

iress
MARKET TECHNOLOGY
A.B.N. 47 060 313 359

**ANNUAL
REPORT
2004**

iress

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The Annual General Meeting

The Annual General Meeting of the Shareholders of IRESS Market Technology Limited will be held in the Board Room at Level 20, 360 Collins Street on Wednesday, 4 May 2005 at 12.00 midday.

(for full details and Proxy Form please refer to the separate document enclosed)

Directors

N Hamilton – Chairman
P Dunai – Managing Director
J Killen
C O'Reilly
A Richards

Company Secretary

S Bland

Registered Office

Level 20, 360 Collins Street
Melbourne Vic 3000
Phone: (03) 9018 5800
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Share Registry

ASX Perpetual Registrars
Level 4
333 Collins St
Melbourne Vic 3000

Bankers

National Australia Bank Limited

Auditors

Deloitte Touche Tohmatsu

Solicitors

Mallesons Stephen Jaques

Stock Exchange Listing

IRESS Market Technology Limited shares are quoted on the Australian Stock Exchange under the code IRE.

Highlights

Consolidated profit from ordinary activities after income tax, adjusted for non-recurring items, for the twelve months ended 31 December 2004 was \$20.8 million, an increase of 21.5% on the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) was \$30.4 million, an increase of 18.3% on the previous year, and basic earnings per share on an adjusted basis increased 18.3% to 19.878 cents per share. Reported profit after tax, which includes the impact of non-recurring/non-operating items, was \$16.3 million, compared with \$15.6 million last year.

The significant non-operating charges in 2004 related to the depreciation and amortisation of software and goodwill arising on the acquisition of our share of the Canadian joint venture (in 2004) Xplan Technology Pty Ltd (in 2003). Collectively these charges had a pre-tax impact of \$4.795 million in 2004.

Directors have declared a final dividend of 10.0 cents per share, which when combined with the first half dividend of 5.5 cents gives a total of 15.5 cents fully franked on each share, up from 12.5 cents in 2003, and representing a payout ratio of around 80% on full year adjusted earnings.

Financial Summary

12 months to 31 December 2004

	Consolidated 2004	Consolidated 2003	Consolidated 2002
Total revenues (\$m)	62.237	54.622	49.501
Earnings before interest, tax, depreciation & amortisation (\$m)	30.374	25.665	24.109
Profit from ordinary activities before income tax (\$m)	24.891	22.570	14.118
Net profit attributable to the members of the consolidated entity (\$m)	16.340	15.609	9.771
Adjusted basic earnings per share (cents)	19.878	16.789	15.739
Dividend per share (cents)	15.5	12.5	10.2

Chairman and Managing Director's Report

Overview

We are pleased to announce a net profit after tax on an adjusted basis of \$20.8 million on revenue before interest income of \$60.7 million for the full year to December 2004. This represents profit growth of 21.5% and sales growth of 12.8% on the previous year. The calculation of adjusted results excludes certain large and non-recurring expenses associated with the depreciation and amortisation of software and goodwill arising on our share of the Canadian joint venture (in 2004) and Xplan Technology Pty Ltd (in 2003).

Adjusted basic earnings per share for the year is 19.878 cents, up 18.3% on the prior year figure. Directors have declared a final dividend of 10.0 cents per share. The dividend (in conjunction with the first half dividend) represents a payout ratio of approximately 80% of the full year's unadjusted result.

The unadjusted results of the Company as shown in the Statement of Financial Performance shows a net profit after tax of \$16.3 million.

Core Business – Information Services (IRESS)

Our core business of providing information and front office systems to the Australian and New Zealand equity and derivative markets grew strongly throughout 2004. Demand was strong from all segments reflecting the continued buoyant conditions prevailing for our key stockbroking and investment management customers. Much of our revenue is well correlated to staff numbers in the industry and IRESS licences have grown across the board as clients take on staff. Also the significantly increased market volumes have raised interest in front office automation boosting demand for our order management solutions.

During 2004, IRESS continued its practice of continually reinvesting in the core business product set to ensure that the IRESS services continue to grow and evolve with our clients' requirements. Some of the key initiatives, which will benefit strategic and economic performance into 2005, include:

- IOS Retail, our FSR compliant full service retail broking management system, has been successfully implemented at a significant group of large and medium size broking operations. By integrating the strongly accepted and familiar IRESS market data service with order management we are confident we offer the most efficient and non-intrusive solution for retail brokers.
- IPS, our recently developed retail portfolio systems, has been fully implemented in its IRESS integrated broker form at our first major seed client and is operating well. Building from this, we now have several other significant implementations underway and expect further take-up over 2005. With its critical role in the XPLAN suite and the opportunities in the broker community, IPS is an important strategic product going forward.
- Our Electronic Trade Confirmation (ETC) initiative moved into full production in December and has generated very pleasing initial revenues of over \$20,000 per month. In excess of 30 brokers are now generating ETCs to a useful group of large and medium sized and small fund managers, most of whom are utilising our SWIFT connection to custodians. More investment managers will be commencing shortly and we remain confident of consistent revenue growth over time.
- Our New Zealand version of IOS was completed and installed at nearly all local institutional brokers in 2004 extending our comprehensive order network coverage across the Tasman. Development work has continued since the first release, with a substantially enhanced version offering full trading functionality currently in test with the New Zealand stock exchange.
- Last year we enhanced both webIRESS and the IOS to implement Contracts for Difference (CFDs) for a major investment group and the solution has now been very successfully launched in Australia. Following this success we see opportunities to implement the solution more broadly in Asia.
- The ASX has now announced they are moving to an anonymous market with the dropping of broker identification details later this year. This change presents IRESS with an opportunity to significantly expand its indications of interest and trade advertising features such that those ASX members who see benefit in disclosing their identity in certain circumstances, can do so privately over the IRESS network.

Chairman and Managing Director's Report

Overview on Financial Planning Services (XPLAN)

XPLAN continued to grow recurring revenue strongly in the second half of 2004 maintaining the rapid pace of client acquisition achieved since the release of its full product suite in mid 2003. Revenue figures for the early months of this year and a strong implementation and sales prospect pipeline suggest growth can continue at a similar or even increased rate in 2005.

Year on year revenue grew from a negligible \$0.224m in 2003 to \$2.482m with the after tax loss falling from \$0.951m to \$0.385m despite a substantial gearing up of the cost structure as the business entered full production. The XPLAN division is now operating with annualised recurring revenue just under \$3 million implying a market share something over 10% from a standing start two years ago. The business is now covering all direct costs. Given the potential for accelerated revenue growth, staffing levels will continue to increase a little above our original estimates as we ensure sufficient capability to meet all available opportunities, without impacting service levels.

Key points:

- Second half subscription revenue of \$1.310m up from \$0.907m in the first half.
- The installed user base has grown to over 2000 modules, with users subscribing for approximately 2 modules on average.
- Market share comfortably over 10%, making XPLAN the clear number two provider.
- Continuing strong implementation and further sales pipeline supports our goal of achieving a minimum 25% market share in due course.
- Restructuring of the XPLAN purchase terms has secured the services of the key XPLAN executives for a further three years.
- XPLAN business now profitable on a direct cost basis, and expected to make a positive contribution in 2005 before acquisition charges.

Establishment of and Update on the Canadian Joint Venture

In April 2004, the Company entered into a series of agreements to create a joint venture arrangement with ITG Canada Corp. (a specialist Canadian stockbroker ultimately owned by Investment Technology Group, Inc.), with the aim of establishing a comprehensive integrated equities service in Canada along similar lines to the IRESS information services business in Australia. The group outlaid CAD \$6.25m (plus transaction costs of CAD \$0.568m) for its 50% holding.

Operationally, the Canadian joint venture has made good progress over the second half and into the new year with the first versions of both the IRESS technology Canadian market data product and the Canadian IOS now in operation with two beta clients. Reaction to both products has been very positive and we are increasingly confident of our potential in the Canadian market.

Key points:

- Development is proceeding to further round out the market data service and we aim to have a full replacement offering against the major incumbents Star and ILX by April. The major missing item currently is US data.
- We have a significant IOS seed client with whom we are implementing the IOS service in stages, including institutional order management, client connectivity through both FIX and IRESS screens, principal trading management and retail order management.
- The existing execution screen business acquired as part of the joint venture (KTG) has continued to operate consistently with recurring licence revenue growing slightly over the second half. The KTG client base includes over 30 brokers and we are targeting the IOS order management features in both an integrated form with the KTG platform and over time as a replacement for the market access component as well.
- As the new products are now moving into production we are hiring additional support and sales staff to resource our anticipated growth.
- Our goal for 2005 in Canada is to see the market data service well established in all segments of the market and the IOS order management product fully implemented in at least a small but important set of key clients.

Chairman and Managing Director's Report

- Growth will be modest in the early stages as the sales cycle (particularly in order management) is relatively long but we are confident revenue will comfortably cover increased costs as we scale up the operation. By the fourth quarter we aim to have both offerings well setup for consistent sales growth and therefore the potential for strong financial performance in 2006.

Managing Director's Contract

In February 2005, the board announced revised arrangements with the Managing Director. Given the exciting opportunities facing the Company, the board believes it is appropriate to put in place longer term commitments and incentives.

Under the new arrangements Mr Dunai will enter into a new contract with the Company and will be granted one million performance rights with similar hurdles to the existing scheme, but with vesting over five years heavily weighted to the later years. The contract includes a minimum period of two years as Managing Director and a commitment to support and assist the Company (which includes a non-compete arrangement) for the full five year period.

The board believes these new arrangements are clearly in the Company's interests by securing the services of the founding Managing Director for at least two further years and providing a strong incentive for him at that stage, to either continue as Managing Director (subject to the board's approval) or to advance the interests of the Company in some other capacity for a further three years.

Outlook

Due to the strong and consistent revenue growth experienced last year, we entered 2005 with revenue levels running significantly above the average of 2004 and we have seen further modest growth in the early months of the new year. This suggests good prospects exist for the Company to achieve revenue and profit growth in the first half of 2005, provided conditions in the financial markets do not deteriorate significantly.

Competitive threats to the Company's strong position in Australia and New Zealand remain and we continue to be diligent in ensuring our products and service levels represent good value to our customers in terms of price and functional capability. As has been the case in recent years, revenue loss to competitors continues to be negligible.

Acknowledgements

It has only been possible for the company to achieve such a strong result through the skills and dedication of our staff, to whom we offer our thanks.

We would like to thank our clients for their support and loyalty, and assure them of our commitment to meeting and exceeding their needs in the future.



Mr P Dunai
Managing Director



Mr N Hamilton
Chairman

Directors' Report

The Directors of IRESS Market Technology Limited submit herewith the annual financial report for the financial year ended 31 December 2004. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	Particulars
Mr N Hamilton	Chairman, aged 52, joined the Board in 2000 and is Chairman of Integrated Group Limited, the AFL Players Association Advisory Board, and Western Power Corporation; and a Director of Insurance Australia Group Ltd.
Mr P Dunai	Managing Director, a founding shareholder in the Company, aged 45, joined the Board in 1993 and has served as Managing Director since that time.
Mr J Killen	Non-executive Director, Chairman of the Audit Committee, aged 59, joined the Board in 2000 and is Chairman of Sisters of Charity Health Service Ltd and Sisters of Charity Healthcare Australia Ltd; and a Director of Catholic Church Insurances Ltd, Equity Trustees Limited and Templeton Global Growth Fund Ltd.
Mr C O'Reilly	Non-executive Director, member of the Audit Committee, aged 40, joined the Board in 2001 and is a Director of APN News & Media Ltd, Independent News & Media PLC (Dublin) and Gazal Corporation Ltd, and Managing Director of Bayard Capital Partners Pty Ltd.
Mr A Richards	Non-executive Director, member of the Audit Committee, aged 67, joined the Board in 2001 and is Deputy Managing Director of the ASX. Mr Richards is the ASX nominee director appointed under the terms of the agreement whereby the ASX acquired 15 million shares in IRESS Market Technology Limited.

The above named Directors held office during and since the end of the financial 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 comprised Australian and New Zealand domestic equity participants, and wealth management professionals.

With the establishment of the Canadian joint venture (refer note 31) in April 2004, the consolidated entity's activities expanded to incorporate the provision of services for professional equity information users in Canada.

Review of Operations

During the financial year, the consolidated entity profitability was impacted by:

- organic growth from the information services business in Australia and New Zealand, primarily from increased market data screens for both IRESS and WebIRESS as well as sales of trading products, primarily IOS;
- some increase in operating costs associated with headcount growth as well as increases in data provider fees;
- strong growth in recurring subscription revenues for financial planning services (Xplan). Due to the early commercialisation phase of this business, the fixed costs exceeded the revenues generated. Pleasingly, Xplan continued make strong progress towards profitability and is anticipated to move to break-even (before acquisition amortisation related charges and inter-company cross charges) in January 2005;
- the amortisation charges associated with the 50% interest in a joint venture in Canada, acquired during the year. The joint venture made a small positive contribution prior to these amortisation charges.

