

Appendix 4E
Preliminary final report
for the period ending 30 June 2018

This report should be read in conjunction with the attached Audited Financial Statements for the year ended 30 June 2018.

Name of entity	ABN
GBST HOLDINGS LIMITED	85 010 488 874

1. Reporting periods

Financial year ended ("current period")	Financial year ended ("previous corresponding period")
30 June 2018	30 June 2017

2. Results for announcement to the market

		Current period	Previous corresponding period
		\$A'000	\$A'000
Total revenue	up 0.3% to	88,258	87,975
Profit from ordinary activities after tax attributable to members	down 11% to	6,249	6,985
Profit for the period attributable to members	down 11% to	6,249	6,985
Dividends (distributions)	Amount per security	Franked amount per security	
Final Dividend	2.5¢	2.5¢	
The record date for determining entitlement is 28 September 2018.			
Explanatory comments on figures above:			
Refer to the Audited Financial Statements for the year ended 30 June 2018.			

3. Statement of comprehensive income

Refer to the attached Audited Financial Statements for the year ended 30 June 2018.

4. Statement of financial position

Refer to the attached Audited Financial Statements for the year ended 30 June 2018.

5. Statement of changes in equity

Refer to the attached Audited Financial Statements for the year ended 30 June 2018.

6. Statement of cash flows

Refer to the attached Audited Financial Statements for the year ended 30 June 2018.

7. Dividends

	Date paid/ payable	Amount per security	Franked amount per security
Current period:			
Final dividend	12 Oct 2018	2.5¢	2.5¢
Interim dividend	20 Apr 2018	2.5¢	2.5¢
Previous corresponding period:			
Final dividend	13 Oct 2017	2.5¢	2.5¢
Interim dividend	20 Apr 2017	3.7¢	3.7¢

8. Dividend reinvestment plans

Not applicable

9. NTA backing

The net tangible assets of the company decreased from \$19.8 million at 30 June 2017 to \$18.3 million at 30 June 2018.

	Current period	Previous corresponding period
Net tangible assets backing per ordinary security (cents)	26.89	29.12

10. Entities over which control has been gained or lost during the period

Not applicable

11. Associates and joint venture entities

Not applicable

12. Other significant information

Refer to the attached Audited Financial Statements for the year ended 30 June 2018.

13. Foreign entities set of accounting standards used in compiling report

Not applicable

14. Commentary on the results for the period

14.1 Earnings per security

Refer to Note 30 of the attached Audited Financial Statements for the year ended 30 June 2018.

14.2 Returns to shareholders including distributions and buybacks

Refer to Note 6 - Dividends, and Note 18 - Issued Capital in the attached Audited Financial Statements for the year ended 30 June 2018.

14.3 – 14.5 Significant features of operating performance

Refer to the Audited Financial Statements for the year ended 30 June 2018.

14.6 Other factors which have affected the results in the period or future results

Refer to the Audited Financial Statements for the year ended 30 June 2018.



GBST Holdings Limited (ASX: GBT)

ABN: 85 010 488 874

Financial Report for the Year Ended 30 June 2018



Directors' Report

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 2018 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 an 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 and 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) and is the Chairman of telecommunications 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 Committee and the Nominations and Remuneration Committee.

Interest in Shares and Options

260,000 Ordinary Shares in GBST Holdings Limited were held by Mr Brackin's associated entities at 30 June 2018.

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 in GBST Holdings Limited were held by Mr DeDominicis at 30 June 2018.

90,000 Ordinary Shares in GBST Holdings Limited were held by Mr DeDominicis' associated entities at 30 June 2018.

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, icare NSW 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 also the Chair of the Nominations and Remuneration Committee and a member of the Audit and Risk Committee and the Technology Committee.

Interest in Shares and Options

4,750 Ordinary Shares in GBST Holdings Limited were held by Ms Bartlett at 30 June 2018.

20,250 Ordinary Shares were held by Ms Bartlett's associated entities at 30 June 2018.

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 Pental Group Limited (ASX:PDL), 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 Committee.

Interests in Shares and Options

9,250 Ordinary Shares in GBST Holdings Limited were held by Mrs Page at 30 June 2018.

17,250 Ordinary Shares in GBST Holdings Limited were held by Mrs Page's associated entities at 30 June 2018.

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 and a member of the Nominations and Remuneration Committee.

Interests in Shares and Options

5,464 Ordinary Shares in GBST Holdings Limited were held by Mr Vu at 30 June 2018.

Retired Directors during 2017-2018

David Adams – Non-Executive Director

Appointed 1 April 2008; resigned 29 June 2018

David was appointed to the Board in 2008 and 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.

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:

Directors	Board Meetings		Audit and Risk Committee		Nominations and Remuneration Committee		Technology Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
A Brackin	12	12	4	4	7	7	-	-
C Bartlett	12	12	4	4	7	7	3	3
D Adams	12	11	4	3	7	6	-	-
D Page	12	12	4	4	-	3*	-	-
T Vu	12	12	-	1*	5	5	3	3
R DeDominicis	12	12	4**	4**	7**	7**	3	3

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

*Attended meeting as a guest

**R DeDominicis attends as a Standing Invitee.

Principal activities

The principal activities of GBST during the year ended 30 June 2018 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 comprised three regional divisions during the year:

- 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 (ISA's), pensions, self-invested personal pensions (SIPP's) 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

	2HFY18 \$'000	1HFY18 \$'000	2HFY17 \$'000	1HFY17 \$'000	FY18 \$'000	FY17 \$'000
Total revenue and other income	45,522	42,736	42,623	45,352	88,258	87,975
Operating EBITDA before strategic R&D⁹	10,563	9,659	8,841	12,946	20,222	21,787
Less Strategic R&D⁸	(2,845)	(4,828)	(4,664)	(4,942)	(7,673)	(9,606)
Gross Strategic R&D⁸	(9,881)	(4,828)	(4,664)	(4,942)	(14,709)	(9,606)
Strategic R&D Capitalised⁸	7,036	-	-	-	7,036	-
Operating EBITDA⁷	7,718	4,831	4,177	8,004	12,549	12,181
Restructure and other non-operating expenses ⁶	(100)	(256)	(192)	-	(356)	(192)
EBITDA⁵	7,618	4,575	3,985	8,004	12,193	11,989
Net finance income\costs	243	(123)	(344)	(267)	120	(611)
Depreciation & operating amortisation ⁴	(1,215)	(1,425)	(1,492)	(1,370)	(2,640)	(2,862)
Investment amortisation ³	(819)	(1,082)	(1,691)	(1,802)	(1,901)	(3,493)
Profit before income tax	5,827	1,945	458	4,565	7,772	5,023
Income tax (expense)\credit	(2,072)	549	2,142	(180)	(1,523)	1,962
Statutory Net Profit after income tax	3,755	2,494	2,600	4,385	6,249	6,985
Adjusted NPAT²	4,574	3,576	4,291	6,187	8,150	10,478
Basic EPS (cents)	5.53	3.67	3.83	6.48	9.20	10.31
Adjusted EPS (cents)²	6.73	5.27	6.31	9.15	12.00	15.46
Dividends declared per share (cents)	2.5	2.5	2.5	3.7	5.0	6.2
Cashflow from operations	5,834	5,366	3,265	7,653	11,200	10,918
Cash at Bank	11,373	14,958	11,728	12,091	11,373	11,728

Notes

1. GBST makes use of both IFRS and non-IFRS financial information. Non-IFRS measures used by the company are relevant because they are internal performance indicators applied consistently over time that allow for better evaluation of overall Group performance and relative business segment performance in light of GBST's significant investments in research & development and other changes in the business. The non-IFRS measures are consistent with the segment disclosures in Note 25 to the financial report and can be reconciled to IFRS measures by following the calculations in the table above or in the segment note. The non-IFRS measures have not been subject to audit or review.
2. **Adjusted NPAT** is a non-IFRS measure representing profit after income tax plus Investment amortisation. Adjusted NPAT is used in the Adjusted EPS measure.
3. **Investment amortisation** is a non-IFRS measure representing amortisation of intangible assets acquired through acquisition.

4. **Depreciation & operating amortisation** is a non-IFRS measure representing depreciation or amortisation of tangible and intangible assets used as part of ongoing operating activities of the business.
5. **EBITDA** is a non-IFRS measure calculated as profit before income tax and before: Investment amortisation; Depreciation & operating amortisation; and net finance costs.
6. **Restructure and other non-operating expenses** are costs not considered to be operating in nature, are not associated with any business segment and are therefore not allocated to a segment. This treatment is in accordance with 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 the reconciliation between the Group and segment reports and between IFRS and non-IFRS measures. Restructure and other non-operating expenses during the period are primarily costs associated with the departure of the former CFO.
7. **Operating EBITDA** is a non-IFRS measure calculated as EBITDA before Restructure and other non-operating expenses.
8. **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. To the extent that all of the accounting criteria are met, expenditure is capitalised as internally generated software systems.
9. **Operating EBITDA before strategic R&D** is a non-IFRS measure calculated as Operating EBITDA less Strategic R&D expenses.

