25 August 2011

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

2011 Half Year Results - Financial Report

Please find attached a copy of the financial report on the Company's results for the half-year ended 30 June 2011.

Yours sincerely

Peter Ferguson
Company Secretary

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

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MARKET TECHNOLOGY

A.B.N. 47 060 313 359

HALF YEAR FINANCIAL REPORT 2011

Highlights

Consolidated profit from ordinary activities before income tax, for the six months ended 30 June 2011 was $30.4m, a decrease of 5.3% on the previous year. Revenue before interest and other income was $100.3m, an increase of 14.1% on the previous year. Basic earnings per share decreased 20.2% to 17.218 cents per share.

Consistent with prior periods, the significant non-core operational items impacting on the current period's results include acquisition related depreciation and amortisation charges of $8.861m (2010: $4.942m); and realised foreign currency loss of $0.264m (2010: $0.047m gain).

Directors have declared an interim dividend of 14.0 cents per share, franked to 90% (2010: 14.0 cents fully franked).

Financial Summary

6 months to 30 June 2011

	Consolidated half–year ended 30 June 2011	Consolidated half–year ended 30 June 2010
Total revenues ($m)	101.1	89.7
Earnings before interest, taxes, depreciation and amortisation ($m)	40.7	38.5
Profit before income tax ($m)	30.4	32.1
Profit attributable to the members of the parent entity ($m)	21.7	26.9
Basic earnings per share (cents)	17.218	21.589
Dividend per share (cents)	14.0*	14.0**

*franked to 90%

**franked to 100%

Directors' Report

The directors of IRESS Market Technology Limited submit herewith the financial report for the half-year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

The names of the directors of the company during or since the end of the half-year are:

- Mr P Dunai
- Mr A Walsh
- Mr J Killen (retired 5 May 2011)
- Mr B Burdett
- Ms J Seabrook
- Mr J Cameron
- Mr J Hayes (appointed 10 June 2011)

Except as noted above, the above named directors held office during and since the end of the half-year.

Principal Activities

During the course of the year, the consolidated entity's activities consisted of the provision of information, trading, compliance, order management, portfolio and financial planning systems and related tools. The principal clients comprise Australian, New Zealand, Canadian, the Republic of South Africa and Asian domestic equity participants, and wealth management professionals in Australia, New Zealand, the Republic of South Africa and Asia.

Review of Operations

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

During the half-year ended 30 June 2011 net profitability of the Consolidated Entity was impacted by:

- Australia & New Zealand Financial Markets – Revenue $54.0m (2010: $50.9m) up 6.2%; segment profits $28.5m (2010: $28.6m) down 0.5%. The revenue growth across the product range observed in first half of 2010 and early into the second half was not sustained through to the end of 2010. Since then revenue growth has been largely flat, reflecting difficult trading conditions for our clients together with much work but little incremental revenue as our clients prepare for a multimarket environment. The cost base reflects full half impact of headcount growth in the second half of 2010, plus some continued growth in H1 2011, primarily associated with supporting client migration to multimarkets.
- Canadian Financial Markets – Revenue $11.7m (2010: $11.9m) down 1.6%; segment profits $3.9m (2010: $4.0m) down 3.1%. Appreciation of the AUD against the CAD by 16.9% in the twelve months to June 2011 is a significant factor impacting on comparability. Results in local currency terms were, Revenue CAD 11.9m (2010: CAD 11.1m) up 7.1%; segment profits CAD 3.9m (2010: CAD 3.7m) up 5.1%. In local currency terms, the segment produced solid revenue growth in the first half, with revenue up 7.0% on H2 2010, and segment profits up 5.7% on H2 2010.
- The South African Financial Markets division was new this half contributing for slightly less than the full six month period. Revenue was $7.3m and segment profits $2.7m. Results were modestly impacted by the 4% appreciation of the AUD since the date of acquisition against the ZAR. In local currency terms the division performed broadly in line with expectations. Solid progress was made on preparing for first phase IRESS product releases.
- Asian Financial Markets – Revenue $0.5m (2010: $0.2m); segment loss $(0.5)m (2010: $(0.2)m). This early phase opportunity continued to progress well as the business engaged with prospective clients, with the cost base gradually increasing during the year.
- Australia & New Zealand Wealth Management – Revenue $23.7m (2010: $21.3m) up 11.1%; segment profits $9.7m (2010: $9m) up 7.6%. The business continued with the strong growth observed in the second half of 2010, with revenues up 5.3% on H2 2010. The full half impact of headcount growth in the last three months of 2010 meant segment profits increased 1.1% on H2 2010.

