2017 Annual Report

GBST is a specialist financial technology company which provides administration and transaction processing solutions for retail wealth management organisations and global and regional investment banks.

Our software platforms support more than 7,000 investment options on a single wealth administration platform and connects capital markets in Australasia, Asia, Europe and North America.

GBST Holdings Limited will hold its Annual General Meeting at 3.00pm (Sydney time) on Thursday 26 October 2017 at the Waratah Room, Australian Institute of Company Directors, Level 1, 10 Bond Street, Sydney NSW Australia.

GBST Snapshot

More than **60** clients worldwide

$88m revenue

67% of revenue comes from recurring license fees

53% of revenue generated internationally

GBST

GBST Wealth Management

For **life and pension companies, brokers, fund managers, platforms and banks**

Customers in **Australia, Asia, New Zealand, United Kingdom**

CLIENTS

- Well established provider in Australia in wealth management and broking, and major expansion in the UK with 11 customers
- Benefiting from UK industry consolidation

MARKETS

- Rapidly growing UK wealth management market with £6.9 trillion under management including £1.8 trillion in retail markets
- Strong UK market position

BUSINESS OPPORTUNITY

- Regulatory change is transforming the industry, requiring participants to make major investments in technology solutions such as GBST Composer

GBST Capital Markets

For **global and regional investment banks**

Customers in **Australia, Asia, Europe, North America**

CLIENTS

- Australian market leader with more than 10 international customers and growing steadily
- Syn- now Australian post trade processing product leader with 25% market share

MARKETS

- GBST Syn- is a multi-product, multi-market, multi-currency, multi-entity transaction processing platform in use globally
- GBST Syn- TAC deployments and market demand growing globally

BUSINESS OPPORTUNITY

- New generation technology platform enables long term cost management and new revenue opportunities through automation and business model flexibility

STRONG GLOBAL GROWTH

Chairman's and Managing Director's Report

Rob DeDominicis
Chief Executive Officer
and Managing Director

Allan Brackin
Chairman

Dear Shareholders,

While FY17 was a challenging year, we were able to demonstrate the strengths of our business model which is based on building and developing recurring revenue streams, from well regarded software products.

We specialise in providing wealth administration and post trade processing software for the financial services industry. Our flagship products include Composer for wealth management industry registry administration and management, used in Australia and the United Kingdom; Shares, the most widely used back office and middle office equity processing technology in Australia; and Syn~, our new generation global capital markets post trade processing platform.

Our technology solutions are recognised globally for their high quality, innovation and scalability. They support the core business services of our clients, which include more than 60 of the world's leading institutional banks, stockbrokers and wealth managers, including many well-recognised global brands. Our software is critical to their business operations.

Australia is our cornerstone market and during the past decade we have driven significant global growth, establishing new markets for our products in the UK, Asia and North America. The financial services industries that we serve provide very large, long-term growth opportunities, we are investing significantly in our software to capitalise on their potential.

FINANCIAL OVERVIEW

GBST's results for FY17 were impacted by client-related project delays and the decline of the British pound against the Australian dollar. Total revenue for the year was $88.0m compared to $108.1m in the previous year. 53% of revenue was generated from outside Australia. Operating earnings before interest, tax, depreciation, amortisation (EBITDA) and strategic R&D costs were $21.8m in FY17, compared to $23.6m in the previous year, with $1.8m of the reduction due to adverse foreign exchange movements.

We operate in fast-changing markets and, in line with our commitments to clients, we have increased investment in our software to ensure long-term technology leadership. Expensed strategic R&D increased to $9.6m in FY17, compared to $3.6m in the previous year. Operating EBITDA after strategic R&D was $12.2m, in line with guidance issued in February 2017, compared to $20.0m in the previous year. In FY17, net profit was $7.0m, compared to $9.3m in the previous year.

Recurring licence fees from long term contracts were 67% of revenue in FY17, highlighting the strength and maturity of GBST's global customer base. We also generate services revenue through new implementations and product development, which leads to recurring licence fees when clients go 'live'.

Our company has a strong balance sheet and underlying cash flow, and achieved 88% conversion of EBITDA to cash flow for FY17. At 30 June 2017, the company held $11.7m net cash and had no debt.

The final dividend declared for FY17 of 2.5 cents per share brings the total for the year to 6.2 cents per share fully franked.

BUSINESS OVERVIEW

Wealth UK

The Composer platform is the top direct-to-consumer software platform for the distribution of tax-incentivised products in the UK and powers some of the leading platforms in the market. The opportunities are significant as more than £6.9 trillion is managed by the UK investment industry. Estimates by the independent industry analyst, Lang Cat, indicate that, of a total £1.8 trillion retail market, up to £1.1 trillion may still be available for transition to platform solutions such as Composer.

According to the analyst firm Gartner Group, rapidly changing digital technologies and customer expectations are placing pressure on the traditional wealth management business model, which is being disrupted by new market entrants, the increasing use of lower-cost passive products and alternative asset classes.

Wealth managers are responding by moving towards an "open architecture" model, supporting clients with a wider range of investment products. We are embracing this model, allowing clients to offer new asset classes at lower cost, with flexible options that can be launched in a shorter time frame.

A highlight of FY17 was a new contract with a leading insurance brand leader in the UK, which will be delivered through a software as a service (SaaS) model. This will showcase the dynamic marketing capabilities of our Composer and ComposerWeb (CWeb) products, which offer exciting ways to engage consumers.

Our market is driven by regulatory change to protect consumers, and by industry consolidation. This benefits GBST, as Composer offers a digital solution enabling wealth managers to exploit digitisation, enhance their value chains and reduce cost. Future initiatives such as the General Data Protection Regulation to improve data privacy are also likely to require financial services organisations to modernise legacy systems.

Further change is expected through the Markets in Financial Instruments Directive II implementation currently set to take effect on 3 January 2018. This is the cornerstone of the European Union's regulation of financial markets to improve market competitiveness and harmonise protection for investors. The regulation will impact all trading processes, transaction reporting and client services to IT and human resources systems. We are working closely with clients to ensure they are ready.

Our new projects in the UK are under way and progressing well. These include a new installation for Aegon which is migrating the recently acquired Cofunds retail platform. The foundation of the new platform has been built and, once completed, an additional 800,000 policies will be migrated onto Composer. This will deliver an integrated cross-channel deployment in the UK, managing workplace, orphan, direct and advised business allowing clients to move easily across categories.

Development of the platform for Retirement Advantage has been extended to support annuities, and clients are expected to be migrated onto Composer during the first half of FY18. The platform for Alliance Trust Savings is now 'live' and accounts will be migrated from legacy products onto Composer systematically.

Improvements to Composer during the year included adding Lifetime ISAs (individual savings accounts), allowing our clients to be among the first to market with this product. We also provided new Application Programming Interfaces (APIs) enabling clients to create tailored automated marketing solutions for their businesses, which were extremely well received.

Australia, Asia and North America

In Australia, we extended our capability in the business process outsourcing market through a new partnership with MainstreamBPO. This provides new opportunities in the $2.4 trillion funds management industry and other international markets.

MainstreamBPO's fund administration service FundBPO supports a Global 100 asset manager's platform which, now migrated onto Composer, benefits from real-time reporting, integration with administrators and uses GBST's Fund Gateway product to exchange messages with external transaction networks. Migration of another asset manager's platform onto Composer is about to commence.

We also completed installations of ComposerWeb for Mainstream BPO and for a leading international fund manager, as well as migration projects for the wealth management arm of a major retail bank.

Completing the transition of a major institutional bank's back and middle-office from Shares to Syn~, in close collaboration with our client, was a significant milestone validating our software investment program. This was our fourth live Syn~ installation in Australia and the largest to date, making Syn~ the market's post-trade processing leader with more than 25% of equity market trades.

Through our Syn~, Shares and Clearview products, GBST remains Australia's leading back and middle-office provider, processing more than 60% of total ASX market volume and 46% of the equity options market.

We are pleased to report that an operational restructure of GBST's institutional capital markets business and focus on Asian markets has, after several years of product investment and business development, returned this business to profitability.

We serve the top two broker-dealers in the Hong Kong market and have assisted a major institutional broker-dealer to provide outsourced middle office and clearing services to regional stockbrokers and custodians. New projects in FY17 included an expansion of GBST's automated back and middle-office platform for Haitong International, and two Asia-based clients are now using Syn~ to process regional equity trades across Asia and Australia.

Our Asian growth opportunities are significant. Our maturing Syn~ technology provides competitive advantages for financial markets utilities that need automated processing technology to realise economies of scale. Syn~'s fully integrated back and middle-office capability provides a multi-market, multi-asset service, enabling them to lower post-trade processing costs across global operations.

In North America, we successfully extended an implementation of Syn~ for Raymond James, a major regional broker dealer which supports 3 million client accounts through 7,300 financial advisers in the US, Canada and overseas.

INVESTMENT IN OUR FUTURE

Innovation drives GBST's competitive strength. An important component of software development planning is the ability to sustain a long period of investment, such as the success of our recent Syn~ installation in Australia which has elevated our product to market leadership. Investment in our capital markets products is ongoing, albeit at lower levels than in FY2017.

Our wealth management software development is focused on the E-VOLVE program to transform Composer and develop a contemporary front-end called ComposerWeb 2.0. This will transform our existing ComposerWeb product and provide users with a contemporary digital user experience. Composer has already been significantly enhanced with multiple database support, and the E-VOLVE program will provide a more open platform with APIs in a multi-tier architecture, increasing clients' operational efficiency.

Our development program experienced challenges in the use of an automated migration tool which has impacted implementation of the project. As a result, GBST has decided to undertake much of the migration and development work itself. This allows greater control, and we are currently replanning the project.

In the next three years, we will increase strategic R&D investment in our digital solutions to take advantage of long-term market growth. We have aligned development to client priorities, increasing emphasis on providing a strong front-office digital capability through ComposerWeb 2.0. This product will modernise the intermediary portal for adviser and consumer engagement, beginning in the UK, and is expected to be completed in FY18. Interest from existing clients is very high and work has commenced on an initial implementation.

PEOPLE AND GOVERNANCE

In light of the increased investment in strategic R&D, we have strengthened our management team with the appointment of a Chief Technology Officer who brings significant technology and delivery experience to the role. We have also created a Board Technology Committee to strengthen governance and monitor the progress of our R&D investment programs.

GBST has a strong client-focused business culture. During the year we progressed development of a performance framework to support our global growth strategy. This aligns the Company's values and business objectives, and empowers GBST's commitment to clients. We have developed a considerable talent pool with significant capital markets and wealth management expertise. Our people are passionate about our clients, and their comprehensive domain knowledge ensures the high quality of our services.

We were delighted to welcome to the Board two new independent directors. Deborah Page AM was appointed on 1 July 2016 and Tam Vu was appointed on 1 January 2017. Deborah strengthens the Board's financial, risk and governance skills and Chairs the Audit and Risk Committee. Tam brings a strong skillset and experience in leading technology change and innovation, and Chairs the Technology Committee.

OUTLOOK

GBST has a strong business model, a clear growth strategy, and significant new business opportunities in its key markets in Australia, Asia, UK and North America.

We have provided operating EBITDA guidance before strategic R&D in product development in the range $20m - $25m for FY18. Strategic R&D in product development expenditure is expected to be in the range $10m - $15m, with $10 - $12m of that related to E-VOLVE and ComposerWeb 2.0.

Our financial technology markets globally are growing, and we aim to capitalise on the expanding wealth management and capital markets sectors, which are expected to remain high-growth markets through 2020 and the next decade.

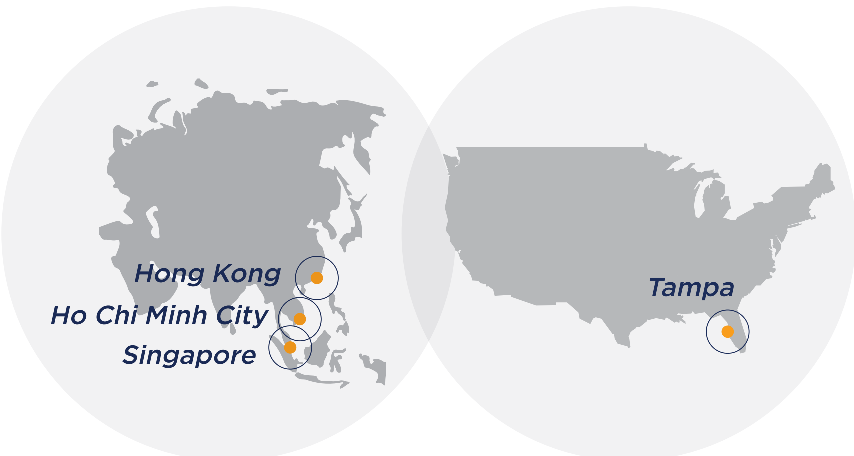
2017 Key Points

AUSTRALIA

- GBST extended its capability in the business outsourcing market through Mainstream BPO
- Major Composer migration projects completed
- Major client transition from Shares to Syn~ successful
- Syn~ now post trade processing market leader

UK

- Aegon's Cofunds migration progressing well
- Major new contract with prominent insurance brand
- Increased Composer capability helping clients grow
- Major software renewal investment underway



REST OF THE WORLD

- Ongoing expansion of Syn~ for major broker dealer continuing
- New projects include expansion of Haitong International's Syn~ platform
- Large Syn~ rollout at major global bank continues
- Raymond James extended Syn~ deployment complete

GBST Product Suite

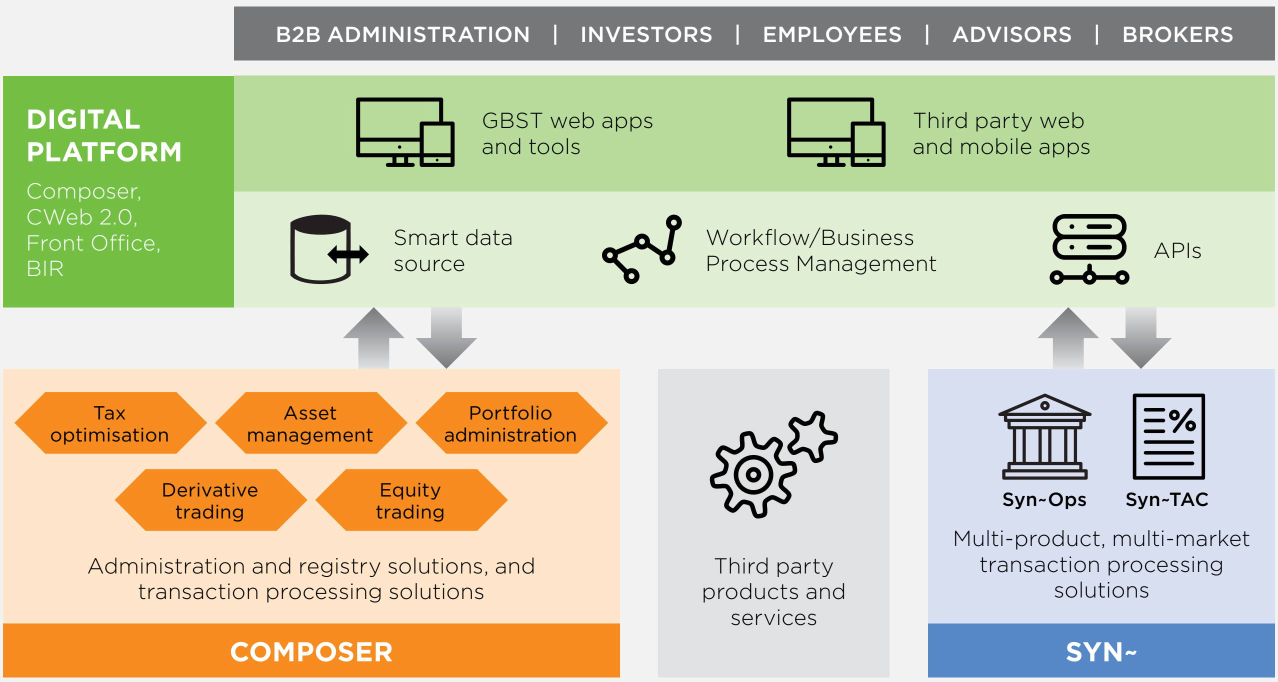
GBST provides industry-leading retail wealth and institutional software products for the financial services sector.

GBST Composer is the leading administration and registry platform for the wealth management industry, with the unique capability to support more than 7,000 investment options. In Australia, Composer supports wraps, corporate and personal superannuation, pensions, retail and wholesale unit trusts, life, risk, loans and cash management. In the UK, it offers a comprehensive solution for the management and administration of tax wrappers for self-invested personal pensions, income drawdown, individual savings accounts, bonds and wraps across multiple investments including retail and wholesale unit trusts and open ended investment companies. It is supplemented by GBST ComposerWeb, which provides digital tools for investment platforms and superannuation.

The GBST Shares platform is the most scalable middle- and back-office equities system in Australia. It helps stockbrokers and third-party clearers to manage and execute transactions with the ASX's market operations and clearing systems. GBST's Derivatives and Client Accounting system (DCA) is a fully integrated client accounting system for derivatives trading. GBST Catalyst integrates GBST FrontOffice, GBST Business Intelligence Reporting (BIR) and GBST MarginSuite products for the retail wealth market. These products provide client relationship and portfolio management, client on-boarding and comprehensive reporting, and firm-wide risk management.

GBST Syn~ is a new-generation technology platform that enables capital market participants to manage post-trade processing requirements across multiple asset classes, entities, markets and operational centres. It offers a regional middle- and back-office solution in Australia, Asia, Europe and the United States. GBST Quant provides data analytics and quantitative services for measuring portfolio performance including after-tax tools.

GBST is designing a more powerful, simpler solution architecture to facilitate digital engagement for retail and institutional markets.



GBST Executive Team

Patrick Salis

Chief Financial Officer

Patrick has been with GBST since September 2007, in a variety of roles including Chief Financial Officer, Chief Executive for GBST Capital Markets International Division, and Chief Operating Officer. He is based in Sydney, in his current role of Chief Financial Officer. Before joining the company Patrick held CFO roles in the financial services industry, including Virgin Money Australia Limited and prior to that JDV Limited. He has extensive experience working in wealth management, equities and derivatives broking, superannuation, mortgages, credit cards and unsecured lending. Patrick holds a Bachelor of Accounting and is a member of the Institute of Chartered Accountants in Australia.

David Simpson

Head of Europe, the Middle East and Africa

David Simpson joined GBST as head of Europe, the Middle East and Africa in July 2016. He manages client activity and drives the ongoing regional growth of the group's retail wealth platforms for wraps, life and pensions and banks, and for institutional capital markets. Previously, he was employed by SEI Investments Company as chief relationship officer for SEI Europe's Wealth Platform. Prior to joining SEI in 2010 as business development director, he held various roles at Barclays Wealth where he was employed for 22 years, including Managing Director of UK Asset Management and Retail Platforms from 2004 to 2010.

Denis Orrock

Head of Asia Pacific

Denis joined GBST in May 2008 and was named Head of Asia Pacific in April 2016 after serving as Chief Executive Officer for Capital Markets since August 2012. Previously, he managed the company's Australian Broker Services and Financial Services divisions. Prior to joining GBST, Denis was General Manager of Infochoice and has also held advisory and trading positions with UBS, Grange Securities and Taylor Collison. Having worked within the Australian financial services industry for over 15 years, Denis has a broad understanding of domestic wholesale and retail markets.

Mark Knowlton

Chief Technology Officer

Mark Knowlton joined GBST as Chief Technology Officer in April 2017 leading the technology team which designs, builds and optimises GBST solutions. Prior to GBST, Mark worked from 2011 with Macquarie Bank as Chief Information Officer for their Banking and Financial Services business. Before that, Mark worked for AXA in various technology leadership roles. His early career was shaped in various software engineering and management consultancy roles with KPMG, CSC and CAP (now SEMA). Mark has extensive experience in digital disruption within Financial Services and is passionate about leading transformational change to deliver the best outcomes for clients, colleagues and shareholders. He holds an Honours Bachelor's degree from the University of Nottingham, U.K.