Financial overview of the performance of the Group

- **Net profit after tax was down 10.5% to \$6.2m during FY18.**
 - Full year Revenue was up marginally in FY18, with second half revenue pleasingly up 6.5% from the first half.
 - Full year Operating EBITDA before strategic R&D was down 7.2% to \$20.2m, with the second half of \$10.5m up 9.4% from the first half on the back of higher revenue and cost reductions.
 - Full year Strategic R&D expense of \$7.7m was down 19.8% (FY17 \$9.6m) after capitalisation of \$7m in costs in accordance with accounting standards.
 - Net finance income was \$120k, compared to net finance costs of \$611k in the prior year.
 - Non-cash investment amortisation costs were 45.6% lower at \$1.9m.
 - Income tax expense of \$1.5m for the year primarily reflects derecognition of \$1.5m of Deferred Tax Assets on carry forward tax losses due to the uncertainty of the time period for recoupment of these losses. The prior year recorded an income tax benefit of \$2m.
- **GBST recorded strong operating cash flow generation with 92% conversion of EBITDA to operating cash flow during FY18 (up from 91% in FY17).**
- **GBST's balance sheet remains strong with cash on hand of \$11.4m and debt free.**

- **GBST's three-year Strategic R&D Program is progressing to plan.**
 - The Strategic R&D investment strengthens GBST's solutions, with Catalyst now live in the market.
 - Total Strategic R&D investment in FY18 of \$14.7m was on budget, on time and is meeting technical feasibility and progress milestones.
 - Total Strategic R&D investment in FY19 is expected to be approximately \$22m across the portfolio.
 - Costs being expensed or capitalised in accordance with accounting standards (\$7m capitalised in FY18).

- **Final FY18 dividend of 2.5 cents per share fully franked, taking the full year amount to 5 cents per share fully franked. GBST has a franking credit balance on hand of \$12.9m.**

- **Growth prospects are improving, including:**
 - The UK Wealth Management business being on a positive growth path;
 - Australian Capital Markets commences new projects with a strong pipeline developing
 - Development and distribution agreements were signed with SBI in Japan and FIS, a major financial technology company in North America.

- **Organisational changes in FY18:**
 - During the year, several aspects of the business were reset.
 - The level of skills and experience in the executive team were upgraded.
 - The organisation and operating models of the business were restructured.
 - Improvements to business systems and processes were initiated during the year.
 - All of these things together have put GBST in a much better place to take advantage of future growth opportunities.

Shareholder returns

	2014	2015	2016	2017	2018
Profit attributable to the owners of the Company	\$10.0m	\$15.3m	\$9.3m	\$7.0m	\$6.2m
Basic EPS (cents)	15.07	22.94	13.82	10.31	9.20
Dividends paid	\$5.0m	\$6.3m	\$7.4m	\$6.2m	\$3.4m
Dividends paid per share (cents)	7.5	9.5	11.0	9.2	5.0
Closing share price 30 June	\$3.21	\$5.73	\$4.14	\$2.97	\$2.12
Return on capital employed	19.9%	23.5%	13.6%	8.1%	10.3%

Review of operating segments of the Group

United Kingdom – Wealth Management

	2HFY18 \$'000	1HFY18 \$'000	2HFY17 \$'000	1HFY17 \$'000	FY18 \$'000	FY17 \$'000
Revenue	20,912	18,977	16,596	15,963	39,889	32,559
Operating EBITDA – before Strategic R&D	5,217	4,517	1,385	2,737	9,734	4,122

Key points

- Strong revenue and earnings growth for the division in FY18
- Headwinds from cost of significant legislative changes like MIFIDII in FY18
- UK Wealth Management directly reaping rewards from the investment in Catalyst

UK Wealth Management full year FY18 revenue was up 23% from FY17 while full year operating EBITDA before strategic R&D was up 136% from FY17 reflecting increasing licence revenue in the UK and significant service revenue during the year driven by large projects undertaken in FY18. The FY18 results also included a significant increase in the cost of legislative change work associated with legislative changes like the European Markets in Financial Instruments Directive (MIFIDII).

Revenue for the second half was \$20.9m, up 10% from the preceding 6 months. Operating EBITDA before strategic R&D of \$5.2m was up 15% from the preceding 6 months.

Client activity

During the year, the Aegon/Cofunds migration made it the largest investment platform in the UK and Australian markets and GBST now supports 1.8 million accounts, representing approximately £120bn of assets under management.

In May, GBST helped to launch Vitality Invest in under 12 months of development, delivering both an innovative front and back-office solution integrated into Vitality's existing systems utilising Catalyst.

During the year GBST commenced work with Investec Wealth & Asset Management, one of the top 3 UK Wealth Managers by assets under management, to help power their new retirement proposition for their direct-to-consumer brand 'Click & Invest'. As part of this project, GBST is delivering its Composer back-office solution along with several calculation and digital support capabilities to help fast-track the web build for Investec.

New client wins

GBST also won a new client project with Retirement Advantage (a subsidiary of Canada Life) to launch a new retirement proposition extending their retirement account service accommodating several specific features and access to their fund range. The launch is scheduled for November 2018.

GBST also extended the contractual relationship with Just Retirement for a further 5 years in the second half of FY18. This included a wider scope of services such as GBST providing a managed service offering and business support consultancy services.

Australia – Wealth Management

	2HFY18 \$'000	1HFY18 \$'000	2HFY17 \$'000	1HFY17 \$'000	FY18 \$'000	FY17 \$'000
Revenue	8,446	7,017	7,549	9,018	15,463	16,567
Operating EBITDA – before Strategic R&D	3,086	2,510	3,696	4,800	5,596	8,496

Key points

- Revenue and earnings declined in FY18 after the loss of a large client at the beginning of FY17
- Significantly higher levels of process and reporting changes driven by the ATO and ASIC increased costs in FY18 - in the first half in particular
- FY18 was a challenging year for the Australian Wealth Management division, but revenues and earnings have started to lift in the second half of FY18

The Australian Wealth Management division recorded a 7% drop in full year revenue and a 34% drop in full year Operating EBITDA before strategic R&D driven by the loss of a Wealth Management client from the beginning of FY17 and increased investment in mandatory regulatory legislation capability during FY18.

The division recorded a 20% increase in revenue during the second half to \$8.4m. Correspondingly, operating EBITDA before strategic R&D increased 23% in the second half with profit growing faster than revenue due to reductions in investment in legislative changes in the second half of FY18.

Tax Analyser provides flexible taxation solution

The new GBST Tax Analyser product was developed for the Australian Superannuation and Funds Management market to provide a flexible taxation solution for pre and post trade investment taxation calculations and reporting, including the ability to cater for trust level tax optimisation. The Qantas Superannuation Fund went live recently as the first user of GBST's digital platform for custodians, their clients and tax advisers to be able to collate and validate data from multiple sources for calculating and producing the investment tax results needed by superannuation funds to include in their tax returns.

These returns can now be submitted directly to the ATO, leveraging GBST's existing framework developed for the Superstream Gateway. Two new Tax Analyser clients were won during the year that will start to contribute positively towards recurring licence revenue in FY19.

Australia – Capital Markets

	2HFY18 \$'000	1HFY18 \$'000	2HFY17 \$'000	1HFY17 \$'000	FY18 \$'000	FY17 \$'000
Revenue	10,695	10,552	11,091	13,792	21,247	24,883
Operating EBITDA – before Strategic R&D	2,239	1,756	2,852	4,687	3,995	7,539

Key points

- Revenue and earnings declined in FY18 after the loss of a large Capital Markets client group at the beginning of FY17
- Operating costs were higher in FY18 - in particular due to higher support costs for a large Syn~ client implementation during the first half
- FY18 was a challenging year for the Australian Capital Markets division, but earnings have started to lift in the second half of FY18 as operating costs have reduced back to more normal levels

As reported last year, the loss of a large Capital Markets client resulted in a 15% fall in full year revenue and a 47% fall in full year Operating EBITDA before Strategic R&D for Australian Capital Markets in FY18.

The division recorded a small increase in revenue during the second half to \$10.7m and Operating EBITDA before strategic R&D increased 28% in the second half to \$2.2m as a result of client support cost reductions. The FY18 first half costs had included supporting the rollout of Syn~ to a major new client while the second half of FY18 resulted in this support cost returning to normal levels.

Client delivery

The major new client referred to above recorded the single largest day's trading volume of any broker in ASX history during market volatility events early in calendar year 2018, demonstrating the robustness and scalability of GBST's Capital Markets Syn~ platform.

Another large Capital Markets client recently successfully completed the single largest HIN (holder identification number) transfer in ASX history, demonstrating GBST's reputation of delivering for its clients.

GBST still maintains the dominant market share of CHESS connectivity at approximately 60% of equity transactions.

The Australian Capital Markets business continues to attract new customers and has a strong pipeline of similar client prospects ahead.

The company remains confident about growth prospects in capital markets in Australia and will continue to concentrate on expanding Business Process Outsourcing opportunities and strategic R&D mobilisation.

Rest of the World – Capital Markets

	2HFY18 \$'000	1HFY18 \$'000	2HFY17 \$'000	1HFY17 \$'000	FY18 \$'000	FY17 \$'000
Revenue	5,392	6,081	7,154	6,446	11,473	13,600
Operating EBITDA – before Strategic R&D	21	876	908	722	897	1,630

Key points

- Revenue declined in FY18 due to reduced service revenue from less project work in Asia Pacific and the USA
- Licence revenue increased 26% year on year
- New distribution agreements signed during FY18 open potential new markets for the division

Rest of the World – Capital Markets recorded a 16% drop in full year revenue and 45% drop in full year Operating EBITDA before strategic R&D in FY18. While Licence revenue was up 26% year on year in the division, service revenue was down 49% driven by reduced project work in Asia Pacific and the USA.

The division recorded revenue of \$5.4m for the second half, down \$0.7m from the preceding 6 months, largely due to the H1FY18 including a once-off licence payment. Accordingly, the division's operating EBITDA before strategic R&D decreased to breakeven for the half.

New distribution agreements

GBST executed a distribution licence with Japanese financial technology company SBI BITS, which will use GBST's Syn~ technology as the back-bone for its back-office processing solution both in Japan and across Asia-Pacific. It has established a significant development capability to work with GBST in extending the platform capabilities across the Japanese requirements for regulatory reporting, retail and institutional clearing and settlement and local market connectivity.

SBI, which has a market cap of around USD \$4.48 billion, will provide Syn~ access to a significant number of participants in the Japanese market, including its own SBI Securities division, the largest online broker in Japan.