Directors' Report

Reported net profit after tax was \$16,340,000, a 4.7% increase on reported profit for the same period last year.

Changes in State of Affairs

On 8 April 2004, the Company (through its wholly owned, controlled entity, IRESS Canada Holdings Limited) entered into a series of agreements to create a joint venture arrangement with ITG Canada Corp. (a specialist Canadian stockbroker ultimately owned by Investment Technology Group, Inc. (NYSE:ITG) in the United States), with the aim of establishing a comprehensive integrated equities service in Canada along similar lines to the IRESS information services business in Australia.

On 31 December 2004, the Company agreed to modified terms for the second payment due to the former Xplan shareholders. Under the modified arrangement the maximum dollar amount payable by the Company for the second payment is now capped at \$5.1m (which is \$1.8 million less than the original second payment provision of \$6.9m), and the services of the key principals of the business have been secured for three years.

There were no other significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years, and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Dividends

In respect of the financial year ended 31 December 2003, as detailed in the Directors' Report for that financial year, a final dividend of 8.0 cents per share franked to 100% at 30% corporate tax rate was paid to the holders of fully paid ordinary shares on 26 March 2004.

In respect of the financial year ended 31 December 2004, an interim dividend of 5.5 cents per share franked to 100% at 30% corporate tax rate was paid to the holders of fully paid ordinary shares on 27 September 2004.

In respect of the financial year ended 31 December 2004, the Directors recommend a final dividend of 10.0 cents per share franked to 100% at 30% corporate tax rate to be paid to the holders of fully paid ordinary shares on 30 March 2005. The record date to participate in the final dividend is 11 March 2005.

Directors' Report

Performance Rights & Share Options

Performance Rights and Share Options Granted to Directors and Executives

The following table sets out the performance rights issued to Directors or a related body corporate of a Director during the year, as well as the performance rights and options which vested during the year.

No performance rights have been issued to Directors or Executives since the end of the year.

During the year, no share options were granted to Directors or Executives of the Company and no options have been issued to Directors or Executives since the end of the year.

Directors	Performance rights granted during the year	Performance rights vested during the year	Share options vested during the year
Mr P Dunai	220,000	55,000	875,000

During the year, the following performance rights were issued to Executives or a related body corporate of an Executive and the following performance rights and options vested.

Executives	Performance rights granted during the year	Performance rights vested during the year	Share options vested during the year
Mr S Bland	125,000	30,000	50,000
Mr N Detering	–	30,000	270,000
Ms K Gross	125,000	30,000	316,667
Mr A Rudy	70,000	10,000	70,417
Mr D Walker	120,000	30,000	234,167

Further details of the above share options and performance rights are set out in notes 28 and 29 to the financial statements.

Employee Performance Rights Plan

Shareholders approved the establishment of the Employee Performance Rights Plan at the 2003 Annual General Meeting. In accordance with the provisions of the Employee Performance Rights Plan, at the date of this report, executives and employees are entitled to an aggregate of 2,692,500 performance rights. The final number of shares issued under the plan is dependant on a number of things, including the performance of the Company. Non-executive directors are ineligible to participate in the Performance Rights Plan.

On 7 May 2004, 385,000 performance rights granted in previous years vested, and 1,660,000 performance rights were granted.

During the year ended 31 December 2004, 128,500 performance rights were cancelled.

Further details of the Employee Performance Rights Plan are disclosed in note 28 to the financial statements.

Employee Option Plan

During and since the end of the financial year, no share options were granted to employees.

In accordance with the provisions of the Employee Option Plan, at the date of this report, Executives and employees or their related corporate entities, are entitled to purchase an aggregate of 1,306,082 (2003: 2,746,750) and 1,598,206 (2003:

Directors' Report

1,203,333) ordinary shares of the Company at \$1.58 and \$2.16 respectively. Employee options may be exercised only if the holder is still an employee at the time of exercise. The expiry date on these options is five years from the date of issue. As of 31 December 2004 all options were fully vested.

During the year ended 31 December 2004, 750,000, 1,535,668 and 978,461 employee options with an exercise price of \$0.55, \$1.58 and \$2.16 respectively were exercised resulting in the issue of 3,264,129 ordinary shares of the Company. In addition, 75,000 and 70,000 options with an exercise price of \$1.58 and \$2.16 respectively were cancelled during the year.

Further details of the Employee Option Plan are disclosed in note 29 to the financial statements.

Share Options Granted to Macquarie Equity Capital Markets

As part of the float, options were issued to Macquarie Equity Capital Markets Limited (Macquarie) in November 2000. These options entitled Macquarie to purchase an aggregate of 750,000 ordinary shares of the Company at an exercise price of \$1.896. The expiry date on these options is five years from the date of issue. Macquarie exercised 200,000 of their options on 19 November 2001 and they hold 550,000 options at 31 December 2004.

Indemnification of Officers and Auditors

During the year, the Company paid a premium in respect of a contract insuring each of the Directors of the Company (as named on page 5), the Company Secretary and each of the Executive Officers of the Company and of any related body corporate against a liability or expense incurred as such a director, secretary or executive officer to the extent permitted by law. In accordance with section 300(9) of the Corporations Act 2001 further details have not been disclosed due to confidentiality provisions in the insurance contract.

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

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

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a director or committee member). During the financial year, 6 Board meetings and 3 Audit Committee meetings were held.

Directors	Board of directors		Audit committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr P Dunai	6	6	–	–
Mr N Hamilton	6	6	–	–
Mr J Killen	6	6	3	3
Mr C O'Reilly	6	3	3	2
Mr A Richards	6	6	3	3

Directors' Report

Directors' Shareholdings

The following table sets out each Director's relevant interest held directly or through a related body corporate, in shares, debentures, and rights or options in shares or debentures of the Company, at the date of this report. For share options and performance rights, the table includes entitlements which have already vested but have not been exercised, as well as those which may, subject to meeting performance hurdles, vest at some time in the future.

Directors	Fully paid ordinary shares	Share options	Performance rights
Mr P Dunai	–	1,055,000	385,000
Mr N Hamilton	200,000	–	N/A
Mr J Killen	100,000	–	N/A
Mr C O'Reilly	10,000	–	N/A
Mr A Richards	10,000	–	N/A

During the year, 220,000 performance rights were issued to an entity related to Mr P Dunai which vest, subject to the Company's performance, over three years. Based on the Company's performance relative to its peer group and measured in accordance with the performance Plan rules, 55,000 rights issued in 2003 vested and were exercised. All these performance rights are issued subject to Mr Dunai remaining an executive of the Company.

During the year, no options were issued to Directors. On 3 November 2000, an entity related to Mr P Dunai was issued with 1,500,000 options exercisable at \$0.55 which vest in equal tranches over four years and on 1 May 2002 the same entity was issued with a further 1,500,000 options exercisable at \$2.16 which vest in equal tranches over three years. All these options are issued subject to Mr Dunai remaining an executive of the Company.

Directors' and Executives' Remuneration

Directors' and executives' remuneration packages are reviewed and approved by the Board with due regard to performance and other relevant factors.

Remuneration packages contain the following key elements:

- a) salary, fees and superannuation;
- b) benefits – including health benefits;
- c) short term incentive schemes – comprising performance related bonuses; and
- d) share options and/or performance rights.

Directors' Report

Directors

The following table discloses the remuneration of the Directors of the Company.

Name	Salary/fees and superannuation \$	Benefits \$	Short term incentive \$	Post-float option value (a) \$	Performance rights (a) \$	Total \$	Pre-float option value (a) (b) \$
Executive directors							
Mr P Dunai	439,679	5,961	184,210	290,750	155,650	1,076,250	391,200
Non-executive directors							
Mr N Hamilton (c)	76,300	–	–	–	–	76,300	10,608
Mr J Killen (d)	43,600	–	–	–	–	43,600	10,608
Mr C O'Reilly	43,600	–	–	–	–	43,600	–
Mr A Richards (e)	40,000	–	–	–	–	40,000	–

- a) In line with ASIC's requirements, the Company has adopted the following approach to the valuation of all outstanding, unvested equity based awards at 31 December 2004.
- Options and performance rights have been valued at grant date, using the Black-Scholes option pricing model under which:
 - i) performance rights are valued as zero priced options;
 - ii) the expected life of an option is assumed to be the greater of one year less than its contracted life or the actual vesting period;
 - iii) the risk free rate of interest and expected dividend yield are those that are current at the date of grant; and
 - iv) expected volatility is assumed to be the 180 day average volatility for IRESS' share price from listing to 31 December 2003. For performance rights issued during 2004, expected volatility is assumed to be the 180 day average volatility for IRESS' share price for the three years ended 31 December 2004.
 - For performance rights, the probability that all rights granted will ultimately satisfy all the performance hurdles and vest has been assumed to be 40%. The discounted value was then allocated equally across the vesting period, even though actual vesting is a function of the Company's performance over the contracted period.
- b) These options were specifically disclosed in the Company's prospectus. As these options were effectively paid for by Bridge Information Systems (Bridge) out of their proceeds from the float and did not represent an impost or charge to either the Company or subscribers to the float, the Directors consider these options represent a cost to Bridge of securing a successful sale of their shares in IRESS at the time of the float rather than a part of the remuneration arrangements of the director. Accordingly, the value of these options has not been included in the total remuneration figure.
- c) As disclosed in the Company's prospectus, on 3 November 2000, 100,000 options were issued to Chieftain Securities Limited (Chieftain) (a company of which Mr Hamilton was a director) which vested over three years and were exercisable at \$1.58. Vesting was conditional on Mr Hamilton remaining a director of the Company. During the year, Chieftain exercised all 100,000 options and subsequently sold their shares on 8 February 2005. Notwithstanding that all benefit and interest in these options/shares accrues to Chieftain, due to Mr Hamilton's common directorship, the Company's Directors have elected to disclose these options/shares against Mr Hamilton in both the Directors' Report and the Financial Statements. No other options or performance rights have been issued to Mr Hamilton.

Directors' Report

- d) During the year, the final tranche of 100,000 options issued to Mr J Killen, exercisable at \$1.58, vested. These options were issued on 3 November 2000.
- e) Mr A Richards is a nominee director appointed by Australian Stock Exchange Limited. All fees for Mr Richards' services are paid direct to ASX Operations Pty Ltd.

Details of options and performance rights held or issued to directors during the year are set out under the heading Directors' Shareholdings in the Directors' Report and in notes 25 and 26.

Executives

The following table sets out the relevant interest in share options and performance rights of the Company for each Executive held directly or through a related body corporate (excluding those of the Managing Director, which are set out on the previous page), at 31 December 2004. The table includes entitlements which have already vested but have not been exercised, as well as those which may, subject to meeting performance hurdles, vest at some time in the future. All share options had vested by 31 December 2004.

Name	Share options	Performance rights
Mr S Bland	50,000	215,000
Mr N Detering	345,000	90,000
Ms K Gross	166,666	215,000
Mr A Rudy	131,750	100,000
Mr D Walker	480,000	210,000

The following table discloses the remuneration of the five highest remunerated Executives (excluding that of the Managing Director, which is set out on the previous page) of the Company and the consolidated entity.

Name	Salary/fees and superannuation \$	Benefits \$	Short term incentive \$	Post-float option value (a) \$	Performance rights (a) \$	Total \$	Pre-float option value (a) (b) \$
Mr S Bland	218,194	5,961	94,830	28,410	87,099	434,494	–
Mr N Detering	227,628	5,961	109,000	61,445	32,136	436,170	75,313
Ms K Gross	194,041	4,841	97,010	134,417	87,099	517,408	63,645
Mr A Rudy	142,817	5,961	58,860	15,152	41,491	264,281	18,563
Mr D Walker	226,175	1,041	94,830	80,650	84,900	487,596	63,645

a) See note (a) on the previous page.

b) These options were disclosed in aggregate under options issued to employees in the Company's prospectus. As these options were effectively paid for by Bridge out of their proceeds from the float and did not represent an impost or charge to either the Company or subscribers to the float, the Directors consider these options represent a cost to Bridge of securing a successful sale of their shares in IRESS at the time of the float rather than a part of the remuneration arrangements of the executive. Accordingly, the value of these options has not been included in the total remuneration figure.

The value attributed to share options and performance rights for both Directors and Executives has not been recognised in the financial statements.

Directors' 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.298(2) of the Corporations Act 2001.

On behalf of the Directors



Mr P Dunai

Managing Director

MELBOURNE, 21 February 2005

Corporate Governance Statement

Introduction

The Board works under a set of well-established corporate governance policies that reinforce the responsibilities of all Directors in accordance with the requirements of the Corporations Act 2001 and the Australian Stock Exchange (ASX). In addition, many of the governance elements are enshrined in the Company's Constitution.

The Company's policies and corporate governance practices are reviewed annually and will continue to be developed and refined to meet the needs of the Company and best practice.