Directors' Report

for the year ended 30 June 2017

The Directors of GBST Holdings Limited ('GBST' or the 'Company') submit their report together with the consolidated financial report of the Group, comprising the Company and its controlled entities for the year ended 30 June 2017 and the audit report thereon.

DIRECTORS

The following persons were Directors of the Company in office during the year and up to the date of this report:

Allan Brackin – Independent Director and Chair

Appointed 27 April 2005

Allan Brackin was appointed Chair of GBST in December 2015. Allan initially joined the Board as a Non-Executive Director prior to listing and has seen the Company evolve into a global business.

Allan has been involved in the technology industry for over 30 years at both executive and non-executive level.

At executive level he was Group CEO of ASX listed Volante Limited (ASX:VGL), from 2000-2004. Volante was one of Australia's largest IT services companies. From 1986-2000 Allan cofounded a number of IT companies. These companies all became part of the Volante Group.

At non-executive level, Allan is also Chairman of ASX listed mining software company RPM Global Holdings Limited (ASX:RUL), Chairman of telecommunications software company Emagine Pty Ltd and is a Director of telecommunications software carrier Opticomm Pty Ltd. He is also a member of the advisory board for several IT companies and mentors a number of technology entrepreneurs.

Allan has held no other listed company directorships in the last three years.

Allan has a Bachelor of Applied Science from the Queensland University of Technology and has attended the Owner President Management Program at Harvard University.

Allan is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

Interest in Shares and Options

200,000 Ordinary Shares in GBST Holdings Limited were held by Mr Brackin's associated entities at 30 June 2017.

Robert DeDominicis – Managing Director and Chief Executive Officer

Appointed 15 December 2015

Robert DeDominicis is the Managing Director and Chief Executive Officer of the Company. He joined GBST in 2008 and is a founding partner of InfoComp, now GBST's Wealth Management Division, with over 30 years' experience in the development of software applications.

Robert has no other listed company directorships and has held no other listed company directorships in the last three years.

Robert has a business and technical software background having been part of the Retail Wealth Business development and professional services teams.

Robert holds a Bachelor of Mathematics and is a member of the Australian Institute of Company Directors.

Interest in Shares and Options

609,055 Ordinary Shares and 112,367 Performance Rights in GBST Holdings Limited were held by Mr DeDominicis at 30 June 2017. Of these performance rights 99,807 subsequently lapsed as the performance hurdles were not met as at the approval of these FY17 financial statements. Robert has elected not to accept the 12,560 shares arising from the performance rights due to vest in August 2017.

90,000 Ordinary Shares in GBST Holdings Limited were held by Mr DeDominicis' associated entities at 30 June 2017.

Christine Bartlett – Independent Director and Deputy Chair

Appointed 24 June 2015

Christine Bartlett is the Deputy Chair of GBST.

Christine is an experienced CEO and senior executive with extensive line management experience gained through roles with IBM, Jones Lang LaSalle and National Australia Bank Limited. Her executive career has included Australian, regional and global responsibilities based in Australia, the USA and Japan. Christine brings a commercial perspective especially in the areas of financial discipline, identifying risk, complex project management, execution of strategy, fostering innovation and taking advantage of new emerging technologies.

Christine is currently an Independent Non-Executive Director of the Mirvac Group (ASX:MGR), Sigma Healthcare Limited (ASX:SIG), TAL Services Limited and an external Director for Clayton Utz. Christine is the Chairman of The Smith Family, a national, independent children's charity. She is a member of Chief Executive Women, the Australian Institute of Company Directors and the UNSW Australian School of Business Advisory Board.

Christine has held no other listed company directorships in the last three years.

Christine holds a Bachelor of Science from the University of Sydney and has completed senior executive management programs at INSEAD.

Christine is a member of the Audit and Risk Management Committee, Technology Committee and the Nominations and Remuneration Committee.

Interest in Shares and Options

4,750 Ordinary Shares in GBST Holdings Limited were held by Ms Bartlett at 30 June 2017.

David Adams – Independent Director

Appointed 1 April 2008

David Adams has had an extensive career in the funds management industry including the establishment of Australia's first cash management trust at Hill Samuel Australia in 1980 and as Group Head of the Funds Management Group for Macquarie Bank. David was a Director at Macquarie Bank from 1983 until 2001 and was also Chairman of the Investment and Financial Services Association in 2000 and 2001.

David has no other listed company directorships and has held no other listed company directorships in the last three years.

David was a Visiting Fellow (Management of Financial Institutions) at Macquarie University and holds a Bachelor of Science from the University of Sydney as well as a Masters in Business Administration from the University of New South Wales.

David is the Chair of the Nominations and Remuneration Committee and a member of the Audit and Risk Management Committee.

Interests in Shares and Options

Nil at 30 June 2017.

Deborah Page AM – Independent Director

Appointed 1 July 2016

Deborah Page is an experienced company director and Chartered Accountant. She has worked exclusively as a Non-Executive Director since 2001 across a range of industries including insurance, financial services, property and energy. Prior to that she held senior executive positions with Commonwealth Bank, Allen, Allen and Hemsley and the Lend Lease Group (including MLC Life and a joint venture with IBM). She currently holds Board positions with BT Investment Management Limited (ASX:BTT), Brickworks Limited (ASX:BKW) and Service Stream Limited (ASX:SSM).

Deborah was Chairman of Investa Listed Funds Management Limited, the responsible entity of Investa Office Fund (ASX:IOF) until April 2016, and a Non-Executive Director of Australian Renewable Fuels Limited (ASX: ARW) until October 2015.

Deborah holds a Bachelor of Economics from The University of Sydney, is a Fellow of the Institute of Chartered Accountants, Fellow of the Australian Institute of Company Directors and was honoured in 2006 as a Member in the General Division of the Order of Australia for services to Public Health, Business and the Accounting Profession.

Deborah is the Chair of the Audit and Risk Management Committee.

Interests in Shares and Options

9,250 Ordinary Shares in GBST Holdings Limited were held by Mrs Page at 30 June 2017.

Tam Vu – Independent Director

Appointed 1 January 2017

Tam Vu's career in leading technology change, innovation and entrepreneurship has spanned over 25 years, working extensively in Australia, Asia Pacific, Europe and USA. Tam has held numerous senior technology and business leadership roles at IBM Consulting Group, BP Australia and BP UK, Mars and SEEK. He was formerly the Chief Information Officer at SEEK where he led a large transformation program and prior to this, Tam was the Global Chief Information Officer for BP's retail business.

In the last six years, Tam has founded a highly successful professional services business providing advisory and delivery services to a number of leading organisations, with a strong focus on retail and financial services. Tam has also provided advisory services to a number of technology start-up businesses in Australia. Tam is currently the Managing Director of Vitae Partners and a member of the Audit, Risk and Compliance Committee at the National Gallery of Victoria.

Tam has no other listed company directorships and has held no other listed company directorships in the last three years.

Tam holds a Bachelor of Science (Hons) from the University of Adelaide and has attended several executive leadership courses at MIT, IMD and Stanford University.

Tam is the Chair of the Technology Committee.

Interests in Shares and Options

Nil at 30 June 2017.

RETIRED DIRECTORS DURING 2016-17

Joakim Sundell – Non-Executive Director

Appointed 9 August 2001; resigned 27 July 2016.

Mr Joakim Sundell was appointed to the Board in 2001 prior to the Company's listing. Joakim has had an extensive career in private equity finance, merchant banking, and management both in Sydney and London. He is Managing Director of Crown Financial Pty Ltd, a private investment company. He was a Director of Infochoice Limited from 13 December 2006 until 5 February 2008.

Dr Ian Thomas – Independent Director

Appointed 8 December 2011; resigned 31 January 2017.

Dr Ian Thomas is Chairman and CEO of Thomas Global Ventures, a strategic advisory and investment firm. He brought global experience to GBST, having held many senior positions in the aerospace and defense industry, including President of Boeing China, President of Boeing Australia and South Pacific, President of Boeing India. Prior to joining Boeing in 2001, Ian served in a variety of staff and policy roles as a political appointee in the U.S. Department of Defense.

COMPANY SECRETARY

Jillian Bannan

B.Comm/LLB, Grad Dip Legal Practice

Jillian Bannan was appointed Company Secretary and General Counsel on 18 July 2016. She is a member of the Queensland Law Society and was admitted as a Solicitor of the Supreme Court of Queensland in 1998.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	BOARD MEETINGS		AUDIT AND RISK MANAGEMENT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		TECHNOLOGY COMMITTEE	
Directors	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
A Brackin	10	10	4	4	3	3	–	–
C Bartlett	10	10	4	4	3	3	4	4
D Adams	10	10	4	4	3	3	–	–
D Page	10	10	4	4	–	2*	–	–
T Vu[1]	6	6	–	–	–	–	4	4
R DeDominicis	10	10	4**	4**	3**	3**	4	4
J Sundell[2]	1	1	–	–	–	–	–	–
I Thomas[3]	4	3	–	–	–	–	–	–

Note: The Board also has a Disclosure Committee which meets as and when required. No meetings where held during the financial year.

1 Appointed 1 January 2017

2 Resigned 27 July 2016

3 Resigned 31 January 2017

* Attended meeting as a guest

** R DeDominicis attends as a Standing Invitee.

Directors' Report

for the year ended 30 June 2017 continued

PRINCIPAL ACTIVITIES

The principal activities of GBST during the year ended 30 June 2017 were:

- client accounting and securities transaction technology solutions for the finance, banking and capital markets industry globally;
- funds administration and registry software for the wealth management industry in Australia and the United Kingdom;
- gateway technology provider to the superannuation industry; provider of data and quantitative services offering after tax measurement of portfolio performance in Australia; and
- website and mobile platform design and digital agency services focused on e-commerce and the financial services industry in Australia and Europe.

No significant changes in the nature of these activities occurred during the year.

GBST RESTRUCTURED INTO THREE REGIONAL DIVISIONS DURING THE YEAR:

GBST has aligned its products and services to focus on clients in three key regions: Australia, the United Kingdom, and the Rest of the World (ROW). Financial reporting now recognises three regionally-based divisions:

- In **Australia**, GBST provides its full range of retail wealth and institutional solutions for the wealth management and capital markets industries. The company's industry-leading software platforms include GBST Composer, which provides end to end funds administration and management software for the wealth management industry; GBST Syn~, which provides a new generation post-trade processing platform for equities, derivatives, fixed income and managed fund processing; and GBST Shares, which is the most widely-used back and middle-office processing equities software in Australia.
- In the **United Kingdom**, GBST Composer offers an integrated system for the administration of wrap platforms, including individual savings accounts (ISAs), pensions, self-invested personal pensions (SIPPs) and superannuation; as well as master trusts, unit trusts, risk and debt; and other investment assets.
- In the **Rest of the World**, the GBST Syn~ platform supports institutional capital markets primarily in Asia and North America.

OPERATING AND FINANCIAL REVIEW

	FULL YEAR TO 30 JUNE		
	2017 $'000	2016 $'000	% Change
Total revenue and other income	87,975	108,143	(19)
Operating EBITDA before strategic R&D	21,787	23,567	8
Strategic R&D	9,606	3,570	(169)
Operating EBITDA	12,181	19,997	(39)
Restructure and other non-operating expenses	(192)	(2,802)	
EBITDA	11,989	17,195	(30)
Net finance costs	(611)	(776)	21
Depreciation & Operating Amortisation	(2,862)	(3,273)	13
Investment Amortisation	(3,493)	(4,089)	15
Profit before income tax	5,023	9,057	(45)
Income tax credit	1,962	213	
Statutory Net Profit after income tax	6,985	9,270	(25)
Adjusted NPAT	10,478	13,359	(22)
Basic EPS (cents)	10.31	13.82	(25)
Adjusted EPS (cents)	15.46	19.92	(22)

The table includes IFRS and non-IFRS financial information. Non-IFRS financial information is Operating EBITDA, Operating & Investment Amortisation, Adjusted NPAT and Adjusted EPS; this information has not been audited or reviewed by our auditor, KPMG.

MEASURES OF PROFITABILITY AND BASIS OF PREPARATION

GBST defines Operating EBITDA as profit before net finance costs, tax, depreciation, amortisation, and other unallocated expenses. Strategic R&D is defined as research and development expenditure for strategic product and technology investments which form part of the Company's long-term product roadmap. Operating Amortisation is defined as amortisation relating to tangible and intangible assets used as part of on-going operating activities; Investment Amortisation relates to intangible assets acquired through acquisition. GBST defines Adjusted NPAT as profit after income tax plus Investment Amortisation. GBST uses Operating EBITDA, Adjusted NPAT and Adjusted EPS as internal performance indicators for the management of its operational business segments, and overall

Group performance to allow for better evaluation of business segment activities and comparison over reporting periods.

Restructure and other non-operating expenses are costs associated with organisation restructuring following the departure of the former CEO. These costs are not associated with any business segment and therefore are not allocated to a segment. This treatment is in accordance with Management's internal measurement of segment performance and the segment disclosures in Note 25 to the financial report. Restructure and other non-operating expenses are reported to allow for reconciliation between the Group and segment reports.

FINANCIAL OVERVIEW OF THE PERFORMANCE OF THE GROUP

Result in line with guidance

In FY17 GBST reported operating EBITDA of $12.2m in line with guidance, compared to $20.0m in FY16. Earnings were impacted by increased product development costs to upgrade the group's wealth administration and capital markets software platforms. Net profit was $7.0m, compared to $9.3m in FY16. Adjusted net profit after income tax (Adjusted NPAT), or net profit plus investment amortisation which is a key measure of the Group's results, decreased by 22% to $10.5m (2016: $13.4m).

Total revenue and other income was $88.0m compared to $108.1m in the previous corresponding period. This primarily reflected client-related project delays and the decline of the British pound against the Australian dollar. Although the company had hoped to deliver a stronger outcome, the strength of GBST's recurring revenue ensures the underlying business is in a strong position. GBST's business model is to build and develop high-quality recurring revenue streams, annuity revenue was 67% of the total. This highlights the strength and maturity of GBST's global customer base, which includes some of the world's leading wealth managers and capital markets participants. More than half of the Group's revenue is generated outside Australia, and international revenue was 53% of the total.

Syn~ market share growing

A significant milestone was the transition of a major institutional bank's back and middle-office from Shares to GBST's post-trade processing platform Syn~. This was a significant event and the successful culmination of several years of software development in close collaboration with the client. Syn~ is now the leading Australian platform, processing more than 25% of equity market trades. Through Shares and Clearview, GBST processes a further 35% of equity market trades. GBST continues to be Australia's leading back and middle-office provider, processing more than 60% of total market volume and 46% of the equity options market.

The high quality, flexibility and scalability of our products underpins GBST's earnings, and an extensive development program is underway to improve the Group's Composer, Catalyst and Syn~ software platforms. In FY17 GBST significantly increased expenditure in line with commitments to clients. Expensed strategic R&D costs were $9.6m in FY17, up 169% compared to $3.6m in FY16.

Excluding R&D costs, operating EBITDA was $21.8 million in FY17, compared to $23.6m in FY16.

In FY17, GBST reported an income tax credit of $2.0m. This largely relates to benefits received from Research & Development tax incentives in Australia and the UK, and the private binding ruling confirming contributions paid to the Employee Share and Option Plan for vested performance rights are tax deductible.

Earnings per share before investment amortisation charges were 15.5 cents (FY16: 19.9 cents). The Company has a strong balance sheet, with cash of $11.7m at 30 June 2017.

Investment in our people

GBST has a strong client-focused business culture, and during the year progressed development of a performance framework to support its global growth strategy. This aligns the Company's values and business objectives, and empowers GBST's commitment to clients. The long-term experience and strong industry knowledge of employees helps differentiate the Company in GBST's markets.

CTO appointed and Board Technology Committee established

In light of the increased investment in strategic R&D, GBST has increased its technology delivery and governance capability. GBST has strengthened its management team with the appointment of a Chief Technology Officer, Mark Knowlton, who brings significant technology thought leadership and delivery experience to the role. GBST also recently appointed a new head of human resources. Both roles are based in Australia.

To assist the Board and management to provide appropriate governance and oversight, GBST also created a Board Technology Committee to measure and monitor the progress of the R&D investment.

Board renewal

The Group's board renewal program continued, and during FY17 GBST welcomed to the Board two new independent directors. Deborah Page AM was appointed on 1 July 2016 and Tam Vu was appointed on

1 January 2017. Deborah strengthens the Board's financial, risk and governance skills and Chairs the Audit and Risk Management Committee. Tam brings a strong skillset and experience in leading technology change and innovation, and Chairs the Technology Committee.

SHAREHOLDER RETURNS

	2013	2014	2015	2016	2017
Profit attributable to the owners of the Company	$6.0m	$10.0m	$15.3m	$9.3m	**$7.0m**
Basic EPS (cents)	9.06	15.07	22.94	13.82	**10.31**
Dividends paid	$3.7m	$5.0m	$6.3m	$7.4m	**$6.2m**
Dividends paid per share (cents)	5.5	7.5	9.5	11.0	**9.2**
Closing share price 30 June	$1.70	$3.21	$5.73	$4.14	**$2.97**
Return on capital employed	14.9%	19.9%	23.5%	13.6%	**8.1%**

INVESTMENTS FOR FUTURE PERFORMANCE

During FY17, the Group restructured to realign products and operations more closely with clients, and product investment was increased to ensure long-term technology leadership in the wealth management and capital markets sectors.

The Company's key development programs include:

- The E-VOLVE program to transform Composer;
- development of a contemporary front-end called ComposerWeb 2.0 to provide users with a modern digital user experience; and
- further improvement of Syn~ including projects to increase scale and align Syn~ with clients and the broader market.

The E-VOLVE program has been designed to build a more powerful wealth administration platform. Composer has already been significantly enhanced with multiple database support, and the main focus of E-VOLVE has been to provide a more open platform with Application Programming Interfaces (APIs) in a multi-tier architecture. This will increase clients' operational efficiency and improve the digital experience for advisers and their customers. The development program is having to overcome challenges, particularly related to the automated migration of code by a third-party vendor which will require changes to our method of upgrade by using more internal development capability.

These challenges will impact the timing of the implementation of the project. Having reviewed a number of strategic options, it has been decided that GBST will undertake much of the migration and development work internally.

This will allow GBST to have greater control of the program and assist in delivering a final product that will meet our clients' expectations. GBST is currently replanning the project and this process is expected to take at least two months to complete.

Digital disruption is driving wealth management businesses to redesign their operating models and focus on aggressive cost control, operational efficiency, and using data as a strategic asset. GBST is helping to transform the customer experience with simplicity, transparency and smart-technology flexibility.

Focus on digital solutions

Over the next three years, GBST will increase its strategic R&D investment to enhance its digital solutions, enabling the Company to take advantage of long-term market growth. Development will be aligned to client priorities, and the E-VOLVE program now has increased emphasis on providing a strong front-office digital capability.

As a result, development will also focus on GBST's digital ComposerWeb 2.0 product which will modernise the intermediary portal for adviser and consumer engagement, beginning in the UK. This is expected to be completed in FY18. Interest from existing clients is very high and work has commenced on an initial implementation.

Expected development cost

These investments related to the E-VOLVE and ComposerWeb 2.0 project referred to above are expected to cost up to $50m and will be delivered over the next three financial years. The rate and ultimate amount of this spend will depend on many factors including project scope, client demand and overall company performance. The company will continue to invest in its other platforms, including Shares and Syn~, to ensure market-leading capability and performance for customers.

GBST is confident of the program's success. The Company has a clear customer-focused strategy, and is working closely with clients to provide new APIs, automated services, cloud deployment, digital advice channels and digital marketing.

