.91 cash per share before franking credits, comprising cash consideration of A\$15.75 to be paid by EQT plus a permitted FY21 interim dividend for eligible shareholders of up to A\$0.16 per Iress share. The Board has carefully considered the Proposal, including obtaining advice from its financial and legal advisers, and considers it in the best interests of shareholders to engage further with EQT in relation to the Proposal. Iress has agreed to grant EQT a period of 30 days to undertake its due diligence.

For further details of the proposal and the Board's response please refer to the ASX announcement dated 10 August 2021 which is available on the Iress website and through the ASX.

Other than the declaration of the interim dividend and the items 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 2021

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 2021 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.



Roger Sharp
Chair



Andrew Walsh
Managing Director & Chief Executive Officer

Melbourne 18 August 2021

Independent Auditor's Review Report



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of IRESS Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 as set out on pages 16 to 28.

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:

- Giving a true and fair view of the IRESS Limited's financial position as at 30 June 2021 and of 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of IRESS Limited in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) that are relevant to our audit of the annual financial report in Australia. We have also 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 review report.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

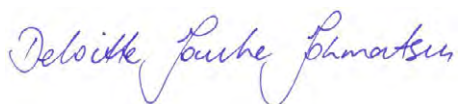
Independent Auditor's Review Report

(continued)

Deloitte

Group's financial position as at 30 June 2021 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*.

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.



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants
Melbourne, 18 August 2021