GBST also implemented a new Syn~ Custody back-office platform for China Merchants Bank (CMB) which has been configured especially for CMB operations and is highly automated, receiving SWIFT messages and other instruction files from CMB clients. This builds on the success of the Syn~ deployment with a European Investment Bank in Australia.

GBST also signed a distribution agreement with a major financial technology company to white-label and distribute Syn~ as a component of their key product suites.

Financial position

Net assets increased by \$3.8m to \$68.7m (June 2017: \$64.9m).

Factors impacting this were:

- an increase in strategic R&D spend of \$5.1m to \$14.7m from \$9.6m at 30 June 2017, of which \$7.0m was capitalised as intangible assets;
- \$3.4m of dividend payments during the year (June 2017: \$6.2m).

Current assets exceeded current liabilities by \$9.3m (June 2017: \$8.6m).

GBST's cash position was \$11.4m at 30 June 2018 (June 2017: \$11.7m).

Overall Group strategy, prospects and risks

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 and product relevance	Technology and financial services are industries that are both subject to rapid change and are also at risk of disruption and disintermediation. Products and services offered by GBST may not be relevant to customer needs and therefore could impair the ability of the Company to satisfy or create customer demand.	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.
Failure to deliver strategic R&D program	Failure to successfully execute on the Company's Strategic R&D Program would cause reputational damage and a loss of confidence from current and potential future clients causing financial loss to the Company.	GBST Management has governance and oversight processes in place that regularly monitor the progress of the Strategic R&D Program against key technological, operational and financial milestones within the Board-approved business cases. In addition, the Board Technology Committee provides independent oversight and governance over the Company's Strategic R&D Program to mitigate the risk of the program not delivering on what is intended.

Risk	Nature of Risk	Mitigation
Project delivery and execution	Failure to successfully deliver, implement and support GBST's products and solutions to clients could have an adverse impact on the Company's reputation and ultimately its financial performance.	<p>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.</p> <p>GBST has a full time Project Management Office that drives best practice project management methodologies across the organisation. GBST has a defined Project Management Methodology based on 'PRINCE2 (Projects in Controlled Environments) for AGILE' that ensures projects are managed and delivered successfully.</p> <p>The Project Methodology uses gating principles for approval to progress from one phase to another. Gating independently validates that all key deliverables have been approved and controls established before moving forward.</p> <p>Internal systems and processes continue to be developed and enhanced to manage execution risk.</p>
Cost of regulatory compliance	The cost of keeping GBST's products in compliance with ever changing regulations, as per its licence contracts, can be a significant cost to the Company and can have a negative impact on business performance if not properly managed.	<p>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 through formal, regular user group processes as well as direct customer interactions.</p> <p>GBST seeks to deliver software updates in response to regulatory changes in the most cost-effective way and to spread the cost of compliance across the user base.</p>

Risk	Nature of Risk	Mitigation
Resource management	Significant variability in customer demand presents operational challenges with respect to demand forecasting and the availability of Company resources. There is a risk that client demands cannot be satisfied or that key internal strategic development work gets delayed due to resource contention.	GBST continues to develop its systems and processes to improve longer term resource planning and utilisation. GBST has a pool of contract resources that can be drawn from in the short-term as required. Enterprise Agile methodologies have also started to be employed that improve GBST's ability to meet variability in customer demand levels and to redeploy resources between external customer-facing projects or internal projects.
Key person reliance	GBST is reliant on key people in the business who are Subject Matter Experts (SME's) for the performance of key client implementation, delivery or strategic development work. Failure to ameliorate this reliance could cause inefficiencies in the business and result in financial loss.	GBST has HR and operating processes in place to seek to mitigate this through: <ul style="list-style-type: none"> - succession planning for key staff; - identifying key person risk and adjusting training and development plans for other staff to reduce the key person reliance; and - shared key resources and information repositories that reduce reliance on knowledge within individual staff.
Information security	Breach of information security, a cyber security attack or a cyber security breach could cause business interruption, loss of data security or reputational damage.	These risks are mitigated through the following measures: - <ul style="list-style-type: none"> - compulsory company-wide education, training and testing on an on-going basis; - regular independent audits and compliance to relevant information security standards; - active management of software currency and threat prevention measures; - external information security expertise including CISO (Chief Information Security Officer) function is deployed to actively manage this risk.

Risk	Nature of Risk	Mitigation
Customer concentration	GBST is exposed to loss of major clients through outsourcing decisions, industry amalgamation, and technological change. Loss of a high-concentration customer could cause a significant deterioration in financial results.	GBST is actively pursuing diversification of income by continuing to develop a broader offering through its range of services and geographic reach. More than half of 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 and to create new revenue earning opportunities.

Dividends

A final fully franked ordinary dividend of 2.5 cents per share for the 2017 financial year was paid on 13 October 2017, as declared in the financial report for the year ended 30 June 2017.

An interim fully franked ordinary dividend of 2.5 cents per share was paid on 20 April 2018.

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 12 October 2018.

Significant changes in state of affairs

During the year, the Company issued 53,590 shares that vested after meeting the performance conditions from the 5 August 2014 grant of performance rights to selected employees under the GBST Performance Rights and Option Plan (LTI Plan). The remainder of performance rights granted on 5 August 2014 had been forfeited prior to the vesting date. On 25 January 2018, a new issue of 502,642 performance rights were granted to selected employees under the LTI Plan which were subject to performance and service conditions.

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

Events subsequent to balance date

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.

While the Strategic R&D Program is in progress over the 3-year period, GBST's ongoing annual R&D expenditure and related cash outflows will be much higher than the longer-term average. For FY19, the second year of the program, GBST expects to spend approximately \$22m on the Strategic R&D program.

Environmental issues

There are no significant environmental regulations applying to the Group.

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 2018 are as follows:

Grant Date	Exercise Date	Exercise Price	Number
25.01.18	28.02.21	\$0.00	502,642

In addition, 53,590 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 5 August 2014 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 Access, Insurance and Indemnity ("Deed") 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 \$131,674 to a former Director and Executive, Mr Stephen Lake, in accordance with the terms of his Deed. 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. To date, GBST has advanced a total of \$1.28m 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 obligation to indemnify Mr Lake in accordance with the terms of his Deed for this matter has now concluded.

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	\$134,761
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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 2018.

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 2018 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) Letter from the Chair of the Remuneration and Nomination Committee
- b) Persons Addressed and Scope of the Remuneration Report
- c) Context of and Changes to KMP Remuneration for FY18 and Into FY19
- d) Overview of GBST's Remuneration Governance Framework & Strategy
- e) Performance Outcomes for FY18 Including STI and LTI Assessment
- f) Analysis of bonuses included in remuneration
- g) Changes in KMP Held Equity
- h) Remuneration Records for FY18 – Statutory Disclosures
- i) Employment Terms for Key Management Personnel
- j) Other Remuneration Related Matters
- k) External Remuneration Consultant Advice

(a) Letter from the Chair of the Remuneration and Nomination Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year ended 30 June 2018, outlining the nature and amount of remuneration for GBST's Non-Executive Directors and other Key Management Personnel ("KMP").

I have recently taken over as the Chair of the Nominations and Remuneration Committee, and we have been hard at work during FY18 to review remuneration policies, practices and disclosure in the interests of all stakeholders. In developing this year's Remuneration Report the Board intended to exceed the statutory requirements of a typical Remuneration Report, to provide shareholders with genuine insights into the remuneration governance, policies, procedures and practices being applied, so that fully informed judgements can be formed in relation to the resolution on the adoption of the Remuneration Report at the upcoming annual general meeting (AGM). It is also intended to facilitate shareholders engaging with the Board regarding refinements and improvements that might be seen as desirable. The Company has adopted a continuous improvement process to remuneration governance, as the circumstances of the Company evolve.

The Board will, over the course of FY19 and likely into FY20, consider what further improvements to remuneration governance, policies, procedures and practices could be made, implement them, provide updates and respond to feedback in future Remuneration Reports. Given the results for FY18, the Board is satisfied that the outcomes for remuneration in relation to FY18 demonstrates an appropriate link between performance and reward, in respect of the Executive KMP of the Company. We understand that the long-term incentive plan that was in place for FY18 - which was a one-off interim plan, does not meet market expectations regarding LTI arrangements, however this was necessary while the Board developed the right kind of plan (now completed) and it will be replaced for the upcoming financial year. We are confident that Shareholders will understand the need for such a temporary arrangement, and we hope that you will support the outcomes of the process including the new plan.

The Nominations and Remuneration Committee has engaged independent remuneration experts during the year to conduct executive benchmarking and also to assist with the development of the new incentive plans which improve strategy alignment and support sustainability of returns for shareholders. Furthermore, the remuneration consultants were used to ensure alignment between the Company's remuneration practices, best-practices evident in the market, and tailored to the Company's circumstances. A number of other areas for consideration have been identified, with some already actioned, and they are outlined in this report.

The Board will be pleased to receive feedback in relation to this report and commit to engaging with shareholders and their representatives on these matters. We look forward to your comments, and support for remuneration related resolutions, at the upcoming AGM.

Ms Christine Bartlett
Independent Non-Executive Director
Chair of the Nominations and Remuneration Committee

(b) Persons Addressed and Scope of the Remuneration Report

The Remuneration Report sets out the prescribed Key Management Personnel (KMP) remuneration information and details in accordance with section 300A of the Corporations Act and associated regulations, including policies, procedures, governance, and factual practices as required.