Ongoing technology enhancement

Improvements to Composer during the year included upgrading services for wrap and platform providers to include Lifetime ISAs (individual savings accounts). The new APIs developed during the year were extremely well received by clients; these allow Composer to be deeply embedded in clients' systems, including customer relationship management (CRM), business process management (BPM), and enable clients to create tailored automated marketing solutions for their businesses.

GBST's markets are growing rapidly, UK funds under management increased to £1.1 trillion at the end of June 2017, up from £949bn at the end of June 2016. E-VOLVE will enable the Company to capitalise on this growth and build on the strong foundations that have been established over the past 10 years.

UK enhancements to Composer in FY17 included:

- Expansion of an enhanced annuity capability for multiple annuity providers in the UK
- Increased market trading capability including limit and market orders, foreign assets using CDIs and investor/asset tax classification
- Lifetime ISA, allowing our clients to be among the first to market with this product.

Catalyst is a new API enabled front-end digital platform which provides a growth path in Australia in the converging wealth management and capital markets. It integrates GBST's Front Office, Business Intelligence Reporting and MarginSuite products. Its development path will enable integration of GBST's capital markets product suite with Composer and ComposerWeb, including deployment through a software-as-a-service (SaaS) model. This will allow Catalyst to serve retail customers directly, and increase GBST's addressable market.

Following completion of the Shares to Syn~ transition program, further investment in Syn~ is expected to be at lower levels. Improvements to Syn~ during the year included:

- Market trade processing optimisation
- Settlement for global bank hub operations, supporting financial market utilities
- Custody transactions and SWIFT messaging
- Corporate actions processing
- Managing multiple accounting regulations
- Reconciliation with multiple ledgers
- Chinese language support for reporting.

Review of operating segments of the Group

UNITED KINGDOM – WEALTH MANAGEMENT

	FY2017 $'000	FY2016 $'000	% Change
Revenue	32,559	43,906	(26)
Operating EBITDA – before Strategic R&D	4,122	10,337	(60)

UK services revenue was impacted by delays in ongoing Composer projects with existing clients, total revenue was $32.5m for FY17 compared to $43.9m in the previous year. These delays were unrelated to the E-VOLVE project. As revenue from new installation work decreased, recurring licence revenue increased to 54% of the total from 47% in FY2016.

Market leading position

The Composer platform is the top direct-to-consumer software platform for the distribution of tax-incentivised products in the UK and powers some of the leading platforms in the market. These include an installation for Aegon which is integrating the recently acquired Cofunds retail platform onto Composer. The foundation of the new platform has been built and features are being added from the Cofunds platform that intermediaries have highlighted they value.

First integrated cross-channel deployment in UK

Once completed, more than 800,000 policies will be migrated onto Composer, and Cofunds users will benefit from access to a wider range of investments, reduced manual processes, and increased efficiency and operational performance. Development continues for the Nationwide Building Society, which is part of the Composer implementation for Aegon's ARC platform. Implementation is expected to begin during FY2018 with migration to follow.

Moving funds administration to the Composer platform is expected to contribute an estimated £60 million in annual cost synergies to Aegon through improved straight through processing and distribution. This is the first integrated cross-channel deployment in the UK, managing workplace, orphan, direct and advised business and allowing clients to move easily across categories.

Development of the platform for Retirement Advantage has been extended to support annuities, and clients are expected to be migrated onto Composer during the first half of FY18. The platform for Alliance Trust Savings is already 'live' and will be rolled out systematically to clients through 2017.

New customer wins

During the year, GBST won a significant new contract with an insurance brand leader, and digital development is underway. This deployment will be delivered through a software as a service model, using the dynamic marketing capabilities of Composer and ComposerWeb to engage consumers.

New services for wrap and platform providers such as Lifetime ISAs[1], which help savings providers to facilitate subscriptions and transfers, were extremely well received by clients.

GBST continues to be a beneficiary of regulatory change to protect consumers and new initiatives are being planned that will require financial services organisations to upgrade legacy systems to meet their obligations, one example is General Data Protection Regulation (GDPR). Organisations will need to be able to demonstrate 14 data privacy capabilities to evidence compliance with GDPR. It is estimated that £667bn of assets in direct contribution (DC) schemes are now available for potential transfer to platforms, with more than £1,400bn of assets held by consumers in the 55 to 74-year age group.

This represents a significant growth opportunity and GBST is exploring opportunities to assist life and pension companies to transform their retirement propositions. The Company is also benefiting from consolidation in the self-invested personal pensions (SIPP), and direct-to-consumer platforms markets as price competition drives mergers to achieve economies of scale. Banks are also exploring opportunities to re-enter the advice market through digital automated advice, and this represents a further market for GBST.

Leading analyst firm, Gartner Group, notes that the rapid rate of change in digital technologies and customer expectations is creating tremendous pressure on the traditional wealth management business model. Wealth management revenue growth is challenged by nontraditional players entering the market, as well as by the increasing use of lower-cost passive products and alternative asset classes. As a result, wealth management firms are moving towards an "open architecture" model where they support clients with a wider range of investment products. Embracing this model allows GBST to introduce new asset classes for clients, providing them with lower cost, and more flexible options that can be launched in a shorter timeframe.

UK market growing

The size of the market is significant, as more than £6.9 trillion is managed by the UK investment industry. Estimates by the independent industry analyst, Lang Cat, indicate that of a total £1.8 trillion market, up to £1.1 trillion may still be available for transition to outsourced technologies in the retail market.

Further change is anticipated through the MiFID II legislation which will impact all trading processes, transaction reporting and client services to IT and human resources systems. GBST is working closely with clients to ensure they are ready. Another change which may benefit GBST is the UK Pension Dashboard initiative being driven by the Association of British Insurers, which aims to provide a snapshot of a consumer's entire pension savings holding in one place. GBST has experience of similar initiatives in Australia, and this will help the Company to leverage UK opportunities.

AUSTRALIA – WEALTH MANAGEMENT

	FY2017 $000's	FY2016 $000's	% Change
Revenue	16,567	17,805	(7)
Operating EBITDA before Strategic R&D	8,496	5,591	52

Restructure improves Wealth Management profitability

Wealth Management activity was lower in the second half following the completion of major projects, and revenue for FY17 was $16.6m, compared to $17.8m in the previous year. Operating EBITDA increased to $7.1m in FY17, up 55% from $4.6m after restructuring increased efficiency, enabling product specialists to support clients more effectively across the Group's full range of product solutions.

Expansion into business process outsourcing

In FY17, GBST entered the business process outsourcing (BPO) market through a partnership with MainstreamBPO, one of Australia's largest independent fund administrators. Through Mainstream BPO's FundBPO, GBST's Composer platform now supports a Global 100 asset manager's platform. The migration of another asset manager's platform onto Composer is about to commence. The BPO market is significant for GBST as more than 75% of fund managers and 80% of large superannuation funds use third party services in their back office, creating new opportunities.

The Mainstream BPO service also includes GBST's new Fund Gateway product which automates secure business-to-business messaging services for external transaction networks. This enables funds to manage assets directly and benefit from real-time reporting.

GBST completed installations of ComposerWeb for Mainstream BPO and for a leading international fund

1 Individual Savings Accounts (ISAs) allow savers to invest money without paying tax on interest or on investment returns

manager, as well as migration projects for the wealth management arm of a major retail bank.

Rollover processing times reduced from 20 days to 3 days

GBST's Superstream Gateway helped expedite processing times, reducing Superstream rollovers, contributions and insurance processing from an average of 20 business days to 3 business days. Industry use of Quant's tax optimisation capability continued to grow, with one client attributing a 25 basis points performance improvement to the product.

TOTAL WEALTH MANAGEMENT (UK + AU)

	FY2017 $000's	FY2016 $000's	% Change
Revenue	49,126	61,711	(20)
Operating EBITDA – before Strategic R&D	12,618	15,928	(21)
Strategic R&D	6,489	2,639	(146)
Operating EBITDA – Total	6,129	13,289	(54)

Lower operating EBITDA reflected the significant ongoing investment in development of Composer and ComposerWeb for the UK and Australian markets, which is essential to maintain GBST's product leadership position.

AUSTRALIA – CAPITAL MARKETS

	FY2017 $000's	FY2016 $000's	% Change
Revenue	24,883	32,675	(24)
Operating EBITDA before Strategic R&D	7,539	12,147	(38)

Syn~ now Australia's post-trade processing market leader

Capital markets revenue was impacted by increased competition and regulatory changes, revenue was $24.9m for FY17, compared to $32.7m in the previous year. Strategic R&D expenditure was $2.9m for FY17, up from $1.0m in FY16, as the Company increased development on Syn~ and Catalyst. Operating EBITDA was $4.6m in FY17, compared to $11.2m in FY16.

Following a difficult year, the capital markets business has stabilised and implementation of Syn~ by a major institutional bank has propelled Syn~ to the market leadership position in Australia, where it now processes more than 25% of equity market trades.

This new installation of Syn~ was the fourth in Australia, and represents the most comprehensive use of the platform. Its successful implementation demonstrated the benefits of GBST's close collaboration with clients, as well as GBST's significant infrastructure and domain expertise.

Shares and DCA continue to perform strongly in equity and derivatives trading and hold dominant market positions.

Another new opportunity with a significant local institution to develop Catalyst is continuing.

Improvements to Syn~'s capability included custody transactions, SWIFT messaging and corporate actions capabilities which extend the platform's services for financial markets utilities.

GBST's digital business, Emu launched two new implementations of the ecommerce platform Umeeco in Australia, with further projects taking place in the UK. This platform is extremely stable, flexible and scalable, and features a fully integrated content management system.

REST OF THE WORLD – CAPITAL MARKETS

	FY2017 $000's	FY2016 $000's	% Change
Revenue	13,600	13,253	3
Operating EBITDA before Strategic R&D	1,630	(4,508)	136

Major turnaround to profitability

A highlight of the year was the successful operational restructure of GBST's institutional business which operates in Asia, Europe and North America. Revenue increased to $13.6m in FY17 compared to $13.3m in the previous year. Operating EBITDA was $1.4m in FY17, a significant turnaround from an operating loss of $4.5m in FY16. Focus on institutional business opportunities in the Group's core Asia market has enabled this return to profitability. Financial improvement in this business was especially pleasing after several years of product investment and business development, and GBST is beginning to see rewards through clients' increased use of Syn~, new customers and a growing reputation as a market leading solution.

Syn~ usage increasing

In Asia, GBST's clients include the top two broker-dealers in the Hong Kong market and the Company has assisted a major institutional broker-dealer to provide outsourced middle office and clearing services to regional stockbrokers and custodians. GBST is also migrating this firm's global markets business onto Syn~. Further new projects included an expansion of GBST's automated back and middle-office platform for Haitong International, and two Asia-based clients are now using Syn~ to process regional equity trades across Asia and Australia.

The Group has significant expansion opportunities in Asian markets including several possible projects for Chinese banks in Hong Kong, extensions of Syn~ for existing clients and a project in Japan.

The maturing Syn~ technology provides competitive advantages for financial markets utilities in Asia that need automated straight-through processing technology to realise economies of scale. Institutional banks can leverage Syn~'s fully integrated back and middle-office capability to provide a multi-market, multi-asset service, lowering post-trade processing costs across their global operations.

In North America, GBST successfully extended an implementation of Syn~ for Raymond James, a major regional broker dealer which supports 3 million client accounts through 7,300 financial advisers in the US, Canada and overseas.

This further improved Raymond James' middle office straight through processing and financial reporting, and ensured T+2 readiness (allowing settlement of security transactions in two days after the transaction) and support for key regulatory initiatives including Consolidated Audit Trail (CAT) and MiFID II. Benefits also included increased access to Omgeo's electronic trade confirmation network supporting over 100 US- and London-based clients, support of multi-currency trade and commission allocation and reporting, and integration with global settlement systems and new global markets systems.

GBST now employs both direct and partner sales models in North America, enabling access to growth opportunities without the need for a large sales force. As the North American post-trade processing industry moves to a T+1 settlement cycle, GBST has a flexible, modular system with modern software architecture and is well positioned for growth.

TOTAL CAPITAL MARKETS (AU + ROW)

	FY2017 $000's	FY2016 $000's	% Change
Revenue	38,483	45,928	(16)
Operating EBITDA before Strategic R&D	9,169	7,639	20
Strategic R&D	3,117	931	(235)
Operating EBITDA	6,052	6,708	(10)

The capital markets business generated significant margin improvement. Increased product and technology investment is expected to contribute to business growth in future years.

FINANCIAL POSITION

Net assets decreased by $1.0m to $64.9m (June 2016: $65.9m).

Factors impacting this were:

- lower than expected earnings due to project delays and higher costs;
- decline of the Great British Pound (GBP) to the Australian Dollar for contracts denominated in GBP;
- $6.2m of dividend payments during the year (June 2016: $7.4m).

Current assets exceeded current liabilities by $8.6m (June 2016: $8.6m).

GBST's cash position was $11.7m at 30 June 2017 (June 2016: $8.8m).

OVERALL GROUP STRATEGY, PROSPECTS AND RISKS

Through its market-leading products, GBST has significant growth prospects in Australia, Asia, the UK, and North America. The Company has more than 60 clients around the world, with particularly strong positions in the UK and Australasian wealth management markets and the Australasian and Asia-Pacific capital markets.

The Company has a strong business model and an established annuity revenue base with many long-standing clients.

Major projects in the UK are progressing. GBST is working closely with its clients to exploit the flexible marketing capabilities of Composer. Development of ComposerWeb 2.0, targeting wealth managers' growing demand for a contemporary digital front office, will commence in FY18 and is expected to launch in the second half of FY18. GBST has already secured one client and anticipates further sales.

The next release of Composer in the UK, which is scheduled for release in the second half of FY18, will include greater cloud deployment support and automation, as well as further product enhancements to support the General Data Protection Regulation and Markets in Financial Instruments Directive (MiFID). As E-VOLVE progresses GBST will collaborate with clients, allowing their feedback to guide design and future enhancements. The E-VOLVE project extension will not impact existing clients' operations or business plans. E-VOLVE will be delivered, as incremental regular releases, for both UK and Australian regions.

The UK market continues to grow, with funds under management increasing above £1 trillion in 2017 to £1.1 trillion in June 2017.[2]

2 https://www.theinvestmentassociation.org/fund-statistics/funds-under-management.html?what=table&show=7

The Catalyst product provides GBST's wealth management business with a growth path in Australia and the Group's BPO and Fund Gateway products also provide opportunities.

Following completion of GBST's program to transition a leading global institutional bank's back and middle-offices from Shares to Syn~, the Company has benefited from the Syn~ platform's market leadership and has several growth opportunities in Australia, where investment continues to increase automation and scalability. GBST has good prospects for growth in Asia-Pacific and Japan, where it has an ongoing pipeline of work with existing clients and potential new clients are in the advanced stages of scoping business requirements.

The Company expects operating EBITDA before strategic R&D in product development in the range of $20m – $25m for FY18. Strategic R&D in product development expenditure is expected to be in the range of $10m – $15m for FY18, with $10 – $12m of that related to E-VOLVE and ComposerWeb 2.0.

The Company's financial technology markets globally are growing, and GBST has significant growth potential. GBST aims to capitalise on the expanding wealth management and capital markets sectors, which are expected to remain high-growth markets through 2020 and the next decade.

MATERIAL BUSINESS RISKS

The material business risks that have the potential to impact the Group are outlined below, with mitigating actions undertaken to minimise these risks.

Risk	Nature of Risk	Mitigation
Industry disruption	Technology and financial services are industries that are both at considerable risk for disruption and disintermediation. Innovative technologies could be a threat or an opportunity.	GBST's program of ongoing research & development investment into its technology and products is essential to the management of these risks. The program is managed by a team of highly skilled technical, product and subject matter experts, and done in close collaboration with GBST's global customer base. The recent introduction of a Board Technology Committee will provide further oversight and governance to help keep the Company focussed on the longer-term risks and opportunities.
Information security, protection of intellectual property and system failure	Due to the nature of the Company's business it is at risk of material damage from any breach of information security, loss of its intellectual property or failure of Company products and solutions which are critical systems in our customers' operations.	These risks are mitigated through the following measures: - • A dedicated team of information security specialists, supported by external expertise. • Regular independent audits by third parties. • Proven track record of disaster recovery capability. • Adequate built in redundancy for all critical systems and procedures.

Risk	Nature of Risk	Mitigation
Regulatory compliance	The cost of complying with the regulatory framework that GBST and its customers operate in is a major cost to the Company and can have a negative impact on business performance if not properly managed.	GBST monitors closely all developments in the regulatory environment that it and its customers operate in. GBST also works closely with the relevant regulatory bodies in all jurisdictions and is regarded as a key source of industry knowledge and expertise in the design and implementation of regulatory change. The Company actively engages with its entire customer base to stay on top of all trends and changes globally.
Project execution	Failure to successfully develop, implement and support GBST's products and solutions could have a material adverse impact on the Company's financial performance and reputation. This occurs across both client and internal projects. Project execution is sometimes not only reliant on the work of GBST staff, but also that of external vendors. Outsourcing may introduce a higher level of risk.	The Company has a long history and culture of developing high quality products and providing a world class level of services to our customers. GBST's staff are critical in managing this area of risk. GBST is focussed on the hiring, retention and training of its staff of dedicated professionals that are essential to the long-term success of the business. The Board requires the Managing Director to report upon any project that may be at significant risk of either incurring substantial penalties or incurring substantial over-runs. Internal systems and processes have been developed and are being enhanced to manage execution risk, including the establishment of a Board Technology Committee, that will provide additional governance over all major projects.
Customer concentration	GBST is exposed to loss of major clients through outsourcing decisions, industry amalgamation, and technology change. Top 5 customers generate 40+% of revenue.	GBST is actively pursuing diversification of income by continuing to develop a broader offering through its range of service and geographic reach. More than half of the major client revenue is related to fixed licence fees, secured by long-term contracts. GBST is committed to ongoing investment in R&D to keep products contemporary.

Risk	Nature of Risk	Mitigation
Customer demand and Resource management	Variability in customer demand presents operational challenges. This is an ongoing risk that will likely increase in the future as the Company continues to search for growth. There is a risk that customer demand does not meet forecasts.	GBST is in the process of introducing better systems and processes to build a pool of talent that can be utilised as required. To minimise future risk – GBST will increase its utilisation of low cost offshore resources and onshore contractors to meet the variability in customer demand. A pilot business unit has been established using Enterprise Agile principles including people, roles, structure, systems, processes, tools, culture & values, governance, metrics, controls, and reporting. This will be rolled out in the course of FY18.
Currency risk	GBST is at risk of sustaining losses by having earnings, assets and liabilities denominated in currencies other than the Australian dollar.	Wherever possible the Company tries to match revenues and costs into the local currency of the jurisdiction that it operates in. GBST makes clear in its financial reporting the exposure to and impact of foreign currency fluctuations on the Group's financial performance.

DIVIDENDS

A final fully franked ordinary dividend of 5.5 cents per share for the 2016 financial year was paid on 14 October 2016, as declared in the financial report for the year ended 30 June 2016.

An interim fully franked ordinary dividend of 3.7 cents per share was paid on 20 April 2017.

Dividends declared after the end of the year:

The Directors have declared a final dividend of 2.5 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 13 October 2017.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year, the Company issued 435,376 shares in respect of performance rights that vested after meeting the performance conditions from the 24 September 2013 grant of performance rights to selected employees issued under the GBST Performance Rights and Option Plan (LTI Plan). The remainder of performance rights granted on 24 September 2013 had been forfeited prior to the vesting date. On 26 September 2016 and 27 October 2016, a new issue of 311,863 and 62,124 performance rights were granted to selected employees under the LTI Plan which were subject to performance and service conditions. These performance rights will not meet the first targeted performance condition and will therefore be cancelled in accordance with the LTI Plan rules.

