Media Release: 26 February 2014

Transformational acquisition achieved during the period

Group Revenue up 21.2%, Group Segment Profit up 5.8%

Record contribution by Australian Wealth Management

Ex- Avelo, Segment Profit flat (-0.6%) with prior year

Underlying Group profit $53.2m (2012: $54.4m), down 2.3%

Group profit results impacted by transaction costs of $17.5m

Reported Group profit $24.2m (2012: $39.2m) down 38.2%

Final dividend of 24.5¢, 80% franked

IRESS today announced its results for the year ended 31 December 2013. The Company provided the following breakdown of its results.**

		Financial Markets (A$m)	Wealth Management (A$m)	Enterprise (A$m)	Underlying Group[b] (A$m)	Reported Group (A$m)
Operating Revenue	**2013**	145.245	92.366	13.015	250.626	
	2012	146.934	59.809	-	206.743	
	2011	149.254	55.273	-	204.526	
Segment Profit[a]	**2013**	58.974	29.008	0.219	88.201	
	2012	62.671	20.733	-	83.404	
	2011	68.576	20.539	-	89.114	
Profit before tax[b]	**2013**	49.416	26.665	0.086	76.167	
	2012	59.023	19.228	-	78.251	
	2011	66.774	19.252	-	86.026	
Profit after tax[b]	**2013**	34.345	18.751	0.060	53.156	**24.241**
	2012	41.020	13.363	-	54.383	**39.228**
	2011	46.408	13.380	-	59.788	**41.341**

*** A more detailed breakdown of operating results is included as an attachment to this release and in the accompanying slide presentation.*
(a) IRESS considers inter-period comparability of results is best presented as the underlying operating results of the relevant businesses calculated excluding share based payments, non-recurring items, and strategic amortisation charges and has presented results consistently in this way for the past 9 years.
(b) A reconciliation of Segment Profits to reported group Profit After Tax is set out in the back of this announcement.

IRESS' Directors determined a final dividend of 24.5 cents per share, 80% franked at a 30% tax rate (2012: 24.5 cents per share 90% franked at a 30% tax rate,) payable on 31 March 2014.

OVERALL GROUP

IRESS' Chief Executive Officer, Andrew Walsh said that the company's financial performance in 2013 reflects underlying business strength and a meaningful contribution from the acquisition of Avelo, before one-off transaction and implementation costs. The success of the Avelo acquisition and expansion in the UK represents a step change in the company's diversified presence, scale of operations, and in the additional opportunities these bring.

In 2013, net Operating Revenue and Segment Profit for the group increased by 21.2% and 5.8% respectively in Australian dollars. Before allowing for the contribution made by Avelo, Operating Revenue grew by 4.2%(AUD) and Segment Profit declined slightly by -0.6%(AUD), as a result of sales in differentiated products and stronger than expected growth in wealth management, offsetting subscription revenue reductions. The resilience of these results continues to be conditioned on the delivery of leading products with quality support by our committed people.

Regulatory change has continued to be a major theme in 2013 impacting the priorities of all financial markets participants and wealth managers. This focus and the delayed impact of buoyant equity markets to underlying business conditions has continued to bring a cost focus and some reductions in subscription revenue albeit at a reduced rate compared with recent years. However, demand for our leading solutions in response to these dynamics and from discretionary initiatives has continued to provide offset. Early trading on few data points is positive and we are starting to see an increase in strategic and discretionary agendas during the early part of 2014.

In 2014, we cautiously anticipate improved conditions in financial markets but expect a subdued financial impact on the group that will lag the emerging opportunities, and a positive yet moderated Australian wealth management result. While this is expected to produce a modest decline in aggregate for the pre-acquisition group, our businesses continue to demonstrate resilience in light of the broad conditions.

Our wealth management business in the UK provides a similar level of visibility and resilience as our other recurring businesses and will make a substantial contribution to 2014. Our enterprise business is a source of high growth potential but is more difficult to predict due to heavy dependence on client driven time tables and long lead times.

When combined with a twelve month contribution from Avelo, assuming foreign exchange at constant levels, we expect Segment Profit in 2014 to exceed 2013 by more than 20%.

Update on Avelo Acquisition

The Avelo acquisition positions IRESS as the scaled partner of choice in the UK. Consistent with this we have continued to see strong demand for our leading products and services in the UK.