The corporate governance section of the Company's website contains various material relating to corporate governance, including Board charter, Committee charters, Code of Ethics and other information. The link to the corporate governance section of the Company's website is www.iress.com.au

Board Responsibilities

The Board has ultimate responsibility to set policy regarding the business and affairs of the Company and its subsidiaries for the benefit of the shareholders and other stakeholders of the Company. The Board is accountable to shareholders for the performance of the Group.

The Board's responsibilities and functions include, to:

- review and approve corporate strategies, budgets, plans and policies developed by management and evaluate performance of the Group against those strategies and business plans in order to:
 - monitor the performance of functions delegated to the executive team including the progress of major capital expenditure, capital management, acquisitions, divestitures and strategic commitments; and
 - assess the suitability of the Company's overall strategies, business plans and resource allocation;
- appoint a Managing Director for the ongoing management of the business and its strategies;
- regularly evaluate the performance of the Managing Director and senior management and ensure appropriate executive succession planning is conducted;
- monitor financial and business results (including the audit process) to understand at all times the financial position of the Group;
- ensure regulatory compliance and maintain adequate risk management processes;
- report to shareholders; and
- implement a culture of compliance with the highest legal and ethical standards and business practices.

In carrying out its duties, the Board meets regularly to discuss formally matters relevant to the Company, with additional meetings held as required to address specific issues.

The Board delegates management of the Company's resources to the executive team under the leadership of the Managing Director, to deliver the strategic direction and achieve the goals determined by the Board. Any powers not specifically reserved for the Board have been delegated to the executive team.

Corporate Governance Statement

Risk Management and Code of Ethics

The Company places high priority on risk identification and management has processes in place to regularly review their adequacy. The Company also has in place a system of internal controls for the identification and management of financial risk.

The Company is committed to upholding high legal, moral and ethical standards in all of its corporate activities and has adopted a Code of Ethics, which aims to strengthen its ethical climate and provide basic guidelines for situations in which ethical issues arise. The Code of Ethics applies to directors, executives, management and employees, and sets standards for ethical behaviour and business practice beyond complying with the law, and is based on the key principles whereby the Company:

- strives to do business with customers and suppliers of sound business character and reputation;
- strives to maintain the highest standard of ethical behaviour in business dealings and to behave with integrity in all dealings with customers, shareholders, government, employees, suppliers and the community;
- does not knowingly support any public or private organisation which espouses discriminatory policies or practices; and
- expects all employees to perform their duties with honesty, truthfulness and integrity.

It is the policy of the Company to comply with the letter and spirit of all applicable laws, including those relating to employment, discrimination, health, safety, trade practices and securities. The Company has also developed procedures to ensure that employees are aware of and discharge their obligations under relevant privacy laws in their handling of information provided to the Group.

No director, officer, executive or manager of the Company has authority to violate any law or to direct another employee or any other person to violate any law on behalf of the Company.

The Company's ethical practices and procedures are reviewed regularly, and processes are in place to promote and communicate these policies within the Company.

Board Composition

The Board's policy is that there should be a majority of independent, non-executive directors to ensure that Board discussions or decisions have the benefit of predominantly outside views and experience, and that the majority of Directors are free from interests and influences that may create a conflict with their duty to the Company. Maintaining a balance of experience and skills is an important factor in Board composition. Details of the skills, experience and expertise of each Director is set out on page 5.

The Board has adopted the definition of independence set out in the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX Corporate Governance Council in March 2003. The Board has developed guidelines to determine materiality thresholds for the purposes of that definition. Broadly speaking, these guidelines seek to determine whether the Director is generally free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Company currently has five Directors, one of whom is an Executive Director (the Managing Director). The remaining four Directors are non-executive, three of whom, including the Chairman, are 'independent'. Mr Richards, who represents one of the largest shareholders in the Company, Australian Stock Exchange Limited, is the only non-executive Director who does not meet the Board's definition of independence.

In the opinion of the Board, the present composition fairly represents the interests of all shareholders in the Company.

Corporate Governance Statement

Board Access to Information and Independent Advice

All Directors have unrestricted access to all employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management.

Any Director can seek independent professional advice at the Company's expense in the furtherance of his or her duties, subject to prior discussion with the Chairman. If this occurs, the Chairman must notify the other Directors of the approach, with any resulting advice received to be generally circulated to all Directors.

Appointment Term and Other Directorships

In accordance with the Company's Constitution, all Directors other than the Managing Director are required to seek re-election at least once in every three years on a rotating basis.

In order to ensure that composition of the Board will change over time, the Board has a general policy that non-executive directors should not serve for a period exceeding 12 years, and that the Chairman should not serve in that role for more than 10 years.

Directors are required continually to evaluate the number of Boards on which they serve to ensure that each can be given the time and attention required to fulfil their duties and responsibilities. Directors are required to seek approval from the Chairman prior to accepting an invitation to become a director of any corporation.

Remuneration

Non-executive directors are paid an annual fee (excluding superannuation at statutory rates) within a fixed amount approved for all non-executive directors by shareholders. The total aggregate annual amount approved for the Company is currently \$200,000 per annum, which was set in 2002. This represents a maximum amount, and the Company does not, at this time, intend distributing that full amount by way of fees.

The Company does not pay retirement benefits to directors.

For the period 1 January 2004 to 31 December 2004, Directors received an annual fee of \$40,000 for Board duties, with the Chairman receiving \$70,000; plus superannuation at statutory rates. No additional fees were paid to Directors for serving on sub-committees during the period. As members of management, executive directors, when appointed, do not receive any additional directors fee.

The fees paid to Directors take into account what is paid by comparable companies and what is necessary to attract high-calibre people to consider Board appointment. In line with general industry practice, the Board reviews its remuneration strategies in relation to non-executive directors from time to time.

Further details regarding the remuneration paid to Directors and Senior Executives of the Company and the Group are set out in the Directors' Report on pages 10 and 11.

Subject to the restriction that persons may not deal in any securities when they are in possession of price-sensitive information, directors and employees generally may only buy or sell the Company's shares in the periods immediately following any price-sensitive announcements, including the half-year and full year results and Annual General Meeting. At other times, directors dealing in the Company's shares must obtain prior approval from the Chairman.

The relevant interests of each Director in the share capital of the Company at the date of this report, as notified to the ASX pursuant to the Listing Rules and section 205G of the Corporations Act 2001, are set out on page 5 in the Directors' Report.

Corporate Governance Statement

Conflict of Interest

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are brought to the attention of all the Directors, the Company has developed protocols consistent with obligations imposed by the Corporations Act 2001 and the Listing Rules, to require each Director to disclose any contracts, offices held, interests in transactions and other directorships which may involve any potential conflict. Appropriate procedures have been adopted to ensure that, where the possibility of a material conflict arises, relevant information is not provided to the Director, and the Director does not participate in discussion on the particular issue, or vote in respect of the matter at the meeting where the matter is considered.

Board Committees

The Board has established one standing committee, namely the Audit Committee. Matters relating to issues often addressed by a Nomination and Remuneration Committee at larger publicly listed companies are dealt with by the full Board. The Company has adopted a Nomination and Remuneration charter to define these tasks and responsibilities.

The Board periodically reviews the charter for each of these areas.

The Board also delegates specific functions to ad hoc committees of directors on an 'as needs' basis. The powers delegated to these committees are set out in board resolutions. Senior executives attend board and committee meetings by invitation, whenever particular matters arise that require management presentations or participation.

Accountability and Audit

The members of the Audit Committee during the year were all non-executive directors and comprised:

- Mr J Killen (Chair);
- Mr A Richards; and
- Mr C O'Reilly.

As noted above, Mr A Richards, as nominee director for the Australian Stock Exchange Limited, is not considered an independent non-executive director.

Members of the Audit Committee are financially literate and the Board is of the opinion that the members of the committee possess sufficient financial expertise and knowledge of the industry in which the Company operates. Details of the qualifications of the Audit Committee members are included in the Directors' Report on page 5.

The Audit Committee reviews the financial statements, adequacy of financial controls and the annual external audit arrangements. It monitors the controls and financial reporting systems, applicable Company policies, national and international accounting standards and other regulatory or statutory requirements. The Committee also reviews the processes in place for the identification, management and reporting of business risk, and reviews the findings reported.

The Committee also liaises with the Company's external auditors, reviews the scope of their activities, their remuneration and independence, and advises the Board on their appointment and removal. It is Board policy that the lead external audit partner and review partner are each rotated periodically.

The Chief Financial Officer, other relevant Company officers (as required) and the lead external audit partner participate at meetings of the Audit Committee.

The Board has adopted a policy that the Company's external auditor shall not provide non-audit services that may detract from the external auditor's independence and impartiality or be perceived as doing so. The Board considers the provision by the external auditor's firm of taxation services pertaining to compliance and general taxation advice is consistent with this policy. Any other services provided by the external auditor are reviewed on a case by case basis and must be approved by the Audit Committee in advance.

Corporate Governance Statement

Financial Reporting

The Company's financial report preparation and approval process for the financial year ended 31 December 2004, involved both the Managing Director and the Chief Financial Officer giving a sign-off, to the best of their knowledge and belief, that the Company's financial report represents a true and fair view, in all material respects, of the Company's financial condition and the operating results and is in accordance with applicable accounting standards.

Nomination and Remuneration

At the December 2003 Board meeting, the Board adopted a Nomination and Remuneration Charter (the Charter) to define the Board's role and responsibility in this area. The Nomination and Remuneration function is to be performed by the full Board.

This Charter provides for periodic review of the structure and performance of the Board, Board committees and individual Directors and a framework for changes when necessary. This includes identifying suitable candidates for appointment as non-executive directors. The Charter also addresses matters such as succession and senior executive compensation policy, including short and long-term incentive plans and the Company's recruitment, retention and termination policies. The Charter provides for Directors to access the services of independent professional advisers to assist in the search for high-calibre people at all levels and ensure that the terms and conditions offered by the Company are competitive with those offered by comparable companies.

Continuous Disclosure

The Board has a disclosure policy and procedures are in place which are designed to ensure that information reported to the ASX is in accordance with the continuous disclosure requirements of its Listing Rules. The Board regularly reviews the Company's compliance with its continuous disclosure obligations. The Company Secretary is responsible for coordinating disclosure of information to the ASX, the Australian Securities and Investments Commission and shareholders.

In addition to the Company's obligations to disclose information to the ASX and to distribute information to shareholders, the Company publishes annual and half-year reports, media releases, and other relevant publications on its website, at www.iress.com.au

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and discussion of the Group's strategy and goals. The Company invites the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Independent Audit Report to the Members of IRESS Market Technology Limited

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both IRESS Market Technology Limited (the disclosing entity) and the consolidated entity, for the financial year ended 31 December 2004 as set out on pages 20 to 67. The consolidated entity comprises the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the disclosing entity are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the disclosing entity. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the disclosing entity's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Independent Audit Report to the Members of IRESS Market Technology Limited

Audit Opinion

In our opinion, the financial report of IRESS Market Technology Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the disclosing entity's and consolidated entity's financial position at 31 December 2004 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

C. Biermann

Mr C Biermann

Partner

Chartered Accountants

MELBOURNE, 21 February 2005

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Directors' Declaration

The Directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) 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.

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 P Dunai

Managing Director

MELBOURNE, 21 February 2005

Statement of Financial Performance for the Year Ended 31 December 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2	62,237	54,622	58,583	52,778
Customer data fees		(11,413)	(11,421)	(10,534)	(10,641)
Communication and other technology expenses		(3,038)	(3,014)	(2,693)	(2,676)
Employee related expenses		(14,475)	(11,589)	(11,934)	(10,084)
Other expenses including administration expenses		(1,373)	(1,303)	(1,241)	(1,139)
Facilities rent		(776)	(764)	(595)	(672)
Bad and doubtful debts		(23)	(5)	(46)	(5)
Business acquisition and discontinuation expenses		(86)	(37)	-	-
Depreciation, amortisation and diminution expenses		(3,869)	(3,919)	(3,808)	(3,895)
Share of net losses of associates and joint ventures accounted for using the equity method.	24	(2,293)	-	-	-
Profit from ordinary activities before income tax expense	2	24,891	22,570	27,732	23,666
Income tax expense relating to ordinary activities	4	(8,551)	(6,961)	(9,015)	(7,782)
Net profit		16,340	15,609	18,717	15,884
Adjustment to retained profits at 1 January 2003 as a result of the adoption of AASB 1028 "Employee Benefits"		-	(53)	-	(53)
Increase/(decrease) in foreign currency translation reserve arising on translation of self-sustaining foreign operations	19	(249)	21	-	-
Total revenue, expense and valuation adjustments recognised directly in equity		(249)	(32)	-	(53)
Total changes in equity other than those resulting from transactions with owners as owners		16,091	15,557	18,717	15,831
Earnings per Share	5				
Basic earnings per share (cents per share)		15.577	15.271		
Diluted earnings per share (cents per share)		15.234	14.934		

Notes to the financial statements are included on pages 24 to 67.