No other significant changes in the state of affairs of the Group occurred during the financial year, other than those disclosed in this report.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect operations of GBST, the results of those operations, or the state of affairs of GBST in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS OPPORTUNITIES

Information regarding the Company's future developments, prospects and business opportunities is included in the report above. Overall, GBST will continue to:

- Enhance and develop its products and services;
- Expand services to clients geographically; and
- Focus on increasing revenue and market share in the markets in which it operates.

ENVIRONMENTAL ISSUES

There are no significant environmental regulations applying to the Group.

Directors' Report

for the year ended 30 June 2017 continued

PERFORMANCE RIGHTS

To assist in the attraction, retention and motivation of employees, the Company operates a Performance Rights and Option Plan (LTI Plan).

The number of performance rights over ordinary shares outstanding at 30 June 2017 are as follows:

	Exercise Date	Exercise Price	Number
05.08.14 & 16.10.14	31.08.17	$0.00	264,615
26.09.16 & 27.10.16	26.09.19	$0.00	318,075

Of these performance rights 75% of the 5 August 2014 and 16 October 2014 issue have subsequently lapsed as the performance hurdles were not met as at the approval of these FY17 financial statements.

Of these performance rights 100% of the 26 September 2016 and 27 October 2016 issue have subsequently lapsed as the performance hurdles were not met as at the approval of these FY17 financial statements.

In addition, 435,376 new shares were issued to meet the exercise of employee performance rights during the financial year (no amounts are unpaid on any of the shares). The remainder of performance rights issued on 24 September 2013 lapsed prior to the vesting date and have been cancelled.

No further shares or employee performance rights have been issued up to the date of this report.

INDEMNIFYING DIRECTORS AND OFFICERS

During the financial year, the Group paid a premium to insure the Directors and Officers of the Group. The terms of the insurance contract prevent additional disclosure.

In addition, the Company has entered into Deeds of Indemnity which ensure the Directors and Officers of the Group will incur, to the extent permitted by law, no monetary loss as a result of defending actions taken against them as Directors and Officers.

During the year, GBST advanced $273,000 to a former director and executive, Mr Stephen Lake, in accordance with the terms of the Deed of Access, Indemnity and Insurance ("the Deed") with Mr Lake. The advances were paid to cover legal costs incurred in defending proceedings brought against Mr Lake in the Supreme Court of Queensland by Mr Malcolm Murdoch, a former director and shareholder of GBST. The proceedings relate to a dispute surrounding the terms on which proceedings by Mr Murdoch in 2003 were settled in 2004. All amounts advanced by GBST under the Deed are repayable if, upon the final adjudication of the proceedings, Mr Lake is not entitled to be indemnified by GBST. To date, GBST has advanced a total of $1.15m to Mr Lake to cover legal costs incurred in defending these proceedings since he first claimed under his indemnity in 2012. These amounts are expensed as incurred.

The Group is not aware of any other liability that has arisen under these indemnities at the date of this report.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act (2001) for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for non-audit services provided during the year are set out below:

Taxation services	$267,291
Accounting & Corporate advice	$35,567
	$302,858

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's independence declaration can be found on the page following this Directors' report and forms part of the Directors' report for the year ended 30 June 2017.

ROUNDING

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT – AUDITED

The information provided in the remuneration report relates to the Group for the year ended 30 June 2017 and has been audited as required by section 308(3C) of the *Corporations Act (2001).*

The remuneration report is set out under the following main headings:

a) Group and Company Key Management Personnel

b) Remuneration Policies and Practices

c) Group Performance and Remuneration

d) Service Agreements

e) Services from Remuneration Consultants

f) Loans to Directors and Transactions with KMP Related Parties

g) Details of Remuneration

h) Performance Rights Holdings of Key Management Personnel

i) Shareholdings of Key Management Personnel

(a) Group and Company Key Management Personnel

Names and positions held of Group and Company Key Management Personnel in office at any time during the financial year were:

Key Management Personnel	Position
A Brackin	Director (Non-executive Chair) (Independent)
C Bartlett	Director (Non-executive Deputy Chair) (Independent)
D Adams	Director (Independent)
D Page	Director (Independent) (appointed 1 July 2016)
T Vu	Director (Independent) (appointed 1 January 2017)
R DeDominicis	Director (Managing Director and Chief Executive Officer)
J Sundell	Director (Non-executive) (resigned 27 July 2016)
I Thomas	Director (Independent) (resigned 31 January 2017)
M Knowlton	Chief Technology Officer (appointed 3 April 2017)
D Orrock	Head of Asia Pacific
J O'Sullivan	Head of Technology, Institutional (resigned 24 February 2017)
P Salis	Chief Financial Officer
I Sanchez	Head of Technology, Retail Wealth (restructure 2 April 2017)
D Simpson	Head of EMEA (appointed 1 July 2016)

Remuneration Principles

Key Management Personnel (KMP) comprise the Directors and Senior Executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

The principles for determining the nature and amount of remuneration of Key Management Personnel are as follows:

- The Group will use competitive remuneration packages to attract, motivate and retain talented Executives as determined by the Nomination and Remuneration Committee.
- The employees will be rewarded for sustained and sustainable improvement in the performance of the Group.
- Key Management Personnel (KMP) are encouraged to make investments in the Group in accordance with the Group's share trading guidelines.
- Senior Executive agreements will not allow for significant termination payments if an employment agreement has to be terminated for cause.
- The Group will make full disclosure of Director and Executive remuneration.
- The Group's practices will be legal, ethical and consistent with being a good corporate citizen. It will comply with remuneration disclosures required by law and will seek to maintain the highest standards of clarity and transparency in communications with shareholders.

The Board recognises the significant role played by remuneration in attracting and retaining staff with the aim to benchmark against other similar roles situated in other similar companies listed on the Australian Securities Exchange within similar industry sectors.

Remuneration paid to Directors and Executives is valued at the cost to the Group, except for share based payments which are valued at fair value.

Remuneration Structure – Non-Executive Directors

Remuneration of Non-Executive Directors is determined by the Board with reference to market rates for comparable companies and reflective of the responsibilities and commitment required of the Director. The remuneration of Directors is voted on annually as part of the acceptance of the Remuneration Report at the Company's Annual General Meeting. The current shareholder approved limit is $750,000.

Non-Executive Directors are paid a fixed annual remuneration (inclusive of superannuation where relevant). The annual fees paid to Non-Executive Directors in 2017 are $135,000 (inclusive of superannuation) for the Chair, $90,000 (inclusive of superannuation) for the Deputy Chair and Committee Chairs and $80,000 (inclusive of superannuation) for Non-Executive Directors. Non-Executive Directors may make investments in the Company in accordance with the Company's share trading guidelines, but they do not participate in the existing Company LTI Plan. GBST does not operate a scheme for retirement benefits to Directors.

Remuneration Structure – Senior Executives

The Group's remuneration structure for Senior Executives has three components.

- Fixed remuneration of salary and superannuation.
- Bonus payments based upon Group performance and the meeting of corporate objectives – Short Term Incentive (STI).
- Equity based remuneration – Long Term Incentive (LTI).

A combination of these comprises the Executive's remuneration.

Executive remuneration packages are aligned with the market and properly reflect the person's duties, responsibilities and performance. Executive remuneration packages are reviewed annually by reference to the Group's economic performance, Executive performance and comparative information from industry sectors. The performance of Executives is considered annually against agreed performance objectives relating to both individual performance goals and contribution to the achievement of broader Group objectives.

Fixed Annual Remuneration

The fixed remuneration consists of cash salary (base) and superannuation contributions. The fixed remuneration is reviewed annually based on individual performance, salary survey data and comparisons with data from companies operating in a similar industry. The Executives responsibilities, changes in responsibility, experience and the geographic location for the performance of the work are taken into account during the review process.

Performance Linked Compensation

Short Term Incentive Remuneration

The Company operates a short-term incentive (STI) scheme based upon Group financial performance and the meeting of corporate goals to provide competitive performance based remuneration incentives to both Executives and senior employees. The objectives of the STI scheme are to:

- Promote continuous improvement in annual performance outcomes;
- Align the interests of the Executives and senior employees with those of shareholders;
- Provide participants with the opportunity to be rewarded with at risk remuneration where superior performance outcomes are achieved over the measurement period;
- Reflect a strong commitment towards attracting and retaining high performing Executives and senior employees who are committed to the ongoing success of the Group; and
- Develop a culture where achievement of financial objectives is seen as a key measure of success.

In practice

STI payments are made in cash to reward eligible Executives and senior employees on delivering against annual key performance indicators that are linked to GBST's strategy and are expected to deliver benefits to shareholders. The Board, through its Nomination and Remuneration Committee, supervises all calculations of short term incentive remuneration to ensure suitability and relevance for both the Executives and the Group.

Generally, STI arrangements are capped at a maximum of 50% of base remuneration, however when exceptional outcomes are delivered, or where warranted by special circumstances, an STI payment may exceed this amount. The approval of any STI payment is subject to a consideration by the Board as to whether or not the overall financial performance of the Group warrants the payment of any STIs for the relevant financial year.

The Board always retains a discretion to reward outstanding performance by an employee.

Purpose and link to GBST's strategy

STI payments are awarded where Executives or senior employees meet or exceed agreed Key Performance Indicators ('KPIs'), which are set annually and include a combination of both Group financial hurdles and individual goals for each participant.

The KPI's cover financial and non-financial measures relating to business and individual leadership goals. The financial performance hurdles for STI payments are measured against Group EBITDA and Divisional Operating EBITDA targets.

FY2017

For FY2017, a Group EBITDA target set by the Board had to be achieved to trigger any STI payment opportunity. Executives and senior employees were also incentivised on personal performance related to their specific role within the Group. Below is a table outlining the KPIs for key management personnel for FY2017 in addition to the Group EBITDA target (if any):

Role	STI Target Amount for FY17 as percentage of fixed remuneration	1st Performance Measure	Portion of STI subject to 1st Performance Measure	2nd Performance Measure	Portion of STI subject to 2nd Performance Measure	3rd Performance Measure	Portion of STI subject to 3rd Performance Measure
Robert DeDominicis (CEO)	61%	Achievement of Group Operating EBITDA Margin	100%				
Patrick Salis (CFO)	32%	Achievement of Group EBITDA Target	100%				
Denis Orrock (Head of Asia Pacific)	38%	Operating EBITDA Target – Asia Pacific	70%	Business and Leadership Objectives	30%		
David Simpson (Head of EMEA)	52%	Achievement of Group Cash NPAT	30%	Operating EBITDA Margin – EMEA	70%		
Isabel Sanchez (Head of Technology – Retail Wealth)	27%	EBITDA Target – Asia Pac Retail Wealth	25%	EBITDA Target – EMEA Retail Wealth	25%	Business and Leadership Objectives	50%
Mark Knowlton (CTO)	Commenced on 3 April 2017 – No participation for FY17, however a sign-on bonus was payable						

As the Group EBITDA target set by the Board to trigger any STI payment opportunity for FY2017 was not achieved, no STI payments were made to Key Management Personnel for the financial year.

New STI scheme for FY2018

During the FY2017, the Board carried out a review of the STI scheme with the assistance of an external remuneration consultant. A new STI scheme was recently approved by the Board for FY2018 for Executives and senior employees, following recommendations to ensure that the incentive plan met the fundamental purpose to drive and reward high performance on annual business objectives. The financial measure of Group EBITDA will continue to serve as the STI funding gate for a designated portion of payment for each participant within the Company, with the balance of their STI opportunity subject to a role-specific custom funding gate or quantifiable performance objective threshold.

The below table outlines the FY2018 STI pool qualifier structure for specified roles:

Role	Portion of STI subject to Group EBITDA performance	Portion of STI subject to custom performance measure	Description of custom performance measure
CEO, CFO, Legal Counsel and Head of HR	100%	–	–
Regional Heads	50%	50%	Regional revenue, less controllable expenses
CTO	75%	25%	Agreed objective(s)
Product Managers	50%	50%	Product objective(s)
Project Leaders	40%	60%	Project objective(s)

There will also be an additional bonus plan for other non-sales/non-management employees. This plan will have two purposes:

1. To reward key project contributors, for payment after critical project milestones.
2. To reward high performers, manage retention risks and provide more competitive total remuneration to high performers/potentials.

Long Term Incentive Remuneration (LTI)

Performance rights are issued under the Company's LTI Plan approved at the Company's 2012 Annual General Meeting. The LTI Plan involves the use of performance rights to acquire shares in the Company.

The LTI Plan is designed to reward employees in a manner which aligns this element of remuneration with the financial performance of the Company and the interests of shareholders. As such, grants under the LTI Plan are only made to KMP Executives and selected employees who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long-term performance hurdle.

Selected employees are made individual offers of specific numbers of performance rights at the discretion of the Board and in accordance with the LTI Plan rules. The Board may determine the number of performance rights, vesting conditions, vesting period, exercise price and expiry date. Performance rights may be granted at any time, subject to the Corporations Act and ASX Listing Rules.

The Company uses Earnings per Share (EPS) as a performance hurdle for the LTI Plan, measured by growth in earnings per share. EPS was selected to align employee and shareholder interests. Participants in the LTI Plan are also required to meet continued service conditions in order to exercise the performance rights.

FY2014 issue

On 26 September 2016, 26,347 shares were issued to Justin O'Sullivan relating to the exercise of performance rights that were granted prior to his appointment as a KMP Executive on 1 October 2015. These shares were issued for a nil exercise price.

FY2015 issue

On 5 August 2014, the Group issued 204,321 performance rights to current KMP Executives.

The FY2015 performance rights are conditional upon the participants meeting continuous service conditions and the Company meeting certain financial performance measures (as set out below).

There is a nil exercise price and the FY2015 performance rights vest on the later of three (3) years after the grant date or the date of release of GBST's audited financial results for the year ended 30 June 2017.

The FY2015 performance rights expire thirty days after the vesting date. Subsequent to 30 June 2017 75% of these performance rights lapsed due to failure to meet the financial performance targets as at the approval of these FY2017 financial statements.

The performance criteria associated with the FY2015 performance rights is as follows:

1. Cumulative Earnings Per Share (EPS) Target

Vesting of the performance rights granted will be subject to the Company achieving three year (2015 to 2017 financial years) cumulative EPS targets of 45 cents, 50 cents, and 60 cents for 25%, 50% and 100% vesting respectively (interpolated). There is also a vesting requirement that a minimum EPS of 10 cents is achieved in each financial year.

2. Service Condition

Continuous employment with the Company from the grant date to the date of vesting of the FY2015 performance rights.

Since the grant dates, 144,168 FY15 performance rights have lapsed due to cessation of employment of KMP participants.

FY2016 issue

On 5 October 2015 and 19 April 2016, the Group issued 263,881 and 30,303 performance rights to selected employees. These performance rights were forfeited due to failure to meet the financial performance targets for the 2016 financial year.

FY2017 issue

On 26 September 2016 and 27 October 2016, the Company issued 181,404 FY2017 performance rights to KMP Executives. The FY2017 performance rights are conditional upon the participants meeting continuous service conditions and the Company meeting certain financial performance measures (as set out below).

There is a nil exercise price and the FY2017 performance rights vest on the later of three (3) years after the grant date or the date of release of GBST's audited financial results for the year ended 30 June 2019.

The FY2017 performance rights expire thirty days after the vesting date. Subsequent to 30 June 2017 these performance rights lapsed due to failure to meet the financial performance targets as at the approval of these FY2017 financial statements.

The performance criteria associated with the FY2017 performance rights is as follows:

1. Cumulative Earnings Per Share (EPS) Target

Vesting of the performance rights granted will be subject to the Company achieving three year (2017 – 2019 financial years) cumulative EPS targets of 50 cents, 53 cents, and 57 cents for 25%, 50% and 100% vesting respectively (interpolated). There is also a vesting requirement that a minimum EPS of 13 cents is achieved in each financial year.

2. Service Condition

Continuous employment with the Company from grant date to the vesting date of the FY2017 performance rights.

Since the grant dates, 19,880 FY2017 performance rights have lapsed due to cessation of employment by a KMP participant.

For issues to non-Executive Personnel refer to Note 29.

(c) Group Performance and Remuneration

The table below shows the financial performance of the Group over the last five years. GBST's remuneration practices seek to align Executive remuneration with growth in profitability and shareholder value, amongst other things.

	2013	2014	2015	2016	2017
EBITDA	$16.5m	$20.5m	$24.5m	$17.2m	**$12.0m**
Year on Year Growth	16%	24%	20%	(30)%	**(30)%**
Net profit/(loss) before tax	$7.8m	$12.0m	$17.3m	$9.1m	**$5.0m**
Year on Year Growth	76%	53%	44%	(48)%	**(45)%**
Net profit/(loss) after tax	$6.0m	$10.0m	$15.3m	$9.3m	**$7.0m**
Year on Year Growth	86%	66%	52%	(39)%	**(25)%**
Basic EPS (cents)	9.06	15.07	22.94	13.82	**10.3**
Year on Year Growth	86%	66%	52%	(39)%	**(25)%**
Closing share price	$1.70	$3.15	$5.73	$4.14	**$2.97**
Dividends paid (cents per share)	5.5	7.5	9.5	11.0	**9.2**

(d) Service Agreements

Remuneration and other terms of employment for Executives and the Managing Director are formalised in employment agreements. All employment agreements are subject to an annual review. Each of the agreements provide for base pay, leave entitlements, superannuation, performance-related bonus and any other benefits. They also contain normal provisions relating to the protection of confidential information and intellectual property rights as well as post-employment restraints.

As the Group is an international organisation, when Executives are seconded to other countries their remuneration is reviewed in line with normal employment expectations for the relevant country. This may involve adjustments for cost of living and the provision of benefits customary in the country of employment. The amounts of the benefits are set out in the table in section (g) below and are identified as "Short Term Benefits – Other".

All Executives are employed on a continuing basis and are required to provide not less than three months' written notice. The Managing Director, Mr DeDominicis, is also employed on a continuing basis and he is required to provide not less than six months' written notice. The Company is not bound to provide termination benefits beyond those required by law.

(e) Services from Remuneration Consultants

The Nomination and Remuneration Committee engaged Crichton and Associates to provide professional services in respect of Long-Term Incentive Plans and supply associated documentation and valuation reports. Crichton and Associates was paid $6,073 for these consulting services.

The Nomination and Remuneration Committee engaged Pegala Consulting to provide professional services in respect of the development of a Short-Term Incentive Plan for the Company. Pegala Consulting was paid $8,750 for this consulting service.

The Board is satisfied that the remuneration recommendations made by Crichton and Associates and Pegala Consulting were free from undue influence by members of the Key Management Personnel about whom the recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedures followed by Crichton and Associates and Pegala Consulting during the course of their assignments and is satisfied that the remuneration recommendations were made free from undue influence.

(f) Loans to Directors and Transactions with KMP Related Parties

There have been no loans to Directors or KMP executives during the financial year.

Mr Kim Sundell and Dr Ian Thomas are Directors and shareholders of FinClear Pty Ltd ('FinClear'). On 10 October 2016, FinClear purchased Lonsec Limited which had an existing agreement with GBST for the provision of front office services ('Agreement'). This Agreement ended on 3 February 2017 and GBST does not currently provide any other products or services to FinClear. The total revenue relating to the front office agreement was $6,500 during the financial year. The amount owing at 30 June 2017 was $nil. There were no doubtful debts provided for or expensed during the period with regard to these transactions. The terms and conditions of the Agreement are no more favourable than those available, or which might be reasonably expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

There have been no other related party transactions with Directors or KMP executives during the financial year.