Since completion of the acquisition in September 2013, our focus has been on continued delivery to clients, and on integration and enablement of our business and people. Integration efforts are complete or advanced in many areas and operational activities are aligned to our overall strategy for the UK.

Integration costs in 2013 and those commenced and committed to occur this year have been expensed in 2013, totalling $5.5m. This excludes post acquisition regulatory costs incurred.

We remain on track to deliver $3-4m of synergies by end of financial year 2015, initiated by integration actions in 2013.

The current valuation of identifiable intangibles indicates a value greater than assumed at time of acquisition. This is expected to result in an additional $9.6m of non-cash amortisation (over 8 years) than assumed at time of acquisition.

Dividend

Reported earnings in 2013 have been impacted by one-off transaction, funding and integration costs relating to the acquisition of Avelo. IRESS' long-term dividend policy continues to be based on underlying group earnings that excludes such one-off and deductible strategic charges.

IRESS' dividend policy is to maintain a payout ratio of not less than 80% of underlying group earnings, subject to accounting limitations. Dividends will continue to be franked to the maximum extent possible, continuing to reflect the geographical context of the business.

Directors have determined a final dividend of 24.5 cents, franked at 80% (at a 30% tax rate).

Balance Sheet

The acquisition of Avelo was funded by cash on the balance sheet, a 2:9 Accelerated Renounceable Rights Offer (AREO) which had strong and broad participation from shareholders, and the introduction of term debt facilities to access available UK lending rates. In addition, cross-currency swap arrangements have been entered into that align with the underlying medium term debt profile to offset foreign exchange movements.

IRESS remains strongly capitalised and retains balance sheet flexibility.

Cost Reallocation in 2103

Recognising an increase in shared resources across divisions and in conjunction with enlarged operations through the Avelo acquisition, segment cost allocations were reviewed and adjustments made in the second half. The effect of these has been a reallocation of some infrastructure, data and staff costs where shared services are provided across the group. The annualised impact of these allocations will impact segmental comparability in 2013 and 2014. Cost allocations will continue to be reviewed by management to appropriately reflect the underlying businesses.

AUSTRALIA & NEW ZEALAND

<u>Financial Markets:</u> Operating Revenue has been slightly down in aggregate but with positive growth in recurring revenue run rate over the period. Given the continued focus on cost management by participants, the offsetting demand in order management systems, portfolio management, online and mobile trading products, has produced a resilient result. The business experienced a decrease in Operating Revenue of 1.6%, and Segment Profit decline of 4.9% for the year. The Segment Profit result has been impacted adversely by a one-off rental lease accrual, and indirect acquisition related expenses that have not been allocated to the group.

Trading at the start of 2014 has commenced with flat momentum from the second half of 2013. Experience in 2013 has seen significantly reduced screen cancellations when compared to recent years, which with buoyant markets and an increase in strategic initiatives by clients at the start of this year, we cautiously anticipate improvement. Our outlook continues however to assume a flat revenue experience.

<u>Wealth Management:</u> The last twelve months has seen heightened activity in response to regulatory needs and opportunities across our client base, strategic projects and new client implementations. A large driver of activity was the FoFA compliance key date in July, but this was surrounded by deep activity with clients strategically leveraging opportunities made available by our differentiated advice platform and services. This is reflected in financial results where Operating Revenue growth has been 16.9%, and Segment Profit growth was 18.4% for the year including the impact of cost re-allocation that occurred in the second half.

Activity and trading in 2014 has continued with broad demand for opportunities brought by our solutions. Together with positive revenue momentum we expect strong but moderated revenue growth this year, which with annualised cost re-allocations from the second half of 2013 will maintain positive Segment Profit growth.

SOUTH AFRICA

Business growth in South Africa has continued to be strong in local currency for the year, the combined impact of subscription revenue underpinned by strong local support, product diversity and a broadening product range in response to market opportunities, and transactional revenue highlights. In the period, IRESS' Professional market data desktop was successfully launched, presenting a competitively differentiated solution and new growth opportunities in the region. The South African business continues to be a key regional enabler as we increasingly respond to regional opportunities with clients in capital markets, wealth management, and their intersection.

