

Iress UK Holdings Limited

Registered in England and Wales
Company number: 08612198

Annual report and financial statements
for the year ended 31 December 2021

iress



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Corporate Directory

Nature of Business and Principal Activities

Iress UK Holdings Limited and its consolidated subsidiaries provide business-critical software solutions to banks, building societies, wealth managers, financial planners, life insurance companies, brokers and other financial services companies.

Directors

J Harris
R Kelly
J McNeill
A Morgan
A Walsh

Company Secretary

R Kelly

Registered Office (to 3 April 2022)

1 Kingmaker Court
Warwick Technology Park
Warwick
CV34 6DY

Registered Office (from 4 April 2022)

Honeybourne Place
Jessop Avenue
Cheltenham
Gloucestershire
GL50 3SY

Principal Place of Business

Honeybourne Place
Jessop Avenue
Cheltenham
Gloucestershire
GL50 3SY

Auditor

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Strategic Report

The Directors, in preparing this strategic report, which incorporates the s172(1) statement, have complied with section 414C of the Companies Act 2006.

Review of operations

Iress UK Holdings Limited ("the Parent") and its consolidated subsidiaries ("the Group" or "Iress" or "the Company") provide business-critical software solutions to banks, building societies, wealth managers, financial planners, life insurance companies, brokers and other financial services companies.

The Group is 100% owned by Iress Limited ("the Ultimate Parent") that is listed on the Australian stock exchange ("ASX").

	Software	Clients
Financial advice	Integrated financial advice software offering: <ul style="list-style-type: none"> • client management • business automation • portfolio data • research • financial planning tools 	Financial advice clients: <ul style="list-style-type: none"> • institutional advisory and independent advisory
Investment management	Global investment management and trading software including: <ul style="list-style-type: none"> • portfolio management • order and execution management • FIX services • analytical tools • connectivity 	Investment management clients: <ul style="list-style-type: none"> • investment managers • investment platforms • fund managers • private client advisers and managers • wealth managers • custodians • retail platforms
Trading & market Data	Global market data and trading software including: <ul style="list-style-type: none"> • market data • trading interfaces • order and execution management • smart order routing • FIX services 	Trading & Market Data clients: <ul style="list-style-type: none"> • institutional sell-side brokers • retail brokers • online brokers
Life and pensions	Insurance and pension sourcing software including: <ul style="list-style-type: none"> • quoting • comparison • application processing 	Life and pensions clients: <ul style="list-style-type: none"> • institutional advisory • independent advisory • insurance intermediaries
Mortgages	Multi-channel mortgage sales and origination software including: <ul style="list-style-type: none"> • quoting • comparison • application processing 	Mortgage clients: <ul style="list-style-type: none"> • mortgage lenders • mortgage intermediaries.
	Mortgage intermediary software, including: <ul style="list-style-type: none"> • mortgage comparison, • mortgage advice, and • lender connectivity. 	

The Group loss after tax for the year was £4.6 million (2020: profit £3.3 million).

The loss after tax is driven by an increase in financing costs paid to the Ultimate Parent relating to Mandatorily Redeemable Convertible Preference Shares (MRCPS) and impairment of right of use assets.

Profit before depreciation, amortisation, interest and income tax expense was £26.0 million (2020: £26.9 million), the reduction in profit reflecting increased financing cost recharges from the Ultimate Parent.

Strategic Report (continued)

Review of Operations (continued)

Dividends

During the year no in-specie dividend was declared and paid (2020: £14.0 million). No further dividends have been proposed or paid post year end.

Future developments

There remains a continued focus on growth across the Group, through implementation of Iress products to new and existing customers, ultimately resulting in a recurring licence fee for the Iress software.

During 2021, as a result of a strategic review, Iress informed the ASX that it was considering a sale of the Mortgages business. On 12 April 2022, it was announced to the ASX that this business would be retained.

On 25th July 2022, Andrew Walsh announced his intention to retire as Managing Director and CEO of Iress Ltd, the ultimate parent of Iress UK Holdings Ltd, effective 3 October 2022. Andrew Walsh will also resign as a director of Iress UK Holdings Ltd ahead of 3 October 2022.

Key performance indicators

In order to realise its strategic aims, the Company has identified areas of particular focus and has put into place a number of Key Performance Indicators (KPIs) to measure and assess progress against them. The following indicators are calculated for the continuing operations of the Company:

	2021	2020
	£'000	£'000
Revenue	87,536	84,685
Profit before depreciation, amortisation, interest and income tax expense	26,004	26,905
Net Assets (as at the end of the year)	140,520	145,158

The strong positive net assets position and continued operating cash generative nature demonstrates the resilience of the Company. Revenue has increased by 3% due to an increased number of live clients in Mortgages business and acceleration of project work across the rest of the group. Profit has fallen by 3% due to increased financing costs from the Mandatorily Redeemable Convertible Preference Shares.

During 2021, there was a simplification of the financing arrangements between the Group and its Parent and Ultimate Parent in Australia, which resulted in lower intra-group payable and receivable balances and the removal of intra-group swap arrangements.

Financial Advice, Investment Management, Trading and Market Data, and Life and Pensions ("UK")

UK revenue increased by 1.9% from £70.1 million in 2020 to £71.4 million in 2021, reflecting acceleration of project work for new and existing clients.

Mortgages

Revenue increased by 10.6% from £14.7 million in 2020 to £16.1 million in 2021, reflecting an increase in licence revenue due to two lenders going live in 2021, as well as the full year impact of the two lenders that went live in 2020.

There were no significant changes in the nature of the activities of the Company during the year.

Principal risks and uncertainties

The Ultimate Parent and the Group have an active and robust corporate governance programme designed to manage strategic and tactical risks that could impact the business. Risks are clearly identified and monitored on a regular basis.

Although resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely certain that such procedures will be effective in preventing fraud.

The key risks and uncertainties currently facing the Group relate to managing competitor and operational risk effectively.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Risk	Nature of risk	Mitigation
Information security breach and failure of critical systems	Due to the nature of Iress' business, Iress could be impacted significantly by the failure of critical systems, whether caused by error or malicious attack.	<p>Iress has increased its investment in information security in recent years in response to several factors including the increased sophistication of cyber terrorists, the increased reliance on our solutions by our customers and increased regulatory pressure from government agencies. Throughout the Iress global group, we have a dedicated information security function across jurisdictions, Board oversight through the Audit & Risk Committee and executive oversight via the Executive Risk Committee and Chief Information Security Officer.</p> <p>Iress' controls, audit and governance provide a framework for actively identifying gaps, new exposures and the development of appropriate treatment plans and include:</p> <ul style="list-style-type: none"> • Network and malware scanning and data loss prevention systems. • Mandatory information security awareness training across the business. • Comprehensive disaster recovery procedures. • Focus on redundancy for internal and critical systems. <p>Iress' Global Information Security Management System (ISMS) is certified by independent audit to meet the global ISO 27001 standard.</p>
Economic climate	<p>Economic conditions, domestically and internationally, can impact client revenue and accordingly, client demand for Iress' systems.</p> <p>The impact of COVID-19 on the Group is considered on page 9.</p> <p>The UK left the European Union on 1 January 2021.</p> <p>War in Ukraine and Sanctions on Russian citizens</p>	<p>This risk is mitigated at an Ultimate Parent level by Iress' diverse geographic presence and the Groups diverse product portfolio. In the UK, revenue is over 80% recurring (2020: over 80 % recurring) and our software is an integrated part of our clients' businesses. Through the COVID-19 pandemic and deteriorating economic conditions, this revenue remained stable. The economic outlook over the foreseeable future now looks more stable than the past 12 months.</p> <p>The impact of COVID-19 is mitigated by the recurring revenue base and cash generative nature of the Group and the Ultimate Parent. During 2020, the Ultimate Parent refinanced their debt facilities and successfully raised equity to fund acquisitions.</p> <p>The Group largely has a UK client base and has therefore seen minimal direct impact of Brexit. Indirect impacts such as the legislative landscape are not expected to have a significant impact on the Group, but continues to be monitored.</p> <p>The Group largely has a UK client base and has therefore seen minimal direct impact. The Group is exposed to indirect economic impacts that are harder to predict and are therefore being closely monitored.</p>
Regulation	Regulation can impact Iress and its clients because regulation increases the cost of doing business. Regulation may have the effect of structural changes, including consolidation or fragmentation, both of which can negatively impact Iress' client engagements.	Iress' risk management strategy includes the close monitoring of regulatory developments globally. Iress is pro-actively engaged in the development of new and existing relationships with relevant regulatory stakeholders, policy makers, and media groups to monitor the regulatory landscape. This strategy is focused on limiting potential impacts of regulatory development so that Iress may continue to service its global markets and efficiently respond to compliance requests.
Market or technology risk	The risk that a pronounced shift in technology or a pronounced change in the way market segments organise themselves and make use of Iress' technology.	Iress endeavours to manage this risk by maintaining a highly skilled and educated technology organisation and by exploring the potential utilisation or impact of emerging technologies. In the same way, Iress endeavours to manage market change by maintaining a high degree of engagement with its customers. In that regard Iress is fortunate that its customer base, being distributed geographically and being comprised of highly sophisticated industry representatives, is likely to be at the forefront of industry change and evolution.
Reputation Risk	Iress provides solutions to the financial services industry. The financial services industry is subject to significant public focus, media attention and government review. The use of technology within financial services businesses, and especially its role in processing and storing sensitive personal information, can expose both the financial services provider and providers of technology such as Iress, to reputational risk where there is a failure in a critical system or process or the release by error or mischief of personal data.	Mitigation of technology risk lies at the heart of Iress' information security function (refer to comments above under Information Security) and software development practices. The latter includes rigour in architecture, code development and testing. Iress does not outsource development of core technology, maintaining direct oversight and control.

Strategic Report (continued)

Section 172

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

The Directors are mindful of their duty to promote the success of the Group and believe they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole.

The Directors consider that in addition to the Ultimate Parent company and their shareholders, the key stakeholders are the employees, customers, suppliers and community. The Directors take seriously the views of these stakeholders in setting and implementing strategy.

In carrying out this duty, they have had regards for, amongst other matters, the areas set out below.

Consequences of any decision in the long-term

The Ultimate Parent Board Members and Leadership Team (including 3 UK directors and one UK Key Management Personnel "KMP") meet regularly to discuss and challenge the ongoing strategy for the business. Two members of the Global Leadership Team who are based in the UK (1 director and 1 KMP) lead various forums attended by the other 2 UK based UK directors to challenge and deploy this strategy in the UK. Outputs from these meetings drive the context for decisions on budgets, forecasts and the five year plan to ensure alignment with the strategic direction of the business.

Ultimate Parent Company shareholders

The Group forms part of reporting to the ASX by the Ultimate Parent, Iress Limited.

Investors are given access to the Ultimate Parent company CFO and CEO through investor conferences.

A suite of information on the Ultimate Parent is available at <https://www.iress.com/resources/investors/>

Employees

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005.

During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Company, has been continued through periodic forums (led by both Ultimate Parent and Group Directors and members of both Leadership Teams) in which employees have also been encouraged to present their suggestions and views on the Company's performance.

Information is regularly shared with all employees through all internal communication channels by Directors of the Ultimate Parent and Group and senior management.

The Board engages employees through an annual Pulse employee survey to ensure the Group's values are understood and promoted.

The business runs a hackathon event annually to allow employees from across the business to put forward new ideas for the business and then develop them to functioning software by the end of the event.

All employees are incentivised by a profit share in the event of Iress Limited meeting its profit objectives for each financial year and have an opportunity to participate in a Share Incentive Plan.

Quarterly "One Iress" awards are granted to employees nominated by their peers for making a significant contribution to the business.

The Group has a broad and diverse employee base. The Group monitors diversity under a broad definition across the general staff base and continues to observe no indicators of bias or impediments to diversity and believes Iress' diversity ratios reflect well on the Group.

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

The Ultimate Parent has partnered with the charity Talent Beyond Boundaries, who assist refugees and other displaced people in finding work internationally.

During the year the office in Warwick was closed and all Warwick based employees were transferred to remote working contracts. From the announcement of the closure, Iress entered into a collective consultation with elected employee representatives through a forum which regularly met. In this forum, Iress discussed support available to everyone impacted and responded to the feedback employees and employee representatives provided. Meeting minutes from these sessions were shared with employees and responses to all questions were published. A financial package to ease transition to remote working was also given to all affected employees.

Strategic Report (continued)

Business relationship with customers

The Group places customers at the heart of everything we do and the Board is committed to considering the customer impact of every decision made. Our software is central to our customers' businesses and maintaining the value of the Iress brand protects the recurring revenue base.

The Directors and senior management receive regular updates regarding customer relationships including customer feedback surveys.