(g) Details of Remuneration

Details of the nature and amount of each major element of remuneration for each Director of the Company, and other Key Management Personnel of the consolidated entity are as follows:

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	OTHER LONG-TERM BENEFITS	SHARE-BASED PAYMENT			
2017	Base Salary and Fees $	Bonus $[i]	Other $[ii]	Super-annuation $	$	Leave Entitlement $	Performance Rights FY17 Expense $[iii]	Total Remu-neration $	Equity Based %	Performance Related %
Directors										
A Brackin	135,000	-	-	-	-	-	-	135,000	-	-
C Bartlett	82,192	-	-	7,808	-	-	-	90,000	-	-
D Adams	82,192	-	-	7,808	-	-	-	90,000	-	-
D Page (appointed 1/7/16)	82,192	-	-	7,808	-	-	-	90,000	-	-
T Vu (appointed 31/1/17)	41,096	-	-	3,904	-	-	-	45,000	-	-
R DeDominicis	600,000	-	-	-	-	8,823	(63,211)	545,612	(11.6)	(11.6)
J Sundell (resigned 27/7/16)	6,667	-	-	-	-	-	-	6,667	-	-
I Thomas (resigned 31/1/17)	46,667	-	-	-	-	-	-	46,667	-	-
TOTAL DIRECTORS	1,076,006	-	-	27,328	-	8,823	(63,211)	1,048,946		
Executives										
M Knowlton (appointed 3/4/17)	107,596	30,000*	-	4,904	-	2,069	-	144,569	-	20.8
D Orrock	342,300	-	21,044	30,000	-	6,538	(63,211)	336,671	(18.8)	(18.8)
J O'Sullivan (resigned 24/2/17)	172,929	-	-	16,428	-	8,952	(22,431)	175,878	(12.8)	(12.8)
P Salis	341,388	-	-	30,000	-	8,238	(54,783)	324,843	(16.9)	(16.9)
I Sanchez (restructure 2/4/17)	255,000	-	-	24,225	-	4,904	(44,247)	239,882	(18.4)	(18.4)
D Simpson (appointed 1/7/16)	387,070	-	-	30,966	-	-	-	418,036	-	-
TOTAL EXECUTIVES	1,606,283	30,000	21,044	136,523	-	30,701	(184,672)	1,639,879		
GROUP TOTAL	2,682,289	30,000	21,044	163,851	-	39,524	(247,883)	2,688,825		

* Sign on bonus for M Knowlton.

(i) The short-term incentive bonus is for performance during the respective financial year against specific performance criteria set out on pages 24-25.

(ii) Other amounts are short-term benefits that do not constitute base salary and bonus and include cost of living adjustments for Executives on secondment and fringe benefits tax.

(iii) The value of performance rights is reported in accordance with accounting standard AASB 2 Share-based Payments, which has the effect of reporting the fair value at the date of grant of the performance rights over the period between the grant date and vesting date.

The remuneration for each Director and Executive Officer (Key Management Personnel) of the Group accrued for the financial year was as follows:

2016	SHORT-TERM BENEFITS Base Salary and Fees $	SHORT-TERM BENEFITS Bonus $(i)	SHORT-TERM BENEFITS Other $(ii)	POST-EMPLOYMENT BENEFITS Super-annuation $	Termination Benefits $	OTHER LONG-TERM BENEFITS Leave Entitlement $	SHARE-BASED PAYMENT Performance Rights FY16 Expense $(iii)	Total Remuneration $	Equity Based %	Performance Related %
Directors										
A Brackin	112,500	-	20,000	-	-	-	-	132,500	-	-
C Bartlett	77,626	-	-	7,374	-	-	-	85,000	-	-
D Adams	82,192	-	-	7,808	-	-	-	90,000	-	-
I Thomas	80,000	-	-	-	-	-	-	80,000	-	-
J Sundell	80,000	-	-	-	-	-	-	80,000	-	-
R DeDominicis	533,614	114,975	63,052	-	-	7,373	71,498	790,512	9.0	23.6
J Puttick (resigned 31/12/15)	67,500	-	-	-	-	-	-	67,500	-	-
S Lake (resigned 6/11/15)	226,016	-	128,954	898	-	4,917	(346,784)	14,001	(2,477.1)	(2,477.1)
TOTAL DIRECTORS	1,259,448	114,975	212,006	16,080	-	12,290	(275,286)	1,339,513		
Executives										
D Orrock	338,333	40,000	32,955	35,942	-	6,506	71,498	525,234	13.6	21.2
J O'Sullivan (KMP from 1/10/15)	198,750	20,000	-	20,781	-	3,822	27,653	271,006	10.2	17.6
B Raskin (resigned 6/11/15)	126,638	-	-	4,789	142,643	6,983	(15,982)	265,071	(6.0)	(6.0)
A Ritter (resigned 30/11/15)	101,667	-	-	10,765	-	(5,094)	11,385	118,723	9.6	9.6
P Salis	329,167	50,000	-	36,021	-	6,330	60,779	482,297	12.6	23.0
I Sanchez	338,333	30,000	-	34,992	-	6,506	64,359	474,190	13.6	19.9
TOTAL EXECUTIVES	1,432,888	140,000	32,955	143,290	142,643	25,053	219,692	2,136,521		
GROUP TOTAL	2,692,336	254,975	244,961	159,370	142,643	37,343	(55,594)	3,476,034		

(i) The short-term incentive bonus is for performance during the respective financial year against specific performance criteria set out on pages 24-25.

(ii) Other amounts are short-term benefits that do not constitute base salary and bonus and include cost of living adjustments for Executives on secondment and fringe benefits tax.

(iii) The value of performance rights is reported in accordance with accounting standard AASB 2 Share-based Payments, which has the effect of reporting the fair value at the date of grant of the performance rights over the period between the grant date and vesting date.

(h) Performance Right Holdings for Key Management Personnel

Details of performance rights granted as compensation to each key management person during the reporting period and details of performance rights vested during the period:

	Vested Number #	Number of rights granted during 2016-17 #(i)	Grant Date	Fair Value at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
R DeDominicis	–	62,124	27.10.16	4.0242	–	26.09.19	26.10.19
TOTAL DIRECTORS	**–**	**62,124**					
Executives							
D Orrock	–	24,850	26.09.16	4.0242	–	26.09.19	26.10.19
J O'Sullivan(ii)	26,387	–	05.08.14	3.2800	–	16.09.16	16.10.16
J O'Sullivan	–	19,880	26.09.16	4.0242	–	26.09.19	26.10.19
P Salis	–	29,820	26.09.16	4.0242	–	26.09.19	26.10.19
I Sanchez	–	19,880	26.09.16	4.0242	–	26.09.19	26.10.19
D Simpson	–	24,850	26.09.16	4.0242	–	26.09.19	26.10.19
TOTAL EXECUTIVES	**26,387**	**119,280**					
GROUP TOTAL	**26,387**	**181,404**					

(i) Subsequent to 30 June 2017 these performance rights lapsed due to failure to meet the financial performance targets as at the approval of these FY17 financial statements.

(ii) On 26 September 2016, shares were issued to J O'Sullivan relating to the exercise of performance rights that were granted prior to his appointment as a KMP Executive on 1 October 2015. These shares were issued for a nil exercise price.

Details of vesting profiles of the performance rights granted as compensation:

	Number of performance rights issued	Grant Date	% vested in year	% forfeited in year/ restructure	FY in which grant vests	Maximum total value of grant yet to vest $
Directors						
R DeDominicis(iv)	50,243	05.08.14	–	–	2018	164,797
R DeDominicis(v)	62,124	27.10.16	–	–	2020	249,999
Executives						
D Orrock(iv)	50,243	05.08.14	–	–	2018	164,797
D Orrock(v)	24,850	26.09.16	–	–	2020	100,001
J O'Sullivan(i)	26,387	24.09.13	100	–	2017	–
J O'Sullivan(i) (ii)	13,398	05.08.14	–	100	2018	–
J O'Sullivan(ii)	19,880	26.09.16	–	100	2020	–
P Salis(iv)	43,544	05.08.14	–	–	2018	142,824
P Salis(v)	29,820	26.09.16	–	–	2020	120,002
I Sanchez(iii) (iv)	46,893	05.08.14	–	N/A	2018	N/A
I Sanchez(v)	19,880	26.09.16	–	N/A	2020	N/A
D Simpson(v)	24,850	26.09.16	–	–	2020	100,001

(i) Performance rights issued prior to 1 October 2015 when J O'Sullivan was appointed as a KMP.

(ii) Service period conditions were not met for the performance rights which were subsequently cancelled.

(iii) I Sanchez ceased as a KMP on 2 April 2017 due to a restructure where the Head of Technology now reports to the CTO.

(iv) 75% of the 5 August 2014 issue have subsequently lapsed as the performance hurdles were not met at 30 June 2017. R DeDominicis has elected not to accept 12,560 shares arising from the performance rights due to vest in August 2017.

(v) 100% of the 26 September 2016 and 27 October 2016 issue have subsequently lapsed as the performance hurdles were not met as at the approval of these FY17 financial statements.

PERFORMANCE RIGHT HOLDINGS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

The movement in the number of performance rights in the Company held (directly, indirectly or beneficially) during the financial year by Key Management Personnel, including their related parties, are set out below.

2017	Balance at 01/07/16	Granted as Compensation	Performance rights Exercised or Sold	Performance rights Cancelled/ Forfeited/ Lapsed/ Restructure	Balance 30/06/17	Total Vested at 30/06/17	Total Unvested and Unexercisable at 30/06/17
Directors							
R DeDominicis(v)	50,243	62,124	–	–	112,367	–	112,367
TOTAL DIRECTORS	**50,243**	**62,124**	**–**	**–**	**112,367**	**–**	**112,367**
Executives							
M Knowlton	–	–	–	–	–	–	–
D Orrock	50,243	24,850	–	–	75,093	–	75,093
J O'Sullivan(i) (ii)	39,785	19,880	(26,387)	(33,278)	N/A	–	N/A
P Salis	43,544	29,820	–	–	73,364	–	73,364
I Sanchez(iii)	46,893	19,880	–	(66,773)	N/A	–	N/A
D Simpson	–	24,850	–	–	24,850	–	24,850
TOTAL EXECUTIVES	**180,465**	**119,280**	**(26,387)**	**(100,051)**	**173,307**	**–**	**173,307**
GROUP TOTAL	**230,708**	**181,404**	**(26,387)**	**(100,051)**	**285,674**	**–**	**285,674**

(i) Service period conditions were not met for the performance rights which were subsequently cancelled.

(ii) Performance rights issued prior to 1 October 2015 when J O'Sullivan was appointed as a KMP.

(iii) I Sanchez ceased as a KMP on 2 April 2017 due to restructure where the Head of Technology now reports to the CTO.

(iv) The following performance rights subsequently lapsed as a result of the Group not achieving specified performance hurdles as at the approval of these FY17 financial statements:

a. R DeDominicis 99,807
b. D Orrock 62,533
c. P Salis 62,478
d. D Simpson 24,850

(v) R DeDominicis has elected not to accept the 12,560 shares arising from the performance rights due to vest in August 2017.

Details of all performance rights are set out in Note 29 in the financial statements.

(i) Shareholdings of Key Management Personnel

The numbers of shares in the Company held (directly, indirectly or beneficially) during the financial year by Key Management Personnel, including their related parties, are set out below.

2017	Balance at 01/07/16	Received as Compensation	Performance Rights & Options Exercised	Net Change Other(1)	Balance on Resignation	Balance at 30/06/17
Directors						
A Brackin	140,000	–	–	60,000	–	200,000
C Bartlett	1,750	–	–	3,000	–	4,750
D Adams	–	–	–	–	–	–
D Page	–	–	–	9,250	–	9,250
T Vu	–	–	–	–	–	–
J Sundell	2,253,969	–	–	–	(2,253,969)	N/A
I Thomas	–	–	–	–	–	N/A
R DeDominicis	609,055	–	–	90,000	–	699,055
TOTAL DIRECTORS	**3,004,774**	**–**	**–**	**162,250**	**(2,253,969)**	**913,055**
Executives						
M Knowlton	–	–	–	–	–	–
D Orrock	–	–	–	–	–	–
J O'Sullivan*	–	–	26,387	(12,500)	(13,887)	N/A
P Salis	104,636	–	–	–	–	104,636
I Sanchez**	89,211	–	–	–	(89,211)	N/A
D Simpson	–	–	–	–	–	–
TOTAL EXECUTIVES	**193,847**	**–**	**26,387**	**(12,500)**	**(103,098)**	**104,636**
GROUP TOTAL	**3,198,621**	**–**	**26,387**	**(174,750)**	**(2,357,067)**	**1,017,691**

(i) Shares purchased or sold and consideration for shareholdings purchased by Group.

* J O'Sullivan resigned on 24 February 2017.

** I Sanchez ceased as a KMP on 2 April 2017 due to restructure where the Head of Technology now reports to the CTO.

Signed in accordance with a resolution of the Directors:

Mr A J Brackin
Chairman

Mr R DeDominicis
Managing Director and Chief Executive Officer

Dated at Sydney this 28th day of August 2017

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of GBST Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of GBST Holdings Limited for the financial year ended 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Crane
Partner

Brisbane
28 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	30 Jun 2017 $'000	30 Jun 2016 $'000
Revenue from license and support sales		59,119	69,471
Revenue from sponsored work		27,346	36,301
Revenue from sale of third party product		1,144	1,867
Total revenue		87,609	107,639
Other income		366	504
Total revenue and other income		87,975	108,143
Product delivery and support expenses		(72,729)	(87,044)
Sales and marketing expenses		(4,908)	(5,133)
General and administrative expenses		(4,704)	(6,133)
RESULTS FROM OPERATING ACTIVITIES		5,634	9,833
Finance costs	4 (d)	(703)	(817)
Finance income	4 (e)	92	41
Net finance costs		(611)	(776)
PROFIT BEFORE INCOME TAX		5,023	9,057
Income tax credit	5	1,962	213
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		6,985	9,270
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(1,446)	(2,374)
Total items that may be reclassified subsequently to profit or loss		(1,446)	(2,374)
Other comprehensive loss for the year, net of income tax		(1,446)	(2,374)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		5,539	6,896
Earnings per share			
Basic earnings per share (cents)	30	10.31	13.82
Diluted earnings per share (cents)	30	10.30	13.73

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 30 June 2017

	Note	30 Jun 2017 $'000	30 Jun 2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	11,728	9,011
Trade and other receivables	8	12,660	13,817
Work in progress	9	4,092	3,396
Current tax receivables		750	2,265
Other assets	12	2,217	2,374
Total Current Assets		31,447	30,863
NON-CURRENT ASSETS			
Work in progress	9	788	84
Plant and equipment	10	6,542	8,116
Intangible assets	11	45,120	48,889
Deferred tax assets	15	8,778	6,306
Other assets	12	151	112
Total Non-Current Assets		61,379	63,507
TOTAL ASSETS		92,826	94,370
CURRENT LIABILITIES			
Trade and other payables	13	6,739	6,919
Loans and borrowings	14	252	100
Current tax liabilities		385	131
Provisions	16	6,058	5,567
Unearned income	17	9,449	9,588
Total Current Liabilities		22,883	22,305
NON-CURRENT LIABILITIES			
Trade and other payables	13	2,006	2,426
Loans and borrowings	14	-	76
Deferred tax liabilities	15	810	1,458
Provisions	16	2,244	2,217
Total Non-Current Liabilities		5,060	6,177
TOTAL LIABILITIES		27,943	28,482
NET ASSETS		64,883	65,888
EQUITY			
Issued capital	18	39,473	38,366
Reserves	19	(4,153)	(1,299)
Retained earnings		29,563	28,821
TOTAL EQUITY		64,883	65,888

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Issued Capital $'000	Retained Earnings $'000	Foreign Currency Translation Reserve[(a)] $'000	Equity Remune-ration Reserve[(b)] $'000	Total $'000
Balance at 1 July 2015	37,664	26,920	(538)	2,409	**66,455**
Total comprehensive income for the year					
Profit for the year	–	9,270	–	–	**9,270**
Other comprehensive income					
Foreign operations – foreign currency translation differences	–	–	(2,374)	–	**(2,374)**
Total other comprehensive loss	–	–	(2,374)	–	**(2,374)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	9,270	(2,374)	–	**6,896**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends paid (Note 6)	–	(7,369)	–	–	**(7,369)**
Issuing or ordinary shares – vesting of performance rights	702	–	–	(702)	**–**
Share based payments – performance rights	–	–	–	(94)	**(94)**
Total contributions by and distribution to owners	702	(7,369)	–	(796)	**(7,463)**
Total transactions with owners	702	(7,369)	–	(796)	**(7,463)**
BALANCE AT 30 JUNE 2016	38,366	28,821	(2,912)	1,613	**65,888**

(a) The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

(b) The equity remuneration reserve is used to record items recognised as expenses on valuation of employee share/options/performance rights granted. When options/performance rights are exercised, cancelled or forfeited the amount in the reserve relating to those options/performance rights is transferred to retained earnings.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Issued Capital $'000	Retained Earnings $'000	Foreign Currency Translation Reserve[(a)] $'000	Equity Remune-ration Reserve[(b)] $'000	Total $'000
Balance at 1 July 2016	38,366	28,821	(2,912)	1,613	65,888
Total comprehensive income for the year					
Profit for the year	–	6,985	–	–	6,985
Other comprehensive income					
Foreign operations – foreign currency translation differences	–	–	(1,446)	–	(1,446)
Total other comprehensive income	–	–	(1,446)	–	(1,446)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	6,985	(1,446)	–	5,539
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends paid (Note 6)	–	(6,243)	–	–	(6,243)
Issuing of ordinary shares – vesting of performance rights	1,107	–	–	(1,107)	–
Share based payments – performance rights	–	–	–	(301)	(301)
Total contributions by and distributions to owners	1,107	(6,243)	–	(1,408)	(6,544)
Total transactions with owners	1,107	(6,243)	–	(1,408)	(6,544)
BALANCE AT 30 JUNE 2017	39,473	29,563	(4,358)	205	64,883

(a) The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

(b) The equity remuneration reserve is used to record items recognised as expenses on valuation of employee share/options/performance rights granted. When options/performance rights are exercised, cancelled or forfeited the amount in the reserve relating to those options/performance rights is transferred to retained earnings.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	30 Jun 2017 $'000	30 Jun 2016 $'000
Cash Flows from Operating Activities			
Receipts from customers		92,148	117,317
Payments to suppliers and employees		(82,054)	(104,855)
Interest income		40	41
Sundry income		364	493
Finance costs paid		(95)	(150)
Income tax paid		515	(906)
Net cash provided by operating activities	24 (a)	10,918	11,940
Cash Flows from Investing Activities			
Proceeds from sale of plant and equipment		2	-
Purchase of plant and equipment		(523)	(2,390)
Purchase of software intangibles		(1,155)	(111)
Net cash used in investing activities		(1,676)	(2,501)
Cash Flows from Financing Activities			
Repayment of finance leases		(79)	(268)
Proceeds from borrowings		263	-
Repayment of borrowings		(109)	(8)
Dividends paid	6	(6,243)	(7,369)
Net cash used in financing activities		(6,168)	(7,645)
Net increase in Cash and Cash Equivalents		3,074	1,794
Effect of exchange rate fluctuations on cash held		(357)	(568)
Cash and cash equivalents at 1 July		9,011	7,785
Cash and cash equivalents at 30 June	24 (b)	11,728	9,011

The accompanying notes are all an integral part of these consolidated financial statements.

Notes

to and forming part of the Consolidated Financial Statements for the year ended 30 June 2017

NOTE 1: REPORTING ENTITY

GBST Holdings Limited ("GBST" or the "Company") is the Group's parent Company. The Company is a public for profit Company limited by shares, incorporated and domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2017 comprises the Company and its controlled entities (together referred to as the "Group" and individually as the "Group entities").

The address of the Company's registered office and the principal place of business is Level 4, West Tower, 410 Ann Street, Brisbane, Queensland.

NOTE 2: BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

This consolidated financial report was authorised for issue in accordance with a resolution of Directors on 28 August 2017.