Operating Revenue growth for the year was 11.2% (ZAR) with Segment Profit increase of 7.9% (ZAR), after allowing for the impact of Australian denominated cost re-allocations in the second half. The appreciation of the Australian dollar against the Rand over the year has impacted the potential contribution to the group results such that in Australian dollars, Operating Revenue grew by 1.5% and Segment Profit reduced by 2.5%.

In 2014 we expect similar revenue opportunities stemming from ongoing product and service initiatives. The flow through of these to Segment Profit and comparability of results will be impacted by the annualisation of cost reallocations to South Africa.

CANADA

The economic and equity market conditions in Canada continue to impact business conditions for our clients and influence their response in headcount and general cost reductions, business consolidation and closure, particularly for small and mid-sized dealers. Net revenue reductions have continued over the course of the year increasing over the summer period. In aggregate, Operating Revenue for the year declined by 10.2% (CAD) and 6.5% in Australian dollars. Segment Profit declined by 17.7% (CAD) and 14.0% in Australian dollars after allowing for impact of cost re-allocations during the second half.

Despite these conditions our response to clients seeking innovative solutions to help manage cost has seen many positive strategic engagements at larger clients. We have again seen a net positive start to 2014 as experienced at the outset of 2013, but remain cautious on outlook given very few data points and continued focus on costs in the sell-side environment. Financial results in 2014 will continue to be impacted by similar conditions and annualised effect of 2013, to produce a similar revenue decline.

The business continues to engage positively in new opportunities that will diversify our revenue sources in time. These activities and our ongoing operational support continue to rely heavily on the skilled people in our established Canadian presence. While we continue to manage costs carefully in light of this balance, our appetite to invest for certain revenue opportunities remains.

UNITED KINGDOM

The acquisition of Avelo was successfully completed on 9 September 2013, representing the largest and most significant single change in IRESS' history. The acquisition immediately enhances our position with scale and capability from which we can expand our opportunities to grow and invest in our people, products, clients and the markets in which we operate.

The contribution to 2013 financial results has been modest, ahead of step change contribution from the UK for IRESS group results in 2014. The 2013 revenue contribution from Avelo was £20.3m, which contributed £3.0m to Segment Profit.

IRESS' existing wealth management business has been fully integrated with the broader UK business and has continued to deliver to existing clients and commitments while securing new opportunities. Operating Revenue for the pre-existing wealth management operation grew from basic levels in 2012 to £1.0m in 2013, and continued to modestly build capability anticipating the completion of Avelo in September, resulting in a Segment Loss of £1.9m in 2013.

The combined UK wealth management business is well positioned to harness unique product breadth and strength and delivery capacity. We continue to see a healthy pipeline of external opportunities stimulated by regulatory change and the need for integration, efficiency, and effective oversight, in addition to new opportunities presented in our existing client base.

<u>Enterprise:</u> Opportunities presented in the enterprise mortgage origination segment continue to be supported by differentiated product, regulatory stimulus and efficiency demands. We are however cautioned by the volatility in the UK banking environment at this time and the flow through to certain project expenditure. The business utilises a mix of resourcing arrangements that provides flexible matching of capacity to client demand but expected contribution between halves will be noisy.

<u>Financial Markets:</u> The integration of our UK wealth operation with Avelo will now combine financial reporting in wealth management from this point. Therefore, our activities in financial markets will be reported separately as we respond to opportunities in the region for price and feature competitive service-based solutions. Financial Markets revenue increased to £0.3m in 2013 with key new implementations. Our focus in the UK is disciplined based on selected products and solutions supported by local and regional capability, and expect opportunities from demand for integrated trading and wealth solutions.

ASIA

Strategic progress in Asia is visible with near doubling of revenue in 2013 as we continue to demonstrate and deliver integrated and differentiated solutions to participants in the South-East Asian region. The cost re-allocation exercise in the second half of 2013 has kept the Segment Profit result constant in 2013 despite this result.

We have made good progress into integrated core trading and market data solutions for the sell-side with a seed client taking the IRESS suite live in the first quarter. We continue to see demand for regional connectivity and interaction, together with international market demand from Australia making our investment in Asia increasingly important. The Asian cost base continues to be managed within our net loss limit of $4.0m per annum.