In April 2020 the Iress Community was established. This is an online community for users of Iress software. It has provided customers and users with access to help and best practice documentation as well as access to our experts and regular updates about our software and its releases.

Business relationship with suppliers

The Group is committed to treating all our suppliers fairly.

We endeavour to pay all suppliers in line with their payment terms and, where this is not possible, we take steps to minimise the impact on the supplier.

Impact on community

Since its launch, the Iress Foundation has amplified the community support and charity activities our people were already championing, including a Workplace Giving Programme called the Iress Foundation Giving Platform. The platform provides our people with a central information source of Foundation initiatives and an easy way to get involved in Foundation activities and donate to Foundation causes. Its comprehensive analytics and reporting provide us with a deeper understanding of how our people get involved and which causes matter to them the most.

The Group has a long standing tradition of investing in local communities including programmes to support local charities and their initiatives.

Through the Iress Matching Initiative, where the Company matches monies raised for charities, we support people at Iress who want to focus on causes that are close to their hearts.

We give eligible members of our team three days of Iress Foundation Leave each year to help them give back to Iress Foundation supported charitable organisations.

Impact on environment

Iress is an office based technology company, so the impact on the environment is driven by energy use in the offices, domestic travel to clients and international travel to Australia, South Africa, Canada and France where other Iress offices are based.

Energy and carbon reporting: data for period 1 January 2021 to 31 December 2021

	2021	2020
	Tonnes of CO ²	Tonnes of CO ²
Scope 1 - Combustion of natural gas	89	167
Scope 2 - Electricity purchased and used for operations	169	216
Scope 3 - Fuel consumed for business travel in employees' cars	18	23
Total Scope 1, 2 and 3	276	406

	2021	2020
	Energy consumption GWh	Energy consumption GWh
Scope 1 - Combustion of natural gas	0.4	0.8
Scope 2 - Electricity purchased and used for operations	0.6	0.9
Scope 3 - Fuel consumed for business travel in employees' cars	0.1	0.1
Total Scope 1, 2 and 3	1.1	1.8

We have reported on all sources of GHG emissions and energy usage as required under *The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008* as amended.

Strategic Report (continued)

Energy and carbon reporting (continued)

We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.

During 2021, the Group has been responsible for 276 equivalent tonnes of carbon dioxide and used 1.1 GWh of energy. This has been calculated by including electricity and gas purchased for use.

This is the equivalent of 12.0 KWh of energy per thousand pounds of revenue.

Business conduct

The Group has policies regarding conduct, ethics and responsibilities which must be adhered to by all employees.

Impact of Brexit on the Group

There has been no significant impact of Brexit noted on the Group's performance to date. Given the predominantly domestic focus of UK clients, the Group does not expect a significant direct Brexit impact. The Group is exposed to indirect economic impacts such as changes to the legislative landscape that are not expected to be significant but are harder to predict and are therefore being closely monitored.

Impact of COVID-19 on the Group

There have been some delays in client implementations during 2021 but given the high proportion of recurring revenue and the cash generative nature of the business the Group does not expect a significant direct impact. The Group is exposed to indirect economic impacts that are harder to predict and are being closely monitored.

Iress harnessed existing technology to swiftly and seamlessly move all areas of the business to home working.

The Group did not benefit during 2021 under the Coronavirus Job Retention Scheme ("CJRS") as no employees were furloughed.

Impact of war in Ukraine and Russian Sanctions

There has been no significant impact noted on the Group's performance to date. Given the predominantly domestic focus of UK clients, the Group does not expect a significant direct impact. The Group is exposed to indirect economic impacts that are harder to predict and are therefore being closely monitored.

Approved by the Directors and signed on behalf of the Board by:



A Morgan
Director
Cheltenham
27 July 2022

Directors' Report

The Directors of Iress UK Holdings Limited and its subsidiaries ("The Group" or "Iress" or "the Company") submit the audited annual financial statements for the year ended 31 December 2021.

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Political contributions	None	
Regard for fostering relationships with suppliers, customers & others	Strategic Report	7,8
Financial risk management objectives and policy	Notes 2.4, 3.3	36,43
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Directors' indemnities

The Group made qualifying third-party indemnity provisions during the year and they remain in force at the date of this report. The third-party indemnity provisions were for the benefit of the Directors of the Group, its subsidiaries, the Ultimate Parent and fellow subsidiaries.

Research and development

We continue to invest in our software products.

Research and development expenses incurred during the year were £20.1 million (2020: £19.8 million) and £0.9 million was capitalised (2020: £0.4 million).

Going concern

As at 31 December 2021, the Group is in a net current asset position of £5.1 million (2020: £5.8 million). The Group's total current assets after net related party trade receivables exceeded its total current liabilities after net related party trade payables by £3.4 million (2020: £1.9 million). The year-end cash position of £5.6 million (2020: £5.6 million) is a result of £16.0 million (2020: £16.0 million) of excess funds being remitted to the Ultimate Parent during the year.

The Directors of the Group maintain a cash flow forecast for a year beyond the date of authorising these financial statements. This cash flow forecast has been sensitised to allow for unexpected revenue delays and this indicates that there are no reasonably plausible downside scenarios resulting in the Group having insufficient cash reserves to meet its obligations as they fall due for at least a year from the date of signing these financial statements.

In the remote event that funding is required, the Directors of the Ultimate parent have provided a letter of support to the Group and its subsidiaries which states that the Ultimate parent:

- continues to support and provide additional finance to the Group for at least a year from the signing date of the financial statements; and
- will not demand payment of loans until such time as the subsidiary is able to repay such amounts without detriment to its operation as a going concern.

Following reasonable enquiries, the Directors of the Group have an expectation that the Ultimate Parent has access to adequate resources to continue in operational existence for the foreseeable future. As part of their comprehensive assessment of whether the Ultimate Parent is a going concern, the Directors have reviewed the Ultimate Parent's cash flow and solvency forecasts for at least a year from the date of authorising the financial statements and confirmed that the Ultimate Parent is both cash generative and able to raise funds via debt and equity to fund operations and acquisitions. This was evidenced in 2020 (post the onset of COVID-19) by successfully refinancing debt and raising equity to fund acquisitions.

Directors' Report (continued)

Statement of disclosure of information to auditor

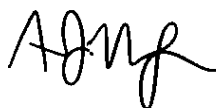
Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each Director has taken all the steps that he/she ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue as the Group's auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting in accordance with sections 485-488 of the Companies Act 2006.

Approved by the Directors and signed on behalf of the Board by:

A handwritten signature in black ink, appearing to read "A Morgan".

A Morgan
Director
Cheltenham
27 July 2022

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Parent Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Iress UK Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Iress UK Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the related notes to the consolidated financial statements 1.1 to 4.4;
- the company statement of financial position;
- the company statement of changes in equity; and
- the related notes to the company financial statements 5.1 to 5.7.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with *International Standards on Auditing (UK) (ISAs (UK)) and applicable law*. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of Iress UK Holdings Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This included the Data Protection Act 2018 (including GDPR).

We discussed among the audit engagement team the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent Auditor's Report to the Members of Iress UK Holdings Limited (continued)

As a result of performing the above, we identified the greatest potential for fraud in relation to the number of long term customer contracts within the group. We have pinpointed the significant fraud risk in revenue to revenue recognised based on future costs to complete in implementation contracts not being appropriately determined, and hence impacting the recognition of the related revenue for those contracts.

To address the risk of fraud in revenue recognition impacted by an estimate of cost to complete on percentage of completion and milestone contracts, we reviewed management's process for accounting for implementation contracts and performed the following procedure:

- obtained an understanding of the relevant controls over the group's assessment of cost to complete on percentage of completion and milestone contracts;
- observed management performance of cost to complete/milestone achievement assessment and compared to revenue recognised; and
- detailed inspection of implementation contracts and changes made in the year.

We have reviewed and challenged the revenue recognised from the implementation contracts, testing compliance with IFRS 15 Revenue from Contracts with Customers. We performed an analysis of the stage of completion and challenged management's conclusion on consistency of the cost to complete by comparing the costs forecasted at the year-end to initial budgets. We assessed the appropriateness of future forecasts and obtained evidence of milestone achievement, where applicable. We also corroborated our findings with the project management team, and noted that they were in line with our expectations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the Members of Iress UK Holdings Limited (continued)

Matters on which we are required to report by exception

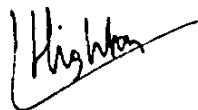
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Lee Highton FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

27 July 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

		2021	2020
	Notes	£'000	£'000
Revenue from contracts with customers	1.1	87,536	84,685
Customer data fees		(4,452)	(4,418)
Communication and other technology expenses		(7,647)	(6,544)
Employee benefit expenses	1.2	(49,772)	(52,560)
Impairment losses	2.3(b)	(1,833)	(120)
Net other income	1.6	2,172	5,862
Profit before depreciation, amortisation, interest and income tax expense		26,004	26,905
Depreciation and amortisation expense	1.7	(6,520)	(6,507)
Profit before interest and income tax expense		19,484	20,398
Interest income		331	283
Financing costs		(20,705)	(13,347)
Net interest and financing costs	3.1	(20,374)	(13,064)
(Loss)/profit before income tax expense		(890)	7,334
Income tax expense	4.1	(3,748)	(4,033)
Total comprehensive (loss)/income for the year attributable to the holding company		(4,638)	3,301

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. All of the above are from continuing operations. There are no items of other comprehensive income.

Consolidated Statement of Financial Position

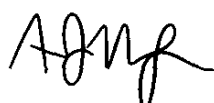
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
Current assets			
Cash and cash equivalents	1.8(a)	5,637	5,603
Receivables and other assets	2.4	9,759	9,344
Receivables with related parties	2.7(a)	10,341	36,263
Current tax receivables		927	554
Derivative assets	3.1	-	982
Total current assets		26,664	52,746
Non-current assets			
Intangible assets	2.1	223,865	225,322
Property, plant and equipment	2.2	4,657	5,774
Right-of-use assets	2.3(b)	14,639	18,661
Deferred tax assets	4.1	2,143	1,967
Total non-current assets		245,304	251,724
Total assets		271,968	304,470
LIABILITIES			
Current liabilities			
Payables and other liabilities	2.5	9,517	12,635
Lease liabilities	2.3(c)	2,227	1,898
Provisions	2.6	1,167	-
Payables with related parties	2.7(b)	8,648	32,450
Current tax payables		4	8
Total current liabilities		21,563	46,991
Non-current liabilities			
Lease liabilities	2.3(c)	15,486	17,713
Debt facilities	3.1	93,453	93,453
Deferred tax liabilities	4.1	946	1,155
Total non-current liabilities		109,885	112,321
Total liabilities		131,448	159,312
Net assets		140,520	145,158
EQUITY			
Issued capital	3.2	50,276	50,276
Retained earnings		90,244	94,882
Total equity		140,520	145,158

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

The financial statements of Iress UK Holdings Limited (registered number 08612198) on pages 17 to 66 were approved for issue by the Board of Directors on 27 July 2022.

Signed on behalf of the Board of Directors by:



A Morgan
Director
Cheltenham
27 July 2022

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Issued capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	50,276	106,526	156,802
Net profit after income tax expense	-	3,301	3,301
Total comprehensive income for the year	-	3,301	3,301
Restatement of retained earnings ⁽¹⁾	-	(985)	(985)
In-specie dividends declared and paid ⁽²⁾	-	(13,960)	(13,960)
Balance at 31 December 2020	50,276	94,882	145,158

	Issued capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	50,276	94,882	145,158
Net loss after income tax expense	-	(4,638)	(4,638)
Total comprehensive loss for the year	-	(4,638)	(4,638)
Balance at 31 December 2021	50,276	90,244	140,520

⁽¹⁾ An adjustment was made to the 2020 financial statements to correct a non-material historical consolidation adjustment which precedes the current and prior years. The effect of the correcting adjustment was to reduce retained earnings by £0.985m, increase payables with related parties by £0.999m, reduce receivables and other assets by £0.067m, reduce payables and other liabilities by £0.083m and reduce intangible assets by £0.002m.

⁽²⁾ An in-specie dividend was declared and paid to Iress International Holdings Proprietary Limited.