In addition, GBST Holdings Limited (GBST, the Company) has decided to provide further information to assist shareholders to obtain an understanding of the Company's approach to the remuneration of KMP. KMP's are the Non-Executive Directors, the Executive Directors and employees who have authority and responsibility for planning, directing and controlling the activities of the consolidated entity. On that basis, the names and positions held of Group and Company KMP's in office at any time during the financial year are addressed in this report:

Key Management Personnel	Position
A Brackin	Director (Non-Executive Chair) (Independent)
C Bartlett	Director (Non-Executive Deputy Chair) (Independent)
D Adams	Director (Independent) (retired 29 June 2018)
D Page	Director (Independent)
T Vu	Director (Independent)
R DeDominicis	Director (Managing Director and Chief Executive Officer)
M Knowlton	Chief Technology Officer
D Orrock	Head of Asia Pacific
D Simpson	Head of EMEA
G Turner	Chief Financial Officer (appointed 11 December 2017)
P Salis	Chief Financial Officer (resigned 6 October 2017)

(c) Context of and Changes to KMP Remuneration for FY18 and Into FY19

Matters Identified as Relevant Context for Remuneration Governance in FY18 and into FY19

The KMP remuneration structures that appear in this report are largely those that prevailed over FY18, as is required by regulation. These structures and the outcomes resulting from them were the result of decision making processes, including benchmarking, that were undertaken in previous years.

The Board has undertaken to make continuous improvements to remuneration governance, policies and practices applied to KMP of the Company, as well as other employees, to ensure appropriateness to the circumstance of the Company as it evolves over time. The following outlines important context for the decisions that were made in relation to remuneration for and during FY18, the outcomes of which are presented in this report. Those changes already made in respect of FY19 or anticipated to be implemented during the remainder of FY19 will be commented on to the extent relevant to an evaluation of remuneration for FY18, with additional information to be given as part of the FY19 Annual Report.

- During FY17 and FY18 the Board sought and received feedback from both stakeholder and independent consultant views of KMP remuneration governance and practices, including taking note of feedback from proxy advisors, and has sought to be responsive to that feedback. The main themes emerging from those engagements are dealt with in this report.
- Market capitalisation is one of the factors that influences external assessments of the appropriateness of remuneration, and it is understood that external groups tend to see it as a primary indication of the size and status of the Company, as well as the field in which the Company is competing for talent. In this regard it should be noted that the market capitalisation of the Company decreased from \$202 million at the end of FY17 to approximately \$144 million as at the end of FY18. This fall in market capitalisation is the result of a fall in the share price of approximately 28.6% during FY18, due to the impact of several key issues outlined below.
- The Company is in the process of implementing its renewed strategy which has been adjusted in light of emergent events in recent years, including:
 - The loss of two large clients before FY17 had flow on effects into FY17 and FY18 causing a reduction in GBST's revenue and trading performance in those financial years
 - At the same time, GBST has needed to refocus on strategic R&D investment in order to strengthen its digital solutions and to take advantage of longer-term market growth. This will enable GBST to support longer-term growth in licence fees as well as enable the company to meet growing demand for automated advice and differentiated adviser and client experiences.
 - As was previously mentioned in the FY17 annual report, GBST will invest \$50 million over 3 years in its Strategic R&D Program, with a focus on providing greater long-term value for shareholders.
 - The items above are believed to have had a direct impact on the GBST share price, however, as the business's operating results stabilise and as GBST starts to show progress on its Strategic R&D Program, it is expected that negative pressure on GBST's share price will start to abate.
- The FY18 results, particularly the second half, have started to demonstrate some of the stabilisation and improvement that the Board has tasked the Executive team with delivering.

- It is this context that makes it important for the KMP Remuneration structure to provide clear incentives for the Executive team to continue the important stabilisation and improvement journey and at the same time, deliver on the critical goals of GBST's Strategic R&D Program.
- In addition, the Strategic R&D Program has started to show good progress with the digital component (Catalyst) having gone live with its first key client before the end of the financial year and key early milestones around the E-VOLVE component of the program being delivered. The Strategic R&D Program has also progressed sufficiently such that the accounting criteria for capitalisation as an asset have been met for significant parts of the program resulting in GBST being required to capitalise aspects of the program under the accounting standards.
- The company expects that more components of the Strategic R&D Program will meet the accounting capitalisation criteria in FY19 and hence more of the development expenditure is expected to be capitalised as an intangible asset on GBST's balance sheet
- New revenue accounting standard (AASB15) must be implemented in FY19 with transitional provisions applying to incomplete contracts spanning 30 June 2018. The new revenue standard affects the timing of revenue recognition for GBST's smaller, non-regulatory products. These transitional provisions may require an adjustment to opening retained earnings of \$1.57m, comprising \$1.23m of licence revenues brought forward from FY19 and beyond and \$0.34m in capitalised commission costs which will be amortised over the terms of the respective contracts. It is not possible to accurately determine the net impact of the standard on FY19 or future earnings as adjustments will be offset by revenue recognised earlier under the new standard on unknown new contracts that are to be entered into during FY19 and beyond.
- Given the context of challenges around accounting changes associated with the new revenue standard and variability in the capitalisation of GBST's Strategic R&D Program, the Remuneration Committee has been mindful to design incentive structures and set incentive targets going forward that are not as susceptible to these challenges, that are not subject to any potential gaming, that can be easily understood by the Executive team, can be tracked objectively and can directly demonstrate an increase in shareholder value before value is derived under the incentive.
- The design of the remuneration and incentive structure has been adjusted accordingly to ensure that there are meaningful incentives around delivering on appropriate FY19 financial targets and each Executive will have a meaningful component of their incentive plan based on delivering FY19 objectives around the Strategic R&D Program. In addition, it is important that there are meaningful longer-term retention incentives for the GBST Executive team to remain through this important period for the company but that those incentives are directly congruent with and tied to an increase in longer-term shareholder value.
- The design of the FY19 Long-Term Incentive Plan being based on the grant of Options, which are subject to a service related vesting condition with an exercise price related to the VWAP applicable to the Company's shares around the time of the grant calculation and the payment of an exercise price in 3 years' time, is a direct response to this context.
- In addition to the service requirement, an LTI recipient will also need to achieve a certain minimum personal performance expectation rating throughout the period before any LTI grant will vest.

Key Remuneration Matters Identified and Adjustments Made or Planned in Response, Since the Previous Report

During FY18 the following KMP remuneration related matters were identified for consideration and/or action during the reporting period and into FY19:

- During FY17 and FY18 opportunities to improve remuneration governance and disclosure were identified by the Board. Considerations and action in response should be evident from this document. In particular, the following were salient issues:
 - Some observers sought further improvements to disclosure of short-term incentive (STI) arrangements. In particular, they were concerned regarding the lack of disclosure of the specific STI targets used as well as the Group EBITDA target, which was used as a gateway. This has been resolved in this report through additional disclosure.
 - Some stakeholders also raised concern regarding the use of a normalised EPS hurdle in the LTI plan as there is a view that areas directly impacted by management's decisions will not be included in the performance measure. The use of Board discretion in this area is addressed in a dedicated section of this report to provide transparency and reassurance on this matter. It should be noted that EPS growth scales do not function when EPS is negative in the base year. While the LTI grant made in FY18 replaced the normalised EPS vesting condition with operating EBITDA, the grant for FY19 will be based on grants of options (see discussion below).
 - Comments were made regarding the use of a single metric for the LTI and in particular no market metric being used. While this issue was not resolved with the FY18 grant being a temporary measure, it has been resolved with the FY19 grant, as discussed below.
 - One stakeholder raised concern regarding the lack of detail on the LTI plan in particular, change of control provisions, individual incentive stretch/maximum opportunities and the treatment of dividends on unvested awards. This has been resolved in this report through additional disclosures.
- Changes were made to the STI plan for FY18, which meant that all of the Senior Executives were subject to a Group Operating EBITDA Target gate (three Executives also had metrics covering their specific areas of responsibility) and then there was a weighting on individual performance and behaviours. The EBITDA target excludes the cost of R&D expenses as well as other adjustments made at the Board's absolute discretion. The question of whether it is appropriate to continue with the policy of adjustment/normalisation applied to financial metric calculations for the purposes of incentives, was raised, and this will be the subject of consideration for FY19 with a decision to be made prior to FY19 incentive invitations being made. This matter is discussed further elsewhere in this report (see separate section).
- The Board is currently in the process of implementing a new STI plan for FY19, which will be driven by financial targets as well as business unit and individual role performance measures where appropriate, linked to the Company's strategy. This new plan is described later in this report.

- Executive benchmarking was undertaken by an independent expert external remuneration consultant during FY18:
 - This showed that while the MD/CEO's Base Package fell close to the high end of the range based on local Australian benchmarks, the other Executive roles were within the range (+/- 20%) from the median of the Australian market data,
 - Incentive components of remuneration appeared to represent a value that aligned with Australian market peers, however the consultant also gave advice on how the short and long-term incentive plans could be improved to better align with the strategy and market best-practices,
 - The consultant suggested that standard remuneration profiles be introduced for direct reports operating at a similar level so that individuals had a similar proportional interest in short and long-term outcomes, scaling naturally with the Base Packages.
- The LTI granted during FY18 differed from previous grants in that it was based on a one-year Operating EBITDA target and a concurrent three-year service period. This was a one-off transitional arrangement while the LTI plan was being redesigned, and the Board accept that the FY18 LTI arrangement was not in line with market best practice, which is usually based on a three-year performance period. The Company's LTI plan approved at the Company's 2012 Annual General Meeting will be replaced with a new LTI Plan however the uncertain impact on EPS of the anticipated R&D expenditure over the next three years will continue to need careful consideration.
- With regards to the intended new LTI plan, LTI grants for FY19:
 - should be based on options with the exercise price set at the share price at grant (market exercise priced options or MEPOs). The FY19 options are intended to have a three-year service related vesting condition, and an exercise period of around 2 years (term of 5 years from grant date). The exercise price of an option serves as an inbuilt performance condition as there will be no value in the option unless the share price exceeds the exercise price at the time of grant, and the amount of benefit scales with the degree to which the share price at the time of exercise exceeds the exercise price. This is designed to create an incentive for executives to grow shareholder value over the three-year service period and align with the goal of wealth creation for shareholders,
 - In addition to the service requirement, an LTI recipient will also need to achieve a certain minimum personal performance expectation rating throughout the period before any LTI grant will vest.
- Future incentives will differentiate between defined Target and Stretch levels of performance (see definitions of these below) to improve clarity for shareholders and participants alike, noting that the incentives are intended to have two components, being at-risk market pay (downside to expected remuneration outcomes), and a genuine incentive (upside to expected remuneration outcomes), respectively,
- No changes to remuneration received by Non-Executive Directors have been made and the Board will not be seeking an increase to the aggregate fee limit (AFL) for NEDs at this time.
- During the year, the number of Directors reduced from six to five. The Board does not anticipate replacing the position in the near term which will therefore contribute to a cost saving for the Company in FY19.