Basis of measurement

The consolidated financial report has been prepared on an accruals basis and is based on historical costs.

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial period. Details of any such changes are included in the financial report.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with AASBs requires Management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 3:

- recognition of revenue;
- treatment of software development costs and whether these are to be capitalised.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- recognition of revenue (Note 3);
- impairment testing of the consolidated entity's cash-generating units containing goodwill (Note 3 and 11);
- utilisation of tax losses (Note 15).

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established framework with respect to the measurement of fair values, whereby significant fair value measurements determined by Management, including Level 3 fair values (refer below), are reported to the Group's Audit & Risk Committee. If third party information is used to measure fair values, then evidence obtained from the third parties to support the conclusion is assessed such that valuations meet the requirements of AASB, including the level in the fair value hierarchy in which valuations should be classified.

When measuring fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

Changes in accounting policies

For the year ended 30 June 2017, there has been no significant change in accounting policies since the previous year for the Group.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in Note 3 below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

Basis of Consolidation

A controlled entity is any entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in Note 22 of the financial statements. All controlled entities have a 30 June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year ended on that date. Where controlled entities have entered/(left) the consolidated Group during the year, their operating results have been included/(excluded) from the date control was obtained/(ceased).

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also arise from unused tax losses. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted as at reporting date. Their measurement also reflects the manner in which Management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated Group. As a consequence, all members of the tax-consolidated Group are taxed as a single entity. The head entity within the tax-consolidated Group is GBST Holdings Limited. The implementation date of the tax-consolidated Group was 1 July 2003.

Work in Progress

Work in progress is stated at the aggregate of project development contract costs incurred to date plus recognised profits less any recognised losses and progress billings.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable

Note 3: Significant Accounting Policies (continued)

to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's activities in general.

Plant and Equipment

Plant and equipment are carried at cost, less any accumulated depreciation and where applicable, impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amounts of all fixed assets including capitalised lease assets, are depreciated over their useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate	Basis
Owned plant, equipment	5%-33%	Straight-Line
Owned plant, equipment	15-67%	Diminishing Value
Leased plant, equipment	25%-33%	Straight-Line

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

Asset Retirement Obligations

The cost of plant and equipment includes an initial estimate of the cost of make good allowances, and a corresponding provision for these future costs is raised. The Group has a number of lease agreements over office premises which include an obligation to make good the premises at the conclusion of the lease term. The Group recognises a liability and an asset for the estimated cost of making good at the time of entering a lease agreement. The resulting asset is amortised over the term of the lease.

Leases

Leases where the Group assumes substantially all the risks and rewards incidental of the ownership are classified as finance leases. All other leases are operating leases and are not recognised on the Group's statement of financial position.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Intangible Assets

The Group's major intangible assets are software systems, customer contracts and goodwill.

The amortisation rates used for each class of assets acquired outside a business combination are:

Class of Fixed Asset	Amortisation Rate	Basis
Owned software	25%	Straight-Line
Leased software	25%	Straight-Line

Acquired in a business combination and or separately

Software systems and customer contracts acquired outside a business combination are recognised at cost. Intangible assets acquired in a business combination are recognised separately from goodwill and capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed and the asset is amortised over its useful life on a straight-line basis.

Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Internally developed (research and development)

Development costs are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The cost capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Once development is completed, capitalised development costs are amortised over their useful life as determined by Management on a straight-line basis. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are expensed in the year in which they are incurred when future economic benefits are uncertain or the future economic benefits cannot be measured reliably.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Goodwill

Goodwill is initially recorded at the amount by which the purchase consideration for a business combination exceeds the fair value attributed to its net assets at date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Financial Instruments

(i) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial liabilities and assets are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

(ii) Non-derivative financial assets

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either fair value or amortised cost.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss.

Financial assets measured at fair value

Financial assets other than those subsequently measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purposes of statement of cash flows.

Impairment of Assets

Financial assets

Financial assets at amortised cost

A financial asset at amortised cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset at amortised cost is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that these financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed

Note 3: Significant Accounting Policies (continued)

for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting period end. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related oncosts. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows. Contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

Equity-settled Compensation

The Group operates an equity-settled employee Performance Rights and Option Plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of the share performance rights is determined using the Binomial Approximation Option Valuation Model. The number of performance rights expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue. The major business activities recognised revenue as follows:

Software license fee revenue

A software licensing arrangement is considered to be a sale if the following conditions are satisfied:

- The rights to the software license are assigned to the licensee in return for a fixed fee or a non-refundable guarantee;
- The contract is non-cancellable;
- The licensee is able to exploit its rights to the license freely; and
- The consolidated entity has no remaining obligations to perform.

For such arrangements, software license fee revenue is recognised on the transfer of the rights to the licensee. In other arrangements, revenue is recognised over the license term on a straight line basis.

Maintenance/support service revenue for licensed software

Unearned income is recognised upon receipt of payment for maintenance/support contracts. Revenue is brought to account over time as it is earned.

However, to the extent that GBST has fulfilled all its obligations under the contract, the income is recognised as being earned at the time when all GBST's obligations under the contract have been fulfilled.

Sponsored implementation and consulting revenue

Revenue from a contract to provide implementation and consulting services is recognised by reference to the percentage of completion of the contract. The percentage of completion of the contract is determined by reference to the proportion of work performed (costs incurred to date) to estimated total work performed (total contract costs). When the percentage of completion cannot be estimated reliably, contract revenue is recognised only to the extent of the contract costs incurred that are likely to be recovered. An expected loss on a contract is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income at inception.

Sponsored project revenue

Revenue received in advance for long-term project development contracts is deferred. This revenue is recognised over the period in which expenditure is incurred in relation to the development of the project. When the outcome of a long-term service contract can be estimated reliably, contract revenue and expenses are recognised in the profit and loss account by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is assessed by reference to the completion of a physical proportion of the contract work to date for each contract. When the outcome of a long-term service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on a contract is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

Sale of third party product

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

All revenue is stated net of the amount of goods and services tax (GST) or Value added Tax (VAT).

Interest revenue

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders

Note 3: Significant Accounting Policies (continued)

and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of performance rights granted to employees.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Foreign Currency Transactions and Balances

Transactions and balances

Foreign currency transactions are translated into a Group entities' functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

a) Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

b) Income and expenses are translated at average exchange rates for the period; and

c) Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and presented in the Group's foreign currency translation reserve in equity. These differences are recognised in profit or loss in the period in which the operation is disposed.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these consolidated financial statements.

AASB15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 Revenue, AASB 11 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programs.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is continuing to assess the potential impact of AASB15 on its systems, processes, consolidated financial statements and reported results. A detailed implementation plan has been prepared and preparatory work will continue over the next 12 months prior to reporting under the new standard from 1 July 2018. GBST expects to use the modified retrospective transition approach prescribed by the standard, whereby the cumulative effect of its application to incomplete contracts is posted to the retained earnings account (with required additional disclosures).

An initial assessment of multifaceted contracts was drafted for consideration by the Audit and Risk Committee and external auditors. Once an initial view has been formed about likely revenue treatments, this assessment will need to be applied to all major incomplete contracts to determine an overall impact on the Group's results. Key issues to be reviewed and determined for each contract include:

- Whether Licence fees should be bundled with customisation and development services or maintenance and upgrade services and treated as combined Performance Obligations;
- Whether the Licence Fees or combined Performance Obligations created above should be recognised at a point in time or over time (such as the licence term);
- How to separately fair value components or individual Performance Obligations within a multiservice contract, where stand-alone market prices for some services may not exist.

Due to the complexity and material differences between many contracts across GBST's product and service range, it is not possible to quantify or specify the likely impact of these assessments at this time.

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9. The actual impact of adopting AASB 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

AASB 16 Leases

AASB 16 removes the lease classification test for lessees as either operating leases or finance leases as is required by AASB 17 and instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise and disclose:

1. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
2. amortisation of lease assets separately from interest on lease liabilities in the income statement.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted, where AASB 15 is adopted at the same time.

At GBST, operating leases with terms of more than 12 months relate to leases of office facilities.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

On a high-level basis, if the Group was to adopt AASB 16 as at 30 June 2017, the present value of the future minimum lease payments for non-cancellable operating leases as noted in Note 20 would be recognised as a financial liability in the statement of financial position, and under one of the transition provisions available to the Group, it would recognise a corresponding amount as a Right-of-Use asset. In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

NOTE 4: PROFIT FOR THE YEAR

Profit before income tax expense includes the following items of revenue and expense:

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
(a) Other expenses:		
Cost of third party product and services sold	1,655	4,090
Operating lease rentals	2,821	3,203
Research & development costs	18,837	18,139
(b) Depreciation & amortisation:		
Depreciation of plant & equipment	2,216	2,556
Amortisation of tangible & intangible leased assets	55	140
Amortisation of acquired intangibles (excluding leased assets)	4,084	4,666
	6,355	7,362
(c) Employee benefits expense:		
Monetary based expense (includes contributions for superannuation & other retirement benefits of $3.64m (2016: $4.09m))	48,026	55,537
Share based payments	(301)	(94)
	47,725	55,443
(d) Finance costs:		
Foreign currency (gains)/losses	608	667
Interest paid to external entities	12	1
Finance lease charges	2	45
Facility fees	81	104
	703	817
(e) Finance income:		
Bank interest	92	41
	92	41

NOTE 5: INCOME TAX EXPENSE

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
(a) The components of tax expense comprise:		
Current tax	1,421	619
Deferred tax (Note 15 (c)[(i)])	(3,103)	(594)
Over provision in respect of prior years	(280)	(238)
	(1,962)	(213)
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit before tax	5,023	9,057
Prima facie tax payable at 30%	1,507	2,717
Adjustment for tax effect of:		
Research & development expenditure claim	(2,387)	(1,991)
Contributions to Employees Share and Option Plan	(559)	(1,023)
UK R&D tax credit – current & prior years[(1)]	(78)	(616)
Over provision in respect of prior years	(280)	(238)
Current year losses for which no deferred tax asset was recognised	318	1,201
Other (deductible)/non-allowable items (net)	(14)	376
Reduction in tax rate on deferred tax balances	21	60
Effect of different tax rates of subsidiaries operating in other jurisdictions	(490)	(699)
Income tax credit attributable to entity	(1,962)	(213)
Weighted average effective tax rates:	(39%)	(2%)

(i) The UK permits the surrender of research and development enhanced tax losses in exchange for a refundable tax credit. The above figure includes the credit arising in relation to the year ended 30 June 2017.

NOTE 6: DIVIDENDS

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Dividends paid in the period:		
2016 final fully franked (at 30%) dividend paid of 5.5 cents per share (2015: 5.5)	3,732	3,661
2017 Interim fully franked (at 30%) dividend paid of 3.7 cents per share (2016: 5.5)	2,511	3,708
Net Dividend paid	6,243	7,369

After the reporting date the Directors recommended a final dividend of 2.5 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 14 October 2017. The dividend has not been provided and there are no income tax consequences.

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Dividend franking account:		
Balance of franking account at year-end	13,443	16,231
30% franking credits available to shareholders of GBST Holdings Limited for subsequent financial years post final dividend payment.	13,063	13,486

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated Group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

NOTE 7: CASH AND CASH EQUIVALENTS

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Cash at bank and on hand	10,376	9,011
Cash on deposit	1,352	–
Cash and cash equivalents in the Statement of Cash flows	11,728	9,011

NOTE 8: TRADE AND OTHER RECEIVABLES

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Current		
Trade receivables	11,917	12,981
Accrued revenue	377	343
Other amounts receivable	366	493
	12,660	13,817

An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired, including factors such as the amount of time a receivable has been outstanding and the solvency of the counterparty. The movement in allowance for impairment during the year was an impairment loss recognised of $281k (2016: $341k). The amount written off of $1,196k was provided for in previous years (2016: $12k).

NOTE 9: WORK IN PROGRESS

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Current – at cost		
Work in progress	4,092	3,396
	4,092	3,396
Non-Current – at cost		
Work in progress	788	84
	788	84

NOTE 10: PLANT AND EQUIPMENT

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Owned plant and equipment at cost	21,653	21,136
Accumulated depreciation	(15,121)	(13,050)
Net carrying value	6,532	8,086
Leased plant and equipment at cost	1,140	1,205
Accumulated amortisation	(1,130)	(1,175)
Net carrying value	10	30
Total plant and equipment	6,542	8,116

(a) Movement in Plant and Equipment

GBST Group	Owned $'000	Leased $'000	Total $'000
Year ended 30 June 2016			
Balance at 1 July 2015	8,139	86	8,225
Additions	2,682	-	2,682
Disposals	(75)	-	(75)
Depreciation expense	(2,556)	(57)	(2,613)
Effect of movements in exchange rates	(104)	1	(103)
Balance at 30 June 2016	8,086	30	8,116
Year ended 30 June 2017			
Balance at 1 July 2016	8,086	30	8,116
Additions	786	-	786
Disposals	-	-	-
Depreciation expense	(2,216)	(20)	(2,236)
Effect of movements in exchange rates	(124)	-	(124)
Balance at 30 June 2017	6,532	10	6,542

Plant and equipment was impairment tested in conjunction with intangible assets, refer Note 11.

NOTE 11: INTANGIBLE ASSETS

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
At Cost		
Software systems	43,632	43,642
Accumulated amortisation	(38,561)	(35,333)
Net carrying value	5,071	8,309
Goodwill	45,138	45,988
Accumulated impairment losses	(5,283)	(5,638)
Net carrying value	39,855	40,350
Leased software at cost	626	626
Accumulated amortisation	(432)	(396)
Net carrying value	194	230
Total intangibles	45,120	48,889

(a) Movement in Intangibles

GBST Group	Software Systems $'000	Goodwill $'000	Leased Software $'000	Total $'000
Year ended 30 June 2016				
Balance at 1 July 2015	12,761	41,420	139	54,320
Additions – externally acquired	164	–	174	338
Additions – internally developed	709	–	–	709
Amortisation charge	(4,666)	–	(83)	(4,749)
Effect of movements in exchange rates	(659)	(1,070)	–	(1,729)
Balance at 30 June 2016	8,309	40,350	230	48,889
Year ended 30 June 2017				
Balance at 1 July 2016	8,309	40,350	230	48,889
Additions – externally acquired	316	–	–	316
Additions – internally developed	839	–	–	839
Amortisation charge	(4,084)	–	(35)	(4,119)
Effect of movements in exchange rates	(309)	(495)	(1)	(805)
Balance at 30 June 2017	5,071	39,855	194	45,120

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included within the Product Delivery and Support expense line in the Statement of Profit or Loss and Other Comprehensive Income. Goodwill has an indefinite life.

The effect of movements in exchange rates represent the period to period foreign currency translation of assets denominated in Great British Pounds, Hong Kong Dollars, Singapore Dollars and US Dollars.

Impairment Disclosures

Intangible assets with finite lives are reviewed for impairment where there are indicators that the carrying amount may not be recoverable. Goodwill is tested for impairment at least annually and is allocated to each Cash Generating Unit (CGU) as below:

	30 Jun 2017 $'000	30 Jun 2016 $'000
Capital Markets Australia (Palion)	3,350	3,350
Wealth Management Australia (InfoComp)	28,238	28,238
Capital Markets International (Coexis)	7,381	7,876
Financial Services (Emu)	886	886
Total Goodwill	39,855	40,350

InfoComp, Palion and Emu CGUs

The recoverable amount of goodwill for each CGU was based on value in use, estimated using discounted cash flow projections. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The first year cash flow projections are based on 2018 Board approved budgets, while cash flow projections for years two to five are based on Management assumptions set out below.

The key assumptions used for value-in-use calculations consider growth and discount rates and are generally consistent with past performance or are based upon the Group's view of future market activity. Discount rates are based on a weighted average cost of capital calculation for the relevant markets and in the same currency as the cash flows, and adjusted for a risk premium to reflect both the increase in risk of investing in equities and the risk specific to the CGU. Terminal growth rates have been determined by Management based on their assessment of long term annual growth expected to be achieved in the countries in which each CGU operates.

Coexis CGU

The recoverable amount of the Coexis CGU was determined using a fair value less costs of disposal method, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value, based on the inputs in the valuation technique used (refer to Note 2).

The cash flow projections included specific estimates for four years and a terminal growth rate thereafter. The first and subsequent year's cash flow projections are based on the latest 2017 normalised actual results and use growth rates in line with historical and future expected performance along with an assessment of costs if Coexis was operating on a standalone basis.

The key assumptions used for fair value less costs of disposal are outlined below together with sensitivity analysis for those assumptions. Discount rates are based on a weighted average cost of capital calculation for the relevant markets and in the same currency as the cash flows, and adjusted for a risk premium to reflect both the increase in risk of investing in equities and the risk specific to the CGU. Terminal growth rates are based on forecast real GDP growth and CPI in the UK and forecast growth in the industry.

Note 11: Intangible Assets (continued)

A summary of key assumptions for Coexis and other CGU's is presented below:

2016	Coexis Fair value less cost to disposal	InfoComp Value-in-use	Palion Value-in-use	EMU Value-in-use
Calculation Method				
Revenue growth rates	3-6%	7.5%	0.0%	7.5%
Cost growth rates	3-5%	4.0%	4.0%	4.0%
Long term growth rates	2.5%	3.0%	3.0%	3.0%
Post-tax discount rate	14.1%	9.6%	12.3%	12.3%

2017	Coexis Fair value less cost to sell	InfoComp Value-in-use	Palion Value-in-use	EMU Value-in-use
Calculation Method				
Revenue growth rates	3-6%	7.5%	0.0%	7.5%
Cost growth rates	3-5%	4.0%	4.0%	4.0%
Long term growth rates	2.5%	3.0%	3.0%	3.0%
Post-tax discount rate	15.0%	10.0%	13.0%	13.0%

Future anticipated cash flows for all CGU's indicate that the carrying value of the intangible assets were not required to be impaired in 2017.

For the Coexis fair value, Management has identified that a reasonably possible change in the following assumptions would cause the carrying amount to exceed the recoverable amount:

Decrease of annual revenue against forecast by	10.8% (June 2016: 1.7%)
Increase of annual costs above forecast by	13.7% (June 2016: 2.3%)
Increase of post-tax discount rate by	12.1% (June 2016: 1.4%)

NOTE 12: OTHER ASSETS

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Current		
Prepaid expenditure	2,217	2,374
	2,217	2,374
Non-Current		
Prepaid expenditure	151	112
	151	112

NOTE 13: TRADE AND OTHER PAYABLES

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Current (unsecured)		
Trade payables & accruals	6,451	6,631
Leasehold liability	288	288
	6,739	6,919
Non-Current (unsecured)		
Trade payables & accruals	800	932
Leasehold liability	1,206	1,494
	2,006	2,426

NOTE 14: LOANS AND BORROWINGS

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Current		
Commercial loan facility (secured)	176	21
Finance lease liability (Note 20)	76	79
	252	100
Non-Current		
Finance lease liability (Note 20)	–	76
	–	76
	252	176

NOTE 15: TAX

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
(a) Deferred tax liabilities		
Deferred tax liability comprises:		
Tax allowances relating to plant and equipment	117	180
Tax allowances relating to intangibles	693	1,253
Other items	–	25
	810	1,458
(b) Deferred tax assets		
Deferred tax assets comprise:		
Provisions	2,352	2,134
Tax allowances relating to plant and equipment	389	356
Tax allowances relating to intangibles	2,958	2,592
Other items*	1,525	–
Recognised tax losses	1,554	1,224
	8,778	6,306

*Other items include deferred tax assets arising from income classified as unearned for accounting purposes but accessable for tax purposes.