Directors' Report

- South African Wealth Management – Revenue $3.1m (2010: $3.5) down 11.8% (down 7.1% in ZAR); segment profits $0.7m (2010: $1.1m) down 36.6% (down 33.5% in ZAR). Appreciation of the AUD against the ZAR by 11.6% in the twelve months to June 2011 is a factor impacting on comparability. Results in local currency terms were, Revenue ZAR 21.9m (2010: ZAR 23.5m) down 7.1%; segment profits ZAR 5.1m (2010: ZAR 7.7m) down 33.5%. In local currency terms, the revenue declined in the first half by 8.0% on H2 2010 following the loss of two clients announced with our full year 2010 results. General cost increases in line with inflation saw margins decline from 37.0% in H2 2010 to 23.5% for H1 2011 in ZAR.
- Asian Wealth Management – Revenue $0.07m (2010: $0.2m); segment loss $(0.6)m (2010: $(0.6)m). While not showing in results the division has made solid progress during the period, including signing up some clients either piloting or gradual roll-out of wealth management products.

The reported net profit after tax was $21.7m, a 19.1% decrease on reported profits for the same period last year. Impacting on comparability of results for 2010 and 2011 are:

- Organic revenues growth in existing divisions as described above, combined with revenues from the new Financial Markets South Africa ("FM RSA") division of $7.3m
- Customer data fees increased by $1.1m, $0.3 from FM RSA in conjunction with the impact of expanded data capabilities added during 2010,
- Communication costs increased by $0.5m, of which $0.4m arises from the FM RSA's operations.
- Employee related expenses increased by $6.4m. A little over half of this increase relates to wage expense associated FM RSA ($3.4m); with the balance arising from typical base wage increases across the staff base (most of which comes into effect from July each year), together with headcount growth mainly in late H2 2010 and mid H1 2011. In addition there was a decline in share based payments expense of $0.4m, despite a 25.5% increase in the value of grants issued in 2011 (this is due to share based expenses being a function of prior period grants, the value of the instrument issued and its duration);
- Other expenses including admin increased by $1.0m, the main components being FM RSA $0.3m, and other general administration items including consulting, trade shows and similar items. Some of the expenses incurred are non-recurring.
- Facilities costs increased by $0.4m, some relating to FM RSA, with the balance arising from expanded lease areas in Australia associated with increased headcount.
- The bad and doubtful debts expense reflects a minor increase in the accrual in FM RSA combined with a $0.250m top up to the provision following the bad debts experienced during the half.
- Business acquisition expenses reflect costs associated with the transactions entered into with Peresys (Proprietary) Ltd
- Depreciation and amortisation increased by $3.1m. This movement comprises a number of factors, firstly operational depreciation and amortisation (as referred to in management presentations) declined to $2.2m for the half (2010: $3.0m) following assets such as major leasehold improvements and related furniture (associated with the Sydney and Melbourne office relocations in 2007) becoming fully written down. Secondly, depreciation and amortisation of certain assets recognised on the acquisition of a company or similar transaction (typically computer software) and referred to in management presentations as Strategic Charges, increased by $4.3m in the half which flows from strategic charges recognised from the two Peresys transactions entered into during the half;
- Interest income decreased by $0.6m primarily from decreased average cash holdings during the year following the acquisition of software from Peresys and subsequent purchase of the company;
- The effective income tax rate increased from 16.2% to 28.3% following unusually large deductions in H1 2010 flowing from the overlap of tax deductions arising from the transition of share grants from performance rights to deferred shares;
- The collective impact of these changes was a decrease in basic EPS from 21.589 cents per share to 17.218 cents per share, a decrease of 20.2%.

Directors' Report

Auditors' Independence Declaration

The auditors' independence declaration is included on page 5 of the half-year financial report.

Rounding Off Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars.

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

On behalf of the Directors

Mr A. Walsh
Managing Director

MELBOURNE, 25 August 2011

Auditors' Independence Declaration

Deloitte Touche Tohmatsu
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The Board of Directors

IRESS Market Technology Limited

Level 18, 385 Bourke St

MELBOURNE VIC 3000

25 August 2011

Dear Board Members

IRESS Market Technology 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 Market Technology Limited.

As lead audit partner for the review of the financial statements of IRESS Market Technology Limited for the half-year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S. Pelusi
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of IRESS Market Technology Limited

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the Members of IRESS Market Technology Limited

We have reviewed the accompanying half-year financial report of IRESS Market Technology Limited, which comprises the condensed statement of financial position as at 30 June 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 27.

Directors' Responsibility for the Half-Year Financial Report

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

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of IRESS Market Technology Limited's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of IRESS Market Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Independent Auditor's Review Report to the Members of IRESS Market Technology Limited (cont.)