(d) Overview of GBST's Remuneration Governance Framework & Strategy

Transparency and Engagement

The Company seeks input regarding the governance of KMP remuneration from a wide range of sources, including:

- Shareholders,
- Remuneration and Nomination Committee Members,
- Stakeholder groups including proxy advisors,
- External remuneration consultants (ERCs),
- Other experts and professionals such as tax advisors and lawyers, and
- Company management to understand roles and issues facing the Company.

The following outlines a summary of GBST's Remuneration Governance Framework that has resulted from those engagements and related considerations.

Remuneration and Nomination Committee Charter

The Remuneration Committee Charter (the Charter) governs the operation of the Remuneration Committee (the Committee). It sets out the Committee's role and responsibilities, composition, structure and membership requirements. The purpose of the Committee is to assist the Board by:

- Ensuring that policies and practices align the interests of staff with the interests of shareholders to enhance the company's performance,
- Assisting in attracting, retaining and motivating/engaging staff who are critical to GBST's success,
- Ensuring that policies and procedures are applied fairly, and comply with all relevant regulatory requirements,
- Advising on material changes to Remuneration Policy, including structure, for all staff as well as material changes to superannuation or pension arrangements,
- Recommendations for delegated authorities for implementing remuneration related decisions,
- Remuneration recommendations on all staff whose remuneration is disclosed in the annual report as well as specific recommendations, including allocation of equity and bonuses to senior members of staff, including the consideration of performance against goals and ensuring that these payments are aligned to progress towards or the completion of the Board's goals for the organisation,
- Consideration of the remuneration framework for Non-Executive Directors and making recommendations to the Board; and
- Reviewing and approving sources of advice and data used in support of recommendations for remuneration.

The Committee has the authority to seek independent professional advice for company related matters.

GBST recognises the importance of ensuring that any recommendations given to the Committee provided by remuneration consultants are provided independently of those to whom the recommendations relate. Further information about the parameters under which external remuneration consultants are engaged is provided below.

Senior Executive Remuneration Policy

This policy outlines the Company's intentions regarding Senior Executive remuneration, as well as how remuneration is intended to be structured, benchmarked and adjusted in response to changes in the circumstances of the Company, and in line with good governance.

- Remuneration should be composed of:
 - Base Package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT),
 - Short-term variable remuneration which provides both upside and downside based on performance against annual objectives, and
 - Long-term variable remuneration which provides both upside and downside based on an equity-linked reward for performance against indicators of shareholder benefit or value creation, over a three-year period, but in a way that create a continuous improvement framework (overlapping Measurement Periods),
 - In total the sum of the elements will constitute a total remuneration package (TRP).
- Both internal relativities and external market factors should be considered in benchmarking a role,
- Total Remuneration Packages (TRPs, which include base package and incentives) should be structured with reference to market practices and the circumstances of the Company at the time,
- Base Package policy mid-points should be set with reference to P50 (the median or the middle) of the relevant market practice, however international competitors for talent may be considered from time to time and used to modify the benchmarks,
- Remuneration will be managed within a range so as to allow for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfil a role (a range of +/- 20% is specified in line with common market practices),
- TRPs at Target (being the Base Package plus incentive awards intended to be paid for targeted levels of performance) should fall between P50 and P75 (the upper quartile, the point at which 75% of the sample lies below) of the relevant market practice so as to create a strong incentive to achieve targeted objectives in both the short and long-term, while maximum opportunism should exceed P75, but be designed to be rarely achieved,
- The Board believes that Senior Executives (other than the CEO) should receive a similar mix of remuneration (Base Package relative to STI and LTI) to ensure that there are similar interests in and focus upon group objectives and therefore TRPs may depart from role specific P75 market benchmarks to a minor extent to ensure this outcome, and
- Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval).

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 FY18 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.

Approach to Determining Comparators for Remuneration Benchmarking

When the Company seeks external market data in relation to Senior Executive benchmarking, the following principles are generally intended to apply, however the Board seeks independent expert advice regarding design of comparator groups as part of engaging an external remuneration consultant.

A benchmarking comparator group will take into account the Company's estimated sustainable market capitalisation at the time of the exercise and will include direct competitors of comparable scale to the extent possible. The group should be large enough to produce valid statistics, and small enough to be reasonably specific, however to the extent that direct competitors are not sufficient to produce a statistically robust sample, companies of comparable scale from the same industry or sector will be included. The group should be balanced with an equal number of comparators larger, and smaller, generally limited to those within a range of half to double the Company's market capitalisation value used in designing the group.

If the Board forms the view that larger Australian peers or international competitors represent a material risk of loss of talent, then such market practices may also be considered and used to modify benchmarks for Executive roles.

These principles are specific to remuneration benchmarking exercises and therefore may produce different outcomes than those applied to the design of other types of comparator groups.

Short-Term Incentive Policy

The Short-Term Incentive policy may be summarised as follows:

- The Company should operate a formal Short-Term Incentive Plan (STIP) as part of the remuneration offered to Senior Executives so as to:
 - Motivate Senior Executives to achieve the short-term annual objectives linked to shareholder value creation,
 - Create a strong link between performance and reward,
 - Share company success with the Senior Executives that contribute to it, and
 - Create a component of the employment cost that is responsive to short to medium term changes in the circumstances of the Company,
- Non-Executive Directors are excluded from participation,
- The measurement period for performance should be the financial year of the Company which is considered short-term,
- The STIP should be outcome focused rather than input focused, and while an individual performance component may be present, rewards should generally be linked to indicators of shareholder value creation, and
- The Board will retain discretion to adjust actual awards so as to manage circumstances in which the calculated award may be considered inappropriate.

Long-Term Incentive Policy

The Long-Term Incentive policy may be summarised as follows:

- The Company should operate a formal Long-Term Incentive Plan (LTIP) as part of the remuneration offered to Senior Executives so as to:
 - Motivate Senior Executives to achieve long-term objectives linked to shareholder value creation over the long-term,
 - Create a strong link between performance and reward over the long-term,
 - Share the experience of shareholders with the Senior Executives that contribute to it including creating an ownership position, and
 - Create a good behaviour bond that will extend beyond cessation of employment and create a disincentive to take actions that are not deemed to be in the long-term interests of shareholders,
- Non-Executive Directors are excluded from participation,
- The measurement period for performance should be aligned with the financial year of the Company and should include three financial years, and
- The Board will retain discretion to adjust actual vesting so as to manage circumstances in which the calculated vesting may be considered inappropriate.

Defining Target and Stretch for Variable Short-Term Incentive Remuneration

Purposes

In relation to the design, implementation and operation of variable remuneration including incentives there should, where possible, be a range of performance and reward outcomes identified and defined. These should be set with regard to the elasticity of the measure, the impact of the measure on shareholder value creation and the ability of Senior Executives to influence the measure. In order to create clarity and consistency, the following concepts and principles are generally intended to apply to the design of incentive scales:

- “Target”, being a challenging but achievable outcome, and which is the expected outcome for a Senior Executive/team that is of high calibre and high performing (generally 50% - 60% probability of achievement), and
- “Stretch” (the maximum) levels of objectives, which is intended to be a “blue sky” or exceptional outperformance, which are not expected to be achieved, the purpose of which is to create a continuous incentive to outperform when outperformance of the Target has already been achieved (generally less than 20% probability of achievement). This is particularly important for shareholders to understand when comparing with other Companies whose maximum levels of incentives may be associated with a planned or target outcome and are not genuinely “Stretch”.

Claw back/Malus Policy and Good Behaviour Bond

The Board currently holds the view that a claw back policy is not necessary since malus type mechanisms are built into the formal incentive plan rules. Both sets of plan documents have been designed so that the incentive opportunities will be forfeited if a participant, or the Executive team as a whole, takes action that the Board determines to be against the interest of the Company and/or its shareholders.

Securities Trading Policy

The Company's Policy on Trading in Company Securities, which applies to all Directors, Employees and Contractors, sets out the guidelines for dealing in any type of Company Securities. It also summarises the law relating to insider trading which applies to everyone. Under the current policy trading is prohibited during certain "closed periods". The following periods in a year are "closed periods", unless otherwise determined by the Board:

- The period from (and including) the 15th of December until the next trading day after the day the Company releases its results for half financial year ended 31 December to the ASX, and
- The period from (and including) the 15th of June until the next trading day after the day the company releases its audited results for the financial year ended 30 June to the ASX.

Equity Holding Policy

The Company currently has a policy in place for its Non-Executive Directors, which requires them to hold a minimum of 30,000 shares in the company or such other amount as determined by the Board from time to time. Each Director has three years after the date of their appointment or three years from the commencement of the policy to meet this requirement. Non-Executive Directors are required to maintain this level of shareholding for as long as they remain Directors. There is currently no such policy in place for executives as they receive sufficient equity under the LTI plan to align their interests with shareholders.