Statement of Financial Position as at 31 December 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets					
Cash assets		27,329	22,869	26,828	22,129
Receivables	6	2,395	2,454	2,274	2,412
Tax assets	7	–	80	–	–
Other financial assets	8	17	–	4,813	493
Total current assets		29,741	25,403	33,915	25,034
Non-Current Assets					
Property, plant and equipment	9	9,976	11,750	2,909	1,967
Intangible assets	10	–	1,133	–	4
Deferred tax assets	11	2,144	1,344	2,137	1,323
Investments accounted for using the equity method	24	4,600	–	–	–
Other financial assets	12	–	236	9,223	11,086
Total non-current assets		16,720	14,463	14,269	14,380
Total assets		46,461	39,866	48,184	39,414
Current Liabilities					
Payables	13	3,914	3,467	3,365	2,971
Current tax liabilities	14	2,635	533	2,303	579
Provisions	15	723	778	587	661
Total current liabilities		7,272	4,778	6,255	4,211
Non-Current Liabilities					
Provisions	16	3,978	6,974	3,978	6,974
Deferred tax liabilities		170	–	169	–
Total non-current liabilities		4,148	6,974	4,147	6,974
Total liabilities		11,420	11,752	10,402	11,185
Net assets		35,041	28,114	37,782	28,229
Equity					
Contributed equity	18	13,965	9,013	13,965	9,013
Reserves	19	(297)	(48)	–	–
Retained profits	20	21,373	19,149	23,817	19,216
Total equity		35,041	28,114	37,782	28,229

Notes to the financial statements are included on pages 24 to 67.

Statement of Cash Flows

for the Year Ended 31 December 2004

	Note	Consolidated		Company	
		Inflows (outflows)		Inflows (outflows)	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash Flows from Operating Activities					
Receipts from customers		67,163	58,506	62,398	55,360
Payments to suppliers and employees		(36,419)	(33,036)	(31,369)	(30,185)
Interest and bill discounts received		1,090	884	1,079	872
Income tax paid		(6,827)	(6,704)	(7,016)	(6,523)
Net cash provided by operating activities	22	<u>25,007</u>	<u>19,650</u>	<u>25,092</u>	<u>19,524</u>
Cash Flows from Investing Activities					
Payment for property, plant and equipment		(3,139)	(1,344)	(3,007)	(1,074)
Payment for controlled entity	22	(1,250)	(5,856)	(1,250)	(5,991)
Payment for associates and joint ventures		(6,991)	–	(6,991)	–
Proceeds from sale of property, plant and equipment		21	141	21	29
Net cash used in investing activities		<u>(11,359)</u>	<u>(7,059)</u>	<u>(11,227)</u>	<u>(7,036)</u>
Cash Flows from Financing Activities					
Proceeds from issues of equity securities		4,952	1,923	4,952	1,923
Dividends paid – members of the parent entity		(14,118)	(12,158)	(14,118)	(12,158)
Net cash used in financing activities		<u>(9,166)</u>	<u>(10,235)</u>	<u>(9,166)</u>	<u>(10,235)</u>
Net increase in cash held		4,482	2,356	4,699	2,253
Cash at the beginning of the financial year		22,869	20,492	22,129	19,876
Effects of exchange rate changes on the balance of cash held in foreign currencies		(22)	21	–	–
Cash at the end of the financial year	22	<u>27,329</u>	<u>22,869</u>	<u>26,828</u>	<u>22,129</u>

Notes to the financial statements are included on pages 24 to 67.

Notes to the Financial Statements for the Year Ended 31 December 2004

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

a) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

b) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value at the date of acquisition.

c) Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation.

- Computer software 1 year to 5 years
- Leasehold improvements 3 years
- Furniture and fittings 3 years
- Computer equipment 3 years
- Office equipment 3 years

Notes to the Financial Statements for the Year Ended 31 December 2004

d) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long service leave which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to the reporting date.

e) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

f) Foreign currency

Foreign currency transactions

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

Exchange differences are recognised in net profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
- exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

Notes to the Financial Statements for the Year Ended 31 December 2004

Foreign operations

Exchange differences are recognised in the Statement of Financial Performance in the period in which they arise, except that exchange differences relating to foreign currency monetary items, forming part of the net investment in a self-sustaining foreign operation, are transferred on consolidation to the foreign currency translation reserve.

Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are taken directly to the foreign currency translation reserve.

g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

h) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period not exceeding 5 years.

i) Income tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

During the previous financial year, the Directors elected that all wholly owned Australian entities would join a tax consolidation group. As a result, all income tax expenses, revenue, assets and liabilities of the members of the tax consolidated group are recognised in the financial statements of the parent entity. Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the income tax expense/revenue of the parent entity includes the tax contribution amounts paid or payable between the parent entity and subsidiary entities made in accordance with the agreement. The current and deferred tax assets and liabilities of the parent entity are not reduced by any amounts owing from or to subsidiary entities in accordance with the tax sharing agreement, as these amounts are recognised as inter-company receivables and payables.

j) Investments

Investments in controlled entities are recorded at cost, less provision for diminution in value. The provision is determined based on the amount of depreciation and amortisation charged in respect of the related software and goodwill on consolidation, and is recognised in the Company's books so as to align with the consolidated entity's accounting treatment for this investment.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Notes to the Financial Statements for the Year Ended 31 December 2004

k) Joint ventures

Interests in joint venture entities that are:

- partnerships are accounted for under the equity method in the company and consolidated financial statements; and
- not partnerships are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements

l) Leased assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into non-cancellable operating leases, such incentives are recognised as a liability. Lease payments are allocated between rental expense, reduction of the liability and, where appropriate, interest expense over the term of the lease.

m) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 35 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

n) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the Directors.

o) Receivables

Trade receivables and other receivables are recorded at amounts due, less any allowance for doubtful debts.

Notes to the Financial Statements for the Year Ended 31 December 2004

p) Recoverable amount of non-current assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

q) Revenue recognition

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Disposal of assets

Revenue from the disposal of assets is recognised when the consolidated entity has passed control of the assets to the buyer.

r) Customer list

Customer list is recorded at cost and amortised on a straight line basis over a period of 2 years.

s) Segmental reporting

Financial information is segmented on the basis of the following business areas, Information Services and Financial Planning.

t) Earnings per share

The method of calculating earnings per share was modified in accordance with Accounting Standard AASB 1027 "Earnings per Share". Prior year comparatives have been adjusted.

Notes to the Financial Statements for the Year Ended 31 December 2004

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

2. Profit from Ordinary Activities

Profit from ordinary activities before income tax includes the following items of revenue and expense

Revenue

Sales revenue

Rendering of services	59,994	53,715	54,620	50,573
Other revenue	1,056	43	2,788	1,343
	<u>61,050</u>	<u>53,758</u>	<u>57,408</u>	<u>51,916</u>

Interest revenue

	<u>1,187</u>	<u>864</u>	<u>1,175</u>	<u>862</u>
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Total revenues from ordinary activities

	<u>62,237</u>	<u>54,622</u>	<u>58,583</u>	<u>52,778</u>
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Proceeds from the sale of property, plant and equipment

	21	141	21	29
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Expenses

Net transfers to/(from) bad and doubtful debts provisions arising from

Other entities	23	(184)	45	(100)
	<u>23</u>	<u>(184)</u>	<u>45</u>	<u>(100)</u>

Depreciation of non-current assets

Property, plant and equipment	4,089	3,655	1,728	1,793
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Amortisation of non-current assets

Goodwill	(223)	214	–	–
Other intangibles	3	50	4	50

Diminution of investments

Controlled entities	–	–	2,076	2,051
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Operating lease rental expenses

Minimum lease payments	911	882	864	835
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Net foreign exchange (gain)/loss

	(455)	24	(431)	33
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Notes to the Financial Statements for the Year Ended 31 December 2004

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

3. Sales of Assets

Sales of assets in the ordinary course of business have given rise to the following profits/(losses)

Property, plant and equipment	8	12	9	2
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4. Income Tax

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

Profit from ordinary activities	24,891	22,570	27,732	23,666
Income tax expense calculated at 30%	7,467	6,772	8,320	7,100
Permanent differences				
Effect of higher tax rate on New Zealand profits (33%)	10	10	–	–
Effect of members' voluntary liquidation of Xplan Singapore	48	15	–	–
Amortisation of goodwill	(67)	64	–	–
Amortisation of other intangibles	1	15	1	15
Diminution in value of investment	–	–	623	616
Sundry items	71	66	55	33
Tax on share of net losses of associates and joint ventures accounted for using the equity method	688	–	–	–
Tax on transfer of licence to Canadian joint venture	322	–	–	–
	8,540	6,942	8,999	7,764

Notes to the Financial Statements for the Year Ended 31 December 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Impact of the tax consolidation system				
Consideration paid or payable to/from subsidiaries in respect of transferred deferred tax balances	-	-	454	894
Current and deferred taxes relating to transactions, events and balances of wholly owned subsidiaries in the tax consolidated group	-	-	(369)	(24)
Net income tax expense/(benefit) arising under tax sharing agreements with subsidiaries in the tax consolidated group	-	-	(85)	(870)
	-	-	-	-
Income tax under/(over) provided in prior year	11	19	16	18
Income tax attributable to profit from ordinary activities	8,551	6,961	9,015	7,782

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes, was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to IRESS Market Technology Limited.

The Directors have elected for those entities within the consolidated entity that are wholly owned Australian resident entities to be taxed as a single entity from 13 March 2003. The head entity within the tax consolidated group for the purposes of the tax consolidation system is IRESS Market Technology Limited.

Notes to the Financial Statements for the Year Ended 31 December 2004

5. Earnings per Share

	2004 Cents per share	2003 Cents per share
Basic earnings per share	15.577	15.271
Diluted earnings per share	15.234	14.934

Basic Earnings per Share

	2004 '000	2003 '000
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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 net profit in the statement of financial performance	\$	16,340	15,609
Weighted average number of ordinary shares (a) (b)	No.	104,898	102,212

- (a) Under the Performance Rights plan (refer note 28), performance is assessed annually on the anniversary of the date of granting. As none of the performance rights have a grant date of 31 December, at 31 December 2004 there is not sufficient certainty to determine the impact (if any) unvested performance rights may have. Accordingly, there has been no adjustment to either the basic or dilutive earnings per share calculations for unvested performance rights.
- (b) Share options issued by the Company (refer note 29) 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

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 net profit in the statement of financial performance	\$	16,340	15,609
Weighted average number of ordinary shares and potential ordinary shares	No.	107,260	104,520

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 (refer to footnotes (a) and (b) above)

Weighted average number of ordinary shares used in the calculation of basic EPS	104,898	102,212
Shares deemed to be issued for no consideration in respect of employee options (i.e. the dilutive impact of options in existence during the year that were exercisable at below the weighted average market price)	2,362	2,308
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	107,260	104,520
Weighted average number of converted, lapsed, or cancelled potential ordinary shares used in the calculation of diluted earnings per share		
Option to purchase ordinary shares pursuant to the employee share scheme	438	635

Notes to the Financial Statements for the Year Ended 31 December 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
6. Current Receivables				
Trade receivables	2,105	2,184	1,998	2,121
Allowance for doubtful debts	(328)	(305)	(291)	(246)
	<u>1,777</u>	<u>1,879</u>	<u>1,707</u>	<u>1,875</u>
Sundry receivables and prepayments	618	575	567	537
	<u>2,395</u>	<u>2,454</u>	<u>2,274</u>	<u>2,412</u>
7. Current Tax Assets				
Tax refund receivable	–	80	–	–
	<u>–</u>	<u>80</u>	<u>–</u>	<u>–</u>
8. Other Current Financial Assets				
Non-trade receivables from				
Wholly owned controlled entities	–	–	4,796	493
Other assets	17	–	17	–
	<u>17</u>	<u>–</u>	<u>4,813</u>	<u>493</u>

Notes to the Financial Statements for the Year Ended 31 December 2004

9. Property, Plant and Equipment

	Consolidated					
	Computer software \$'000	Leasehold improve- ments \$'000	Furniture and fittings \$'000	Computer equipment \$'000	Office equipment \$'000	Total \$'000
Gross Carrying Amount (Cost)						
Balance at 31 December 2003	20,740	445	225	7,196	87	28,693
Additions	1,134	186	4	1,509	3	2,836
Disposals/adjustments (a)	(466)	–	(9)	(852)	–	(1,327)
Balance at 31 December 2004	21,408	631	220	7,853	90	30,202
Accumulated Depreciation						
Balance at 31 December 2003	(10,532)	(397)	(202)	(5,745)	(66)	(16,943)
Disposals	(1)	(1)	3	804	–	806
Depreciation expense	(2,981)	(50)	(14)	(1,034)	(10)	(4,089)
Balance at 31 December 2004	(13,514)	(448)	(213)	(5,975)	(76)	(20,226)
Net Book Value						
At 31 December 2003	10,208	48	23	1,451	20	11,750
At 31 December 2004	7,894	183	7	1,878	14	9,976