(c) Reconciliations

Net Movement

The overall movement in the net deferred tax account is as follows:

	30 Jun 2017 $'000	30 Jun 2016 $'000
Opening balance	4,848	4,218
Credited to the income statement	3,103	594
Foreign currency translation	(64)	(137)
Charge to equity	81	173
Closing balance	7,968	4,848

(d) Total deferred tax assets not brought to account as at reporting period end:

	30 Jun 2017 $'000	30 Jun 2016 $'000
– tax losses: operating losses	6,878	6,618
– tax losses: capital losses	1,147	1,147

In respect of the deferred tax assets which have not been recognised in relation to operating losses for tax purposes, it is not considered probable that they will be utilised within the foreseeable future given the level of research and development costs incurred by the Subsidiary of the Group for which it has allowable tax concessions.

NOTE 16: PROVISIONS

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Current		
Employee benefits	6,007	5,567
Make Good[(a)]	51	–
	6,058	5,567
Non-Current		
Employee benefits	1,158	1,079
Make Good[(a)]	1,086	1,138
	2,244	2,217

GBST Group	Employee benefits $'000	Make Good $'000	Total $'000
Balance at the beginning of the year	6,646	1,138	7,784
Additional provisions	3,718	–	3,718
Amounts used	(3,056)	–	(3,056)
Unused amounts reversed	(143)	(1)	(144)
Balance at 30 June 2017	7,165	1,137	8,302

(a) In accordance with rental premises lease agreements across the Group, GBST must restore the leased premises to its original condition at the end of the lease terms. Expiration dates range from 2018 to 2026.

NOTE 17: UNEARNED INCOME

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Current		
Revenue received in advance for software usage and support services	9,449	9,588
	9,449	9,588

NOTE 18: ISSUED CAPITAL

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Fully paid ordinary shares – opening balance	38,366	37,664
Issuing of ordinary shares – vesting of performance rights	1,107	702
	39,473	38,366
Ordinary shares	No.	No.
Opening Balance	67,423,542	66,561,725
Issuing of ordinary shares – vesting of performance rights	435,376	861,817
	67,858,918	67,423,542

Ordinary shares participate in dividends and the proceeds of winding up of the parent entity in proportion to the number of shares held, should that event occur. At shareholders' meetings each ordinary share is entitled to one vote.

The Company does not have an amount of authorised capital or par value in respect of its issued shares.

Options and Performance Rights

For details on employee and placement options and performance rights over ordinary shares, see Note 29.

NOTE 19: RESERVES

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Equity remuneration reserve	205	1,613
Foreign currency translation reserve	(4,358)	(2,912)
	(4,153)	(1,299)

NOTE 20: CAPITAL, LEASING AND OTHER COMMITMENTS

	GBST GROUP 30 Jun 2017 $'000	GBST GROUP 30 Jun 2016 $'000
(a) Finance Leasing Commitments		
Payable on leases:		
Not later than one year	80	82
Later than one year but not later than five years	–	80
	80	162
Less future finance charges	(4)	(7)
Total liability	76	155
Lease liabilities are included in the Statement of Financial Position as:		
Current (Note 14)	76	79
Non-current (Note 14)	–	76
	76	155

Finance leases relate to items of plant and equipment and have options to acquire the items on termination.

(b) Non-cancellable Operating Leases

	GBST GROUP 30 Jun 2017 $'000	GBST GROUP 30 Jun 2016 $'000
Lease amounts are payable:		
Not later than one year	3,293	3,388
Later than one year but not later than five years	12,537	13,015
Later than five years	2,593	4,868
	18,423	21,271

Non-cancellable leases include rental premises with original lease terms up to ten years. The lease agreements require that the minimum lease payments shall be increased by incremental contingent rentals based on market or CPI.

Certain leases contain options to renew at the end of their term for a further five years.

(c) Capital and Other Expenditure Commitments

	GBST GROUP 30 Jun 2017 $'000	GBST GROUP 30 Jun 2016 $'000
Contracted for:		
Capital purchases	167	63
Other operating purchases	490	107
	657	170
Payable		
Not later than one year	657	170
	657	170

NOTE 21: AUDITORS' REMUNERATION

	GBST GROUP	
	30 Jun 2017 $	30 Jun 2016 $
Audit Services		
KPMG Australia		
Audit & review of financial reports	300,746	240,100
Overseas KPMG firms		
Audit & review of financial reports	174,941	156,379
	475,687	396,479
Other Services		
KPMG Australia		
Taxation services	97,707	131,990
Other services	25,258	193,437
Overseas KPMG firms		
Taxation services	169,584	101,822
Other services	10,309	5,978
	302,858	433,227

NOTE 22: OTHER GROUP ENTITIES

(a) Controlled Entities Consolidated

Group Entity	Principal place of Business	Percentage Owned
GBST Pty Ltd*	Australia	100% (June 2016: 100%)
Emu Design (Qld) Pty Ltd*	Australia	100% (June 2016: 100%)
GBST ESOP Pty Ltd*	Australia	100% (June 2016: 100%)
GBST Employee Share Scheme Trust	Australia	100% (June 2016: 100%)
GBST Ltd	United Kingdom	100% (June 2016: 100%)
GBST (Australia) Pty Ltd*	Australia	100% (June 2016: 100%)
Subsidiaries of GBST Ltd:		
GBST Inc	United States of America	100% (June 2016: 100%)
GBST Singapore Pte Limited	Singapore	100% (June 2016: 100%)
Subsidiaries of GBST Australia Pty Ltd:		
GBST Hong Kong Limited	Hong Kong	100% (June 2016: 100%)
GBST Registry Solutions Pty Ltd*	Australia	100% (June 2016: 100%)
GBST Wealth Management Pty Ltd*	Australia	100% (June 2016: 100%)
Subsidiaries of GBST Wealth Management Pty Ltd:		
GBST UK Holdings Limited	United Kingdom	100% (June 2016: 100%)
Subsidiaries of GBST UK Holdings Ltd:		
GBST Hosting Limited	United Kingdom	100% (June 2016: 100%)
GBST Wealth Management Limited	United Kingdom	100% (June 2016: 100%)

* Pursuant to Wholly owned companies instrument 2016/785 (16RU-008) these wholly-owned controlled entities are relieved from the Corporations Act (2001) requirements for preparation, audit and lodgement of financial reports and Directors' Report.

(b) Deed of Cross Guarantee

It is a condition of the class order that the Company and each of the Australian controlled entities enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the controlled entities under certain provisions of the *Corporations Act (2001)*. If a winding up occurs under other provisions of the *Corporations Act (2001)*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

Notes

to and forming part of the Consolidated Financial Statements for the year ended 30 June 2017 continued

Note 22: Other Group Entities (continued)

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 30 June 2017 is set out as follows:

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Financial information in relation to:		
i. Summarised Statement of Profit or Loss and Other Comprehensive Income		
Revenue from license and service sales	49,911	56,971
Revenue from sponsored work	12,036	17,029
Revenue from sale of third party product	1,023	1,597
Other income	60	120
Results from Operating Activities	2,686	8,532
Finance costs	(844)	(1,119)
Finance income	92	40
Net finance costs	(752)	(1,079)
Profit before income tax	1,934	7,453
Income tax benefit/(expense)	1,177	514
Profit after income tax	3,111	7,967
Profit Attributable to Members of the Parent Entity	3,111	7,967
Other Comprehensive Income	–	–
Total Comprehensive Income for the Year	3,111	7,967
ii. Retained Earnings		
Retained profits at the beginning of the year	22,491	22,543
Transfer financial asset reserve to retained earnings	–	(650)
Profit after income tax	3,111	7,967
Dividends provided for or paid	(6,243)	(7,369)
Retained Earnings at End of the Year	19,359	22,491

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2017 $'000	30 Jun 2016 $'000
iii. Statement of Financial Position		
Current Assets		
Cash and cash equivalents	5,620	3,893
Trade and other receivables	9,306	12,646
Work in progress	2,940	1,955
Current tax receivable	-	1,156
Other assets	1,648	1,837
Total Current Assets	19,514	21,487
Non-Current Assets		
Work in progress	788	84
Property, plant and equipment	6,726	6,667
Intangible assets	33,258	35,458
Investments	9,690	12,055
Deferred tax assets	7,140	5,045
Other assets	28	77
Total Non-Current Assets	57,630	59,386
TOTAL ASSETS	77,144	80,873
Current Liabilities		
Trade and other payables	3,455	3,769
Loans and borrowings	252	100
Current tax liabilities	348	-
Provisions	5,825	5,499
Unearned income	7,219	6,777
Total Current Liabilities	17,099	16,145
Non-Current Liabilities		
Trade and other payables	1,792	2,300
Loans and borrowings	-	76
Deferred tax liabilities	693	1,254
Provisions	1,888	1,794
Total Non-Current Liabilities	4,373	5,424
TOTAL LIABILITIES	21,472	21,569
NET ASSETS	55,672	59,304
Equity		
Issued capital	39,473	38,366
Reserves	(3,160)	(1,553)
Retained earnings	19,359	22,491
TOTAL EQUITY	55,672	59,304

NOTE 23: FINANCING ARRANGEMENTS

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Financing facilities[(a)]	13,582	13,668
Amount utilised	(1,989)	(4,501)
Unused credit facility	11,593	9,167

(a) The balance as at 30 June 2017 primarily comprises of facilities for working capital, bank guarantees, equipment finance and corporate cards with Commonwealth Bank of Australia (CBA) and HSBC.

NOTE 24: CASH FLOW INFORMATION

	GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000
(a) Reconciliation of Net Cash provided by Operating Activities to Profit after Income Tax		
Profit after income tax	6,985	9,270
Non-cash flows in operating profit:		
Depreciation and amortisation	6,355	7,362
Profit on sale of plant and equipment	(2)	(11)
Share based payments	(301)	(94)
Changes in assets and liabilities:		
Change in receivables	1,157	1,810
Change in other assets	118	(145)
Change in unearned income	(139)	(825)
Change in work in progress	(1,400)	(400)
Change in deferred tax balances	(3,120)	(630)
Change in tax provision	1,769	(359)
Change in trade and other payables	(1,022)	(3,615)
Change in provisions	518	(423)
Cash flow from operations	10,918	11,940

(b) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash at bank (Note 7)	11,728	9,011
	11,728	9,011

(c) Non-cash Financing Activities

During the 2017 financial year the Group acquired software with an aggregate value of $nil (2016: $174k) by means of finance leases and acquired plant and equipment of $263k (2016: $nil) by means of an equipment loan.

NOTE 25: OPERATING SEGMENT

From 1 July 2016 the Group's management structure and reporting was reorganised into three regional business units – Australia (inclusive of two operating segments: Capital Markets and Wealth Management); United Kingdom – Wealth Management and Rest of the World – Capital Markets. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each business unit, the CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Australia

The Capital Markets segment offers the GBST Shares and derivatives platform which is the country's most widely used middle-office and back-office equities and derivatives system. The segment also incorporates Emu Design which provides independent financial data and digital agency services for interactive website design, development, hosting, e-commerce platforms, and mobile and social networking solutions.

The Wealth Management segment through the GBST Composer platform, provides end to end funds administration and management software to the wealth management industry in Australia. It offers an integrated system for the administration of wrap platforms for superannuation funds, as well as master trusts, unit trusts, risk and debt; and other investment assets. Other GBST products provide technology hub solutions; and data analytics and quantitative services for the measurement of portfolio performance.

United Kingdom

Through the GBST Composer platform, provides end to end funds administration and management software to the Wealth Management industry in the United Kingdom. It offers an integrated system for the administration of wrap platforms, including individual savings accounts (ISA's), pensions, self-invested personal pension (SIPP), as well as master trusts, unit trusts, risk and debt; and other investment assets.

Rest of the World

Covers our Capital Markets operations in North America, Asia and United Kingdom. Through the GBST Syn~ platform, this business provides new-generation technology to process equities, derivatives, fixed income and managed funds transactions for global capital markets.

Reportable segments

	AUSTRALIA				UNITED KINGDOM		REST OF THE WORLD					
	CAPITAL MARKETS		CAPITAL MARKETS		WEALTH MANAGEMENT		CAPITAL MARKETS		ELIMINATIONS		GBST GROUP	
	30 Jun 2017 $'000	30 Jun 2016 $'000	30 Jun 2017 $'000	30 Jun 2016 $'000	30 Jun 2017 $'000	30 Jun 2016 $'000	30 Jun 2017 $'000	30 Jun 2016 $'000	30 Jun 2017 $'000	30 Jun 2016 $'000	30 Jun 2017 $'000	30 Jun 2016 $'000
Revenue												
Revenue from external customers	24,883	32,675	16,567	17,805	32,559	43,906	13,600	13,253	-	-	87,609	107,639
Other income from external customers	60	15	-	106	239	325	67	58	-	-	366	504
Inter-segment revenues*	380	188	-	7	-	-	-	-	(380)	(195)	-	-
Total segment revenue	25,323	32,878	16,567	17,918	32,797	44,231	13,666	13,311	(380)	(195)	87,975	108,143
OPERATING EBITDA	4,612	11,216	7,084	4,580	(955)	8,709	1,440	(4,508)	-	-	12,181	19,997
Depreciation and amortisation	(2,821)	(3,590)	(2,517)	(2,489)	(522)	(544)	(495)	(739)	-	-	(6,355)	(7,362)
Segment result	1,791	7,626	4,567	2,091	(1,477)	8,165	945	(5,247)	-	-	5,826	12,635
Unallocated expenses											(192)	(2,802)
Net finance costs											(611)	(776)
Profit before income tax											5,023	9,057
Income tax credit											1,962	213
Profit after income tax											6,985	9,270

Note 25: Operating Segment (continued)

Intersegment Transfers
Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at an arm's length. These transfers are eliminated on consolidation.

* Inter-segment revenue received by Rest of the World of $23k from Australia (2016: $1.6m) for use of intangible assets is not included to align with reporting to CEO. In addition, margin to reflect arm's length transactions for re-charges for software development work charges and other costs received by Australia from Rest of the World of $740k (2016: $1.2m revenue), and by Rest of the World from Australia $1.3m (2016: $1.3m revenue) and by Australia and United Kingdom of $1.1m (2016: $1.8m). United Kingdom revenue includes all license revenue relating to United Kingdom based clients and as IP is owned by Australia an inter-segment sales commission of $5.7m is remitted to the UK. (2016: $5.5m). Inter-segment revenue with an associated direct external cost (typically direct labour costs) is included.

Major Customers
Revenues from the top five customers of the Group represents $37.1m (2016: $43.1m) of the Group's total revenues.

Accounting Policies
Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

NOTE 26: FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies
The Group's principal financial instruments comprise of accounts receivable and payable, bank accounts, loans and overdrafts and finance leases.

The main purpose of these financial instruments is to provide operating finance to the Group.

It is, and has been throughout the period, the Group's policy that financial instruments held are not intended for trading purposes.

The Group has exposure to the following risks from their use of financial instruments – credit risk, liquidity risk and market risk. This note presents information about the exposure to each of the above risks. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the risk management policies, and reports to the Board.

The risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Board of Directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of current economic conditions and forecasts.

The Executive Management Team's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

(b) Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, share prices and interest rates will affect income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Australian variable interest rate risk

At reporting period, the Group had the following mix of financial assets exposed to Australian variable interest rate risk.

	GBST GROUP	
	2017 $'000	2016 $'000
Financial assets		
Cash	2,492	478
	2,492	478

Lease liabilities have fixed rates, all other items are variable rate. The exposure to market interest rates relates primarily to long and short term debt obligations.

Foreign currency variable interest rate risk

At reporting date, the Group did not have any foreign currency accounts that were exposed to variable interest rate risk.

Foreign Currency Risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

The Group constantly monitors its foreign currency exposure, and seeks to utilise existing currency reserves and naturally hedge foreign currency purchases where possible.

At balance sheet date the Group had exposure to movements in the exchange rate as follows:

	2017		2016	
	Cash and Receivables $'000	Payables $'000	Cash and Receivables $'000	Payables $'000
Great British Pounds	12,680	3,035	10,987	2,939
United States of America Dollars	3,887	154	4,500	60
Euros	2	–	11	–
Singapore Dollars	508	77	139	112
Hong Kong Dollars	230	240	198	162
	17,307	3,506	15,835	3,273

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that there will always be sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and finance leases. Liquidity risk is managed by monitoring forecasted business performance including cash flows, the collection of trade receivables, payment of trade payables and maintaining adequate borrowing facilities.

(d) Credit Risk

The maximum exposure to credit risk at balance date, excluding the value of any collateral or other security, to recognised financial assets is the carrying amount (net of any allowance for impairment of those assets) as disclosed in the balance sheet and notes to the financial statements. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Credit risk arises primarily from exposures to customers. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. In addition, receivable balances are monitored on an ongoing basis with the result that apart from the risks noted below, there are no other material credit risks to the Group.

In respect of the parent entity, credit risk also incorporates the exposure of GBST Holdings Limited to the liabilities of all Australian entities under the Deed of Cross Guarantee. Refer to Note 22 for further information.

Except for the following concentrations of credit risks, the Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into. Approximately 42% (2016: 40%) of the Group's revenue is derived from five customers providing financial services, who represent 42% of the gross trade debtor balance as at 30 June 2017. All Australian clients satisfy the minimum core capital requirements of the ASX (where applicable).

Trade debtor terms range between fourteen to thirty days. Included in the Group's trade receivable balance are debtors with a carrying amount of $4.38m (2016: $3.28m) which are past due at the reporting date for which the

Note 26: Financial Risk Management (continued)

Group has not provided as there has not been a significant change in the credit quality and the Group believes that the amounts are still considered recoverable. The weighted average age of these receivables is 27 days (2016: 32 days).

The aging of the Group's trade receivables at the reporting date was:

	2017		2016	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	7,529	–	9,748	50
Past due 0-30 days	2,436	–	622	–
Past due 30-90 days	1,028	–	2,479	49
Past due more than 90 days	1,217	293	1,340	1,109
	12,210	293	14,189	1,208

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	GBST GROUP CARRYING AMOUNT	
	2017 $'000	2016 $'000
Opening balance	1,208	879
Impairment loss recognised	281	341
Amounts written off	(1,196)	(12)
Closing balance	293	1,208

The maximum exposure to credit risk to the Group is the carrying value, which at the reporting date was:

	GBST GROUP CARRYING AMOUNT	
	2017 $'000	2016 $'000
Cash and cash equivalents	11,728	9,011
Trade and other receivables	12,660	13,817
	24,388	22,828

The maximum exposure to credit risk for trade and other receivables at reporting date by geographic region was:

	GBST GROUP CARRYING AMOUNT	
	2017 $'000	2016 $'000
Australia & New Zealand	4,572	6,516
Europe	5,794	5,039
Asia	1,298	2,237
North America	996	25
	12,660	13,817

(e) Financial Instruments

(i) Liquidity Risk:

The following table reflects the undiscounted contractual settlement terms for financial liabilities including interest payments:

GBST Group	0-1 YEARS 2017 $'000	0-1 YEARS 2016 $'000	1-2 YEARS 2017 $'000	1-2 YEARS 2016 $'000	2-5 YEARS 2017 $'000	2-5 YEARS 2016 $'000	OVER 5 YEARS 2017 $'000	OVER 5 YEARS 2016 $'000	TOTAL 2017 $'000	TOTAL 2016 $'000	CARRYING AMOUNTS 2017 $'000	CARRYING AMOUNTS 2016 $'000
Financial Liabilities												
Bank loan	176	–	–	–	–	–	–	–	176	–	176	–
Lease facilities(1)	80	82	–	80	–	–	–	–	80	162	76	155
Trade & other payables	6,739	6,919	487	546	1,345	1,511	174	369	8,745	9,345	8,745	9,345
TOTAL FINANCIAL LIABILITIES	6,995	7,001	487	626	1,345	1,511	174	369	9,001	9,507	8,997	9,500

(i) These items have fixed interest rates. All other items are non-interest bearing.