Variable Executive Remuneration – The Short-Term Incentive Plan (STIP)**FY18 STIP (Legacy)**

Short Term Incentive Plan (STIP)	
Aspect	Plan, Offers and Comments
Measurement Period	The Company's financial year (12 months).
Award Opportunities	The MD/CEO was offered a target-based STIP equivalent to 30% of Base Package for Target performance, with a maximum/stretch opportunity of up to 60% of Base Package. Other Senior Executives who are KMP were offered a target-based STIP equivalent to between 20% and 40% of their Base Package for Target performance, with a maximum/stretch opportunity of between 40% and 81% of Base Packages.
Key Performance Indicators (KPIs), Weighting and Performance Goals	<p>FY18 Invitations to participate in the STIP were based on a combination of company performance and individual KPIs. Company performance was primarily based on Operating EBITDA, with business unit heads having a second customised performance measure related to that unit/region. These are summarised below:</p> <p>Chief Executive Officer & Managing Director and Chief Financial Officer</p> <ul style="list-style-type: none"> Group Operating EBITDA Margin - 100% <p>Chief Technology Officer</p> <ul style="list-style-type: none"> Group Operating EBITDA – 75% Strategic R&D projects as agreed with CEO – 25% <p>Head of Asia Pacific</p> <ul style="list-style-type: none"> Group Operating EBITDA – 50% Asia Pacific Operating EBITDA - 50% <p>Head of EMEA</p> <ul style="list-style-type: none"> Group Operating EBITDA – 50% EMEA Operating EBITDA – 50% <p>Financial targets are set with reference to the annual budget for the financial year. The financial KPIs are subject to an individual performance modifier (based on the achievement of individual performance objectives and the demonstration of behaviours aligned with the GBST company values), which has the effect of scaling the actual award received up or down from 0% to 200% of target.</p>
Award Determination and Payment	Calculations are performed following the end of the Measurement Period and the auditing of Company accounts. STI payments will generally be paid in the next monthly pay cycle following approval by the Board. Deferral has not been introduced due to the mix of STI and LTI being appropriately weighted, with overlapping measurement periods that mitigate the risk of short-termism.
Cessation of Employment During a Measurement Period	STI Plan Incentive payments for resigning employees will not be pro-rated for incomplete performance periods. Employees must still be employees of GBST at the time when the STI plan payments are made in order to receive the payment. Therefore, employees who terminate their employment after the conclusion of the performance plan period, but before the incentive payments are made will not be eligible to receive payment. In the case of resignation or termination due to serious illness or disability, incentive payments will be determined on a case-by-case basis.
Change of Control	In the event of a Change of Control including a takeover the Board may in its ultimate discretion determine the treatment of the STI.

Plan Gate & Board Discretion	For each Measurement Period the Board will have the discretion to either abandon the plan or adjust award payouts if the Company's overall performance during the Measurement Period was substantially lower than expectations and resulted in significant loss of value for shareholders. A specified gate condition may apply to offers of STI such that no award will be payable in relation to any KPI if the gate condition is not met or exceeded. FY18 Invitations A gate equal to the target Group Operating EBITDA applied so that no STI was payable if this condition was not met or exceeded.
Fraud, Gross Misconduct etc.	If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all entitlements in relation to the Measurement Period will be forfeited by that participant.
Claw back	The plan includes forfeiture provisions.

FY19 STIP (New Plan)

Short-Term Incentive Plan (STIP)	
Aspect	Plan, Offers and Comments
Purpose	The STI Plan's purpose is to: <ul style="list-style-type: none"> • give effect to an element of a market competitive remuneration package for Senior Executives in accordance with the executive remuneration policy, and align with market practices, • to provide a clear link between Company performance and variable pay that represents both "upside" (incentive) and "downside" (at-risk pay) around the Target remuneration package, thus sharing the risk and rewards of Company performance with Executives, including reducing the cost of executive remuneration when Company financial performance has not met expectations, and • to encourage team work and cooperation amongst the Executives over the short-term, in creating value for shareholders.
Measurement Period	The Company's financial year (12 months).
Award Opportunities	For FY19 the MD/CEO STIP opportunity will be equivalent to 40% of Base Package for Target performance, with a maximum/stretch opportunity of up to up to 100% of the Target award, i.e. 80 % of Base Package. Other Senior Executives who are KMP will have a target-based STIP opportunity of 40% of their Base Package for Target performance, with a maximum/stretch opportunity of up to 100% of the Target award, i.e. 80 % of Base Package. Shareholders should refer to the definitions of Threshold, Target and Stretch presented elsewhere in this document when assessing incentive practices and comparing them to those in other companies.
Key Performance Indicators (KPIs), Weighting and Performance Goals	Under the new STI plan, each Executive will be allocated a weighting in respect of each of the following key result areas (KRAs) and linked to the Company's strategy and business plans through key performance indicators (KPIs), in a mix appropriate to the level and type of role: <ul style="list-style-type: none"> • Group financial and/or strategic and/or operational, • Business Unit financial and/or strategic and/or operational, and • Role/Individual, which may include financial/strategic/operational objectives and/or individual performance assessment.

The following table indicates the weightings of KPIs as applicable to the FY19 STIP opportunities:

KPI	MD/CEO Weighting	Business Unit Heads Weighting	Other Direct Reports Weighting
Group Operating EBITDA Before Strategic R&D	40%	10%	40%
Business Unit Operating EBITDA Before Strategic R&D	-	50%	-
Strategic R&D Excluding Capitalisation	40%	20%	40%
Individual Effectiveness	20%	20%	20%
Total	100%	100%	100%

Two gates apply to all KPIs for FY19 (see below). Financial targets are set with reference to the annual budget for the financial year and cannot be disclosed prospectively as a matter of commercial confidentiality. Targets will be disclosed retrospectively along with incentive award outcomes.

Strategic R&D has been excluded from the financial assessment so as to ensure that Executives are not discouraged from making those strategic investments that will ensure sustainable value creation for shareholders over the long-term.

Individual effectiveness will be assessed by the Board in respect of the MD/CEO and by the MD/CEO in respect of other Senior Executives, and then reviewed by the Board. The following assessment outcomes will be assigned, following consideration of role fulfilment, contributions to group performance and both strategic and operational plans:

Performance Level	% Score Range
Below expectations	0%
Met expectations	50% & ≤100%
Exceeded expectations	75% & ≤150%
Significantly exceeded expectations	>200%

Comments

The Board selected measures expected to drive economic profitability, and ultimately shareholder value creation over the long-term, within a financial year period, including through successful implementation of the Company's strategy and fulfilment of budget expectations. These performance ranges for KPIs were calibrated with reference to the company's policy of differentiating between target and stretch levels of performance.

Gate	<p>A gate is a condition that must be met or exceeded in order for a group of KPIs to become payable, and may apply to the whole STI opportunity, as specified in the Offer. Two gates apply to all KPIs under the FY19 STIP Offers:</p> <ul style="list-style-type: none"> • Group Operating EBITDA, and • Individual performance rating must be at "Met expectations" or better.
Award Determination and Payment	<p>Calculations are performed following the end of the Measurement Period and the auditing of Company accounts. Awards will generally be paid in cash in the September following the end of the Measurement Period. They are to be paid through payroll with PAYG tax and superannuation deducted as appropriate. STI deferral has not been introduced due to the mix of</p>

	STI and LTI being appropriately weighted, with overlapping measurement periods that mitigate the risk of short-termism: in effect, the Board has included the amount of Target STI that would otherwise be deferred, into LTI, which is more sensitive to long-term outcomes of short-term decision making than deferral alone.
Cessation of Employment During a Measurement Period	<p>In the event of cessation of employment classified as "Bad Leaver" all entitlements in relation to the Measurement Period are forfeited. Bad Leaver includes:</p> <ul style="list-style-type: none"> • dismissal for cause, or • resignation, unless the Board exercises its discretion to classify the resignation as "Good Leaver". <p>In the case of cessation of employment classified as "Good Leaver", defined as a cessation not classified as Bad Leaver, the award opportunity will be reduced proportionately to reflect the portion of the Measurement Period not yet completed as at the date of the termination. The actual award earned will generally not be calculated until after end of the financial year, along with other participants (not a termination benefit). The Board retains discretion to trigger or accelerate payment or vesting of incentives in the case of a termination, provided that the limitations on termination benefits as outlined in the Corporations Act are not breached.</p>
Change of Control	In the event of a Change of Control including a takeover, 100% of the Target STI will be awarded (but not Stretch/Maximum). Any remaining STI will be terminated or allowed to continue at the Board's discretion. If the remaining STI is allowed to continue and the resulting award is greater than the amount paid at the Change in Control, the net increase only would be paid. If the amount is less, no further action would be due.
Board Discretion	For each Measurement Period the Board will have the discretion to either abandon the plan or adjust award payouts if the outcome would otherwise be seen as inappropriate.
Fraud, Gross Misconduct etc.	If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all entitlements in relation to the Measurement Period will be forfeited by that participant.
Actions that are not in the Interests of the Company or its Shareholders	The Plan Rules for the STI include a malus type clause such that the Board may determine that incentive opportunities in a given year are forfeited, if actions come to light that are deemed to have been against the interests of the Company or its shareholders. This may be applied to an individual, or all Executives as a group.

Variable Executive Remuneration – Long-Term Incentive Plan (LTIP) – Performance Rights Plan

FY18 LTIP (Legacy)

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.

FY15 issue

On 28 August 2017, 23,446 performance rights issued to KMP Executives on 5 August 2014 vested.

Since the grant date, 60,291 FY15 performance rights have lapsed due to cessation of employment of KMP participants. R DeDominicis elected not to accept the 12,560 shares arising from the performance rights. The remainder of the performance rights issued of 108,024 on 5 August 2014 were forfeited prior to vesting date and have been cancelled due to failure to meet the financial performance targets for FY17.

FY17 issue

On 26 September 2016 and 27 October 2016, the Company issued 181,404 FY17 performance rights to KMP Executives. Since the grant dates, 19,880 FY17 performance rights have lapsed due to cessation of employment by a KMP participant. These performance rights were forfeited due to failure to meet the financial performance targets for the 2017 financial year.

FY18 issue

On 25 January 2018, the Group issued 335,095 performance rights to current KMP Executives.