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S. Pelusi
Partner
Chartered Accountants

MELBOURNE, 25 August 2011

Directors' Declaration

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Mr A. Walsh
Managing Director

MELBOURNE, 25 August 2011

Condensed Consolidated Statement of Comprehensive Income for the Half-Year Ended 30 June 2011

	Note	Consolidated Half–year ended 30 June 2011 $'000	Consolidated Half–year ended 30 June 2010 $'000
Revenue from ordinary activities		101,067	89,726
Customer data fees		(11,058)	(9,989)
Communication and other technology expenses		(5,119)	(4,599)
Employee related expenses	2	(38,142)	(31,735)
Other expenses including administration expenses		(3,109)	(2,159)
Facilities rent		(1,580)	(1,212)
Bad and doubtful debts		(349)	(8)
Business acquisition and restructure expenses		(271)	–
Depreciation and amortisation expense		(11,070)	(7,959)
Profit before income tax expense		**30,369**	**32,065**
Income tax expense	3	(8,626)	(5,190)
Profit attributable to the members of the parent entity		**21,743**	**26,875**
Other comprehensive income		–	–
Exchange differences arising on translation of foreign operations		(2,359)	1,522
Total comprehensive income for the period		**19,384**	**28,397**
Earnings before Interest, Taxes, Depreciation and Amortisation	4	40,680	38,522
Earnings per Share	11		
Basic earnings per share (cents per share)		17.218	21.589
Diluted earnings per share (cents per share)		17.087	21.319

Notes to the condensed consolidated financial statements are included on pages 13 to 27.

Condensed Consolidated Statement of Financial Position as at 30 June 2011

	Consolidated	
	30 June 2011 $'000	31 Dec 2010 $'000
Current Assets		
Cash and cash equivalents	44,795	99,063
Trade receivables	12,778	10,025
Other receivables	2,008	1,463
Current tax receivables	138	1,650
Other financial assets	–	280
Total current assets	59,719	112,481
Non-Current Assets		
Plant and equipment	5,738	4,068
Computer software	47,316	16,175
Goodwill	42,456	31,234
Intangibles	6,063	1,540
Deferred tax assets	8,764	6,263
Other financial assets	49	50
Total non-current assets	110,386	59,330
Total assets	170,105	171,811
Current Liabilities		
Trade payables	7,456	6,646
Other payables	10,612	6,614
Current tax payables	9,709	11,041
Provisions	3,375	2,910
Total current liabilities	31,152	27,211
Non-Current Liabilities		
Provisions	11,120	5,554
Deferred tax liabilities	2,195	1,431
Total non-current liabilities	13,315	6,985
Total liabilities	44,467	34,196
Net assets	125,638	137,615
Equity		
Issued capital	75,898	75,898
Reserves	28,723	27,788
Retained earnings	21,017	33,929
Total equity	125,638	137,615

Notes to the condensed consolidated financial statements are included on pages 13 to 27.

Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 30 June 2011

	Consolidated				
	Half-year ended 30 June 2011				
	Issued capital $'000	Retained earnings $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Total $'000
Opening balance	**75,898**	**33,929**	**32,094**	**(4,306)**	**137,615**
Profit for the half-year	–	21,743	–	–	21,743
Increase/(decrease) in translation reserve arising on translation of foreign operations	–	–	–	(2,359)	(2,359)
Total comprehensive income for the half-year	–	**21,743**	–	**(2,359)**	**19,384**
Issue of share capital	–	–	–	–	–
Cost of share-based payments	–	–	3,294	–	3,294
Equity dividends	–	(34,655)	–	–	(34,655)
Closing balance	**75,898**	**21,017**	**35,388**	**(6,665)**	**125,638**

	Half-year ended 30 June 2010				
	Issued capital $'000	Retained earnings $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Total $'000
Opening balance	**75,898**	**27,093**	**25,194**	**(3,964)**	**124,221**
Profit for the half-year	–	26,875	–	–	26,875
Increase/(decrease) in translation reserve arising on translation of foreign operations	–	–	–	1,522	1,522
Total comprehensive income for the half-year	–	**26,875**	–	**1,522**	**28,397**
Issue of share capital	–	–	–	–	–
Cost of share-based payments	–	–	3,667	–	3,667
Equity dividends	–	(26,001)	–	–	(26,001)
Closing balance	**75,898**	**27,967**	**28,861**	**(2,442)**	**130,284**

Notes to the condensed consolidated financial statements are included on pages 13 to 27.

Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 30 June 2011

	Note	Consolidated Inflows (outflows) Half-year ended 30 June 2011 $'000	Consolidated Inflows (outflows) Half-year ended 30 June 2010 $'000
Cash Flows from Operating Activities			
Receipts from customers		102,970	91,102
Payments to suppliers		(33,842)	(22,308)
Payments to employees		(30,104)	(24,256)
Interest and bill discounts received		873	1,473
Income tax paid		(17,567)	(6,252)
Net cash provided by operating activities		**22,330**	**39,759**
Cash Flows from Investing Activities			
Payment for plant and equipment		(2,818)	(1,439)
Payment for software from Peresys	9	(39,335)	–
Payment for acquisition of subsidiaries	10	(2,402)	(590)
Proceeds from sale of investment in listed companies		2	1
Proceeds from sale of plant and equipment		13	–
Dividends received		68	–
Net cash used in investing activities		**(44,472)**	**(2,028)**
Cash Flows from Financing Activities			
Proceeds from issues of equity securities		–	–
Dividends paid		(34,655)	(25,997)
Net cash used in financing activities		**(34,655)**	**(25,997)**
Net increase/(decrease) in cash held		**(56,797)**	**11,734**
Cash and cash equivalents at the beginning of the half-year		99,063	73,225
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,529	(400)
Cash at the end of the half-year	14	**44,795**	**84,559**

Notes to the condensed consolidated financial statements are included on pages 13 to 27.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 30 June 2011

1. Basis of preparation of the half-year financial report

Statement of compliance

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements. Compliance with AASB134 ensures compliance with International Financial Reporting standard IAS34 'Interim Financial Reporting'.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the annual financial report.

The condensed half-year financial report should be read in conjunction with the annual financial report of IRESS for the year ended 31 December 2010. All amounts are presented in Australian dollars unless otherwise indicated.

It is also recommended that the half-year financial report be considered together with any public announcements made by IRESS during the half-year ended 30 June 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report was authorised for issue by the directors on 25 August 2011.

Basis of preparation

The condensed consolidated half-year financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

In the current year, the Consolidated Entity 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 2011. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Consolidated Entity's policies.

Summary of significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2010 annual financial report.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 30 June 2011

2. Employee related expenses

Employee related expenses for the Consolidated Entity can be broken down as follows.

	Half-year ended 30 June 2011 $'000	Half-year ended 30 June 2010 $'000
Total monetary based expense (a)	34,848	28,068
Share based payment expense (b)	3,294	3,667
Total employee related expense	38,142	31,735

(a) Total monetary based expense comprises salary and fees, bonuses, superannuation and other benefits.

(b) Expense recognised in accordance with AASB2 'Share Based Payments'. This expense is a function of both the value and duration of the instruments granted. The expense recognised in 2011 represents a combination of share grants made in 2011 and in prior years.

3. Income Tax

Income Tax Recognised in Profit or Loss

Tax expense comprises		
Current tax expense/(income)	8,925	6,360
Adjustments recognised in the current year in relation to the current tax of prior years	14	(71)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(200)	(971)
Effect of different tax rates	(113)	(128)
Total tax expense	8,626	5,190

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows.

Profit from continuing operations	30,369	32,065
Income tax expense calculated at 30%	9,111	9,620
Non deductible expenses / non assessable income	538	554
Deductible share based payments expenses not previously recognised	(924)	(3,711)
Tax losses now recognised as deferred tax assets	–	(1,072)
Effect of different tax rates	(113)	(128)
(Over)/under provision of income tax in previous year	14	(73)
Income tax expense	8,626	5,190

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

A key factor influencing the significantly less than 30% effective tax rate in the half year to 30 June 2010, arose from deductions only realised when performance rights vested and the crystallised obligation was satisfied with the IRESS Market Technology Equity Plan Trust. Concurrent with these deductions, were deductions arising on deferred share and deferred share right grants. Accordingly, following the consolidated entity's migration of long term incentive arrangements for most non-executive employees from a performance right based incentive to a deferred share/deferred share right basis (commenced in May 2008 and concluded in May 2010), there was a period of lower effective tax rates than would typically be the case. This transition is now substantially complete and the impact on tax expense in the period to 30 June 2011 is much smaller.

4. Earnings before Interest, Taxes, Depreciation and Amortisation

Earnings before interest, taxes, depreciation and amortisation is calculated as follows:

	Half-year ended 30 June 2011 $'000	Half-year ended 30 June 2010 $'000
Profit before income tax expense	30,369	32,065
Depreciation and amortisation	11,070	7,959
Interest (a)	(759)	(1,502)
Earnings before interest, taxes, depreciation and amortisation (b)	40,680	38,522

(a) Includes $0.109m (2010: nil) non-cash interest expense recognised on deferred consideration payable on the Peresys transaction, and other sundry contribution of $0.010m (2010: $0.003m).

(b) This figure includes share based payments of $3.294m (2010: 3.667m).

5. Segment Information

The consolidated entity operates in two areas – Financial Markets and Wealth Management. Any transactions directly between segments are charged on an arm's length basis.

Financial Markets

The consolidated entity's financial market services division provides information, trading, compliance, order management, portfolio systems and related tools. The principal clients comprise participants in the Australian, New Zealand, Canadian and Asian equity markets. During the period the consolidated entity, through the acquisition of Peresys (refer Note 10), commenced operations in South Africa.