PEOPLE

The increase in global operations through the acquisition of Avelo has again highlighted the importance of our people as we grow from 712 to 1,317 full-time employees. Notwithstanding our strategic milestones achieved in 2013, the sustained efforts of our people acting in the interests of our clients and shareholders, continue to underlie the success and resilience of IRESS and is evident in this financial result.

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		FM A&NZ (A$m)	WM A&NZ (A$m)	**Total A&NZ (A$m)**	**RSA (Rm)[c]**	**Canada (C$m)[c]**	**WM UK (GBPm)[c]**	**E'prise (GBPm)[c]**	**FM UK (GBPm)[c]**	**Asia (A$m)**	**Underlying Group**	**Strategic Non-op Charges**	**Group Total**
Recurring Operational[a]													
Operating Revenue	**2013**	107.018	62.973	169.992	199.871	20.073	13.819	7.470	0.305	1.605	250.626	-	250.626
	2012	108.756	53.864	162.619	179.736	22.356	0.133	-	0.081	0.984	206.743	-	206.743
	2011	108.919	49.122	158.041	158.533	24.606	-	-	-	1.220	204.526	-	204.526
Segment Profit	**2013**	51.566	27.673	79.239	58.881	5.355	0.817	0.335	(0.545)	(3.950)	88.201	-	88.201
	2012	54.216	23.366	77.581	54.550	6.507	(1.684)	-	(0.247)	(3.969)	83.404	-	83.404
	2011	56.289	20.289	76.578	54.430	8.423	(0.078)	-	-	(2.774)	89.114	-	89.114
Profit before tax[b]	**2013**	43.387	25.850	69.237	55.036	4.708	0.510	0.261	(0.547)	(4.272)	76.167	(11.797)	64.370
	2012	51.856	21.987	73.843	52.426	5.820	(1.768)	-	(0.247)	(4.340)	78.251	(12.692)	65.559
	2011	55.412	19.051	74.463	53.425	7.842	(0.078)	-	-	(3.046)	86.026	(17.827)	68.199
Profit after tax[b]	**2013**	30.154	18.185	48.339	38.250	3.272	0.354	0.182	(0.380)	(2.969)	53.156	(8.199)	44.957
	2012	36.040	15.281	51.321	36.436	4.045	(1.229)	-	(0.171)	(3.016)	54.383	(8.821)	45.562
	2011	38.511	13.240	51.752	37.130	5.450	(0.054)	-	-	(2.117)	59.788	(12.390)	47.398
SBP & Non-recurring													
Share Based Payments	**2013**										(6.245)	(1.827)	(8.072)
	2012										(6.798)	(1.657)	(8.455)
	2011										(7.091)	-	(7.091)
Total Non-Recurring	**2013**										(19.834)	-	(19.834)
Expenses Before Tax	**2012**										(0.261)	-	(0.261)
	2011										(0.955)	-	(0.955)
Tax on SBP & Non-	**2013**												7.190
Recurring Items	**2012**												2.381
	2011												1.988
Reported													
Profit after Tax	**2013**												**24.241**
	2012												**39.228**
	2011												**41.341**

(a) More commentary on operating results, share based payment ("SBP") expenses, non-recurring items and strategic charges are included in the accompanying slide presentation.
(b) The Recurring Operational totals have been calculated before SBP expenses as inter-period comparability is affected by changes in the vesting period of share grants.
(c) Please note figures in this column are reported in the underlying natural currency for this business segment.

RECONCILIATION OF RECURRING OPERATIONAL PROFIT AFTER TAX TO THE PRELIMINARY REPORTED PROFIT AFTER TAX

Recurring Operational Profit after Tax, reconciles to the preliminary reported Profit after tax result as per the following:

	2013 $m	2012 $m
NPAT (Recurring Operations on an Underlying Basis)	53.156	54.384
Before Tax Amounts		
Share Based Payments (Core)	(6.245)	(6.798)
Share Based Payments (Strategic)	(1.827)	(1.657)
Strategic Charges	(11.797)	(12.692)
Non Recurring / Non Core Items (Avelo)	(17.510)	-
Non Recurring / Non Core Items (Ex-Avelo)	(2.324)	(0.261)
Tax (including Strategic Charge Items)	10.788	6.252
NPAT (Reported)	24.241	39.228