The FY18 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 FY18 performance rights vest on the later of: (a) 3 years from Grant Date; or (b) if the date in (a) above occurs during a Closed Period under the GBST *Securities Trading Policy*, then that date that the relevant Closed Period ends and trading is permitted under that Policy, whichever is the later.

The FY18 performance rights expire thirty days after the vesting date.

The performance criteria associated with the FY18 performance rights is as follows:

1. Cumulative Earnings Before Interest, Tax, Depreciation, Amortisation and Strategic R&D (Operating EBITDA) Target

Vesting of the performance rights granted will be subject to the Company achieving an Operating EBITDA for FY18 of at least \$20,000,000. The targets and respective % are detailed in the following table:

Performance Condition Target over the Measurement Period	Proportion of Performance Rights to vest
≥ \$20,000,000 to < \$21,000,000	25%
≥ \$21,000,000 to <\$22,500,000	50%
≥ \$22,500,000 to <\$23,500,000	75%
≥ \$23,500,000	100%

2. Service Condition

Continuous employment with the Company from the grant date to the date of vesting of the FY18 performance rights.

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

Legacy Long-Term Incentive Plan (LTIP) – FY18 Grants											
Aspect	Plan Rules, Offers and Comments										
Form of Equity	<p>The Performance Rights and Option plan included the ability to grant:</p> <ul style="list-style-type: none"> • Performance Rights, which are subject to performance related vesting conditions, for the purposes of the LTIP, • Options, which are subject to vesting conditions, for the purpose of the LTIP (not used for the FY18 grant). <p>The FY18 grant was based on Performance Rights, which are an entitlement, following vesting and exercise, to be allocated a Company share, with vesting subject to performance conditions. In respect of FY18 only, an arrangement was entered into with the CEO as a one-off, to settle the FY18 LTI in the form of cash to the extent that it may vest in the future.</p>										
LTI Value	<p>In relation to the MD/CEO, Performance Rights with a Target value equivalent to 42% of Base Package.</p> <p>For other Senior Executives Performance Rights with a Target value equivalent to between 27% and 44% of Base Packages.</p>										
Measurement Period	<p>The Measurement Period for the performance condition was from 1 July 2017 to 30 June 2018 (one financial year). There is also a concurrent three-year service condition. Though the one-year measurement period may be considered to be unusual, as was discussed previously in this report, this was done due to FY18 being a transition period when a new LTI plan was being developed. A more traditional LTI, with a three-year measurement period, has been developed to replace this temporary arrangement, and is to be introduced from FY19 (see next section).</p>										
Vesting Conditions	<p>The Board has discretion to set vesting conditions for each offer. Performance Rights that do not vest will lapse. The FY18 Invitations were based on an Operating EBITDA vesting condition, subject to the below vesting scale:</p> <table border="1" data-bbox="539 1003 1254 1167"> <thead> <tr> <th>Performance Condition Target over the Measurement Period</th> <th>Proportion of Performance Rights to vest</th> </tr> </thead> <tbody> <tr> <td>≥ \$20,000,000 to < \$21,000,000</td> <td>25%</td> </tr> <tr> <td>≥ \$21,000,000 to < \$22,500,000</td> <td>50%</td> </tr> <tr> <td>≥ \$22,500,000 to < \$23,500,000</td> <td>75%</td> </tr> <tr> <td>≥ \$23,500,000</td> <td>100%</td> </tr> </tbody> </table> <p>The EBITDA will be measured as before reported strategic R&D expense and plus or minus any adjustments deemed fair and appropriate by the Board. The range was set with reference to the FY18 budget.</p> <p>Though it is unusual for the same condition to be used under both of the STI and LTI plans, as mentioned previously the conditions of this grant was intended to be a one-off due to the transitional nature of the FY18 period. These arrangements have been replaced for FY19. The above vesting conditions are also applicable to the MD/CEO LTI plan.</p>	Performance Condition Target over the Measurement Period	Proportion of Performance Rights to vest	≥ \$20,000,000 to < \$21,000,000	25%	≥ \$21,000,000 to < \$22,500,000	50%	≥ \$22,500,000 to < \$23,500,000	75%	≥ \$23,500,000	100%
Performance Condition Target over the Measurement Period	Proportion of Performance Rights to vest										
≥ \$20,000,000 to < \$21,000,000	25%										
≥ \$21,000,000 to < \$22,500,000	50%										
≥ \$22,500,000 to < \$23,500,000	75%										
≥ \$23,500,000	100%										
Retesting	No retesting applies.										
Amount Payable for Performance Rights	No amount is payable by participants for Performance Rights. The target value of Rights is included in assessments of remuneration benchmarking and policy positioning. This is standard market practice and consistent with the nature of Performance Rights.										
Exercise of Vested Performance Rights	Under the plan rules, vested Performance Rights are exercised automatically following vesting. Rights that are not exercised, lapse. Exercised Rights will be satisfied in the form of ordinary Company shares.										
Disposal Restrictions etc.	Rights cannot be transferred, disposed of, or have a security interested imposed over them.										
Cessation of Employment	If the Executive is classified as an "Other Leaver" then all rights are automatically forfeited, unless the Board determines otherwise.										

	If the Executive is classified as a "Good Leaver" then the Board will consider the circumstances of the Executive ceasing employment and may exercise its discretion to allow some or all of their rights to vest (and be exercised).
Change of Control of the Company	If a Change of Control Event occurs, all unvested Performance Rights will automatically vest. This aspect has been revised under the new plan (see next section).
Claw back	The Plan Rules include a claw back facility.

FY19 LTIP (New Plan)

Long-Term Incentive Plan (LTIP)	
Aspect	Plan Rules, Invitations and Comments
Purpose	<p>The LTI Plan's purpose is expected to:</p> <ul style="list-style-type: none"> • give effect to an element of a market competitive remuneration package for senior Executives in accordance with the Executive remuneration policy, and align with market practices, • create a clear link between Company performance from the perspective of a shareholder, and executive remuneration outcomes, • to encourage team work and cooperation amongst the Executives over the long-term, in creating value for shareholders, and • to facilitate key decision makers becoming shareholders through remuneration, so as to improve alignment with shareholders beyond the Measurement Period of the LTI.
Form of Equity	<p>The intended LTIP is based on grants of Options, which are subject to a service related vesting condition with an exercise price related to the VWAP applicable to the Company's shares around the time of the grant calculation and the payment of an exercise price. In addition to the service requirement, an LTI recipient will also need to achieve a certain minimum personal performance expectation rating throughout the period before any LTI grant will vest.</p> <p>The Options are Indeterminate Options due to the cashless exercise ability built into the Plan. The cashless exercise approach involves the value in the difference between the exercise price and the market price of a share at the time of exercise of the option to be aggregated across the exercised options and settled in a grant of shares of equivalent value. This is intended to overcome the problems that Participants often face in obtaining funding to exercise the options, simplified administration, and ensure the Options are considered indeterminate for tax purposes. The Shares resulting from the exercising of Options may be issued or acquired on-market, at the Board's discretion. No dividends accrue to unvested Options, they are not entitled to new share issues, and no voting rights are attached.</p>
LTI Value	<p>The Board retains discretion to determine the value of LTI to be offered each year, subject to shareholder approval in relation to Directors, when the Options are to be settled in the form of a new issue of Company shares. The Board may also seek shareholder approval for grants to Directors in other circumstances, at its discretion.</p> <p>For FY19 it is intended that the MD/CEO be granted Options with a Target value equivalent to 60% of Base Package.</p> <p>For FY19 it is intended other Senior Executives be granted Options with a Target value equivalent to 40% to 50% of Base Package.</p> <p>There is no stretch component to the LTI due to them only having a service related vesting condition. In addition to the service requirement, an LTI recipient will also need to achieve a certain minimum personal performance expectation rating throughout the period before any LTI grant will vest.</p>

	<p>The number of LTI Options to grant will be calculated with reference to the Target LTI, divided by the fair value (valued as ignoring vesting conditions). The fair value per Option will be calculated using a Black Scholes model. For an Option, the fair value and face value are equal at grant date.</p>
Measurement Period	<p>The Measurement Period will include three financial years unless otherwise determined by the Board (which would only apply in exceptional circumstances). The Measurement Period is from 1 July 2019 to 30 June 2021.</p> <p>Three-year Measurement Periods combined with annual grants will produce overlapping cycles that will promote a focus on producing long-term sustainable performance/value improvement and mitigates the risk of manipulation and short-termism (continuous improvement); each financial year end will be the beginning, middle and end of three different grants.</p>
Vesting Conditions	<p>The Board has discretion to set vesting conditions for each Invitation. The vesting conditions must be satisfied for Options to vest, and Options that do not vest will lapse automatically if there is no further opportunity for them to vest.</p> <p>The FY19 Invitations will include a three-year service condition on the Options such that the executive must remain employed at the end of the Measurement Period in order for the Options to vest (subject to termination of employment clauses, see below). In addition to the service requirement, an LTI recipient will also need to achieve a certain minimum personal performance expectation rating throughout the period before any LTI grant will vest.</p> <p>Comments</p> <p>The exercise price of an option serves as an inbuilt performance condition, in that Participants will not receive a benefit from the option unless the share price exceeds the exercise price. This will also assist with aligning executives' interests with shareholders. The three-year service condition will also assist to serve as a retention tool.</p>
Retesting	There is no retesting applicable to grants of Options.
Plan Gate & Board Discretion	While the Options do not have a specific gate, the Board retains a discretion to adjust vesting outcomes in the circumstances that the outcomes would otherwise be likely to be seen as inappropriate.
Amount Payable for Options	No amount is payable by participants for Options. The target value of Options is included in assessments of remuneration benchmarking and policy positioning. This is standard market practice and consistent with the nature of Options.
Exercise of Vested Options	<p>Participants will be required to submit an Exercise Notice to convert the Options to Shares. Under the FY19 Invitations Options are planned to have an exercise price equal to the share price, as at grant date as at the time of the grant calculation (assessed via VWAP). Options that are not exercised after 2 years following vesting, will lapse automatically.</p> <p>Options may include a cashless exercise ability feature, which means that participants will receive a number of shares equal in value to the difference between the share price and the exercise price, as aggregated across the number of Options they exercise. This produces an outcome that is less dilutive than traditional Options. Exercised Options will be satisfied in the form of ordinary Company shares, except where the Board exercises its discretion to settle in the form of cash. The Board may impose disposal restrictions on Shares issued under the Plan, to ensure that the Company's share trading policy is complied with.</p>