On 20 January 2011, IRESS Market Technology Limited acquired Peresys (Pty) Ltd ('Peresys') and its subsidiaries. Peresys provides technology solutions to the financial markets in South Africa.

Wealth Management

In this division the consolidated entity provides financial planning systems and related tools to wealth management professionals located in Australia, New Zealand, South Africa and Asia.

Segment revenues

	External sales		Total	
	30 June 2011 $'000	30 June 2010 $'000	30 June 2011 $'000	30 June 2010 $'000
Financial markets				
Australia & New Zealand	54,008	50,847	54,008	50,847
Canada	11,719	11,910	11,719	11,910
South Africa	7,281	–	7,281	–
Asia	516	236	516	236
Total financial markets	73,524	62,993	73,524	62,993
Wealth management				
Australia & New Zealand	23,672	21,308	23,672	21,308
South Africa	3,091	3,505	3,091	3,505
Asia	66	164	66	164
Total wealth management	26,829	24,977	26,829	24,977
Total of all segments	100,353	87,970	100,353	87,970
Interest revenue			858	1,499
Eliminations			–	–
Unallocated			(144)	257
Consolidated			101,067	89,726

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 30 June 2011

Segment profits

	30 June 2011 $'000	30 June 2010 $'000
Financial markets		
Australia & New Zealand	28,479	28,628
Canada	3,856	3,980
South Africa	2,674	–
Asia	(498)	(207)
Total financial markets	**34,511**	**32,401**
Wealth management		
Australia & New Zealand	9,714	9,027
South Africa	729	1,150
Asia	(591)	(563)
Total wealth management	**9,852**	**9,614**
Total of all segments	**44,363**	**42,015**
Share based payment expense	(3,294)	(3,667)
Depreciation and amortisation expense	(11,070)	(7,959)
Interest (a)	759	1,502
Other contribution	(389)	174
Profit before income tax expense	**30,369**	**32,065**
Income tax expense	(8,626)	(5,190)
Profit attributable to the members of the parent entity	**21,743**	**26,875**

(a) Includes $0.109m (2010: nil) non-cash interest expense recognised on deferred consideration payable on the Peresys transaction, and other sundry contribution of $0.010m (2010: $0.003m).

Segment Assets and Information

	30 June 2011 $'000			31 Dec 2010 $'000		
	Cash	Trade Receivables	Trade Payables	Cash	Trade Receivables	Trade Payables
Australia & New Zealand	31,737	9,442	(5,949)	90,868	7,329	(5,367)
Canada	1,857	1,796	(918)	1,275	1,906	(993)
South Africa	9,279	1,414	(482)	6,771	552	(246)
Asia	1,922	126	(107)	149	238	(40)
Total Consolidated	**44,795**	**12,778**	**(7,456)**	**99,063**	**10,025**	**(6,646)**

Other Segment Information

Depreciation & amortisation	30 June 2011 $'000	30 June 2010 $'000
Australia & New Zealand	9,758	7,188
Canada	279	407
South Africa	984	357
Asia	49	7
Total	**11,070**	**7,959**

Additions to plant and equipment	30 June 2011 $'000	31 Dec 2010 $'000
Australia & New Zealand	2,408	1,870
Canada	169	752
South Africa	141	49
Asia	163	74
Total	**2,881**	**2,745**
Additions to software		
Australia & New Zealand (a)	40,653	1,745
Canada	–	–
South Africa	19	–
Asia	18	3
Total	**40,690**	**1,748**
Additions to plant and equipment through business combinations		
Australia & New Zealand	–	–
Canada	–	–
South Africa	275	–
Asia	–	175
Total	**275**	**175**

(a) Primarily made up of software acquired from Peresys (Proprietary) Limited for $39.335m (refer Note 9)

6. Issued Capital

Ordinary shares	30 June 2011 $'000	31 Dec 2010 $'000
126,920,010 fully paid ordinary shares (31 December 2010: 126,018,142)	75,898	75,898

	30 June 2011	
Fully paid ordinary share capital	No. '000	$'000
Balance at beginning of half-year	126,018	75,898
Issue of shares to IRESS Market Technology Equity Plan Trust ('Trust') pursuant to share plans (a)	902	–
Balance at end of half-year	**126,920**	**75,898**

(a) Additional issued capital arising from the issue of these shares in the six month period to 30 June 2011 and the year ended 31 December 2010 amounted to $25 and $134 respectively.

Fully paid ordinary shares carry one vote per share and carry the right to dividends

Performance rights plan

Performance rights have been granted to the Managing Director, executives and employees of the Consolidated Entity. These performance rights will vest over time subject to satisfying the criteria set out in the relevant performance rights plan rules (refer note 36 of the IRESS 31 December 2010 Annual Financial Report). Once vested, the holder of the performance right is required to pay $1 per series to exercise the performance right.