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

		2021	2020
	Notes	£'000	£'000
Cash flows from operating activities			
Cash generated from operating activities	1.8(b)	26,602	48,443
Interest received		331	283
Interest paid		(18,267)	(14,953)
Income taxes paid		(4,511)	(6,900)
Net cash generated from operating activities		4,155	26,873
Cash flows from investing activities			
Payments for intangible assets	2.1	(956)	(391)
Payments for purchase of plant and equipment	2.2	(899)	(5,496)
(Payments)/proceeds from sale or disposal of plant and equipment		-	(1)
Payments for acquisition of subsidiaries & businesses, net of cash acquired		-	(2,283)
Net cash utilised by investing activities		(1,855)	(8,171)
Cash flows from financing activities			
Payment of lease liabilities	2.3(e)	(1,898)	(1,249)
Interest on lease liabilities	2.3(e)	(368)	(289)
Dividends paid		-	(13,960)
Net cash utilised by financing activities		(2,266)	(15,498)
Increase in cash and cash equivalents		34	3,204
Cash and cash equivalents at the beginning of the year		5,603	2,399
Net cash and cash equivalents at end of the year	1.8(a)	5,637	5,603

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

SECTION 1. FINANCIAL RESULTS

1.1 Revenue from contracts with customers

Iress designs, develops and delivers technology solutions for the financial services industry, that are monitored as the "UK" (Financial Advice, Investment Management, Trading and Market Data, and Life and Pensions) and "Mortgages", as set out in the Strategic Report.

From these activities, Iress generates the following streams of revenue:

- Software licence revenue;
- Implementation and consulting revenue;
- Royalties revenue from provision of financial market information; and
- Other ancillary fees such as hosting and support service fees.

Each of the above services delivered to customers are considered separate performance obligations, even though for practical expedience they may be governed by a single legal contract with the customer.

Revenue recognition for each of the above revenue streams are as follows:

Revenue stream	Performance obligation	Timing of recognition
Software licence revenue	Access to software.	Software licence revenue is recognised over time as the customer simultaneously receives and consumes the benefit of accessing the software. Revenue is calculated based on the number of licences used and rate per licence, or as a negotiated package for large customers. Changes in these factors over time may impact the revenue recognised over the life of the contract. Software licence revenue is recognised as the amount to which the Group has a right to invoice. Customers can be invoiced monthly, quarterly or annually and consideration is payable when invoiced.
Implementation and consulting revenue	As defined in the contract.	Revenue is recognised over time as services are delivered. Revenue from providing services is recognised in the accounting year in which the services are rendered. Revenue is calculated based on time and materials. For fixed-price contracts, revenue is recognised based on the proportion of service provided to the end of the reporting year. Recognition is determined based on either the actual labour hours spent as a proportion of total expected hours, or the proportion of the output delivered. This requires judgement in assessing the extent to which the implementation is complete.
Royalties revenue	Provision of financial market information.	Royalties revenue is recognised over time as the customer simultaneously receives and consumes the benefit of accessing the information. Royalties revenue is recognised in the amount to which the Group has the right to invoice. Customers are typically invoiced monthly, which corresponds directly with the performance completed to date in respect of this stream.
Other ancillary fees	Provision of hosting services, cloud services, support and maintenance services.	Over time, depending on circumstances.

Some contracts include multiple deliverables, such as implementation services and software licences.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

1.1 Revenue from contracts with customers (continued)

Because the implementation services do not include material software customisation that is specific to the client and could be performed by another party, the implementation service and software licences are accounted for as separate performance obligations. In these cases, the transaction prices are allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

In fixed-price contracts, the customer pays the fixed amount based on an agreed payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised at the amount to which the Group has the right to invoice (i.e. based on hours actually incurred in providing the service to the client). Customers are invoiced monthly and consideration is payable when invoiced.

Critical accounting judgement with respect to revenue:

The recognition and measurement of revenue requires the application of judgement in assessing the extent to which client implementations are complete. This will include judgement relating to forecasted expected days, changes in implementation timing and identification of implementation revenue from contracts with multiple deliverables.

(a) Revenue by segment is summarised below:

Revenue stream	UK	Mortgages	Total
For the year ending 31 December 2020	£'000	£'000	£'000
Recurring revenue			
Software licence revenue	60,865	6,640	67,505
Royalties revenue	1,913	-	1,913
Other ancillary fees	103	-	103
Non-recurring revenue			
Implementation and consulting revenue	7,226	7,938	15,164
Total revenue	70,107	14,578	84,685

Revenue stream	UK	Mortgages	Total
For the year ending 31 December 2021	£'000	£'000	£'000
Recurring revenue			
Software licence revenue	60,451	9,360	69,811
Royalties revenue	2,330	-	2,330
Other ancillary fees	7,660	73	7,733
Non-recurring revenue			
Implementation and consulting revenue	975	6,687	7,662
Total revenue	71,416	16,120	87,536

97% of the Group's revenue is from clients based in the UK (2020: 97%). The remaining revenue is predominantly from other clients in Europe.

(b) Receivables, contract assets and contract liabilities from contracts with customers are summarised below:

	2021	2020
	£'000	£'000
Trade receivables	3,710	3,538
Contract assets	3,119	5,193
Contract liabilities	(2,684)	(2,087)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

1.1 Revenue from contracts with customers (continued)

(c) Revenue recognised in relation to contract assets and liabilities

The following table shows the revenue recognised in the current year in relation to the contract assets and contract liabilities:

	Contract Assets		Contract Liability	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Balance at the beginning of the year	5,193	7,173	(2,087)	(1,502)
Transfer from contract assets to receivables	(5,193)	(5,987)	-	-
Revenue raised for work performed but not yet billed	3,119	4,007	-	-
Decrease due to revenue recognised from performance obligations satisfied	-	-	2,087	1,497
Increase due to cash received, excluding amount recognised during the year	-	-	(2,684)	(2,082)
Balance at the end of the year	3,119	5,193	(2,684)	(2,087)

(d) Transaction price allocated to the remaining performance obligations

The following table includes the revenue on existing contracts expected to be recognised in the future which relates to performance obligations that are unsatisfied (or partially satisfied) at the reporting date:

Year transaction price is expected to be realised in	Revenue stream	£'000
2022	Software licence revenue	2,613
	Implementation and consulting revenue	2,537
	Total revenue	5,150
2023	Software licence revenue	1,868
2024	Software licence revenue	637
2025	Software licence revenue	81
Total	Software licence revenue	5,199
	Implementation and consulting revenue	2,537
	Total revenue	7,736

The Group applies the practical expedient in the revenue standard and does not disclose information about the remaining performance obligation on contracts that have an original expected duration of one year or less or where the Group has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance to date.

The table above, therefore, does not include revenue expected to be recognised in future years on software licence, royalties and other ongoing contracts where the Group will recognise revenue in the amount to which the entity has a right to invoice.

1.2 Employee benefit expenses

Short-term employee benefits mainly comprise base salary and annual leave costs. Post-employment benefits comprise Iress' contribution to defined contribution retirement plans. All are expensed as the service is received from the employee.

Termination benefits are amounts paid to employees when their employment is terminated. These are expensed when Iress can no longer withdraw the offer of the termination benefit.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

1.2 Employee benefit expenses (continued)

	Notes	2021 £'000	2020 £'000
Short-term and other employee benefits		(38,821)	(40,597)
Social security costs		(4,505)	(4,555)
Post-employment benefits		(3,847)	(3,736)
Termination benefits		-	(55)
Share-based payment expense	1.5(b)	(2,599)	(3,617)
		(49,772)	(52,560)

1.3 Director and KMP remuneration disclosures

The directors of the Company and the Group are detailed below:

Directors	Paid by Ultimate Parent	Paid by Company or Group
J Harris	✓	
R Kelly		✓
J McNeill		✓
A Morgan		✓
A Walsh	✓	

In 2021, the Key Management Personnel (KMP) remuneration disclosures include the 3 directors paid by the Group and P Quin-Conroy and S New, KMPs of the Group.

The following table provides details of remuneration paid to KMPs by the Group, being these 5 individuals (2020: 4 individuals):

	2021 £'000	2020 £'000
Short-term employee benefits	(1,024)	(801)
Post-employment benefits ⁽¹⁾	(63)	(54)
Other employee benefits ⁽²⁾	(830)	(534)
	(1,917)	(1,389)

The remuneration paid to the 3 directors by the Group, while directors of the Company, is as follows:

	2021 £'000	2020 £'000
Short-term employee benefits	(545)	(539)
Post-employment benefits ⁽¹⁾	(35)	(35)
Other employee benefits ⁽²⁾	(288)	(306)
	(868)	(880)

⁽¹⁾ This comprises of contributions to defined contribution plans

⁽²⁾ This comprises the value of shares granted during the year, recharged from the Ultimate Parent.

In 2021, 3 directors paid by the Group exercised share options (2020: 2 directors) and 3 directors accrued share options (2020: 3 directors).

3 directors paid by the Group are members of defined contribution pension schemes (2020: 3 directors).

Aggregate remuneration of the highest paid director was £0.500 million (2020: £0.508 million), including £0.235 million of receivable shares (2020: £0.245 million). The highest paid director exercised share options in the year with a value of £0.568 million (2020: £0.067 million).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

1.4 Number of employees

	2021	2020
Account Management and Sales	239	245
Product and Development	310	306
Administration	160	168
Average Number of employees	709	719

The number above is based on the monthly average number of employees employed by subsidiaries within the UK Group. There were no employees in Iress UK Holdings Limited other than the 5 Directors (2020: 5 Directors).

1.5 Share-based payments

Share-based payments are made from the Ultimate Parent. The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(a) Details of share plans

To assist in the attraction, retention and motivation of employees, the Ultimate Parent operates the following share-based payment plans:

Plan	Key terms	Performance condition	Performance / Restriction period	Dividends received before vesting	If participant leaves before end of performance period
Executive Equity Rights - From 2019	Eligible participants receive equity rights at no cost.	Individual performance criteria	2 year vesting followed by 2 year holding lock	No but dividend equivalent "top-up" on vesting	Generally forfeited (Board discretion may apply)
Executive Transition Equity Rights - In 2019	Eligible participants receive equity rights at no cost.	Individual performance criteria	2 year vesting followed by 2 year holding lock	No but dividend equivalent "top-up" on vesting	Generally forfeited (Board discretion may apply)
Executive PR Plan - From 2019	Eligible participants receive performance rights at no cost.	Absolute total shareholder return (ATSR) against hurdles	3 years	No	Generally forfeited (Board discretion may apply)
Executive PR Plan - Prior to 2019	Eligible participants receive performance rights at no cost.	Total shareholder return (TSR) against peer group	3 years	No	Generally forfeited (Board discretion may apply)
Employee Deferred Share Plan - From 2019	Eligible participants receive deferred shares at no cost.	Individual performance criteria	3 years (Vesting in equal portions annually)	Yes	Generally forfeited (Board discretion may apply)
Employee Deferred Share Plan - Prior to 2019	Eligible participants receive deferred shares at no cost.		3 years	Yes	
Employee Deferred Share Rights Plan - From 2019	Eligible participants receive deferred rights at no cost.		3 years (Vesting in equal portions annually)	Yes	
Employee Deferred Share Rights Plan - Prior to 2019	Eligible participants receive deferred rights at no cost.		3 years	No	
Onelless Equity Plan/ UK Share Incentive Plan	Eligible participants are invited to acquire Iress shares, Iress matches this participation to a set value.	Nil	3 years	Yes	Matched shares are forfeited under the UK Share Incentive Plan and released under the General Employee Share Plan and Onelless Equity Plan

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

1.5 Share-based payments (continued)

(b) Grant date fair value

The grant date fair value of the Executive LTI Plans and the Employee Deferred Share Rights Plan are independently determined using a Monte Carlo simulation option pricing model using standard option pricing inputs such as the underlying share price, exercise price, expected dividends, expected risk free rates and expected share price volatility.

Key inputs are summarised below:

Key inputs in determining grant date fair value	Executive LTI Plan	Employee Deferred Share Rights Plan
Model used	Monte Carlo	Monte Carlo
Risk free rate	0.27% - 0.34%	0.07% - 0.09%
Share price volatility	25.00%	25.00%
Dividend yield	5.25%	0.00%

As the vesting conditions of the Employee Deferred Share Plan grants are not linked to company performance and participants receive dividends during the vesting period, the grant date fair value approximates the share price at the date of grant.