- (a) On 31 December 2004, the company agreed to modified terms for the second payment due to the former Xplan shareholders. Under the modified arrangement the maximum dollar amount payable by IRESS for the second payment is now capped at \$5.092m (which is \$1.817 million less than the original second payment provision of \$6.909m), and the services of the key principals of the business have been secured for three years. The reduction in the second payment provision resulted in an adjustment to the value of computer software arising on the acquisition of Xplan to \$11.034m (2003: \$11.500m) a reduction of \$0.466m

Notes to the Financial Statements for the Year Ended 31 December 2004

	Company					
	Computer software \$'000	Leasehold improvements \$'000	Furniture and fittings \$'000	Computer equipment \$'000	Office equipment \$'000	Total \$'000
Gross Carrying Amount (Cost)						
Balance at 31 December 2003	9,234	445	217	7,066	86	17,048
Additions	1,134	186	4	1,394	–	2,718
Disposals	–	–	(2)	(846)	–	(848)
Balance at 31 December 2004	10,368	631	219	7,614	86	18,918
Accumulated Depreciation						
Balance at 31 December 2003	(8,695)	(397)	(200)	(5,723)	(66)	(15,081)
Disposals	(3)	(1)	2	802	–	800
Depreciation expense	(678)	(50)	(14)	(976)	(10)	(1,728)
Balance at 31 December 2004	(9,376)	(448)	(212)	(5,897)	(76)	(16,009)
Net Book Value						
At 31 December 2003	539	48	17	1,343	20	1,967
At 31 December 2004	992	183	7	1,717	10	2,909

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year				
Computer software	2,891	2,351	678	514
Leasehold improvements	50	148	50	148
Furniture and fittings	14	51	14	49
Computer equipment	1,034	1,089	976	1,067
Office equipment	10	15	10	15
	4,089	3,654	1,728	1,793

Notes to the Financial Statements for the Year Ended 31 December 2004

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

10. Intangible Assets

Goodwill

At cost (a)	-	1,343	-	-
Accumulated amortisation	-	(214)	-	-
	-	1,129	-	-

- (a) On 31 December 2004, the company agreed to modified terms for the second payment due to the former Xplan shareholders. The reduction in the second payment provision resulted in an adjustment to the value of goodwill arising on the acquisition of Xplan to nil (2003: \$1,343,000).

Trademark and customer list

At cost	200	200	200	200
Accumulated amortisation	(200)	(196)	(200)	(196)
	-	4	-	4
	-	1,133	-	4

Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year

Goodwill	(223)	214	-	-
Trademark and customer list	4	50	4	50
	219	264	4	50

Notes to the Financial Statements for the Year Ended 31 December 2004

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

11. Deferred Tax Assets

Timing differences attributable to

Parent entity	970	1,299	970	1,299
Entities in the tax consolidated group (a)	1,167	24	1,167	24
Other entities (b)	7	21	-	-
	<u>2,144</u>	<u>1,344</u>	<u>2,137</u>	<u>1,323</u>

(a) Entities in the tax consolidation group have entered into a tax sharing agreement (note 4).

(b) Wholly owned controlled entities that are not entities in the tax consolidated group.

12. Other Non-Current Financial Assets

Investment in controlled entities (refer note 35)

At cost	-	-	13,302	12,901
Diminution in value of investment	-	-	(4,079)	(2,051)
	-	-	<u>9,223</u>	<u>10,850</u>
Other	-	236	-	236
	<u>-</u>	<u>236</u>	<u>9,223</u>	<u>11,086</u>

13. Current Payables

Trade payables	1,906	2,016	1,601	1,754
Sundry creditors and accruals	1,996	1,451	1,752	1,217
Other creditors	12	-	12	-
	<u>3,914</u>	<u>3,467</u>	<u>3,365</u>	<u>2,971</u>

Notes to the Financial Statements for the Year Ended 31 December 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
14. Current Tax Liabilities				
Income tax payable attributable to				
Parent entity	3,281	1,449	2,949	1,449
Entities in the tax consolidated group (a)	(646)	(870)	(646)	(870)
Other entities	–	(46)	–	–
	<u>2,635</u>	<u>533</u>	<u>2,303</u>	<u>579</u>

(a) Entities in the tax consolidation group have entered into a tax sharing agreement (note 4).

15. Current Provisions

Employee benefits (note 27)	710	626	574	546
Dividends (note 21)	13	15	13	15
Computer equipment (note 17)	–	100	–	100
Restructuring and termination costs (note 17)	–	37	–	–
	<u>723</u>	<u>778</u>	<u>587</u>	<u>661</u>

16. Non-Current Provisions

Employee benefits (note 27)	136	65	136	65
Provision for Xplan final payment (a)	3,842	6,909	3,842	6,909
	<u>3,978</u>	<u>6,974</u>	<u>3,978</u>	<u>6,974</u>

(a) On 31 December 2004, the Company agreed to modified terms for the second payment due to the former Xplan shareholders. Under the modified arrangement the balance of outstanding payments was capped at \$5.092m of which \$1.250m was paid out to former Xplan shareholders on 31 December 2004.

Notes to the Financial Statements for the Year Ended 31 December 2004

17. Provisions

	Consolidated		
	Dividend (a)	Computer equipment (b)	Restructuring and termination costs (c)
	\$'000	\$'000	\$'000
Balance at 31 December 2003	15	100	37
Additional provisions recognised	14,116	-	-
Reductions arising from payments/other sacrifices of future economic benefits	(14,118)	(100)	(37)
Balance at 31 December 2004	13	-	-
Current (note 15)	13	-	-
	13	-	-

	Company		
	Dividend (a)	Computer equipment (b)	Restructuring and termination costs (c)
	\$'000	\$'000	\$'000
Balance at 31 December 2003	15	100	-
Additional provisions recognised	14,116	-	-
Reductions arising from payments/other sacrifices of future economic benefits	(14,118)	(100)	-
Balance at 31 December 2004	13	-	-
Current (note 15)	13	-	-
	13	-	-

- (a) The provision for dividends represents the aggregate amount of dividends declared, determined or publicly recommended on or before the reporting date, which remain undistributed at the reporting date, regardless of the extent to which they are expected to be paid in cash. At 31 December 2004, the balance represents unrepresented dividend cheques.
- (b) The provision for computer equipment represents a provision for obsolete or redundant computer and communications equipment, which may arise due to step technological innovations from time to time on this type of equipment.
- (c) The provision for restructuring and termination costs represents the present value of the Directors' best estimate of the costs directly and necessarily caused by the restructuring, that are not associated with the ongoing activities of the entity. The closing balance relates to costs associated with the closure of Xplan Technology (Singapore) Pte Ltd.

Notes to the Financial Statements for the Year Ended 31 December 2004

18. Contributed Equity

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Contributed Equity				
106,489,046 fully paid ordinary shares (2003: 102,839,917)	13,965	9,013	13,965	9,013

	2004		2003	
	No. '000	\$'000	No. '000	\$'000
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	102,840	9,013	101,155	7,090
Issue of shares under Employee Option Plan (note 29)	3,264	4,952	1,685	1,923
Issue of shares under Employee Performance Rights Plan (note 28)	385	–	–	–
Balance at end of financial year	106,489	13,965	102,840	9,013

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

Performance Rights and Share Options

Further details of the Employee Performance Rights Plan and the Employee Option Plan are contained in notes 28 and 29 to the financial statements. Details on performance rights and options issued to Directors are set out under the heading Performance Rights and Share Options in the Directors' Report.

Notes to the Financial Statements for the Year Ended 31 December 2004

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

19. Reserves

Reserves Comprise

Foreign currency translation	(297)	(48)	-	-
	<u>(297)</u>	<u>(48)</u>	<u>-</u>	<u>-</u>

Movements in Reserves

Balance at beginning of financial year	(48)	149	-	-
Transfer to retained profits	-	(218)	-	-
Translation of foreign operations	(249)	21	-	-
Balance at end of financial year	<u>(297)</u>	<u>(48)</u>	<u>-</u>	<u>-</u>

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation, and the translation of self-sustaining foreign controlled entities, are brought to account by entries made directly to the foreign currency translation reserve, as described in note 1f.

20. Retained Profits

Balance at beginning of financial year	19,149	8,009	19,216	8,019
Adjustments to opening retained profits on initial adoption of AASB 1028 'Employee Benefits'	-	(53)	-	(53)
Adjustment to opening retained profits on initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"				
Write-back of prior year dividend provision	-	7,485	-	7,485
Transfer from reserves	-	218		-
Net profit attributable to members of the parent entity	16,340	15,609	18,717	15,884
Dividends provided for or paid	(14,116)	(12,119)	(14,116)	(12,119)
Balance at end of financial year	<u>21,373</u>	<u>19,149</u>	<u>23,817</u>	<u>19,216</u>

Notes to the Financial Statements for the Year Ended 31 December 2004

21. Dividends

	31 December 2004		31 December 2003	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Fully paid ordinary shares				
Recognised amounts				
Interim dividend franked to 30%	5.5	5,814	4.5	4,615
Final dividend franked to 30% (a)	8.0	<u>8,302</u>	8.0	<u>7,549</u>
		<u>14,116</u>		<u>12,164</u>
Unrecognised amounts				
Final dividend franked to 30% (b)	10.0	<u>10,649</u>	8.0	<u>8,302</u>
		<u>10,649</u>		<u>8,302</u>

(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) The estimated value of the 2004 final dividend has been calculated based on 106,489,046 ordinary shares.

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Franking account balance (c)	10,180	9,157	10,180	9,157

(c) The prior year franking account balance has been adjusted in accordance with the New Simplified Dividend System which came into effect on 1 July 2002. As such, franking accounts are maintained on a tax paid rather than an after tax distributable profits basis.

Notes to the Financial Statements for the Year Ended 31 December 2004

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

22. Notes to the Statement of Cash Flows

Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows

Cash	27,329	22,869	26,828	22,129
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Reconciliation of Profit from Ordinary Activities after Related Income Tax to Net Cash Flows from Operating Activities

Profit from ordinary activities after related income tax	16,340	15,609	18,717	15,884
(Profit)/loss on sale of non-current assets	34	(12)	34	2
Share of associates' loss	2,293	–	–	–
Depreciation of non-current assets	4,089	3,655	1,728	1,794
Doubtful debts expense	23	5	45	5
Amortisation of intangibles & diminution of investments	(219)	264	2,081	2,101
Increase/(decrease) in deferred tax balances	170	1,057	169	1,047
Changes in net assets and liabilities, net of effect of acquisitions				
(Increase)/decrease in assets				
current receivables	35	(858)	92	(870)
current tax assets	63	(80)	–	–
other current assets	–	–	28	(1,009)
Increase/(decrease) in liabilities				
current trade payables	392	647	321	353
other current liabilities	–	292	–	154
other non-current liabilities	71	28	71	28
other provisions	(387)	(253)	–	(200)
current tax liability	2,103	(704)	1,806	235
Net cash from operating activities	25,007	19,650	25,092	19,524

Notes to the Financial Statements for the Year Ended 31 December 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Controlled Entity Acquired During the Year				
During the year neither the Company nor the consolidated entity acquired a controlled entity.				
On 13 March 2003, Xplan Technology Pty Ltd and its 100% owned subsidiary Xplan Technology (Singapore) Pte Ltd were acquired.				
Fair value of net assets recognised following acquisition of a controlled entity during the year				
Current assets				
Cash	-	135	-	-
Receivables	-	59	-	-
Deferred tax assets	-	14	-	-
Non-current assets				
Property, plant and equipment	-	60	-	-
Software	-	11,500	-	-
Current liabilities				
Payables	-	(150)	-	-
Tax liabilities	-	(8)	-	-
Provisions	-	(53)	-	-
Net assets	-	11,557	-	-
Goodwill on acquisition	-	1,343	-	-
	-	12,900	-	-
Net cash outflow following acquisition of a controlled entity during the year				
Cash (a)	1,250	5,991	-	-
Less cash balances acquired	-	(135)	-	-
	1,250	5,856	-	-

(a) As part of the modified terms for the second payment due to the former Xplan shareholders, \$1.250m was paid out to former Xplan shareholders on 31 December 2004.

Notes to the Financial Statements for the Year Ended 31 December 2004

23. Segment Information

The consolidated entity operates in two areas – Information Services and Financial Planning Services. The composition of each segment is as follows.

Information Services

The consolidated entity's information services segment activities consist of the provision of information, trading, compliance, order management, portfolio systems and related tools. The principal clients comprise Australian and New Zealand domestic equity participants.