Pursuant to performance rights granted in prior years which vested during the year, 218,548 shares (291,000 shares less 72,452 treasury shares) were subscribed for by the Trust.

Deferred share plan

Deferred Shares have been granted to certain executives and certain employees of the Consolidated Entity. These deferred shares will vest over time subject to the recipient continuing their employment and satisfying some personal performance criteria (refer note 38 of the IRESS 31 December 2010 Annual Financial Report).

Pursuant to deferred shares granted to the Managing Director, executives and employees during the year which have not yet vested, 590,000 new shares were subscribed for by the Trust.

Deferred share rights plan

Deferred Share Rights have been granted to certain executives and certain employees of the Consolidated Entity. These deferred rights will vest over time subject to the recipient continuing their employment and satisfying personal performance criteria (refer note 39 of the IRESS 31 December 2010 Annual Financial Report).

Pursuant to deferred share rights granted in prior years which vested during the year, 93,320 shares were subscribed for by the Trust.

Following cancellations of share rights granted to employees, as at 30 June 2011, the Trust holds 89,800 shares.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 30 June 2011

7. Dividends

	30 June 2011		30 June 2010	
	Cents per share	Total $'000	Cents per share	Total $'000
Fully paid ordinary shares				
Recognised amounts				
Final dividend (a)	24.0 (b)	30,244	21.0 (c)	26,001
Special dividend unfranked	3.5	4,411	–	–
		34,655		26,001
Unrecognised amounts				
Interim dividend	14.0 (d)(e)	17,769	14.0 (c)	17,643
		17,769		17,643

(a) This relates to the dividend paid based on the prior year's results. Where applicable, amounts provided have been amended to reflect the actual dividend paid.

(b) Franked to 66% at a 30% tax rate.

(c) Fully franked at a 30% tax rate.

(d) Franked to 90% at a 30% tax rate.

(e) The estimated value of the 2011 interim dividend (that will be declared subsequent to 30 June 2011) has been calculated based on 126,920,010 ordinary shares, comprising shares on issue at 30 June 2011.

8. Subsidiaries

Name of entity	Country of incorporation / Principal activity	Ownership interest
Parent entity		
IRESS Market Technology Limited (a)	Australia	
Subsidiaries		
IRESS Market Technology (NZ) Limited (d)	New Zealand / Provision of sales and related services to users of IRESS technologies in New Zealand	100
IRESS Wealth Management Pty Ltd (b)	Australia / Provision of financial planning technology and related services	100
IRESS Canada Holdings Limited	Canada / Holding company	100
IRESS Data Pty Ltd (b) (d)	Australia / Data procurement	100
IRESS Asia Holdings Limited (d)	Hong Kong / Provision of financial market and financial planning technology and related services	100
IRESS Market Technology (Singapore) Pte Ltd (d)	Singapore / Provision of financial market and financial planning technology and related services	100
IRESS South Africa (Australia) Pty Ltd (b)	Australia / Software licensing company	100
Peresys (Proprietary) Ltd (c)	South Africa / Provision of financial market technology and related services	100

(a) IRESS Market Technology Limited is the head entity within the tax consolidated group.

(b) Members of the tax consolidated group.

(c) Acquired 20 January 2011.

(d) Subsidiary provided with a letter of support from Parent entity.

In relation to its Australian and New Zealand wealth management operations, IRESS Wealth Management Pty Ltd holds the following controlled entities.

Name of business acquired / incorporated	Country of incorporation / Principal activity	Ownership interest
PlanTech Holdings Pty Ltd	Australia / Holding company for PlanTech companies below	100
PlanTech Consulting Group Pty Ltd	Australia / Provider of risk (life insurance) information and PlanTech's financial planning services	100
Planning Resources Group Pty Ltd	Australia / No active operations, currently receives small amount of passive income associated with former PlanTech business	100
VisiPlan Pty Ltd	Australia / Provision of financial planning technology and related services	100
TransActive Systems Pty Ltd	Australia / Provision of mortgage information and related services	100
Dealer Management Systems Pty Ltd	Australia / Provision of financial planning technology and related services	100
FundData Pty Ltd	Australia / Provision of financial planning technology and related services	100

In relation to its South African wealth management operations, IRESS Wealth Management Pty Ltd holds the following controlled entities.

Name of business acquired / incorporated	Country of incorporation / Principal activity	Ownership interest
IRESS Spotlight Wealth Management Solutions (RSA) Pty Ltd	Australia / Provision of financial planning technology and related services	100
Spotlight Wealth Management (Pty) Ltd	South Africa / Provision of financial planning technology and related services	100
Advicenet Advisory Services (Pty) Ltd	South Africa / Provision of financial planning technology and related services	100
IRESS Wealth Management (RSA) (Proprietary) Limited	South Africa / Dormant	100

IRESS Canada Holdings Limited holds the following controlled entities.