			NUMBER OF SHARES					AT GRANT DATE		2021 £'000
Type	Grant date	Vesting date	At 1 Jan 2021	Granted	Forfeited	Vested	At 31 Dec 2021	Share price \$	Fair value \$	
Executive PR Plans										
2018 Grant	10 May 2018	10 May 2021	53,719	-	(16,221)	(37,498)	-	10.86	5.79	(20)
2019 Grant - PR pre 19	09 May 2019	09 May 2022	40,560	-	(16,473)	-	24,087	14.22	12.73	7
2019 Grant - ER & TER	28 Feb 2019	26 Feb 2021	127,048	-	-	(127,048)	-	12.00	12.00	(69)
2019 Grant - PR	28 Feb 2019	28 Feb 2022	86,877	-	(45,431)	-	41,446	12.00	5.54	61
2020 Grant - ER	28 Feb 2020	28 Feb 2022	79,455	-	(39,152)	-	40,303	11.86	11.86	(24)
2020 Grant - PR	28 Feb 2020	28 Feb 2023	79,455	-	(39,152)	-	40,303	7.17	3.81	(5)
2021 Grant - ER	26 Feb 2021	28 Feb 2023	-	66,339	(18,342)	-	47,997	9.19	8.27	(92)
2021 Grant - PR	26 Feb 2021	28 Feb 2024	-	66,339	(18,342)	-	47,997	9.19	2.56	(19)
			467,114	132,678	(193,113)	(164,546)	242,133			(161)
Employee Deferred Share Plan										
2018 Grant	10 May 2018	10 May 2021	250,104	-	(1,346)	(248,758)	-	10.86	10.86	(169)
2019 Grant - EAG - B	28 Feb 2019	26 Feb 2021	99,831	-	-	(99,831)	-	12.00	12.00	(52)
2019 Grant - EAG - C	28 Feb 2019	28 Feb 2022	100,323	-	(9,354)	-	90,969	12.00	12.00	(162)
2020 Grant - EAG - A	28 Feb 2020	26 Feb 2021	133,705	-	-	(133,705)	-	11.86	11.86	(137)
2020 Grant - EAG - B	28 Feb 2020	28 Feb 2022	133,705	-	(12,130)	(384)	121,191	11.86	11.86	(366)
2020 Grant - EAG - C	28 Feb 2020	28 Feb 2023	134,010	-	(12,815)	(258)	120,937	11.86	11.86	(243)
2021 Grant - EAG - A	26 Feb 2021	28 Feb 2022	-	174,574	(11,234)	-	163,340	9.19	9.19	(694)
2021 Grant - EAG - B	26 Feb 2021	28 Feb 2023	-	174,574	(11,234)	-	163,340	9.19	9.19	(347)
2021 Grant - EAG - C	26 Feb 2021	28 Feb 2024	-	174,933	(11,253)	-	163,680	9.19	9.19	(233)
			851,678	524,081	(69,366)	(482,936)	823,457			(2,403)
Employee Deferred Share Rights Plan										
2018 Grant	10 May 2018	10 May 2021	55,274	-	-	(55,274)	-	10.86	9.58	(35)
			55,274	-	-	(55,274)	-			(35)
Total			1,374,066	656,759	(262,479)	(702,756)	1,065,590			(2,599)

The weighted average remaining contractual life of the above grants is 0.9 years (2020: 1.4 years)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

1.6 Other income/(expenses)

(a) Included in other operating and other non-operating (expenses)/income are the following items:

	Notes	2021 £'000	2020 £'000
Other operating income/(expenses)			
Income from property subleasing		-	302
Fees to auditor	1.6(b)	(123)	(123)
Irrecoverable trade debtors written off		(108)	(87)
Credit loss allowances released/(recognised) to the profit and loss		150	(26)
Consultancy expenditures		(337)	(426)
Legal fees		(109)	(115)
Office costs		(1,651)	(1,938)
Marketing		(523)	(607)
Other expenses including administration expenses		(1,062)	(591)
Total net other operating expenses		(3,763)	(3,611)
Other non-operating (expenses)/income⁽¹⁾			
Realised/unrealised (losses)/gains on foreign balances		(329)	437
Business acquisition, integration and restructuring expenses ⁽¹⁾		(181)	(275)
Software licence fees		7,291	8,955
Recognition of onerous loss provision ⁽²⁾		(1,167)	-
Loss on the disposal of plant and equipment		(98)	(40)
Gains on derecognition of lease liability		-	438
Other non-operating income/(expenses)		419	(42)
Total net other non-operating income		5,935	9,473
Net other income		2,172	5,862

⁽¹⁾ Non-operating (expenses) / income are expenses or income that are unrelated to iress' core operations.

⁽²⁾ The onerous loss provision was created for the ongoing unavoidable costs for the closed Warwick Office, which is leased until 2026 and empty with no prospect of subletting or assigning. The office was closed during the year due to infrastructure challenges on the site and because employees had been working successfully away from the office since the start of the Covid-19 pandemic.

(b) Fees to auditor, Deloitte LLP, for services rendered are as follows:

	2021 £'000	2020 £'000
Auditor of the parent entity		
Audit of the financial report	(123)	(123)
Other non-audit services ⁽¹⁾	-	-
Total fees to auditor	(123)	(123)

⁽¹⁾ Other services comprise assurance and other compliance reviews.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

1.7 Depreciation and amortisation

The accounting policies are included in Notes 2.1, 2.2 and 2.3 including the respective useful economic lives.

	Notes	2021 £'000	2020 £'000
Amortisation	2.1	(2,413)	(3,002)
Depreciation - computer equipment	2.2	(1,065)	(1,192)
Depreciation - other plant and equipment	2.2	(853)	(327)
Depreciation - right-of-use assets	2.3	(2,189)	(1,986)
		(6,520)	(6,507)

1.8 Notes to the statement of cash flows

(a) Cash and cash equivalents comprise of:

	2021 £'000	2020 £'000
Cash at bank in British Pound Sterling	5,579	5,551
Cash at bank in Euros	37	22
Cash at bank in United States Dollars	21	30
Total cash and cash equivalents	5,637	5,603

(b) Reconciliation of profit attributable to members of the entity to net cash flows from operating activities:

	Notes	2021 £'000	2020 £'000
Net (loss)/profit after income tax expense		(4,638)	3,301
Adjustments for non-cash items and non-operating cash flow items:			
Depreciation and amortisation	1.7	6,520	6,507
Net credit loss allowances (reversed)/recognised on trade receivables		(150)	26
Net provision recognised on the onerous losses		1,167	-
Foreign exchanges gains		(759)	(454)
Losses/(gains) on fair value of financial instruments		982	(1,912)
Losses on sale of plant and equipment		98	40
Gains on derecognition of lease asset and liability		-	(438)
Losses on the fair value of the right-of-use-assets and lease liabilities		-	412
Impairment on right-of-use assets		1,833	-
Utilisation of non-current derivatives		1,088	-
Interest income		(331)	(283)
Interest expense		18,635	15,259
Income tax expense		3,748	4,033
Change in working capital and tax balances, net of effects from acquisition of controlled entities:			
Decrease in receivables and other assets		25,657	3,178
(Decrease)/increase in payables and other liabilities		(27,248)	18,774
Cash generated from operating activities		26,602	48,443

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

1.9 Transactions with related parties

Iress Limited ("The Ultimate Parent") is the ultimate holding company of the Group, that owns 100% (2020: 100%) ordinary shares in the immediate parent company Iress International Holdings Proprietary Limited, that in turn owns 100% (2020: 100%) ordinary shares in Iress UK Holdings Limited. The Ultimate Parent is a major supplier of equity market data to the Group.

All outstanding balances with related parties are priced on an arm's length basis, on commercial terms available in the market.

Details of borrowings from related parties and their associated terms are provided in Note 3.1.

Other receivables from/payables to related parties are on demand, unsecured and settled in cash.

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The Directors of the Ultimate Parent have provided a letter of support to the Group and its subsidiaries which states that the Ultimate Parent:

- continues to support and provide additional finance to the Group for at least a year from the signing date of the financial statements; and
- will not demand payment of loans until such time as the subsidiary is able to repay such amounts without detriment to its operation as a going concern.

The fair value of the related party receivables and payable approximates its carrying value due to its short-term nature.

The net fees charged by fellow Iress group entities amount to £13.3 million (2020: £7.7 million), largely relating to the cross charging of central costs and interest on the MRCPS that remain largely outstanding at the year-end.

Related party transactions affecting profit or loss are as follows:

	2021			2020		
	Ultimate Parent	Other related parties	Total £'000	Ultimate Parent	Other related parties	Total £'000
Fees received from related undertakings:						
Interest income	296	17	313	211	67	278
Group service fees	7,508	-	7,508	9,056	-	9,056
	7,804	17	7,821	9,267	67	9,334
	2021			2020		
	Ultimate Parent	Other related parties	Total £'000	Ultimate Parent	Other related parties	Total £'000
Fees charged by related undertakings:						
Market Data	(903)	-	(903)	(703)	-	(703)
Employee benefit recharges	(132)	(53)	(185)	-	(37)	(37)
Interest expenses	(18,253)	-	(18,253)	(14,952)	-	(14,952)
Other recharges	(1,924)	-	(1,924)	(1,321)	-	(1,321)
	(21,212)	(53)	(21,265)	(16,976)	(37)	(17,013)
Net fees (charged)/credited to related undertakings	(13,408)	(36)	(13,444)	(7,709)	30	(7,679)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

SECTION 2. ASSETS AND WORKING CAPITAL

2.1 Goodwill and other intangible assets

Intangible assets for the Group comprise goodwill arising from business combinations, customer relationships, computer software and other intangibles (mainly acquired databases and brands). Intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Goodwill recognised arose from business combinations where the fair value of the consideration paid exceeded the fair value of the assets acquired. Goodwill is considered to have an indefinite life and is not amortised as it represents the synergistic benefits of bringing the businesses together.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent year.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Customer relationships, some computer software and other intangibles were acquired as part of business combinations. These intangible assets are initially recognised at their fair value at the acquisition date. Some of the computer software was separately acquired, and initially recognised at cost. Subsequent to initial recognition, intangible assets other than goodwill are amortised over the expected useful lives noted below.

Internally generated assets will be recognised where the cost of actual development can be reliably measured and clearly distinguished from research and ongoing operating and maintenance activities. Given software development occurs contemporaneously with the research phase and operating and maintenance activities, the separation of the cost of development can be imprecise and difficult to reliably measure. Accordingly, where the expenditure related to the development activity cannot be reliably measured, the Group expenses the amounts in the year they are incurred.

The estimated useful lives, residual values and amortisation method are reviewed at the end of each year.

Amortisation is recognised on a straight-line basis over their estimated useful lives.

The following estimated useful lives are used in the amortisation calculation:

- | | |
|---------------------------|------------|
| • Goodwill | infinite |
| • Customer relationships | 5-10 years |
| • Computer software | 3-8 years |
| • Other intangible assets | 10 years |

The amortisation charge for each year is recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.1 Goodwill and other intangible assets (continued)

Research and development expenses incurred during the year were £20.1 million (2020: £19.8 million). Refer to the Directors' Report for further details.

(a) The carrying value of intangibles is shown below:

	Goodwill £'000	Customer relationships £'000	Computer software £'000	Other intangibles £'000	Total £'000
At 31 December 2020					
Cost	218,390	21,462	20,000	298	260,150
Accumulated amortisation	-	(16,643)	(18,031)	(154)	(34,828)
Net carrying amount	218,390	4,819	1,969	144	225,322
Movement for the year					
Balance at 1 January 2020	216,918	5,962	1,531	177	224,588
Acquired through business combinations	1,472	784	1,089	-	3,345
Internal development costs	-	-	391	-	391
Disposal	-	-	(1,830)	-	(1,830)
Amortisation eliminated on disposal	-	-	1,830	-	1,830
Amortisation	-	(1,927)	(1,042)	(33)	(3,002)
Balance at 31 December 2020	218,390	4,819	1,969	144	225,322
	Goodwill £'000	Customer relationships £'000	Computer software £'000	Other intangibles £'000	Total £'000
At 31 December 2021					
Cost	218,390	11,893	10,784	-	241,067
Accumulated amortisation	-	(8,574)	(8,628)	-	(17,202)
Net carrying amount	218,390	3,319	2,156	-	223,865
Movement for the year					
Balance at 1 January 2021	218,390	4,819	1,969	144	225,322
Separately acquired	-	-	63	-	63
Internal development costs	-	-	893	-	893
Disposal	-	(9,569)	(10,172)	(298)	(20,039)
Amortisation eliminated on disposal	-	9,569	10,172	298	20,039
Amortisation	-	(1,500)	(769)	(144)	(2,413)
Balance at 31 December 2021	218,390	3,319	2,156	-	223,865

Significant intangible assets

In previous years, the Group acquired Proquote, Pulse and O&M System customer contracts as part of the business combinations. The carrying amount of the Proquote and Pulse customer contracts of £2.8 million (2020: £4.8 million) will be fully amortised in 4 years (2020: 5 years). The carrying amount of the O&M Systems customer contracts of £0.5 million (2020: £0.7 million) will be fully amortised in 3 years (2020: 4 years).

(b) Impairment testing for goodwill

Goodwill is tested for impairment annually or more frequently whenever indicators of impairment are identified. In testing for impairment, the carrying amount of each Cash-Generating Unit (CGU) is compared against the recoverable amount.

The recoverable amount has been calculated based on the value in use, using a Discounted Cash Flow (DCF) approach. The DCF uses pre-tax cash flow projections that are based on the most recent five-year financial plan approved by the Board and is discounted at an appropriate pre-tax discount rate taking into account the Group's weighted average cost of capital adjusted for any risks specific to the CGU.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.1 Goodwill and other intangibles (continued)

The recoverable amount has been calculated based on the value in use, using a Discounted Cash Flow (DCF) approach. The DCF uses pre-tax cash flow projections that are based on the most recent five-year financial plan approved by the Board and is discounted at an appropriate pre-tax discount rate taking into account the Group's weighted average cost of capital adjusted for any risks specific to the CGU.