In addition, this segment of the consolidated entity has a 50% interest in the Canadian joint venture which it equity accounts for (refer note 24). This joint venture provides execution and order routing services in Canada, and is currently developing a version of the IRESS information services product offering for the Canadian equity markets. The joint venture operations are based in Toronto, with development work for the conversion for Canadian market requirements of the IRESS products performed in Australia.

Any transactions directly between the consolidated entity and enterprises making up the Canadian joint venture are charged on an arms length basis and recognised as external sales.

Financial Planning Services

In this segment the consolidated entity provides financial planning systems and related tools to wealth management professionals. Following the discontinuation of operations in Singapore during the year this segment's activities are currently restricted to wealth management professionals located in Australia.

Segment Revenues

	External sales		Other (a)		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Information services	57,777	53,495	265	–	58,042	53,495
Financial planning	2,217	220	(265)	–	1,952	220
Total of all segments	59,994	53,715	–	–	59,994	53,715
Interest					1,187	864
Eliminations					–	–
Unallocated					1,056	43
Consolidated					62,237	54,622

(a) Other sales relate to inter-segment software usage provided on an arm's length basis. Charges commenced 1 January 2004.

Notes to the Financial Statements for the Year Ended 31 December 2004

Segment Results

	2004 \$'000	2003 \$'000
Information services		
Results from wholly owned operations	26,785	23,113
Share of net losses of equity accounted investments	(2,293)	–
Financial planning	(788)	(1,407)
Total of all segments	23,704	21,706
Eliminations	–	–
Unallocated	1,187	864
Profits from ordinary activities before income tax expense	24,891	22,570
Income tax expense relating to ordinary activities	(8,551)	(6,961)
Net profit	16,340	15,609

Other Segment Information

	Information services		Financial planning	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Carrying value of investments accounted for using the equity method	4,600	–	–	–
Acquisition of property, plant and equipment, intangible assets and other non-current assets	2,718	976	120	215
Depreciation	1,728	1,793	60	25
Amortisation	(219)	264	–	–
Other non-cash expenses other than depreciation and amortisation	396	610	180	230

Notes to the Financial Statements for the Year Ended 31 December 2004

24. Investments Accounted for using the Equity Method

Name of associate	Principal activity	Ownership interest		Consolidated carrying amount	
		2004 %	2003 %	2004 \$'000	2003 \$'000
KTG Technology Corp.	Provision of execution terminals to the Canadian equity markets	50	–	4,305	–
IRESS KTG Canada Lp	Development and commercialisation of IRESS technologies in Canada	50	–	295	–
IRESS KTG Canada Holdings Corp.	General partner to IRESS KTG Canada Lp	50	–	–	–

Consolidated	
2004 \$'000	2003 \$'000

Share of Associates' Losses

Share of associates'

Earnings before interest, tax, depreciation and amortisation	517	–
Interest revenue	14	–
Depreciation of non-current assets	(1,311)	–
Amortisation of non-current assets	(1,452)	–
Net loss before income tax	(2,232)	–
Income tax attributable to net loss	(61)	–

Share of net loss after income tax	(2,293)	–
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Movement in Investments in Associates

Equity accounted amount of investment at the beginning of the financial year	–	–
Share of profit from ordinary activities before income tax expense	(2,232)	–
Share of income tax expense related to ordinary activities	(61)	–
Share of increments in reserves	(5)	–
Acquisition of additional interests in associates (a)	6,898	–
Equity accounted amount of investment at the end of the financial year	4,600	–

(a) Actual cash outlay was \$6.991m in April 2004. The variance to \$6.898m shown above is due to foreign currency variation.

Notes to the Financial Statements for the Year Ended 31 December 2004

	Consolidated	
	2004 \$'000	2003 \$'000
Summarised Financial Position of Associates		
Current Assets	1,042	-
Non-Current Assets	3,585	-
Current Liabilities	(128)	-
Non-Current Liabilities	-	-
Net assets	<u>4,499</u>	<u>-</u>

Share of Reserves Attributable to Associates

Retained profits		
Balance at the beginning of the financial year	-	-
Share of associates' net profit(loss)	(2,293)	-
Dividends received from associates	-	-
Balance at the end of the financial year	<u>(2,293)</u>	<u>-</u>
Foreign currency translation reserve		
Balance at the beginning of the financial year	-	-
Share of associates' reserves	(101)	-
Balance at the end of the financial year	<u>(101)</u>	<u>-</u>

Contingent liabilities and capital commitments

The consolidated entity's share of the contingent liabilities, capital commitments and other expenditure commitments of associates and joint venture entities are disclosed in notes 33 and 32 respectively.

Notes to the Financial Statements for the Year Ended 31 December 2004

25. Directors' and Executives' Remuneration

The specified directors of IRESS Market Technology Limited during the year were:

- Mr N Hamilton (Chairman, non-executive director)
- Mr P Dunai (Managing Director, executive director)
- Mr J Killen (Chairman of the Audit Committee, non-executive director)
- Mr C O'Reilly (non-executive director)
- Mr A Richards (non-executive director)

The specified executives of IRESS Market Technology Limited during the year were:

- Mr S Bland (Chief Financial Officer)
- Mr N Detering (Chief Operating Officer until April 2004, Business Development from thereafter)
- Ms K Gross (General Manager, Products, Sales & Marketing)
- Mr A Rudy (General Manager Operations, appointed to executive committee in April 2004)
- Mr D Walker (Chief Technical Officer)

Specified Directors' and Specified Executives' Remuneration

The full Board in accordance with the Company's Nominations and Remuneration Charter reviews the remuneration packages of all specified directors and specified executives on an annual basis. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the Company.

Notes to the Financial Statements for the Year Ended 31 December 2004

	Primary			Post employment (a)	Equity	Equity	
	Salary & fees \$	Bonus \$	Non- monetary \$	Super- annuation \$	Post float options & performance rights (b) \$	Total \$	Pre float options (b) (c) \$
Specified directors in 2004							
Mr N Hamilton (d)	70,000	–	–	6,300	–	76,300	10,608
Mr P Dunai	403,375	169,000	5,961	51,514	446,400	1,076,250	391,200
Mr J Killen	43,600	–	–	–	–	43,600	10,608
Mr C O'Reilly	40,000	–	–	3,600	–	43,600	–
Mr A Richards	40,000	–	–	–	–	40,000	–
Specified executives in 2004							
Mr S Bland (e)	199,519	87,000	5,961	26,505	115,509	434,494	–
Mr N Detering	208,833	100,000	5,961	27,795	93,581	436,170	75,313
Ms K Gross	178,019	89,000	4,841	24,032	221,516	517,408	63,645
Mr A Rudy (f)	131,025	54,000	5,961	16,652	56,643	264,281	18,563
Mr D Walker	207,500	87,000	1,041	26,505	165,550	487,596	63,645

(a) There were no prescribed benefits or other benefits paid to specified directors or specified executives during the year.

(b) The approach and assumptions adopted in valuing options and/or performance rights granted to Directors and Executives are set out in the Directors' Report.

(c) For the Specified Directors, these options were specifically disclosed in the Company's prospectus. For the Specified Executives, these options were disclosed in aggregate in the Company's prospectus under options issued to employees. As these options were effectively paid for by Bridge Information Systems (Bridge) out of their proceeds from the float, and did not represent an impost or charge to either the Company or subscribers to the float, the Directors consider these options represent a cost to Bridge of securing a successful sale of their shares in IRESS at the time of the float rather than a part of the remuneration arrangements of the specified director/specified executive. Accordingly, the value of these options has not been included in the total remuneration figure.

(d) Please refer note (c) on page 10 of the Directors' Report for additional details on the option value included in Mr Hamilton's remuneration.

(e) Mr S Bland currently receives six weeks paid annual leave per annum.

(f) Mr A Rudy has been included for a full year in this analysis. Mr Rudy joined the executive group in April 2004.

Notes to the Financial Statements for the Year Ended 31 December 2004

During the year, the following performance rights were issued.

	Quantity
Specified director	
Mr P Dunai	220,000
Specified executives	
Mr S Bland	125,000
Mr N Detering	–
Ms K Gross	125,000
Mr A Rudy	70,000
Mr D Walker	120,000

26. Related Party and Specified Executive Disclosures

a) Equity Interests in Related Parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 35 to the financial statements.

b) Equity Interests in Associates and Joint Ventures

Details of interests in associates and joint ventures are disclosed in note 24 to the financial statements.

c) Specified Directors' and Specified Executives' Remuneration

Details of specified directors' and specified executives' remuneration are disclosed in note 25 to the financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2004

d) Specified Directors' and Specified Executives' Equity Holdings

Fully paid ordinary shares issued by IRESS Market Technology Limited to specified directors and specified executives or to a related body corporate of them

	Balance at 1/1/04 No.	Granted as remuneration No.	Received on exercise of options No.	Received on vesting of performance rights No.	Net other change No.	Balance at 31/12/04 No.	Balance held nominally No.
Specified directors							
Mr N Hamilton (a)	200,000	–	100,000	–	–	200,000	100,000
Mr P Dunai	750,000	–	1,195,000	55,000	(2,000,000)	–	–
Mr J Killen	–	–	100,000	–	–	100,000	–
Mr C O'Reilly	10,000	–	–	–	–	10,000	–
Mr A Richards	10,000	–	–	–	–	10,000	–
Specified executives							
Mr S Bland	1,888	–	100,000	30,000	(111,888)	20,000	–
Mr N Detering	2,000	–	240,000	30,000	(270,000)	2,000	–
Ms K Gross	300,000	–	358,334	30,000	(464,219)	224,115	–
Mr A Rudy	39,750	–	79,500	10,000	(44,750)	84,500	–
Mr D Walker	–	–	230,000	30,000	(260,000)	–	–

- (a) There was no change in the share holdings associated with Mr Hamilton other than the exercise of 100,000 options by Chieftain Securities Limited (Chieftain) during the year. Chieftain sold these shares on 8 February 2005. Please refer note (c) on page 10 of the Directors' Report for additional details on the options issued to Chieftain.

Notes to the Financial Statements for the Year Ended 31 December 2004

Share options issued by IRESS Market Technology Limited subsequent to listing on the Australian Stock Exchange on 3 November 2000

	Balance at 1/1/04 No.	Granted as remuneration No.	Exercised No.	Other change No.	Balance at 31/12/04 No.	Unvested balance at 1/1/04 No.	Vested during the year No.	Unvested balance at 31/12/04 No.
Specified directors								
Mr N Hamilton	-	-	-	-	-	-	-	-
Mr P Dunai	1,500,000	-	(445,000)	-	1,055,000	1,000,000	(500,000)	500,000
Mr J Killen	-	-	-	-	-	-	-	-
Mr C O'Reilly	-	-	-	-	-	-	-	-
Mr A Richards	-	-	-	-	-	-	-	-
Specified executives								
Mr S Bland	150,000	-	(100,000)	-	50,000	50,000	(50,000)	-
Mr N Detering	230,000	-	(62,500)	-	167,500	76,667	(76,667)	-
Ms K Gross	375,000	-	(208,334)	-	166,666	166,667	(166,667)	-
Mr A Rudy	80,000	-	-	-	80,000	26,667	(26,667)	-
Mr D Walker	300,000	-	-	-	300,000	100,000	(100,000)	-

Share options issued by IRESS Market Technology Limited to specified directors and specified executives, or to a related body corporate of them, at the time of listing on the Australian Stock Exchange

	Balance at 1/1/04 No.	Granted as remuneration No.	Exercised No.	Other change No.	Balance at 31/12/04 No.	Unvested balance at 1/1/04 No.	Vested during the year No.	Unvested balance at 31/12/04 No.
Specified directors								
Mr N Hamilton (a)	100,000	-	(100,000)	-	-	25,000	(25,000)	-
Mr P Dunai	750,000	-	(750,000)	-	-	375,000	(375,000)	-
Mr J Killen	100,000	-	(100,000)	-	-	25,000	(25,000)	-
Mr C O'Reilly	-	-	-	-	-	-	-	-
Mr A Richards	-	-	-	-	-	-	-	-
Specified executives								
Mr S Bland	-	-	-	-	-	-	-	-
Mr N Detering	355,000	-	(177,500)	-	177,500	177,500	(177,500)	-
Ms K Gross	150,000	-	(150,000)	-	-	150,000	(150,000)	-
Mr A Rudy	131,250	-	(79,500)	-	51,750	43,750	(43,750)	-
Mr D Walker	410,000	-	(230,000)	-	180,000	150,000	(150,000)	-

(a) Please refer note (a) above.