Name of business acquired / incorporated	Country of incorporation / Principal activity	Ownership interest
IRESS (Ontario) Limited	Canada / Holding company	100
KTG Technologies Corp.	Canada / Provision of execution terminals to the Canadian equity markets	100
IRESS Market Technology Canada Lp	Canada / Development and commercialisation of IRESS technologies in Canada	100
IRESS (LP) Holdings Corp.	Canada / General partner to IRESS KTG Canada Lp	100

IRESS Market Technology (Singapore) Pte Ltd holds the following controlled entity.

Name of business acquired / incorporated	Country of incorporation / Principal activity	Ownership interest
Sentryi Pte Ltd (a)	Singapore / Provision of financial market and financial planning technology and related services	100

(a) Subsidiary provided with a letter of support from IRESS Market Technology (Singapore) Pte Ltd with consent from Parent entity.

Peresys (Proprietary) Ltd holds the following controlled entities.

Name of business acquired / incorporated	Country of incorporation / Principal activity	Ownership interest
Peresys Derivatives (Proprietary) Ltd	South Africa / Dormant	100
Peresys Software Limited	Ireland / Provision of services to Peresys (Proprietary) Ltd	100

Within the IRESS group there are unsecured funding arrangements in place.

9. Acquisition of Software

On 18 January 2011, IRESS Market Technology Limited acquired software from Peresys (Proprietary) Ltd. The software was acquired for ZAR 264.000m (AUD 39.335m).

10. Acquisition of Businesses

Peresys (Proprietary) Ltd

On 20 January 2011, IRESS Market Technology Limited acquired 100% of Peresys (Proprietary) Ltd ('Peresys'). Peresys is a South African based technology solutions provider to the financial markets, specialising in building and running FIX enabled connected trading communities across all asset classes, including equities, fixed interest and derivatives.

Peresys was acquired for ZAR 66.209m (AUD 9.706m). The transaction included an upfront cash payment of ZAR 39.155m (AUD 5.834m), short term deferred consideration of ZAR 7.296m (AUD 1.044m) and performance based payments based around the growth of the business of up to ZAR 19.758m (AUD 2.828m), most of which is payable at the end of three years. In addition, up to an additional ZAR 10.000m (AUD 1.464m) is available to certain staff, with payment based on performance of the business over three years.

Details on the assets and liabilities acquired are as follows.

Fair value of net assets acquired	Total fair value recognised on acquisition $'000
Current Assets	
Cash and cash equivalent assets	3,432
Receivables	1,337
Non-Current Assets	
Plant and equipment	275
Customer list	5,659
Deferred tax assets	299
Current Liabilities	
Payables	(2,270)
Current tax liabilities	(10,138)
Provisions	(318)
Non-Current Liabilities	
Provisions	(1,466)
Fair value of tangible assets acquired	**(3,190)**
Goodwill arising on acquisition	12,896
Purchase price	**9,706**

Other than for the customer list recognised, there were no fair value adjustments to the net book value of the assets acquired.

In its acquisition of Peresys, IRESS Market Technology Limited paid a premium to the fair value of the net assets acquired. Goodwill was recognised on this acquisition, as other possible classes of intangible assets did not meet the criteria for recognition as at the date of acquisition. Goodwill represents, amongst other things, the anticipated future earnings capacity of the assets acquired.

The fair value of the net assets acquired, including goodwill arising on acquisition, has been provisionally determined. As at the date of this report, the Directors have not finalised their assessment of fair value.

Since acquisition, Peresys has contributed revenue of AUD 7.281m to the Consolidated Entity. Had this business combination been effected at 1 January 2011, the revenue of the Consolidated Entity from continuing operations would have been AUD 102.072m, and the profit for the half year from continuing operations would have been AUD 19.454m.

In determining the 'pro-forma' revenue and profit of the Consolidated Entity had Peresys been acquired at the beginning of the current reporting period, the directors have evenly apportioned the revenue and profit of Peresys over this period on the basis of there being no abnormal items within those results.

Contingent Liabilities and Capital Commitments

The Directors are of the opinion that there is no change to the Consolidated Entity's contingent liabilities or capital commitments arising from the Peresys acquisition.

The following table sets out the cash flow impact of the Peresys acquisition.