Terminal growth rates applied in the DCF take into account historic growth trends, future strategy and the long-term outlook of the business.

The allocation of goodwill to each CGU and assumptions applied in calculating the recoverable amounts of the goodwill in testing for impairment are as follows:

	Allocated Goodwill		Pre-Tax Discount Rates		Long-Term Growth Rates	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	%	%	%	%
Cash generating unit						
UK	172,985	172,985	9.0	10.9	2.7	2.7
Mortgages	45,405	45,405	9.0	10.9	2.7	2.7
	218,390	218,390				

Significant estimates and judgement made:

The cash-flow projections used in the impairment test include recurring licence revenue from clients as well as revenue growth assumptions based on actual performance to date and the most recent five year financial plan approved by the Board.

The cash flow projections included in the value in use models for each CGU assume that any delays in revenue as a result of COVID-19 are recovered in future years. This assumption is based on the impact of COVID-19 observed during the 2020 financial year which has been limited to project delays. If COVID-19 does have a longer term material impact on revenue within a CGU, then it will result in reduced headroom or impairment of the goodwill allocated to that CGU.

No impairment has been recognised at 31 December 2021 (no impairment at 31 December 2020). If either CGU is unable to realise forecast growth targets, it could result in reduced headroom or impairment of some or all of the goodwill allocated to either CGU.

Key estimates - UK

The recoverable amount of the goodwill has been calculated to be most sensitive to changes in the long-term growth rate.

For the UK CGU the value-in-use model assumes that the rate of revenue growth will increase from that achieved in 2021 over the forecast period. If that higher revenue growth rate is not achieved it is expected that forecast expenses will be reduced. However, if revenue forecasts were not achieved and expenses continued at forecast levels, the resulting reduction in margins would reduce headroom in relation to the goodwill allocated to the UK CGU.

Key estimates - Mortgages

The recoverable amount of the goodwill has been calculated to be most sensitive to changes in the revenue five year compound annual growth rate and the discount rate.

For the UK Mortgages CGU the value-in-use model assumes an increase in revenue growth from that achieved in 2021 due to new client sales across the forecast period with a corresponding increase in margin as the business scales. If the revenue growth across the forecast period is not achieved and expenses grow at forecast levels it will result in reduced headroom in relation to the goodwill allocated to the UK Mortgages CGU.

As a result of the above impairment reviews and having modelled a number of sensitivities, it was concluded that no reasonably foreseeable change in key assumptions used in the impairment model would result in a significant impairment charge being recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.2 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated straight-line depreciation and any impairment losses.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each year.

The following estimated useful lives are used in the calculation of depreciation:

- Computer equipment 3-5 years
- Furniture and fixtures 3-5 years
- Leasehold improvements 3-5 years
- Office equipment 5 years

The depreciation charge for each year is recognised in profit or loss.

Property, plant and equipment held during the year are as follows:

	Computer equipment £'000	Furniture & fixtures £'000	Leasehold improvements £'000	Office equipment £'000	Total £'000
At 31 December 2020					
Cost	5,454	1,963	2,634	21	10,072
Accumulated depreciation	(3,554)	(534)	(202)	(8)	(4,298)
Net carrying amount	1,900	1,429	2,432	13	5,774
Movement for the year					
Balance at 1 January 2020	1,602	151	59	13	1,825
Acquired through business combinations	11	-	-	-	11
Separately acquired	1,481	1,453	2,558	4	5,496
Disposal	(1,849)	(1,296)	(2)	(1)	(3,148)
Depreciation eliminated on disposal	1,847	1,259	2	1	3,109
Depreciation	(1,192)	(138)	(185)	(4)	(1,519)
Balance at 31 December 2020	1,900	1,429	2,432	13	5,774
	Computer equipment £'000	Furniture & fixtures £'000	Leasehold improvements £'000	Office equipment £'000	Total £'000
At 31 December 2021					
Cost	5,120	1,485	2,723	11	9,339
Accumulated depreciation	(3,600)	(393)	(685)	(4)	(4,682)
Net carrying amount	1,520	1,092	2,038	7	4,657
Movement for the year					
Balance at 1 January 2021	1,900	1,429	2,432	13	5,774
Separately acquired	693	21	164	21	899
Disposal	(1,027)	(499)	(75)	(31)	(1,632)
Depreciation eliminated on disposal	1,019	460	44	11	1,534
Depreciation	(1,065)	(319)	(527)	(7)	(1,918)
Balance at 31 December 2021	1,520	1,092	2,038	7	4,657

Property, plant and equipment pledged as security

The Group does not have any property, plant and equipment that have been pledged to secure borrowings of the Group. In addition, the Group does not have any obligations under finance leases or any restrictions on title and items pledged as security for liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.3 Leases

(a) Iress Group lease portfolio

The Group leases real estate in the ordinary course of its business. The Group's real estate leases comprise office building leases in the United Kingdom in which the Group operates. The non-cancellable period of these leases range from 4 to 10 years.

All leases have a 5 year break clause. There is no significant financial impact on the group as the new leases replaced existing property leases with similar terms.

(i) Group as a lessee

Right-of-use asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office and information technology equipment that have a lease term of 12 months or less or for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group's average incremental borrowing rate used is 1.95%.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustments during the periods presented.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office and information technology equipment that have a lease term of 12 months or less or for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.3 Leases (continued)

(a) Iress Group lease portfolio (continued)

(ii) Group as a lessor

When the Group acts as a lessor, which is generally when it sub-leases property on which it has entered a head lease as a lessee, it determines at the sub-lease inception whether each sub-lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case then the lease is a finance lease. If not, then it is accounted for as an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately.

It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(b) Carrying value of right-of-use assets

The Group's right-of-use assets comprise real estate leases. Right-of-use assets have finite lives and are carried at cost less accumulated depreciation.

The carrying value of right-of-use assets is presented below:

	2021	2020
	£'000	£'000
Cost	21,162	22,995
Accumulated depreciation	(6,523)	(4,334)
Net carrying amount	14,639	18,661
Balance at the beginning of the year	18,661	4,347
Acquired through business combinations	-	254
New leases entered into contract	-	16,883
Expenses capitalised to right-of-use assets	-	451
Impairment of right-of use assets	(1,833)	-
Disposal of right-of use assets from early termination	-	(900)
Fair value adjustments from modified leases	-	(388)
Depreciation	(2,189)	(1,986)
Balance at the end of the year	14,639	18,661

The impairment of the right of use asset was created for the closed Warwick Office, which is leased until 2026 and empty with no prospect of subletting or assigning. The office was closed during the year due to infrastructure challenges on the site and because employees had been working successfully away from the office since the start of the Covid-19 pandemic.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.3 Leases (continued)

(c) Lease liabilities

(i) Lease liabilities included in the statement of financial position at the end of the year:

	2021	2020
	£'000	£'000
Current	(2,227)	(1,898)
Non-current	(15,486)	(17,713)
Total	(17,713)	(19,611)

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

(ii) Reconciliation of the movement of the lease liabilities:

	2021	2020
	£'000	£'000
Balance at the beginning of the year	(19,611)	(5,019)
Lease liabilities assumed in business combination	-	(274)
Leased liabilities raised from the negotiation of new lease contracts	-	(16,881)
Leased liabilities reversed from early termination of lease contracts	-	1,338
Leased liabilities raised from changes in subsequent lease payments	-	(24)
Settlement of lease liabilities	1,898	1,249
Balance at the end of the year	(17,713)	(19,611)

(iii) Maturity analysis - contractual undiscounted cash flows:

	2021	2020
	£'000	£'000
Less than one year	2,558	2,267
More than one year and not more than five years	10,059	10,507
More than five years	4,129	8,563
Total undiscounted lease liabilities at the end of the year	16,746	21,337

(d) Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income

The table below shows the amounts recognised in the Statement of Profit or Loss affected by the application of the IFRS 16 for the current and prior year:

	2021	2020
	£'000	£'000
Depreciation expense on right-of-use assets	(2,189)	(1,986)
Interest expense on lease liabilities	(368)	(289)
Expenses relating to short-term or low value assets leases	(5)	(19)
Loss on the fair value recognition of the right-of-use-assets and lease liabilities as a result of incremental lease payments	-	(412)
Gain on the de-recognition of right-of-use assets and lease liabilities	-	438
Income from the subleasing of right-of-use assets	-	302

At 31 December 2021 and 31 December 2020, the Group was not committed to any short-term leases.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.3 Leases (continued)

(e) Amounts recognised in the Statement of Cash flow

The table below discloses the total cash flow relating to leases recognised in the Statement of Cash Flows:

	2021	2020
	£'000	£'000
Settlement of lease liabilities	(1,898)	(1,249)
Interest expense on lease liabilities	(368)	(289)
Total cash outflows for leases	(2,266)	(1,538)

(f) Operating lease arrangements

Operating leases, in which the Group is the lessor, related to sub-leased office buildings. By the end of 2020, all sub-leases had expired.

The cash outflows relating to the head leases on these buildings are included in the amounts disclosed in Note 2.3(e) above.

2.4 Receivables and other assets

Trade receivables are recognised and carried at the original invoice less an allowance for any uncollectible amounts. A credit loss allowance for estimated irrecoverable amounts is recognised in the profit or loss when there is objective evidence that the asset is impaired.

Refer to Note 1.1 for details of revenue recognition.

Where revenue recognised exceeds billings it results in a contract asset as disclosed in the table below, and where cash amounts are received in advance of revenue recognition it results in a contract liability as disclosed in Note 1.1. The contract assets accounting policy can be found at Note 1.6.

Iress' credit terms are generally 30 days from the date of invoice. As such, the carrying amount of receivables approximates their fair value.

(a) Receivables and other assets comprises:

	2021	2020
	£'000	£'000
Trade receivables	3,710	3,538
Credit loss allowance	(125)	(275)
	3,585	3,263
Contract assets	3,119	5,193
Prepayments	1,976	814
Other Assets	1,079	74
	9,759	9,344

Refer to Note 3.3 for details of foreign exchange risk arising from financial instruments.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.4 Receivables and other assets (continued)

(b) Credit loss allowance

Expected credit losses are measured by grouping trade receivables and contract assets based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

(i) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of above, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that payment is anticipated.

(ii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (i) above);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

A provision matrix is then determined based on the historic credit loss rate for each group of customers, adjusted for any material expected changes to the future credit risk for that customer group. There were no undiscounted expected credit losses at initial recognition on financial assets initially recognised during the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.4 Receivables and other assets (continued)

(b) Credit loss allowance (continued)

The credit loss allowance is based on lifetime expected credit losses.

The credit loss allowance as at the end of the year is determined as follows:

Provision matrix	2021	2020
	%	%
1 to 30 days	0.95	0.62
30 to 60 days	2.11	1.07
60 to 90 days	5.34	2.92
Over 90 days	5.64	3.01
Contract assets	0.29	0.27

Ageing of receivables	2021	2020
	£'000	£'000
1 to 30 days	3,544	2,991
30 to 60 days	75	240
60 to 90 days	-	8
Over 90 days	91	299
Total receivables	3,710	3,538
Contract assets	3,119	5,193

Estimated Credit Loss	2021	2020
	£'000	£'000
1 to 30 days	34	19
30 to 60 days	2	3
60 to 90 days	-	-
Over 90 days	5	9
Contract assets	9	14
Allowance based on historic credit losses	50	45
Adjustment for expected changes in credit risk ⁽¹⁾	75	230
Credit loss allowance	125	275

⁽¹⁾ Adjustment to reflect the higher credit risk and probability of default relating to customers that are over 90 days past due.

(c) Movement in the credit loss allowance

The movement in the credit loss allowance during the year is as follows:

	2021	2020
	£'000	£'000
Balance at the beginning of the year	(275)	(232)
Credit loss allowances released/(recognised) during the year	42	(113)
Credit loss allowance utilised during the year against irrecoverable trade debtors	108	87
Correction to historic consolidation adjustment	-	(17)
Balance at the end of the year	(125)	(275)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.4 Receivables and other assets (continued)

(d) Quality of trade receivables

The quality of trade receivables and thus credit risk is monitored by the ageing of invoiced amounts yet to be received. The ageing at the end of the year is as follows:

	2021	2020
	£'000	£'000
Neither past due nor impaired - less than 30 days	3,459	2,877
Past due but not impaired:		
+31 to 90 days	71	230
+91 days	55	156
Impaired	125	275
	3,710	3,538

Receivables that are neither past due nor impaired comprise customers with a long-term record of timely payments and/or no recent history of default arising from financial difficulty.