Notes to the Financial Statements for the Year Ended 31 December 2004

Performance Rights issued by IRESS Market Technology Limited to specified directors and specified executives, or to a related body corporate of them

	Unvested balance at 1/1/04 No.	Granted as remuneration No.	Vested No.	Unvested balance at 31/12/04 No.	Vested balance at 31/12/04 No.	Exercised No.	Vested but not exercised No.
Specified directors							
Mr N Hamilton	–	–	–	–	–	–	–
Mr P Dunai	220,000	220,000	(55,000)	385,000	–	(55,000)	–
Mr J Killen	–	–	–	–	–	–	–
Mr C O'Reilly	–	–	–	–	–	–	–
Mr A Richards	–	–	–	–	–	–	–
Specified executives							
Mr S Bland	120,000	125,000	(30,000)	215,000	–	(30,000)	–
Mr N Detering	120,000	–	(30,000)	90,000	–	(30,000)	–
Ms K Gross	120,000	125,000	(30,000)	215,000	–	(30,000)	–
Mr A Rudy	40,000	70,000	(10,000)	100,000	–	(10,000)	–
Mr D Walker	120,000	120,000	(30,000)	210,000	–	(30,000)	–

Details of the terms and conditions of the Employee Share Option plan and the Employee Performance Rights plan are set out in notes 28 and 29 respectively.

e) Other Transactions with Specified Directors

During the year, there were no transactions with specified directors or their personally related entities other than transactions associated with the specified director's remuneration, loans or equity holdings, which impacted on profit from ordinary activities before income tax.

There are no assets arising from transactions other than loans and amounts receivable in relation to equity instruments with specified directors or their personally related entities at 31 December 2004.

There are no liabilities arising from transactions other than remuneration with specified directors or their personally related entities at 31 December 2004.

f) Transactions within the Wholly Owned Group

The wholly owned group includes:

- the ultimate parent entity in the wholly owned group; and
- wholly owned controlled entities.

The ultimate parent entity in the wholly owned group is IRESS Market Technology Limited.

Details of interest expense, allowances for doubtful receivables and write-downs of receivables in respect of transactions with entities in the wholly owned group are disclosed in note 2 to the financial statements.

Amounts receivable from entities in the wholly owned group are disclosed in note 8 to the financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2004

During the financial year, the parent entity provided sales and technical support, at cost to the parent, to entities in the wholly owned group.

g) Transactions with Other Related Parties

Other related parties include:

- directors of related parties and their director-related entities; and
- other related parties.

Details of interest expense, allowances for doubtful receivables and write-downs of receivables in respect of transactions with other related parties are disclosed in note 2 to the financial statements.

During the financial year, the Directors elected for wholly owned Australian entities within the group to be taxed as a single entity from 13 March 2003. IRESS Market Technology Limited has recognised all tax balances in relation to those entities, and a corresponding payable has been recognised in those entities to compensate IRESS Market Technology Limited for tax paid on their behalf.

h) Transactions with ASX Limited

ASX Limited (ASX) has a nominated director on the Board of IRESS Market Technology Limited, as well as owning 15 million of the ordinary shares in IRESS. ASX is a major supplier of Australian equity market data to IRESS. All transactions with ASX are conducted on a full arms length basis. Total fees paid to ASX for Australian equity and related market data and associated services in 2004 was \$5,060,056.

27. Employee Benefits

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The aggregate employee benefit liability recognised and included in the financial statements is as follows				
Provision for employee benefits				
Current (note 15)	710	626	574	546
Non-current (note 16)	136	65	136	65
	<u>846</u>	<u>691</u>	<u>710</u>	<u>611</u>
	2004 No.	2003 No.	2004 No.	2003 No.
Number of employees (full time equivalent basis) and directors at end of the financial year	139	114	112	98

Notes to the Financial Statements for the Year Ended 31 December 2004

28. Employee Performance Rights Plan and Total Rights Issued

On 7 May 2003, the IRESS Employee Performance Rights Plan (the Plan) was established to assist in the attraction, retention and motivation of employees of the Company. This plan supersedes the Employee Option Plan (note 29). The key terms of the Plan are set out below.

- a) The Plan is open to full-time and part-time employees (and consultants under certain circumstances approved by the Board).
- b) The Board will determine the quantum of performance rights issued under the Plan.
- c) The total number of unvested performance rights together with options outstanding under the Employee Share Option Plan, must not exceed 7.5% of the total number of issued shares in that class at the time of the offer.
- d) The number of performance rights issued to any one individual, may not exceed in aggregate 2.25% of the total number of shares in the capital of the Company on issue at that time.
- e) For the purposes of the calculations in c) and d) above, offers pursuant to the Plan and the IRESS Employee Share Option Plan made to the Managing Director and any other executive director, which has been approved at a general meeting of members, shall be excluded.
- f) The Plan will be administered by the Board. The Board may make further rules for the operation of the Plan which are consistent with the Plan.
- g) The Plan provides for the possibility of accelerated vesting of performance rights in the event that:
 - i) a takeover bid is made to shareholders (other than as a result of an allotment approved by the Board);
 - ii) a statement is lodged with the ASX to the effect that a person has become entitled to not less than 50% of the shares (other than as a result of an allotment approved by the Board);
 - iii) the court orders a meeting to consider a scheme for the reconstruction of the Company or its amalgamation with any other companies;
 - iv) the Company passes a resolution for voluntary winding up;
 - v) an order is made for the compulsory winding up of the Company; or
 - vi) the Board so determines.
- h) Performance rights lapse in certain circumstances, including where:
 - i) the performance criteria have not been satisfied within the required time period;
 - ii) vested performance rights expire; or
 - iii) an employee or consultant ceases their employment with the Company. Refer to i) below for further details.
- i) Where an employee leaves the Company, other than for a qualifying reason, all unvested rights lapse. Where an employee leaves the Company as a result of a qualifying reason, performance rights granted in the last six months lapse but remaining unvested rights vest on a pro-rata basis having regard to the period which has elapsed between the issue of the performance rights to the employee and the employee leaving the Company. Finally, where in the Board's view there are special circumstances under which it would be unfair not to allocate shares or the cash equivalent to a departing employee, the Board has the capacity to make such an allocation of shares or cash.
- j) The quantum of performance rights issued to an employee under the Plan are modified in accordance with standard industry adjustments to reflect:
 - i) a bonus issue; or
 - ii) a reconstruction of the Company's issued capital.
- k) Performance rights will not be quoted on the ASX, however upon issuance of shares in accordance with the Plan rules, the Company will immediately apply for quotation of those shares on the ASX.

Notes to the Financial Statements for the Year Ended 31 December 2004

- l) The exercise price for a performance right holder to subscribe for and be allotted, credited as fully paid, shares arising under the Plan, is \$1, irrespective of the number of performance rights exercised on the applicable day. The \$1 fee is payable each time a performance right holder subscribes for shares under the Plan.

Performance Criteria

The following performance criteria shall apply to performance rights issued under the Plan.

Performance Ranking

The Company's performance ranking for a performance period is determined by reference to the total shareholder return of the Company during the performance period as compared to the total shareholder return for each company in a peer group of companies. The peer group of companies comprises the top 200 companies listed in the ASX/S&P 200 companies after excluding mining companies and listed property trusts. A peer company must have been in the ASX/S&P 200 companies for the entire performance period (i.e. new entrants and companies dropping out of the ASX/S&P 200 companies are excluded). The Company's ranking within that group of companies at the end of the relevant performance period determines the number of performance rights in the particular tranche that become exercisable (if any) on the following basis.

Performance ranking range	Number of performance rights exercisable.
Below 50th percentile	No rights exercisable.
50th percentile	50% of the rights in the tranche available to be exercised.
51st percentile to 74th percentile	Rights available in the tranche available to be exercised will be determined on a pro-rata basis between 50% and 100% depending on the Company's percentile performance ranking.
75th percentile or higher	100% of rights in the tranche available to be exercised.

Total shareholder return in respect of a company in a performance period, is the increase in the value of a shareholder's investment in that company during the performance period, on the basis that all dividends and other returns grossed up for franking credits, are immediately reinvested in the Company, at the closing price for the shares on the payment date of the dividend or other return.

Tranches

Performance rights will become available for exercise in three tranches as follows.

- Tranche 1 A maximum of $\frac{1}{4}$ of rights issued (in the series) become available for exercise at the end of year 1 based on the Company's performance ranking for the performance period for the tranche (year 1).
- Tranche 2 A maximum of $\frac{1}{4}$ of rights issued (in the series) become available for exercise at the end of year 2 based on the Company's performance ranking for the performance period for the tranche (years 1 & 2).
- Tranche 3 A maximum of $\frac{1}{2}$ of rights issued (in the series), plus any rights from tranches 1 & 2 which were not available to be exercised at the end of the relevant performance period, become available for exercise at the end of year 3 based on the Company's performance ranking for the performance period for the tranche (years 1, 2 & 3).

Notes to the Financial Statements for the Year Ended 31 December 2004

29. Employee Option Plan and Total Options Issued

Employee Option Plan

On 15 September 2000, the IRESS Employee Option Plan (the Option Plan) was established to assist in the attraction, retention and motivation of employees of the Company.

Following the adoption by shareholders of the IRESS Employee Performance Rights Plan at the 2003 Annual General Meeting (note 28), the Option Plan has been closed, and there will be no further issuances under this plan. Accordingly, no new employee share options were issued during the year.

The key terms of the Option Plan are set out below.

- a) The Board may offer employee options under the Option Plan to full-time or part-time employees of, or consultants to, the Company. The Board will determine the eligibility of persons and their entitlement having regard to length of service and potential contribution to the Company.
- b) No consideration is payable by employees for the grant of employee options. Options do not have any voting rights and do not participate in dividends or rights issues.
- c) Each employee option is an option to subscribe for one share in the capital of the Company. When issued, the share will rank equally with all other issued shares. Employee options may not be transferred before the option is exercised except with the consent of the Board. Quotation of the employee options on the ASX will not be sought. However the Company will ask the ASX for official quotation of shares issued on the exercise of the employee options.
- d) The number of issued and unexercised employee options which are subject to the Option Plan may not at any time exceed 7.5% of the total number of issued shares.
- e) Employee options may only be exercised if the holder is still an employee or consultant at the time of exercise.
- f) The vesting period for the employee options is determined by the Directors. Notwithstanding these vesting dates, if any person becomes the holder of a relevant interest in 50% or more of the Company's voting shares (as those terms are defined in the Corporations Act 2001) then within seven days of becoming aware of the occurrence of any such event, the Board may stipulate that some or all of the employee options are immediately exercisable or transferable.
- g) Employee options lapse on the earlier of:
 - i) the expiry of five years from the date of issue;
 - ii) the expiry of 90 business days, or any longer period which the Directors determine, after the holder of the employee option ceases to be employed by the Company as a result of retirement, death or total permanent disability;
 - iii) the expiry of 30 business days, or any longer period which the Directors determine, after the holder of the employee option ceases to be employed by, or contracted to, the Company for any other reason; or
 - iv) a determination of the Board that the holder of the employee option has acted fraudulently, dishonestly or in breach of his or her obligation to the Company.
- h) The employee options may only be exercised within the limitations imposed by the Corporations Act 2001 and the ASX Listing Rules.
- i) The exercise price of employee options is determined by the Directors.
- j) If the Company makes a bonus issue of securities to shareholders, each unexercised employee option will, on exercise, entitle its holder to receive additional shares as if the employee option had been exercised before the date of the bonus issue.
- k) If the Company makes an offer of shares pro-rata to all or substantially to all its shareholders, then there is provision for adjustment of the exercise price of unexercised options to reflect the diluting effect of the issue.

Notes to the Financial Statements for the Year Ended 31 December 2004

- l) If any reorganisation or reconstruction of the issued capital of the Company takes place (including any consolidation or division of shares or reduction or return of capital), the rights of a holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at that time, such that the number of shares issued on exercise and the exercise price of the employee option (or both) will be reconstructed in accordance with the ASX Listing Rules.

Total Options Issued

The following table summarises the valid outstanding options held by directors, executives, employees and Macquarie Equity Capital Markets Limited (Lead Manager) at 31 December 2004.

Holder	Available 31/12/03 '000 (b)	Issued '000	Exercised '000	Cancelled '000	Available 31/12/04 '000	Issued date	Exercise price (\$)	Fair value (a) (\$)	Vesting period (yrs)
Directors	750	–	750	–	–	3/11/2000	0.550	1.0432	4
	200	–	200	–	–	3/11/2000	1.580	0.4243	4
	1,500	–	445	–	1,055	1/05/2002	2.160	0.5815	3
	2,450	–	1,395	–	1,055				
Executives	1,046	–	637	–	409	3/11/2000	1.580	0.4243	4
	30	–	20	–	10	31/12/2001	1.580	0.7678	4
	875	–	251	–	624	31/12/2001	1.580	0.8065	3
	230	–	100	–	130	31/12/2001	2.160	0.5682	3
	2,181	–	1,008	–	1,173				
Employees	706	–	395	75	236	3/11/2000	1.580	0.4243	4
	40	–	–	–	40	31/12/2001	1.580	0.7678	4
	50	–	33	–	17	31/12/2001	1.580	0.8065	3
	973	–	433	70	470	31/12/2001	2.160	0.5682	3
	1,769	–	861	145	763				
Lead Manager	550	–	–	–	550	3/11/2000	1.896	0.3299	1
Total	6,950	–	3,264	145	3,541				

(a) Fair value is value per option issued calculated at the date of issue. For further details on the calculation methodology refer to the Directors' And Executives' Remuneration section of the Directors' Report. Note that in arriving at the fair value, it has been assumed all directors and staff issued options maintain continuous service for the Company throughout the vesting period. Currently these fair values are not recognised as an expense in the financial statements.