(ii) Net Fair Values

Term receivables and other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar items, to their present value. For other financial assets and financial liabilities their carrying amount is a reasonable approximation of their fair value. Loans payable are determined by discounting the cash flow at market interest rates of similar items, to their present value. No financial assets or financial liabilities are readily traded on organised markets.

For financial assets and liabilities of the Group, the carrying value is a reasonable approximation of the fair value.

(iii) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Note 26: Financial Risk Management (continued)

Foreign Currency Risk Sensitivity Analysis

At 30 June 2017, the effect on profit as a result of changes in the value of currencies relevant to GBST's operations not denominated in Australian dollars (with all other variables remaining constant) is as follows:

(i) Profit:

	GBST GROUP	
	2017 $'000	2016 $'000
Increase/(Decrease) in Profit		
Improvement in AUD to GBP by 10%	454	422
Decline in AUD to GBP by 10%	(454)	(422)
Improvement in AUD to USD by 10%	(81)	(301)
Decline in AUD to USD by 10%	81	301
Improvement in AUD to SGD by 10%	9	25
Decline in AUD to SGD by 10%	(9)	(25)
Improvement in AUD to HKD by 10%	6	6
Decline in AUD to HKD by 10%	(6)	(6)

(ii) Equity:

	GBST GROUP	
	2017 $'000	2016 $'000
Change in Equity		
Improvement in AUD to GBP by 10%	1,850	1,530
Decline in AUD to GBP by 10%	(1,850)	(1,530)
Improvement in AUD to USD by 10%	(1,046)	(968)
Decline in AUD to USD by 10%	1,046	968
Improvement in AUD to SGD by 10%	62	55
Decline in AUD to SGD by 10%	(62)	(55)
Improvement in AUD to HKD by 10%	54	62
Decline in AUD to HKD by 10%	(54)	(62)

NOTE 27: CONTINGENT LIABILITIES

During the year, GBST advanced $273,000 to a former director and executive, Mr Stephen Lake, in accordance with the terms of the Deed of Access, Indemnity and Insurance ("the Deed") with Mr Lake. The advances were paid to cover legal costs incurred in defending proceedings brought against Mr Lake in the Supreme Court of Queensland by Mr Malcolm Murdoch, a former director and shareholder of GBST. The proceedings relate to a dispute surrounding the terms on which proceedings by Mr Murdoch in 2003 were settled in 2004. All amounts advanced by GBST under the Deed are repayable if, upon the final adjudication of the proceedings, Mr Lake is not entitled to be indemnified by GBST. To date, GBST has advanced a total of $1.15m to Mr Lake to cover legal costs incurred in defending these proceedings since he first claimed under his indemnity in 2012. These amounts are expensed as incurred.

The indemnity provided results in the Group having a potential liability for further legal fees.

As previously disclosed to the ASX on 26 March 2016, the Company is involved in a dispute with its former Managing Director and CEO, Stephen Lake, regarding the termination of his employment. An amended claim and statement of claim was received by the Company on 14 November 2016. The Company intends to vigorously defend the claim. On the basis of present information, the Company has made no provision for any loss or damage in relation to this claim.

As at 30 June 2017, GBST has with its clients a variety of software supply agreements, each of which contain service and performance warranties and indemnities. These warranties and indemnities are of the standard type used in the industry and the likelihood of liabilities arising under these warranties and indemnities is considered remote.

NOTE 28: RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key Management Personnel Compensation

	GBST GROUP	
	2017 $	2016 $
Short-term employee benefits	2,733,333	3,192,272
Post-employment benefits	163,851	159,370
Other long-term benefits	39,524	37,343
Termination benefits	–	142,643
Share-based payments	(247,883)	(55,594)
	2,688,825	3,476,034

Detailed disclosures on compensation for Key Management Personnel are set out in the Remuneration Report included in the Directors' Report.

Key Management Personnel Transactions

Mr Kim Sundell and Dr Ian Thomas are Directors and shareholders of FinClear Pty Ltd ('FinClear'). On 10 October 2016, FinClear purchased Lonsec Limited which had an existing agreement with GBST for the provision of front office services ('Agreement'). This Agreement ended on 3 February 2017 and GBST does not currently provide any other products or services to FinClear. The total revenue relating to the front office agreement was $6.5k during the financial year. The amount owing at 30 June 2017 was $nil. There were no doubtful debts provided for or expensed during the period with regard to these transactions. The terms and conditions of the Agreement are no more favourable than those available, or which might be reasonably expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

NOTE 29: SHARE BASED PAYMENTS

Performance rights are issued under the Company's LTI Plan approved at the Company's 2012 Annual General Meeting. The LTI Plan involves the use of performance rights to acquire shares in the Company.

The LTI Plan is designed to reward employees in a manner which aligns this element of remuneration with the financial performance of the Company and the interests of shareholders. As such, grants under the LTI Plan are only made to Executives and selected employees who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long-term performance hurdle.

Selected employees are made individual offers of specific numbers of performance rights at the discretion of the Board and in accordance with the LTI Plan rules. The Board may determine the number of performance rights, vesting conditions, vesting period, exercise price and expiry date. Performance rights may be granted at any time, subject to the Corporations Act and ASX Listing Rules.

The Company uses Earnings per Share (EPS) as a performance hurdle for the LTI Plan, measured by growth in earnings per share. EPS was selected to align employee and shareholder interests. Participants in the LTI Plan are also required to meet continued service conditions in order to exercise the performance rights.

Options

There were no options issued during the period.

Note 29: Share Based Payments (continued)

Share Performance Rights

On 26 September 2016, 435,376 performance rights issued on 24 September 2013 vested. The remainder of performance rights issued on 24 September 2013 lapsed prior to the vesting date and have expired.

The performance rights issued in the 2014 financial year were tested against the cumulative EPS targets resulting in forfeiture of 75% of the outstanding performance rights due to failure to meet the financial performance targets EPS targets of 50 cents, and 60 cents for 50% and 100% vesting respectively (interpolated).

On 26 September 2016 and 27 October 2016, the Group issued 311,863 and 62,124 performance rights to selected employees. There is a nil exercise price and the share performance rights vest in thirty-six months after the date of grant or the date of release of GBST's financial results for the 2019 financial year, whichever is later. The share performance rights expire thirty days after the vesting date. The share performance rights are conditional on the employees meeting continuous service conditions and the Group meeting certain financial performance measures. These performance rights are to be forfeited due to failure to meet the financial performance target for the 2017 financial year.

During the year, the following movement in balances occurred:

	Opening Balance	Granted	Forfeited	Exercised	Expired	Closing Balance
24 September 2013	435,376	–	–	(435,376)	–	–
05 August 2014	288,062	–	(23,447)	–	–	264,615
26 September 2016	–	311,863	(55,912)	–	–	255,951
27 October 2016	–	62,124	–	–	–	62,124
Total	**723,438**	**373,987**	**(79,359)**	**(435,376)**	**–**	**582,690**

As at reporting date a net $301k benefit (2016: $94k benefit) was included in share based payments expense. This benefit was as a result of employees not meeting the employment service conditions and performance rights failing to meet the financial performance targets for the 2017 financial year:

(i) 75% of the 5 August 2014 and 16 October 2014 issue have subsequently lapsed as the performance hurdles were not met at 30 June 2017.

(ii) 100% of the 26 September 2016 and 27 October 2016 issue have subsequently lapsed as the performance hurdles were not met at 30 June 2017.

Movement in Share Performance Rights

The following table illustrates the number, weighted average exercise price (WAEP) and movement in share performance rights under the Share Performance Rights Scheme issued during the period:

	Jun 2017 Number	Jun 2017 WAEP	Jun 2016 Number	Jun 2016 WAEP
Outstanding at the beginning of the period	723,438	–	2,279,763	–
Granted during the period	373,987	–	303,508	–
Forfeited during the period	(79,359)	–	(998,016)	–
Exercised during the period	(435,376)	–	(861,817)	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	582,690	–	723,438	–
Exercisable at the end of the period	–	–	–	–

No person entitled to exercise any performance right had or has any right by virtue of the performance right to participate in any share issue of any other body corporate.

Adjusting for the performance rights that subsequently lapsed as the performance hurdles were not met as at the approval of these FY17 financial statements, the outstanding performance rights had a weighted remaining contractual life of three months. Unless otherwise stated, all issues of performance rights under the plan have a nil exercise price and vest in thirty-six months after the date of grant or the date of release of GBST's audited financial results, whichever is later. The share performance rights expire thirty days after the vesting date, and are conditional on the employees meeting continuous service conditions and the group meeting certain financial performance measures.

The performance criteria associated with the grant of share performance rights outstanding from prior years under the GBST Performance Rights and Option Plan is detailed in the following table:

Grant Date	Financial Performance hurdle
24 September 2013(1) 514,536 performance rights (435,376 exercised; remainder forfeited)	***Cumulative Earnings Per Share (EPS) Target*** • Subject to GBST achieving three year (2014 – 2016 financial years) cumulative EPS targets of 32 cents, 36 cents, and 40 cents for 25%, 50% and 100% vesting respectively (interpolated). ***Minimum EPS*** • A minimum EPS of 5 cents is achieved in each year ***Service Condition*** • Continuous employment with the Group from grant date for three years.
5 August 2014(2) 345,005 performance rights (198,465 – failed the cumulative EPS target for 50 cents and 60 cents; remainder 80,390 service target failed)	***Cumulative Earnings Per Share (EPS) Target*** • Subject to GBST achieving three year (2015 – 2017 financial years) cumulative EPS targets of 45 cents, 50 cents, and 60 cents for 25%, 50% and 100% vesting respectively (interpolated). ***Minimum EPS*** • A minimum EPS of 10 cents is achieved in each year ***Service Condition*** • Continuous employment with the Group from grant date for three years.
26 September 2016(3) 373,987 performance rights (318,075 – failed minimum EPS target; remainder service target failed)	***Cumulative Earnings Per Share (EPS) Target*** • Subject to GBST achieving three year (2017 – 2019 financial years) cumulative EPS targets of 50 cents, 53 cents, and 57 cents for 25%, 50% and 100% vesting respectively (interpolated). ***Minimum EPS*** • A minimum EPS of 13 cents is achieved in each year ***Service Condition*** • Continuous employment with the Group from grant date for three years.

(1) The fair value of the share performance rights of $2.54 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant $2.85, expected volatility of 40.02 percent, expected dividend yield of 3.80 percent, a term of three years and a risk-free interest rate of 2.81 percent. The exercise price for the share performance rights is nil.

(2) The fair value of the share performance rights of $3.28 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant $3.52, expected volatility of 45 percent, expected dividend yield of 2.298 percent, a term of three years and a risk-free interest rate of 2.62 percent. The exercise price for the share performance rights is nil.

(3) The fair value of the share performance rights of $4.0242 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant $4.32, expected volatility of 46.76 percent, expected dividend yield of 2.39 percent, a term of three years and a risk-free interest rate of 1.54 percent. The exercise price for the share performance rights is nil.

NOTE 30: EARNINGS PER SHARE

	GBST GROUP	
	2017	2016
Basic earnings per share (cents)	10.31	13.82
Diluted earnings per share (cents)	10.30	13.73
(a) Reconciliation of earnings to net profit	$'000	$'000
Net Profit	6,985	9,270
Earnings used in the calculation of basic EPS and dilutive EPS	6,985	9,270
(b) Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	67,755,143	67,076,604
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	67,821,297	67,511,980

The weighted average number of performance rights that are due to vest (based on achievement of performance conditions) in the period immediately following the reporting date are included for the purposes of calculating the Group's dilutive EPS.

NOTE 31: SUBSEQUENT EVENTS

The financial report was authorised for issue on 28 August 2017 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect operations of GBST, the results of those operations, or the state of affairs of GBST in future financial years.

NOTE 32: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2017 the parent company of the Group was GBST Holdings Limited.

	GBST HOLDINGS	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Results of the Parent Entity		
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	5,392	6,795
OTHER COMPREHENSIVE INCOME		
Total items that will not be reclassified to profit or loss	-	-
Total Comprehensive Income for the Year	5,392	6,795
Financial Position of the Parent Entity at Year End		
Current Assets	7,079	7,781
Total Assets	76,937	79,812
Current Liabilities	7,827	9,044
Total Liabilities	10,635	12,358
Total Equity of the Parent Entity Comprising of:		
Issued capital	39,473	38,366
Equity remuneration reserve	205	1,613
Retained earnings	26,624	27,475
Total Equity	66,302	67,454

Parent Entity Contingencies

The Directors are of the opinion that no provisions are required in respect of parent entity contingencies. On the basis of present information, the Company has made no provision for any loss or damage in relation to this claim. Refer to Note 27.

Contingent Liabilities not Considered Remote

The parent entity has guaranteed, to an unrelated party, the performance of a subsidiary in relation to a contract for the supply of software and services.

	GBST HOLDINGS	
	30 Jun 2017 $'000	30 Jun 2016 $'000
Parent Entity Capital and Other Expenditure Commitments		
Contracted for:		
Capital and other operating purchases	562	160
Payable		
Not later than one year	562	160
	562	160

Guarantees

Property Leases

In accordance with property lease requirements, the company has provided bank guarantees to the lessors.

Lending Facilities

The Groups' lending facilities are supported by guarantees from its subsidiaries.

Performance Guarantees

The parent entity provides certain guarantees in relation to subsidiary performance of contract.

Parent Entity Guarantees in Respect of Debts of its Subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 22.

Directors' Declaration

for the year ended 30 June 2017

1. In the opinion of the Directors of GBST Holdings Limited ('the Company'):

   a) the consolidated financial statements and Notes 1 to 32 and the Remuneration Report in the Directors' Report, set out on pages 23 to 33, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to Corporations (Wholly owned Companies) Instrument 2016/785.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

4. The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Mr A J Brackin
Chairman

Mr R DeDominicis
Managing Director and Chief Executive Officer

Dated at Sydney this 28th day of August 2017

Independent Auditor's Report

To the shareholders of GBST Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of GBST Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition
- Valuation of the Capital Markets International CGU

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

for the year ended 30 June 2017

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Revenue recognition

Refer to Note 3 in the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group provides its products and services to customers in bundled packages. These packages may contain two or more of the following elements: software licenses, maintenance and support services for licensed software, implementation and consulting revenue, and sponsored project revenue. This is a key audit matter due to the level of judgment we applied when considering management's determination of revenue allocated to the different elements. Significant judgments include: • Implementation and consulting revenue may be provided on a percentage of completion basis ("POC"). Determining the POC of the contract may include estimates of cost contingencies. • The allocation of revenue to the individual elements of the contract and the need to assess the timing of recognition for each element presents a risk of accelerated or delayed recognition of revenue.	Our procedures included, amongst others: • We critically assessed the allocation of revenue to the individual elements of the contract by selecting a sample of significant contracts and comparing the relative fair values of each element. Management determine the relative fair value on a cost plus margin basis. We also assessed the forecast cost of each element against management budget's and evaluated the margin applied against historical results. • For contracts that were not completed at the balance date we assessed the calculation of stage of completion. Cost incurred to date primarily includes labour costs and our procedures included assessing whether those costs are appropriately allocated to the contracts. Where cost contingencies are included in the calculation of costs to complete, we inspected and critically assessed the rationale for the basis for their calculation with the project managers responsible for delivering the projects.

Valuation of the Capital Markets International CGU

Refer to Note 11 in the Financial Report

The key audit matter	How the matter was addressed in our audit
The valuation of goodwill and intangible assets allocated to the Capital Markets International CGU is a key audit matter due to the level of judgment required by us in evaluating management's assessment. With the exception of the current financial year, the Capital Markets International CGU has a history of operating losses which increases forecasting risk and gives rise to complexity in our audit. The significant judgments incorporated into management's fair value less cost of disposal model used to assess the valuation of the CGU include: • Assumptions underlying forecast cash flows;	Our procedures included, amongst others: • We evaluated management's process regarding the valuation of the Capital Markets International CGU's goodwill and other non-financial assets. We challenged the methodology and assumptions used in management's model. This included benchmarking the implied earnings multiples against comparable companies and against comparable transactions in the market. We compared short term growth assumptions against historical results actually achieved. • Using our valuation specialists, we challenged the Group's key judgements included in their discount rate by using our knowledge of the client, and their industry to form our own

KPMG

• Growth rate assumptions; and • Discount rates applied in the model. In addressing this key audit matter, we involved more senior team members, including valuation specialists, who understand the Group's business and the economic environment in which it operates.	assessment in relation to key inputs to the discount rate and long term growth assumptions. • We performed our own break even analysis on the assumptions and considered the likelihood of the assumptions reaching these break-even points. Our assessment included consideration of the potential of bias and consideration of the historical accuracy of management's forecasts.

Other Information

Other Information is financial and non-financial information in GBST Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and Remuneration Report. The Year in Review, Chairman's and Managing Director's Report, GBST Product Suite, GBST Executive Team, Additional Shareholder Information and the Corporate Directory are expected to be made available to us after the date of the Auditor's Report

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of GBST Holdings Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included on pages 23 to 33 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Simon Crane
Partner

Brisbane
28 August 2017

Additional Information

as at 29 August 2017

Distribution of shareholdings at 29 August 2017

Category (size of holding)	No. Holders
1 to 1,000	1,199
1,001 to 5,000	1,653
5,001 to 10,000	459
10,001 to 100,000	344
100,001 and over	28
Total No. of Holders	**3,683**

The number of shareholders holding less than a marketable parcel is 427

Substantial shareholders at 29 August 2017

The following shareholders have disclosed a substantial shareholder notice to the ASX:

Name	No. Ordinary Shares	% of Voting Power
National Nominees Ltd ACF Australian Ethical Investment Limited	6,756,530	9.96%
AustralianSuper Pty Ltd	4,219,645	6.22%

Voting rights

The Company has ordinary shares on issue. There are 67,912,508 ordinary shares on issue.

At a general meeting, each shareholder present at a meeting or by proxy, representative or attorney has one vote on a show of hands. Each fully paid ordinary share is entitled to one vote when a poll is called.

No shares are the subject of voluntary escrow.

Additional Information

as at 29 August 2017 (continued)

20 Largest Shareholders at 29 August 2017 – Ordinary Shares

Rank	Name	No. Ordinary Shares	% of Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	12,630,877	18.60
2	NATIONAL NOMINEES LIMITED	11,252,091	16.57
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,182,190	7.63
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,371,690	4.96
5	MR JOHN FRANCIS PUTTICK	2,746,015	4.04
6	BNP PARIBAS NOMS PTY LTD	2,289,071	3.37
7	MR JOAKIM SUNDELL & MRS SHARA SUNDELL	2,013,462	2.96
8	CITICORP NOMINEES PTY LIMITED	1,927,280	2.84
9	BNP PARIBAS NOMINEES PTY LTD	1,746,081	2.57
10	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,645,200	2.42
11	MRS AMBER ROBYN LAKE	1,224,836	1.80
12	BERISLAV BECAREVIC & IVANKA BECAREVIC	751,553	1.11
13	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	745,712	1.10
14	ROBERT DEDOMINICIS	609,055	0.90
15	CROWN FINANCIAL PTY LTD	496,000	0.73
16	BOND STREET CUSTODIANS LIMITED	425,194	0.63
17	DONAL O'BRIEN	345,635	0.51
18	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	293,029	0.43
19	MIRRABOOKA INVESTMENTS LIMITED	269,493	0.40
20	BRISPOT NOMINEES PTY LTD	232,654	0.34
	Total	**50,197,118**	**73.91**

On-market buy-back

There is no current on-market buy-back

Corporate Directory

for the year ended 30 June 2017

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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DIRECTORS

Allan Brackin
Christine Bartlett
David Adams
Deborah Page AM
Tam Vu
Robert DeDominicis

COMPANY SECRETARY

Jillian Bannan

SHARE REGISTRY

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STOCK EXCHANGE LISTING

GBST Holdings Limited shares are quoted on the Australian Securities Exchange under the ASX code: GBT.

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