Receivables that are not impaired comprise customers which do not have any objective evidence that the receivable may be impaired. Iress has actively engaged these customers and reasons for the invoices remaining outstanding are being actively resolved.

A credit loss allowance is recognised where:

- Iress has identified objective evidence that an amount owing may not be recoverable, mainly arising from observed financial difficulty of a customer, or
- Iress has identified a risk of expected credit loss based on the historical trend of credit losses.

2.5 Payables and other liabilities

Payables and other liabilities are initially measured at fair value. Subsequent to initial measurement, these are recognised at amortised cost.

Liabilities are classified as current where Iress does not have an unconditional right to defer settlement beyond 12 months.

Employee related liabilities primarily comprise of employees' annual leave, on-costs and other employee related entitlements.

Contract liabilities represent amounts received from customers for which revenue has not been earned or recognised.

Due to the short-term nature of current liabilities, the carrying amount approximates fair value.

Payables and other liabilities comprise of:

		2021	2020
	Note	£'000	£'000
Trade payables		2,030	660
Accruals		1,485	1,676
Taxation fee accruals		88	84
Audit fees accrual		78	70
Contract liabilities	1.1	2,684	2,087
VAT payable		383	5,192
Employee related liabilities		2,094	2,067
Trade payables other		675	799
		9,517	12,635

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

2.5 Payables and other liabilities (continued)

Refer to Note 3.3 for details of foreign exchange risk arising from financial instruments.

Liquidity risk arises from current payables and other liabilities that are payable in less than one year. The Group manages this liquidity risk by maintaining sufficient cash and current assets to meet the contractual obligations as they arise.

Cash flow forecasts are regularly prepared and monitored to ensure that the Group has sufficient liquidity to meet its obligations.

2.6 Provisions

A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services and the obligation can be estimated reliably.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Onerous contracts represent the expected losses on non-cancellable property lease commitments no longer utilised by the Group. The amount provided for represents the present value of the future payments on the leases, net of expected income from sub-leasing the properties.

	2021	2020
	£'000	£'000
Current provisions		
Onerous losses provision	1,167	-
	1,167	-

The carrying value of the provision for onerous losses are reconciled as follows:

	2021	2020
	£'000	£'000
Balance at the beginning of the year	-	-
Provision raised during the year	1,208	-
Provision utilised during the year	(41)	-
Balance at the end of the year	1,167	-

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2021

2.7 Receivables from and payables to related parties

(a) Receivables with related parties comprise of:

	2021	2020
	£'000	£'000
Iress Data Pty Ltd	225	7,339
Iress Limited	9,948	28,334
Iress International Holding Pty Ltd	-	501
Iress Market Technology (S) Pte Ltd	1	1
QuantHouse France	38	-
QuantHouse UK Ltd	109	73
Iress MD RSA (Pty) Ltd	15	-
Iress Wealth Management Pty Ltd	5	15
Receivables with related parties	10,341	36,263

The receivables are unsecured, interest bearing at 2.88% and not considered past due or impaired. No expense has been recognised in the current year or prior year for bad or credit allowances in respect of amounts owed by related parties.

(b) Payables with related parties comprise of:

	2021	2020
	£'000	£'000
Iress Limited	8,564	17,973
Iress International Holding Pty Ltd	39	14,464
Iress Data Pty Ltd	29	11
Iress Market Technology Canada LP	-	2
Iress MD RSA (Pty) Ltd	16	-
Payables with related parties	8,648	32,450

Liquidity risk arises from current payables and other liabilities that are payable in less than one year. The Group manages this liquidity risk as described in Note 2.5.

The fair value of the related party receivables and payables approximates their carrying value due to their short-term nature.

No guarantees have been given or received.

2.8 Commitments and contingencies

(a) Capital commitments

No capital expenditure has been contracted or provided for at balance date (2020: £Nil).

(b) Contingent liabilities

There are no material contingent liabilities that have been contracted or provided for at the reporting date.

(c) Contingent assets

There are no material contingent assets that have been contracted or provided for at the reporting date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

SECTION 3. DEBT AND EQUITY

3.1 Debt facilities and derivatives

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any gains or losses are recognised in the Statement of Profit or Loss in the event the borrowings are derecognised. Borrowing costs are recognised in the profit and loss in the year in which they are incurred.

Interest expenses are recognised using the effective interest rate method.

(a) Details of borrowings held by the Group at the end of the year are as follows:

	2021	2020
	£'000	£'000
Non-current		
50 year - Mandatorily Redeemable Convertible Preference Shares issued 26 October 2015, at default 6% per annum.	23,500	23,500
50 year - Mandatorily Redeemable Convertible Preference Shares issued 30 December 2016, at default 6% per annum.	36,953	36,953
50 year - Mandatorily Redeemable Convertible Preference Shares issued 9 September 2013, at default 6% per annum. Transferred from Apollo I Australia Pty Ltd as general partner for Iress (AUS) Limited Partnership to Iress International Holding Pty Ltd on 31 October 2017.	-	33,000
50 year - Mandatorily Redeemable Convertible Preference Shares issued 14 September 2021, at default 6% per annum.	33,000	-
Total borrowings	93,453	93,453

All the above borrowings are with the Ultimate Parent or fellow subsidiaries. The preference shares do not carry any equity component and are classified as financial liabilities in their entirety. The 50 year - Mandatorily Redeemable Convertible Preference Shares borrowings are unsecured at a default interest rate of 6% per annum, unless expressly agreed in writing by the Company and the Holder. The average MRCPS interest rate was 23% from January to June 2021 (2020: 16%) and 18.5% from July to December 2021 (2020 16%).

(b) Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently revalued to fair value at the end of each year.

The derivative below is an internal cross currency swap between the Parent (the ultimate holding company) and Iress UK Limited.

	2021	2020
	£'000	£'000
Current		
Assets at fair value		
3 year receive AUD / pay GBP to September 2021	-	982

The fair value of the derivative is determined by calculating the future cash flows that are estimated based on forward interest rates and exchange rates (from observable yield curves at the end of the reporting year) and contract interest rates, and then discounting the future cash flows at a rate that reflects the credit risk of various counterparties. The latest spot rate is used.

The fair value is classified as Level 2 as the calculation is based on observable inputs. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

No credit risk adjustments have been recognised on the fair value of the derivative assets as these are immaterial.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

3.1 Debt facilities and derivatives (continued)

(c) Contractual maturity analysis

Contractual cash outflow maturity analysis is shown based on undiscounted cash flows. An estimate – based on forward interest rates and foreign currency rates – has been applied in determining interest and foreign cash outflows/(inflows). The actual contractual outflow may vary to the amounts disclosed.

31 December 2020	On demand	Within 1 year	1-3 years	Greater than 3 years
Outflows/(inflows)	£'000	£'000	£'000	£'000
50 year MRCPS - principal	-	-	-	93,453
50 year MRCPS - interest	-	5,607	11,214	233,059
3 year cross currency swap - principal exchange ⁽¹⁾	-	(878)	-	-
3 year cross currency swap - interest ⁽¹⁾	-	(2)	-	-
	-	4,727	11,214	326,512

31 December 2021	On demand	Within 1 year	1-3 years	Greater than 3 years
Outflows/(inflows)	£'000	£'000	£'000	£'000
50 year MRCPS - principal	-	-	-	93,453
50 year MRCPS - interest	-	5,607	11,214	243,332
	-	5,607	11,214	336,785

⁽¹⁾ Represents expected net cash exchange in AUD that occurs at settlement. Under the terms of the swap, the settlements are on a gross basis where Iress receives AUD and pays GBP.

The MRCPS are classified as non-current as they are not callable by the holder and can only be redeemed before maturity at the request of the issuer. The issuer has no intention of redeeming any or all of the MRCPS within the next 12 months. Further information on the MRCPS is in Note 5.4.

(d) Net interest expense and financing costs for the year comprised of the following:

	2021	2020
	£'000	£'000
Interest income		
Financial instruments measured at amortised cost:		
Interest received on bank deposits	1	5
Interest received from group undertakings	40	70
Financial instruments measured at FVTPL:		
Interest income on cross currency swap with group undertakings	290	208
Total interest receivable	331	283
Interest expense		
Financial instruments measured at amortised cost:		
Interest paid/payable from finance institutions	(14)	-
Interest paid/payable from MRCPS arrangements	(18,253)	(14,952)
Interest paid/payable on amounts due to holding company	-	(1)
Interest expense of lease liabilities	(368)	(289)
Total interest payable	(18,635)	(15,242)
Fair value change on financial instruments		
Cross currency swaps measured at FVTPL	(2,070)	1,895
Net interest expense and financing costs	(20,374)	(13,064)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

3.2 Share capital

	2021 Number of shares '000	2020 Number of shares '000
Iress UK Holdings Limited		
<i>Authorised, Issued and fully paid at the end of the year:</i>		
50,275,706 Class A Ordinary shares at £1 each	50,276	50,276
	50,276	50,276

There are no restrictions attached to Class A Ordinary Shares.

3.3 Managing financial risks

(a) Market risks

Interest rate risk

The Group's exposure to interest rate risk mainly arises from its variable interest rate borrowings.

Foreign currency risk

The Group is exposed to foreign currency risk mainly from a cross currency derivative. Additional foreign currency risk arises from cash balances, receivables and payables denominated in foreign currency. Therefore, the Group is exposed to exchange rate fluctuations. The Group's exposure to foreign currency arises from monetary balances in a currency other than the functional currency of each of the Group's subsidiaries (assessed from the context of each subsidiary).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

3.3 Managing financial risks (continued)

Foreign currency risk (continued)

The material exposure to foreign currency movements arises from balances denominated in AUD dollars as summarised below:

	2021		2020	
	Carrying value	AUD/GBP exposure	Carrying value	AUD/GBP exposure
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at amortised cost:				
Cash and cash equivalents	5,637	-	5,603	-
Trade receivables	3,585	-	3,263	-
Receivables with related parties	10,341	-	36,263	-
Total financial assets at amortised cost:	19,563	-	45,129	-
Financial assets at FVTPL:				
Derivative asset at FVTPL	-	-	982	33,878
Total financial assets	19,563	-	46,111	33,878
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	2,030	-	660	-
Payables with related parties	8,648	-	32,450	-
Borrowings non-current	93,453	-	93,453	-
Total financial liabilities at amortised cost:	104,131	-	126,563	-
Total financial liabilities	104,131	-	126,563	-
Net exposure to FX risk		-		33,878

Foreign currency sensitivity analysis

The Group is mainly exposed to fluctuations in the AUD. The following table details the Group's sensitivity to a 1% change in the AUD against the GBP.

	2021	2020
	£'000	£'000
Impact of 1% change appreciation of GBP to profit and loss and equity	-	(339)

(b) Capital risk management

Capital risk management is monitored and managed at the Ultimate Parent group level. As disclosed in the Ultimate Parent annual report, the Ultimate Parent manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders.

In order to maintain or adjust the capital structure, the Ultimate Parent may adjust the dividend amount paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Ultimate Parent is not subject to any regulatory capital requirements. The capital structure of the Group consists of net debt (borrowings disclosed in Notes 3.1 and Note 3.3 after deducting cash and bank balances) and equity of the Group (comprising issued capital disclosed in Note 3.2 and reserves and retained earnings).

Management reviews the capital structure of the Group on a regular basis. As part of this review, the cost of capital and the risks associated with each class of capital is considered.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

3.3 Managing financial risks (continued)

(b) Capital risk management (continued)

The Group's year-end gearing ratio is outlined below:

	2021	2020
	£'000	£'000
Debt	93,453	93,453
Less cash	(5,637)	(5,603)
Net debt⁽¹⁾	87,816	87,850
Total equity	140,520	145,158
Net debt plus total equity	228,336	233,008
Gearing ratio	38.5%	37.7%

⁽¹⁾ Measured as borrowings excluding net derivative liabilities/assets less cash and cash equivalents.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

SECTION 4. OTHER DISCLOSURES

4.1 Taxation

Total income tax expense or benefit comprises current and deferred tax recognised in the Statement of Profit or Loss in the year.

Current tax

Current tax comprises expected tax payable/receivable on the entity's taxable income/loss which is recognised in the Statement of Profit or Loss in the current year, as well as any adjustments to tax payable/receivable recognised in the current year which relate to taxable income/loss recognised in the Statement of Profit or Loss in prior years.

Current tax is measured using the applicable income tax rates which are enacted, or substantively enacted, at the reporting date.

Deferred tax

Deferred tax represents the movements in deferred tax assets and liabilities which have been recognised in the year and which are attributable to amounts recognised in the Statement of Profit or Loss in the current year, as well as amounts recognised in the Statement of Profit or Loss in prior years. Deferred tax assets and liabilities are attributable to temporary differences between the carrying amount of assets and liabilities recognised for financial reporting purposes and the tax base of assets and liabilities recognised for tax purposes.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which they can be realised. Future taxable profits are projected using the 5 year annual operating plan approved by the Iress Group board.