(b) Prior year closing figures have been adjusted to reflect the holding of Mr A Rudy, now being included under the Executive classification.

The difference between the market value of options issued during a financial year at the date of issue, and the total amount received from directors, executives and employees is not recognised in the financial statements. However it is included in the details of directors' and executives' remuneration, as set out in the Directors' Report.

Notes to the Financial Statements for the Year Ended 31 December 2004

30. Remuneration of Auditors

	Consolidated		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Auditor of the parent entity				
Auditing the financial report	135,500	125,172	135,500	125,172
Other services	52,000	113,589	52,000	113,589
	<u>187,500</u>	<u>238,761</u>	<u>187,500</u>	<u>238,761</u>
Related practice of parent entity auditor				
Other services	93,718	162,570	93,718	162,570
	<u>93,718</u>	<u>162,570</u>	<u>93,718</u>	<u>162,570</u>
Other auditors				
Auditing the financial report	49,464	44,356	–	–
Other services	–	–	–	–
	<u>49,464</u>	<u>44,356</u>	<u>–</u>	<u>–</u>
	<u>330,682</u>	<u>445,687</u>	<u>281,218</u>	<u>401,331</u>

31. Significant Transactions

On 8 April 2004, the Company entered into a series of agreements to create a joint venture arrangement with ITG Canada Corp. (a specialist Canadian stockbroker ultimately owned by Investment Technology Group, Inc. (NYSE:ITG) in the United States), with the aim of establishing a comprehensive integrated equities service in Canada along similar lines to the IRESS information services business in Australia.

The joint venture comprises three entities, as follows.

Entity	Nature of operations
KTG Technology Corp.	Provides Toronto Stock Exchange execution terminals to the Canadian equity markets.
IRESS KTG Canada Lp	Acts as the business entity through which the Canadianised product will be commercialised.
IRESS KTG Canada Holdings Corp.	Acts as the general partner to the limited partnership.

IRESS, through its wholly owned controlled entity IRESS Canada Holdings Limited has, for an outlay of CAD \$6.25million (plus transaction costs of CAD \$0.568m) being A \$6.991m, acquired an effective 50% holding in all three entities.

Notes to the Financial Statements for the Year Ended 31 December 2004

The impact of the Canadian joint venture on the consolidated entity results to 31 December 2004 is as set out below.

	Year ended 31 Dec 2004 \$'000
Loss from ordinary activities before income tax expense	2,293

On 31 December 2004, the Company agreed to modified terms for the second payment due to the former Xplan shareholders. Under the modified arrangement the maximum dollar amount payable by IRESS for the second payment is now capped at \$5.092m (which is \$1.817m less than the original second payment provision of \$6.909m), and the services of the key principals of the business have been secured for three years. Of the \$5.092m maximum second payment, an amount of \$1.250m was paid on 31 December 2004, leaving a provision at year-end of \$3.842m (refer note 16).

32. Commitments for Expenditure

Lease Commitments

Non-cancellable operating lease commitments are disclosed in note 34 to the financial statements.

33. Contingent Liabilities

The parent entity has given a letter of support to guarantee that the following wholly owned controlled entities will meet their debts as and when they fall due. The total liabilities of these wholly owned controlled entities (excluding amounts owed to the parent entity) are

	2004 \$'000	2003 \$'000
IRESS Market Technology (NZ) Limited	269	260
Xplan Technology Pty Ltd	105	299
Xplan Technology (Singapore) Pte Ltd (a)	–	55
	<u>374</u>	<u>614</u>

(a) This company will be de-registered on 11 April 2005 following a members' voluntary liquidation.

The Directors are of the opinion that there are no other contingent liabilities that need to be disclosed at the reporting date.

Notes to the Financial Statements for the Year Ended 31 December 2004

34. Leases

Leasing Arrangements

Operating leases relate to office facilities with lease terms of between 2 to 5 years, with an option to extend for a further 3 years. The Company/consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Non-Cancellable Operating Leases				
Not longer than 1 year	898	885	894	849
Longer than 1 year and not longer than 5 years	3,229	1,282	3,229	1,282
	<u>4,127</u>	<u>2,167</u>	<u>4,123</u>	<u>2,131</u>

35. Controlled Entities

Name of entity	Country of incorporation	Ownership interest	
		2004 %	2003 %
Parent entity			
IRESS Market Technology Limited (a)	Australia		
Controlled entities			
IRESS Market Technology (NZ) Limited	New Zealand	100	100
Xplan Technology Pty Ltd (b)	Australia	100	100
Xplan Technology (Singapore) Pte Ltd (c)	Singapore	100	100
IRESS Canada Holdings Limited	Canada	100	–

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

(b) This company is a member of the tax consolidated group.

(c) This company will be de-registered on 11 April 2005 following a members' voluntary liquidation.

Notes to the Financial Statements for the Year Ended 31 December 2004

36. Changes in the Composition of the Consolidated Entity

Name of business acquired / incorporated	Principal activity	Date of acquisition / incorporation	Proportion of shares acquired	Cost of acquisition / incorporation \$'000
IRESS Canada Holdings Limited	Holding Company	23/3/2004	100%	2,226

IRESS Canada Holdings Limited then acquired the following interests:

KTG Technology Corp.(a)	Provision of execution terminals to the Canadian equity markets	8/4/2004	50%	6,128
IRESS KTG Canada Lp (a)	Development and commercialisation of IRESS technologies in Canada	8/4/2004	50%	754
IRESS KTG Canada Holdings Corp. (a)	General partner to IRESS KTG Canada Lp	8/4/2004	50%	5

(a) These three entities are equity accounted for.

37. Subsequent Events

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

38. Financial Instruments

a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2004

b) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk at 31 December 2004.

	Average interest rate %	Variable interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash	5.32	27,328	1	27,329
Trade receivables	–	–	1,777	1,777
Sundry debtors and prepayments	–	–	618	618
		27,328	2,396	29,724
Financial liabilities				
Trade payables and accruals	–	–	3,914	3,914
Dividend payable	–	–	13	13
Employee entitlements	–	–	846	846
		–	4,773	4,773

The following table details the consolidated entity's exposure to interest rate risk at 31 December 2003.

	Average interest rate %	Variable interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash	4.83	22,868	1	22,869
Trade receivables	–	–	1,879	1,879
Sundry debtors and prepayments	–	–	575	575
		22,868	2,455	25,323
Financial liabilities				
Trade payables and accruals	–	–	3,467	3,467
Dividend payable	–	–	15	15
Employee entitlements	–	–	691	691
		–	4,173	4,173

Notes to the Financial Statements for the Year Ended 31 December 2004

c) Credit Risk

The consolidated entity does not have any significant credit risk to any single counterparty or group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial report, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

39. Impacts of Adopting the Australian Equivalent to the International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) issued by the Australian Accounting Standards Board.

The Company has a project in place to ensure it is prepared to report under A-IFRS for the half-year ending 30 June 2005 and full year ending 31 December 2005. This project has identified the significant likely differences and has plans to finalise the necessary adjustments over the next few months.

The differences between the current Australian requirements ('Australian GAAP') and A-IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below.

Regulatory bodies that promulgate Australian GAAP and A-IFRS have a number of ongoing projects that could affect the differences described below between Australian GAAP and A-IFRS, and the impact of these differences on the consolidated entity's future financial reports. The potential impacts of the adoption of A-IFRS on the consolidated entity's financial performance and financial position, including system upgrades and other implementation costs which may be incurred, have not been quantified as the actual impact will depend on the particular circumstances prevailing on adoption of A-IFRS in the half-year commencing on 1 January 2005.

It is important to understand that, while the A-IFRS accounting requirements will change the consolidated entity's reported results, this does not represent a change in the strength of the underlying business.

The key potential implications of the conversion to A-IFRS to the consolidated entity are as follows:

- Equity-based compensation in the form of performance rights, will be recognised as an expense in the period during which the employee provides related services. This new requirement will have a significant impact on the consolidated entity's reported results.
- Under the A-IFRS transitional provisions, it is not mandatory for the consolidated entity to recognise equity-based compensation as an expense where the date of grant is prior to 2 November 2002. As all options granted under the now closed IRESS Employee Share Option plan were granted prior to 2 November 2002, it is anticipated the Company will take up the exemption offered under the standard, and elect to leave the accounting treatment for these options unchanged from current practice.
- Goodwill arising on the acquisition of the consolidated entity's interest in the Canadian joint venture in April 2004 will not be amortised under A-IFRS but will be tested for impairment at least annually. As goodwill included in the carrying amount of the investment in the joint venture is not separately recognised, the entire carrying amount of the investment is tested for impairment, by comparing its recoverable with its carrying amount, whenever application of the requirements in IAS 39 indicates that the investment may be impaired.

Notes to the Financial Statements for the Year Ended 31 December 2004

- The consolidated entity holds the following non-goodwill intangible assets; software associated with the acquisition of Xplan Technology Pty Ltd in March 2003 with a value of \$9.272m at 31 December 2003, and software and customer lists associated with the consolidated entity's investment in the Canadian joint venture (refer note 31) of \$2.549m and \$0.092m respectively. The consolidated entity believes that these non-goodwill intangible assets will meet the new recognition criteria and its accounting treatment for these items, including amortisation, will remain unchanged.
- Property, plant and equipment will be measured at either cost less accumulated depreciation or a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation. A-IFRS rules will require the consolidated entity to recognise the discounted value of the make-good provisions for its leased office premises, which will be reflected as an expense.
- Income tax will be calculated based on the "balance sheet" approach, which may result in increased deferred tax assets and liabilities. It is also anticipated that there will be an increase in the goodwill recognised on the Canadian joint venture as a consequence of the difference between the fair value of the assets under Australian GAAP and under A-IFRS after the tax base of the assets acquired is taken into consideration.

Shareholder Information

The following information reflects shareholdings at 31 January 2005.

Distribution of Members and their Holdings

Size of holding	Number of ordinary shareholders	Number of option holders	Number of performance rights holders
1 – 1,000	464	–	–
1,001 – 5,000	1,189	1	8
5,001 – 10,000	314	4	8
10,001 – 100,000	186	16	45
100,001 and over	47	7	4
Total	2,200	28	65

Number of shareholders with less than a marketable parcel 9

Ordinary Share Capital

- 106,575,712 fully paid ordinary shares are held by 2,200 shareholders
- All issued ordinary shares carry one vote per share held

Options

- 3,454,288 options are held by 28 individual option holders
- Options do not carry a right to vote

Performance Rights

- 2,692,500 performance rights held by 65 individual performance rights holders
- Performance rights do not carry a right to vote

Shareholder Information

Substantial Shareholders

Ordinary shareholders	Fully paid	
	Number	Percentage
ASX Limited	15,000,000	14.07
Perennial Value Management Limited	10,043,521	9.42
Perpetual Trustees Australia Limited	8,551,095	8.02
JB Were Group Holdings Pty Ltd	7,231,388	6.79
The Goldman Sachs Group Inc	7,231,388	6.79
AMP Limited	6,978,851	6.55
Deutsche Bank AG	6,289,070	5.90
Schroder Investment Management Ltd	5,994,024	5.62
Barclays Group	5,170,933	4.85
Total	72,490,270	68.02

Twenty Largest Shareholders of Quoted Equity Securities

Ordinary shareholders	Fully paid	
	Number	Percentage
RBC Global Services Australia Nominees Pty Ltd	16,325,893	15.32
JP Morgan Australia Nominees Australia Limited	15,453,049	14.50
Australian Stock Exchange Limited	15,000,000	14.07
National Nominees Limited	10,063,878	9.44
Westpac Custodian Nominees Limited	7,509,410	7.05
Cogent Nominees Pty Limited	4,731,246	4.43
Citicorp Nominees Pty Limited	3,763,253	3.53
IOOF Investment Management Limited	2,898,412	2.72
Queensland Investment Corporation	2,613,340	2.45
ANZ Nominees Limited	1,874,151	1.76
Fortis Clearing Nominees Pty Limited	1,530,031	1.44
AMP Life Limited	1,455,043	1.37
Government Superannuation Office	1,185,724	1.11
NZGT Nominees – AIF New Zealand	1,036,649	0.97
Health Super Pty Limited	959,034	0.90
Victorian WorkCover Authority	902,641	0.85
Permanent Trustee Australia Limited	852,505	0.80
Bond Street Custodians Limited	767,970	0.72
Transport Accident Commission	760,737	0.71
MF Custodians Ltd	747,045	0.70