	Total cost of acquisition $'000
Total consideration	9,706
Provision for second payment	(3,872)
Cash paid	**5,834**
Cash and cash equivalent balances acquired	(3,432)
Net cash flow on acquisition	**2,402**

11. Earnings per Share

		Half–year ended 30 June 2011	Half–year ended 30 June 2010
Basic earnings per share	Cents	17.218	21.589
Diluted earnings per share	Cents	17.087	21.319

Basic earnings per share

		'000	'000
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows			
Earnings used in the calculation of basic earnings per share reconciles to the profit attributable to members of the parent entity in the statement of comprehensive income	$	21,743	26,875
Weighted average number of ordinary shares (a)	No.	126,282	124,482

(a) Performance rights issued by the company are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share

Diluted earnings per share

		Half-year ended 30 June 2011 '000	Half-year ended 30 June 2010 '000
The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows			
Earnings used in the calculation of diluted earnings per share reconciles to profit attributable to the members of the parent entity in the statement of comprehensive income	$	21,743	26,875
Weighted average number of ordinary shares (refer to footnote (a) above)	No.	127,248	126,061
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows			
Weighted average number of ordinary shares used in the calculation of basic earnings per share	No.	126,282	124,482
Shares deemed to be issued for no consideration in respect of performance rights (i.e. the dilutive impact of performance rights in existence during the year that were exercisable at below the weighted average market price) (a)		966	1,579
Weighted average number of converted, lapsed, or cancelled potential ordinary shares used in the calculation of diluted earnings per share		–	–
Right to purchase ordinary shares pursuant to the employee share scheme		–	–

(a) The dilutive impact of future vestings of granted performance rights has been derived assuming the relative ranking of IRESS to its peer group as measured at 30 June 2011 continues at that level through to the final vesting date for the applicable performance right.

12. Contingent Liabilities or Contingent Assets

Since the last reporting date, there has been no material change of any contingent liabilities or contingent assets. Refer to the 2010 Annual Report for further disclosure.

13. Share Based Payments

May 2011 Vesting

For performance rights granted in May 2008; the company was ranked in the top quartile for a three year total shareholder return against its peer group of companies. This resulted in 291,000 valid performance rights issued to executives and staff in May 2008 vesting, and of these, 56,000 vested with IRESS' Managing Director, Andrew Walsh (at the time of the grant Andrew Walsh was General Manager Wealth Management).

Participants are required to pay a fee of $1 (in total) each time they exercise a portion of their vested performance rights.

Deferred shares were issued to staff in 2009. After adjusting for lapses and cancellations, 551,868 deferred shares vested. Of these deferred shares, 25,000 vested with IRESS' Managing Director Andrew Walsh (at the time of the grant Andrew Walsh was General Manager Wealth Management).

Deferred share rights were issued to staff in 2009. After adjusting for lapses and cancellations, 93,320 deferred share rights vested.

May 2011 Grants

Effective from 9 May 2011, the Board issued:

- 300,000 and 30,000 performance rights and deferred shares respectively to the Managing Director.
- 174,640 and 61,560 performance rights and deferred shares respectively to executives; and
- 93,000, 492,440 and 70,750 performance rights, deferred shares and deferred share rights respectively to employees of the consolidated entity.

Deferred Shares and Deferred Share Rights will, subject to the satisfaction of individual performance criteria, vest in 2 years in accordance with the Employee Deferred Share Plan and Employee Deferred Share Rights Plan.

Performance Rights issued to the Managing Director were issued in two tranches as set out below and subject to the satisfaction of the peer group performance criteria, will vest in 4 years from the grant date (i.e. 7 May 2015) in accordance with the Employee Performance Rights Plan.

- 150,000 performance rights with measurement commencing May 2011
- 150,000 performance rights with measurement commencing May 2012

Performance Rights issued to executives, subject to the satisfaction of the peer group performance criteria, will vest in 3 years in accordance with the Employee Performance Rights Plan.

Total Performance Rights Issued

The following table summarises the outstanding share grants held by the Managing Director, executives and staff as at 30 June 2011.

Holder	Opening balance 1 January 2011	Granted as compensation	Vested during the period	Cancelled	Closing balance 30 June 2011
Performance rights					
Former Managing Director (a)	200,000	–	–	–	200,000
Managing Director (b)	281,000	300,000	(56,000)	–	525,000
Executives	566,150	174,640	(199,000)	–	541,790
Employees	120,500	93,000	(36,000)	–	177,500
Total performance rights	1,167,650	567,640	(291,000)	–	1,444,290
Deferred share rights/deferred shares					
Managing Director (b)	54,000	30,000	(25,000)	–	59,000
Executives	142,920	61,560	(79,500)	–	124,980
Employees	1,089,018	563,190	(540,688)	(16,920)	1,094,600
Total deferred share rights/deferred shares	1,285,938	654,750	(645,188)	(16,920)	1,278,580

(a) Mr P Dunai

(b) Mr A Walsh

For further details, please refer to notes 34 to 39 of the Company's Annual Report for the Year Ended 31 December 2010.

14. Cash and Cash Equivalents

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following at 30 June.

	2011 $'000	2010 $'000
Cash at bank and on hand	31,736	18,170
Short-term deposits	13,059	66,389
Total cash and cash equivalents	44,795	84,559