Deferred tax liabilities are recognised for all assessable temporary differences as required by accounting standards.

Deferred tax is determined using tax rates which are expected to apply when the deferred tax asset/liability is expected to be realised/settled based on laws which have been enacted or substantively enacted at the reporting date. The measurement of deferred tax also reflects the tax consequences flowing from the manner in which the entity expects, at the reporting date, to realise or settle the carrying amount of its assets and liabilities.

Critical accounting judgement with respect to deferred tax balances:

The recognition and measurement of deferred tax requires the application of judgement in assessing the amount, timing and probability of future taxable profits and repatriation of retained earnings. These factors affect the determination of the appropriate rates of tax to apply and the recoverability of deferred tax assets. This judgement is influenced, inter alia, by factors such as estimates of future revenue, operating costs and future capital expenditure.

(a) Income tax for the year including current and deferred tax is as follows:

	2021	2020
	£'000	£'000
Income tax expense recognised in Statement of Profit or Loss		
Current income tax		
Current income tax charge	3,882	3,939
Adjustments in respect of current income tax of the previous year	251	262
	4,133	4,201
Deferred income tax		
Origination and reversal of temporary differences	(314)	(151)
Impact of change in UK Corporation Tax rate to 25% (2020: 19%)	(103)	17
Adjustments in respect of deferred income tax of the previous year	32	(34)
	(385)	(168)
Total income tax expense recognised in profit or loss	3,748	4,033

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.1 Taxation (continued)

(b) Reconciliation of profit before income tax to total tax expense is as follows:

	2021	2020
	£'000	£'000
Profit from continuing operations before income tax expense	(890)	7,334
Tax at the UK corporation tax rate of 19% (2020: 19%)	(169)	1,393
Income tax adjustments:		
Effect of non-assessable income and non-deductible expenses	3,852	2,349
Employee share plan	(106)	38
Adjustments for current and deferred tax of prior years	283	228
Effect of changes in tax rate	(103)	17
Other	(9)	8
Income tax expense	3,748	4,033

(c) Deferred tax assets and liabilities arise from:

For the year ended	Opening balance	Charged to income	From business combinations	Closing balance
31 December 2020	£'000	£'000	£'000	£'000
Deferred tax assets				
Trade and other receivables	-	52	-	52
Plant and equipment	1,051	(215)	(5)	831
Trade and other payables	-	64	-	64
Provisions and accruals	61	(62)	-	(1)
Carry forward tax losses	386	(328)	-	58
Share based payments	656	307	-	963
Leases	11	(11)	-	-
Total deferred tax assets	2,165	(193)	(5)	1,967
Deferred tax liabilities				
Computer software	(95)	(116)	-	(211)
Intangibles	(1,065)	477	(356)	(944)
Total deferred tax liabilities	(1,160)	361	(356)	(1,155)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.1 Taxation (continued)

(c) Deferred tax assets and liabilities arise from:

For the year ended	Opening balance	Charged to income	From business combinations	Closing balance
31 December 2021	£'000	£'000	£'000	£'000
Deferred tax assets				
Trade and other receivables	52	(29)	-	23
Plant and equipment	831	241	-	1,072
Trade and other payables	64	-	-	64
Provisions and accruals	(1)	-	-	(1)
Carry forward tax losses	58	(56)	-	2
Share based payments	963	20	-	983
Total deferred tax assets	1,967	176	-	2,143
Deferred tax liabilities				
Trade and other payables	(211)	(14)	-	(225)
Computer software	(944)	223	-	(721)
Total deferred tax liabilities	(1,155)	209	-	(946)

(d) Unused tax losses incurred during the year

At the reporting date, the Group has no unused tax losses (2020: £0.3 million). Therefore, no deferred tax asset has been recognised for unused tax losses (2020: £0.3 million).

(e) Factors that may affect future charges

On 3 March 2021, the Chancellor of the Exchequer delivered his Budget Statement. The measures announced included an increase in the standard rate of corporation tax from 19% to 25% with effect from 1 April 2023, and this was substantively enacted on 24 May 2021. We have reflected the impact of this change with respect to the deferred tax balances above, taking into consideration the likely timing of the reversals of deferred tax assets and liabilities. The Group expects its effective tax rate in the future to be affected by the impact of changes in tax law.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.2 General information and audit exemption of qualifying subsidiaries

General information

Iress UK Holdings Limited ("the Company") is a private company limited by shares, and incorporated in England and Wales, under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 4 to 10. Iress UK Holdings Limited group ("the Group") is the smallest group for which consolidated financial statements are prepared.

The parent company is Iress International Holdings Proprietary Limited, a for-profit entity registered in Australia.

Iress Limited ("The Ultimate Parent") is the Ultimate Parent and controlling party of the Group, which is incorporated in Australia and is a for-profit entity listed on the Australian Securities Exchange. The Ultimate Parent group is the largest group of which the Company is a member that prepares group financial statements including the results of the Company.

The business registered address of the Ultimate Parent is:

Level 16,
385 Bourke Street
Melbourne
VICTORIA
3000
Australia.

Copies of the Ultimate Parent financial statements are available from the Ultimate Parent website: www.iress.com.

Iress UK Holdings Limited does not form part of any other sub-consolidations in the Iress Group.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 4.3.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.2 General information and audit exemption of qualifying subsidiaries (continued)

Audit exemption of qualifying subsidiaries

The subsidiaries of the Company are exempt from the requirements of this Act relating to the audit of individual financial statements by virtue of section 479C CA06.

The following subsidiaries, all incorporated in England and Wales, are exempt from the requirements of the CA 2006 relating to the audit of financial statements under section 479A:

Subsidiary name	Registration Number	Parent Company	Class of Shares	Shareholding % ⁽¹⁾
Iress (UK) Limited	06836280	IRESS UK Holdings Limited	Ordinary shares	100%
Iress FS Group Limited	05455415	Iress (UK) Limited	Ordinary shares	100%
Iress FS Limited	02958430	Iress FS Group Limited	Ordinary shares	100%
Iress Mortgage Services Limited	03598058	Iress FS Limited	Ordinary shares	100%
Iress Portal Limited	02596452	Iress FS Limited	Ordinary shares	100%
Iress Solutions Limited	03896352	Iress FS Limited	Ordinary "A" Shares Ordinary "B" Shares	100% 100%
Iress Technology Limited	07784841	Iress FS Limited	Ordinary shares	100%
Iress Web Limited	05501526	Iress FS Limited	Ordinary shares	100%
O&M Life & Pensions Limited	2717535	O&M Systems Limited	Ordinary shares	100%
O&M Systems Limited	8739985	Iress FS Limited	Ordinary shares	100%
Proquote Limited	03851830	Iress FS Limited	Ordinary shares	100%
Pulse Software Systems Limited	08230913	Iress FS Limited	Ordinary "A" Shares Ordinary "B" Shares	100% 100%
Pulse Software Management Limited	03188887	Pulse Software Systems Limited	Ordinary "A" Shares Ordinary "B" Shares	100% 100%
TrigoldCrystal Limited	03598974	Iress Solutions Limited	Ordinary shares	100%

⁽¹⁾ Percentage holding is based on Iress UK Holdings Limited effective holding interest.

The holdings in subsidiaries by the parent company are the same as that of the Group companies.

The subsidiaries listed above are included in these consolidated financial statements.

The business registered address of all the above listed subsidiaries to 3 April 2022:

1 Kingmaker Court
Warwick Technology Park
Warwick
CV34 6DY
United Kingdom

The business registered address of all the above listed subsidiaries from 4 April 2022:

Honeybourne Place
Jessop Avenue
Cheltenham
Gloucestershire
GL50 3SY

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.2 General information and audit exemption of qualifying subsidiaries (continued)

Details of the subsidiaries and principal activities are as follows:

- Iress (UK) Limited is the holding company of Iress FS Group Limited.
- Iress FS Group Limited is the holding company of Iress FS Limited.
- Iress FS Limited's principal activity during the year was the development and support of software for the financial services industry through its subsidiaries as detailed below.
- Proquote Limited provides professional financial data and trading systems and the distribution of financial market data.
- Iress Portal Limited provides an online comparison market place (Exchange Portal) that facilitates product quotes and subsequent transactions between buyers (distributors) and sellers (providers) of financial products.
- Iress Mortgage Services Limited is a non-trading company.
- Iress Solutions Limited is a non-trading company.
- Iress Technology Limited is a non-trading company.
- Iress Web Limited is a non-trading company.
- TrigoldCrystal Limited is a non-trading company.
- Pulse Software Systems Limited is a non-trading company.
- Pulse Software Management Limited is a non-trading company.
- O&M Systems Limited is the holding company of O&M Life & Pensions Limited.
- O&M Life & Pensions Limited provides solutions for advisers involved in pension and investment planning.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.3 Basis of preparation

This is the general purpose financial report for Iress UK Holdings Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group' or 'Iress') for the year ended 31 December 2021. It:

- has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International reporting standards as issued by the IASB;
- was authorised for issue by the Directors on 27 July 2022.
- has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value;
- has all amounts presented in UK pound sterling, unless otherwise stated; and
- has amounts rounded off to the nearest thousand pounds (GBP), unless otherwise stated.

(a) Adoption of new standards

In the current year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are relevant to its operations and effective for reporting years on or after 1 January 2021 including the following:

- IFRS 17 *Insurance contracts*
- Interest Rate Benchmark Reform
- COVID-19 related rent concessions
- *Measurement of insurance liabilities*
- *Amendments to IFRS9, IAS39 and IFRS 7, IFRS4 and IFRS16*
- *Amendments to IFRS16*

There is no material impact of applying these new and revised Standards and Interpretations.

(b) Accounting standards in issue but not yet effective

At the date of authorisation of the financial statements, the following new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting years and have not yet been applied by the Group within this financial report:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current (applicable for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies (applicable for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (applicable for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities from a Single Transaction (applicable for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IFRS 17 Insurance contracts (In June 2020 the IASB issued amendments and a deferral applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 Annual Improvements to IFRS Standards 2018-2020 (applicable for annual reporting periods beginning on or after 1 January 2022); and
- Amendments to IFRS 3 References to Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)

Management have assessed the impact of the adoption of these Accounting Standards and Interpretations in future years on the financial statements of the Group.

Management does not believe these Accounting Standards and Interpretations will have a material impact in future years on the financial statements of the Group at this point in time.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.3 Basis of preparation (continued)

(c) Summary of general accounting policies

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

(i) Consolidation

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

An entity is controlled when Iress is exposed to, or has rights to, variable returns from involvement with the entity and has the ability to affect those returns through power over the entity.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

In reporting the consolidated financial statements, all intercompany balances and transactions, and unrealised profits or losses within the Group are eliminated in full.

(ii) Foreign currency translation

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency).

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

(iii) 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 the reporting date are translated at the exchange rate existing at the reporting date.

Exchange differences are recognised in profit or loss in the year in which they arise except that exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in profit or loss on disposal of the net investment.

(iv) Foreign operations

Assets and liabilities of foreign operations are translated using exchange rates prevailing at the end of each reporting year. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. Any exchange differences are recognised in equity. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.3 Basis of preparation (continued)

(c) Summary of general accounting policies (continued)

(v) Revenue

Revenue is generated mostly from UK customers. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group's revenue mainly arises from services rendered or access to software.

Licence revenue from a contract to provide access to use of the software is recognised once access is granted and spread over the licence period.

Revenue from a contract to provide services is recognised by reference to the performance obligation of the contract.

The performance obligation of the contract is determined as follows:

- installation fees are recognised by reference to the performance obligation of the installation, determined as the proportion of the total time expected to install that has elapsed at the Statement of Financial Position date;
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

Interest income is accrued on a time proportion basis by reference to the principal balance outstanding and the interest rate applicable.

(vi) Going concern

As at 31 December 2021, the Group is in a net current asset position of £5.1 million (2020: £5.8 million). The Group's total current assets after net related party trade receivables exceeded its total current liabilities after net related party trade payables by £3.4 million (2020: £1.9 million). The year-end cash position of £5.6 million (2020: £5.6 million) is a result of £16.0 million (2020: £16.0 million) of excess funds being remitted to the Ultimate Parent during the year.

The Directors of the Group maintain a cash flow forecast for a year beyond the date of authorising these financial statements. This cash flow forecast has been sensitised to allow for unexpected revenue delays as a result of the impact of COVID-19 and this indicates that there are no reasonably plausible downside scenarios resulting in the Group having insufficient cash reserves to meet its obligations as they fall due for at least a year from the date of signing these financial statements.

In the remote event that funding is required, the Directors of the Ultimate Parent have provided a letter of support to the Group and its subsidiaries which states that the Ultimate Parent:

- a) continues to support and provide additional finance to the Group for at least a year from the signing date of the financial statements; and
- b) will not demand payment of loans until such time as the subsidiary is able to repay such amounts without detriment to its operation as a going concern.

Following reasonable enquiries, the Directors of the Group have an expectation that the Ultimate Parent has access to adequate resources to continue in operational existence for the foreseeable future. As part of their comprehensive assessment of whether the Ultimate Parent is a going concern, the Directors have reviewed the Ultimate Parent's cash flow and solvency forecasts for at least a year from the date of authorising the financial statements and confirmed that the Ultimate Parent is both cash generative and able to raise funds via debt and equity to fund operations and acquisitions. This was evidenced in 2020 (post the onset of COVID-19) by successfully refinancing debt and raising equity to fund acquisitions.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.3 Basis of preparation (continued)

(c) Summary of general accounting policies (continued)

(vii) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(viii) Goodwill

Refer to Note 2.1

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.3 Basis of preparation (continued)

(c) Summary of general accounting policies (continued)

(ix) Impairment of tangible and intangible assets excluding goodwill

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(x) Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the Group can adopt one of the following policies for the amortisation of day 1 gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or
- release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.3 Basis of preparation (continued)

(c) Summary of general accounting policies (continued)

(x) Financial instruments (continued)

Financial assets

The Company's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are initially recognised at fair value plus transaction costs, when the Company becomes a party to the contractual provisions of the instrument. Interest resulting from holding financial assets is recognised in the statement of comprehensive income on an accruals basis.

Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. A credit loss allowance for impairment of trade and other receivables is made when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

A provision matrix is determined based on historic credit loss rate for each group of customers, adjusted for any material expected changes to the customers' future credit risk.

The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective rate computed at initial recognition. Any change in value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred, and that transfer qualifies for de-recognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Company transfers substantially all the risks and rewards of ownership of the asset.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value. This is predominantly held in British Pound Sterling (A1 Credit Rating).

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share capital represents the nominal value of equity shares issued. Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares, net of direct issue costs.

Retained earnings include all current and prior year results as disclosed in the statement of comprehensive income. Retained earnings include realised and unrealised profits. Profits are considered unrealised where they arise from movements in the fair value of investment properties that are considered to be temporary rather than permanent.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

4.3 Basis of preparation (continued)

(d) Key sources of judgement and estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on the Directors' best judgement at the date of preparation of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Judgement

The areas where a higher degree of judgement or complexity arises are discussed in Note 1.1 relating to revenue recognition on long-term contracts, Note 2.1(b) relating to goodwill impairment testing and Note 4.1 relating to recognition and measurement of deferred tax.

Estimates

Significant estimates made in relation to the impairment testing for goodwill. Refer to Note 2.1(b) for further details.

There are no other areas where assumptions and estimates are significant to the financial statements.

4.4 Events subsequent to the Statement of Financial Position date

There have been no matters or circumstances that have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.

As noted in Note 2.1, a cash flow projection has been used to test for impairment of goodwill in each CGU. The directors have assessed that there are unlikely to be material delays in revenue as a result of COVID-19, based on the impact observed since the start of the pandemic.

Subsequent to the year end, war has broken out in Ukraine, resulting in sanctions being imposed on certain Russian individuals and businesses. There has been no significant impact noted on the Group's performance to date. Given the predominantly domestic focus of UK clients, the Group does not expect a significant direct impact.

The Group is exposed to indirect economic impacts of both COVID-19 and the war in Ukraine. If those indirect economic impacts have a longer term material impact on revenue, reducing growth within a CGU, then it will result in reduced headroom or impairment of the goodwill allocated to that CGU.

Company Financial Statements

Company Statement of Financial Position

As at 31 December 2021

	Notes	2021 £'000	2020 restated ⁽¹⁾ £'000
ASSETS			
Current assets			
Trade and other receivables		-	1
Receivables with related parties	5.1	585	2,785
Current tax receivable		-	3
Total current assets		585	2,789
Non-current assets			
Investments in subsidiaries	5.2 and 5.5	259,253	259,253
Redeemable preference shares	5.3 and 5.5	-	-
Total non-current assets		259,253	259,253
Total assets		259,838	262,042
LIABILITIES			
Current liabilities			
Payables with related parties	5.1	28,044	52,428
Total current liabilities		28,044	52,428
Non-current liabilities			
Debt facilities	5.4	93,453	93,453
Total non-current liabilities		93,453	93,453
Total liabilities		121,497	145,881
Net assets		138,341	116,161
EQUITY			
Issued capital	3.2	50,276	50,276
Retained earnings		88,065	65,885
Total equity		138,341	116,161

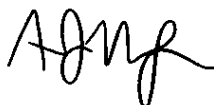
Revenue	-	-
Total comprehensive income/(loss) for the year	22,180	(1,339)

The notes on pages 63 to 66 form part of these financial statements.

⁽¹⁾ Refer to note 5.5 for details of the prior period restatement

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Statement of Profit or Loss for the year.

Signed on behalf of the Board of Directors by:



A Morgan
Director
Cheltenham

The parent company financial statements on pages 61 to 66 were authorised for issue by the Directors on 27 July 2022.

Iress UK Holdings Limited (Registered company number: 08612198)

Company Financial Statements (continued)

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Issued capital £'000	Retained earnings (restated) £'000	Total equity £'000
Balance at 1 January 2020	50,276	80,825	131,101
Restatement of retained earnings 5.5	-	359	359
Balance at 1 January 2020 (Restated)	50,276	81,184	131,460
Loss for the year	-	(1,339)	(1,339)
Total comprehensive expense for the year	-	(1,339)	(1,339)
In-specie dividends declared and paid	-	(13,960)	(13,960)
Balance at 31 December 2020	50,276	65,885	116,161

	Issued capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	50,276	65,885	116,161
Profit for the year	-	22,180	22,180
Total comprehensive income for the year	-	22,180	22,180
Balance at 31 December 2021	50,276	88,065	138,341

Notes to the Company Financial Statements

For the year ended 31 December 2021

SECTION 5. NOTES TO THE COMPANY FINANCIAL STATEMENTS

5.1 Trade receivables and payables with related parties

All outstanding balances with related parties, being the Ultimate Parent and other subsidiaries, are priced on an arm's length basis, on commercial terms available in the market.

Receivables from/payables to related parties are on demand, unsecured and settled in cash.

Interest is charged on related party receivables overdue for more than 90 days at the prevailing market interest rates.

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

No guarantees have been given or received.

The fair value of the related party receivables and payable approximates its carrying value due to its short-term nature.

5.2 Investments in subsidiaries

Refer to Note 4.2 for listing of subsidiaries held. The Company holds these investments 100%. There are no indicators of impairment.

The carrying value of investments in subsidiaries is shown below:

	2021 £'000	2020 restated £'000
Carrying value	259,253	259,253
Movement for the year:		
Balance at the beginning of the year	259,253	226,253
Correcting entry to Redeemable preference shares (note 5.5)	-	33,000
Balance at the end of the year	259,253	259,253

5.3 Redeemable preference shares

The Redeemable Preference Shares issued by Iress (UK) Limited were repaid during the year to Iress UK Holdings Limited.

5.4 Debt facilities

Interest-bearing bank loans and overdrafts are initially recognised at the value of the amount received, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the Company Profit and Loss Account over the period of the borrowings on an effective interest basis.

Notes to the Company financial statements (continued)

For the year ended 31 December 2021

5.4 Debt facilities (continued)

Borrowings comprise the 50 year Mandatorily Redeemable Convertible Preference Shares issued 26 October 2015 of £23.5 million, 50 year Mandatorily Redeemable Convertible Preference Shares issued 30 December 2016 of £36.9 million and 50 year Mandatorily Redeemable Convertible Preference Shares issued 14 September 2021 of £33.0 million. These borrowings are unsecured at a default interest rate of 6% per annum, unless expressly agreed in writing by the Company and the Holder. The average MRCPS interest rate was 23% from January to June 2021 (2020: 16%) and 18.5% from July to December 2021 (2020 16%).

The preference shares do not carry any equity component and are classified as financial liabilities in their entirety.

Further disclosures are included in Note 3.1.

The rights, privileges and restrictions attached to MRCPS are as follows:

- An MRCPS confers on the Holder the right to receive unfranked cumulative preferential dividends.
- On a return or reduction of capital, on a winding up or otherwise, the Holders of MRCPS shall be entitled to an amount equal to the nominal capital paid up on the MRCPS and any accrued and unpaid dividends.
- Upon payment or satisfaction of the redemption amount in respect of an MRCPS on the redemption date, the rights conferred and the restrictions imposed in relation to that MRCPS under the MRCPS terms will no longer have effect. Any amount payable to the MRCPS Holder in respect of an MRCPS (including a redemption amount), must be paid in immediately available funds into the account nominated by the MRCPS Holder.
- MRCPS are convertible (including early redemption) into ordinary shares only by the issuer (on demand) by giving a signed conversion notice to the MRCPS holder.

5.5 Prior year restatement

On 30 December 2016, AUS\$56.5m (£33m) Redeemable Preference Shares ('RPSs') maturing in 50 years were issued by Iress (UK) Limited to Iress UK Holdings Limited by bonus issue from share premium (at nil consideration).

In the FY16 financial statements, a receivable of £33m was recognised in IRESS UK Holdings Limited company financial statement for the RPS at the face value, with the corresponding other side of the accounting being a reduction in Investments in subsidiaries. In FY17, an FX loss of £359k was recognised against the RPSs as management revalued the receivables.

As the investment in the RPSs is within the scope of IFRS 9, the initial recognition of the financial asset in December 2016 should have been measured at fair value. Management has reassessed the FV of the RPSs and concluded that the FV of the RPSs are negligible, thus resulting in the RSPs being misrepresented as Redeemable preference shares in the initial accounting, when the value should have remained in Investments in subsidiaries.

The effects of the prior period error are summarised below:

	2020	Correcting entry	2020 restated
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Investments in subsidiaries	226,253	33,000	259,253
Redeemable preference shares	32,641	(32,641)	-
Total non-current assets	258,894	359	259,253
Net assets	115,802	359	116,161
Retained Earnings at 1 January 2020	(80,825)	(359)	(81,184)

In the statement of financial position, 'Redeemable preference shares' decreased by £32,641k from £32,641k to Nil and 'Investment in subsidiaries' increased by £33,000k from £226,253k to £259,253k leading to a net impact on net assets of £359k, increase in retained earnings of £359k and no profit or loss impact.

Notes to the Company financial statements (continued)

For the year ended 31 December 2021

5.6 Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the FRC. Accordingly, these financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Iress UK Holdings Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 3.

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments that are measured at fair values at the end of each reporting period. The principal accounting policies adopted are the same as those set out in note 4.3 to the consolidated financial statements except as noted below

(a) Principal Activities

The company's principal activity is to act as an investment holding company.

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on the Directors' best judgement at the date of preparation of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

(b) Critical accounting judgements or key sources of estimation uncertainty

The value of investments is the key judgement for the Company and represents a key estimate in the year. Note 2.1 refers to the work carried out to confirm that no impairment of Group goodwill is required. The value of investments in the Company did not require impairment, as the recoverable amount of each Cash Generating Unit (CGU) exceeded its carrying value.

(c) Accounting policies

The Parent company's principal accounting policies and measurement basis have been applied consistently during the year.

In the current year, the Company has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are relevant to its operations and effective for reporting years on or after 1 January 2021, as set out in Note 4.3 to the Group financial statements. There is no material impact of applying these new and revised Standards and Interpretations.

Note 4.3 also notes the new accounting standards and interpretations at the date of authorisation of the financial statements, that have been published and are not mandatory for 31 December 2021 reporting years, and have *therefore not yet been applied by the Company within these financial statements*.

(i) Exemptions

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a Profit and Loss Account for the Company alone.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers and certain related party transactions.

(ii) Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are stated at cost less, where appropriate, provisions for impairment.

Notes to the Company financial statements (continued)

For the year ended 31 December 2021

5.6 Basis of preparation (continued)

(iii) Receivables and payables

Debtors are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Payables and other liabilities are initially measured at fair value. Subsequent to initial measurement, these are recognised at amortised cost.

(iv) Foreign currencies

The Company's functional currency is the British Pound Sterling as the Company is a holding entity of UK trading companies.

To remain consistent with the presentation currency of the consolidated financial statements, the company financial statements have been presented in GBP sterling.

Transactions in foreign currencies are translated at the exchange rate on the date of transaction. At the Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Statement of Financial Position date.

(v) Adoption of new standards

The Company has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are relevant to its operations and mandatorily effective for reporting years on or after 1 January 2021.

None of these standards have had a material impact on the Company's disclosures or on amounts reported in these financial statements in the current or future reporting years or on foreseeable future transactions.

5.7 Events subsequent to the Statement of Financial Position date

There have been no matters or circumstances that have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years.