Disposal Restrictions etc.	<p>Options may not be disposed of or otherwise dealt with while they remain Options i.e. prior to exercise.</p> <p>All shares acquired by Participants as a consequence of exercising vested Options, shall be subject to a dealing restriction (Restricted Shares) being that such Restricted Shares may not be disposed of or otherwise dealt with until the latter of:</p> <ul style="list-style-type: none"> a) The time specified by the Company's securities trading policy with regards to when Executives and directors may deal in securities of the Company, and b) The time at which dealing in securities of the Company is permitted under the Corporations Act having regard to division 3 of Part 7.10 (insider trading restrictions).
Cessation of Employment	<p>If a Participant is classified as a Bad Leaver, which includes being dismissed for cause and any other reason or otherwise as determined by the Board at the Board's discretion at the time of a termination, unvested Options will lapse at termination.</p> <p>In other cases, (Good Leaver) unless the Board determines otherwise, unvested Options will be retained by the Participant and the Board may determine that the service vesting condition has been satisfied in respect of a Good Leaver, at the end of the Measurement Period. In the case of grants made during the year of the termination, the Board may determine that the Participant forfeits the grant in the proportion that the remainder of the year bears to the full year.</p>
Claw back/Malus	<p>If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all Options will be forfeited by that participant. The plan includes a clause similar to "Malus" such that if the Board makes a determination that a Participant has through action or inaction harmed the interests of the Company or its shareholders, including by joining a competitor, unvested Options will lapse. This clause may be activated after a termination of employment has occurred in respect of a Good Leaver, which is intended to support continued alignment with shareholders.</p>
Change of Control of the Company	<p>Unless otherwise determined by the Board, in the event of a Change of Control (CoC) including a takeover, options will vest in full. While this practice is not appropriate in the case of Rights, in the case of Options the benefit is automatically linked to the value of the Shares at the time of a CoC event i.e. if the CoC is linked to the circumstances of a falling share price, the Options are unlikely to deliver any value.</p> <p>All unvested Service Rights will vest.</p> <p>The date of automatic exercise of any unexercised Restricted Rights will be brought forward to a date determined by the Board, and any Specified Disposal Restrictions attaching to Shares will be lifted.</p>

(e) Performance Outcomes for FY18 Including STI and LTI Assessment

Company Performance

The following outlines the performance of the Company over the FY18 period and the previous 4 financial years in accordance with the requirements of the Corporations Act:

	2014	2015	2016	2017	2018
EBITDA	\$20.5m	\$24.5m	\$17.2m	\$12.0m	\$12.2m
<i>Year on Year Growth</i>	24%	20%	(30)%	(30)%	2%
Net profit/(loss) before tax	\$12.0m	\$17.3m	\$9.1m	\$5.0m	\$7.7m
<i>Year on Year Growth</i>	53%	44%	(48)%	(45)%	55%
Net profit/(loss) after tax	\$10.0m	\$15.3m	\$9.3m	\$7.0m	\$6.2m
<i>Year on Year Growth</i>	66%	52%	(39)%	(25)%	(11)%
Basic EPS (cents)	15.07	22.94	13.82	10.3	9.2
<i>Year on Year Growth</i>	66%	52%	(39)%	(25)%	(11)%
Closing share price	\$3.15	\$5.73	\$4.14	\$2.97	\$2.12
Dividends paid (cents per share)	7.5	9.5	11.0	9.2	5.0

Links Between Performance and Reward Including STI and LTI Determination

The remuneration of Executive KMP is intended to be composed of three parts as outlined earlier, being:

- Base Package, which is not intended to vary with performance, but which tends to increase as the scale of the business increases (i.e. following success),
- STI which is intended to vary with indicators of annual Company and individual performance, and
- LTI which is also intended to deliver a variable reward based on long-term measures of Company and Executive performance.

Links Between Company Strategy and Remuneration

The Company intends to attract the superior talent required to successfully implement the Company's strategies at a reasonable and appropriately variable cost by:

- positioning Base Packages (the fixed element) around relevant market data benchmarks when they are undertaken,
- supplementing the Base Package with variable remuneration, being at-risk remuneration and incentives that motivate Executives to focus on:
 - short to mid-term objectives linked to the strategy via KPIs and annual performance assessments, and
 - long-term value creation for shareholders by linking a material component of remuneration to those factors that shareholders have expressed should be the long-term focus of Executives and the Board and awarding such remuneration in the form of equity.

To the extent appropriate, the Company links strategic implementation and measures of success of the strategy, directly to incentives in the way that measures are selected and calibrated.

(f) Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration during the financial year to Key Management Personnel are set out below.

Short-term incentive bonus (i)			
2018	Included in remuneration \$	% vested in year	% forfeited in year (iv)
R DeDominicis	-	-	100
M Knowlton (ii)	120,000	53	47
D Orrock	-	-	100
D Simpson	177,000	59	41
G Turner (iii)	50,000	34	66
TOTAL	347,000		

- (i) Amounts included in remuneration for the financial year represent the amount related to the financial year based on achievement of personal goals and satisfaction of specified performance criteria. The remuneration committee approved these amounts on 3 August 2018.
- (ii) M Knowlton's STI arrangements guaranteed a minimum bonus of 25% of his base salary (excluding super). The percentage vested is calculated as the guaranteed amount divided by the total potential STI.
- (iii) G Turner's STI arrangements guaranteed a minimum bonus of \$50,000. The percentage vested is calculated as the guaranteed amount divided by the total potential STI, with the balance being the percentage forfeited (regardless of pro-rating for part of a financial year).
- (iv) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

(g) Changes in KMP Held Equity**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.

2018	Balance at 01/07/17	Received as Compensation	Performance Rights & Options Exercised	Net Change Other (i)	Balance on Resignation/ Restructure	Balance at 30/06/18
Directors						
A Brackin	200,000	-	-	60,000	-	260,000
C Bartlett	4,750	-	-	20,250	-	25,000
D Adams*	-	-	-	-	-	-
D Page	9,250	-	-	17,250	-	26,500
T Vu	-	-	-	5,464	-	5,464
R DeDominicis	699,055	-	-	-	-	699,055
TOTAL DIRECTORS	913,055	-	-	102,964	-	1,016,019
Executives						
M Knowlton	-	-	-	-	-	-
D Orrock	-	-	12,560	-	-	12,560
G Turner	-	-	-	-	-	-
P Salis**	104,636	-	10,886	-	(115,522)	-
D Simpson	-	-	-	-	-	-
TOTAL EXECUTIVES	104,636	-	23,446	-	(115,522)	12,560
GROUP TOTAL	1,017,691	-	23,446	102,964	(115,522)	1,028,579

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

* D Adams retired on 29 June 2018.

** P Salis resigned on 6 October 2017.

Changes in KMP Held Equity (continued)

Performance Right Holdings of Key Management Personnel

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	Financial Years in which grant vests	Maximum total value of grant yet to vest \$
Directors						
R DeDominicis (i)	50,243	05.08.14	-	100	2018	-
Executives						
M Knowlton	111,698	25.01.18	-	-	2021	246,853
D Orrock (i)	50,243	05.08.14	25	75	2018	-
D Orrock	83,774	25.01.18	-	-	2021	185,141
D Simpson	83,774	25.01.18	-	-	2021	185,141
G Turner	55,849	25.01.18	-	-	2021	123,426
P Salis (i)	43,544	05.08.14	25	75	2018	-

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

Changes in KMP Held Equity (continued)

Performance Right Holdings of Key Management Personnel

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.

2018	Balance 01/07/17	Granted as Compensation	Performance rights Exercised or Sold	Performance rights Cancelled/ Forfeited/ Lapsed/Restructure	Balance 30/06/18	Total Vested at 30/06/18	Total Unvested and Unexercisable at 30/06/18
Directors							
R DeDominicis (i)	112,367	-	-	(112,367)	-	-	-
TOTAL DIRECTORS	112,367	-	-	(112,367)	-	-	-
Executives							
M Knowlton	-	111,698	-	-	111,698	-	111,698
D Orrock	75,093	83,774	(12,560)	(62,533)	83,774	-	83,774
D Simpson	24,850	83,774	-	(24,850)	83,774	-	83,774
G Turner	-	55,849	-	-	55,849	-	55,849
P Salis	73,364	-	(10,886)	(62,478)	-	-	-
TOTAL EXECUTIVES	173,307	335,095	(23,446)	(149,861)	335,095	-	335,095
GROUP TOTAL	285,674	335,095	(23,446)	(262,228)	335,095	-	335,095

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

(i) R DeDominicis elected not to accept the 12,560 shares arising from the performance rights that vested in August 2017.

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

Changes in KMP Held Equity (continued)

Performance Right Holdings of 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 2017-18 #	Grant Date	Fair Value at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
Directors							
R DeDominicis	-	-	-	-	-	-	-
TOTAL DIRECTORS	-	-					
Executives							
M Knowlton	-	111,698	25.01.18	2.21		28.02.21	28.03.21
D Orrock	12,560	83,774	25.01.18	2.21		28.02.21	28.03.21
D Simpson	-	83,774	25.01.18	2.21		28.02.21	28.03.21
G Turner	-	55,849	25.01.18	2.21		28.02.21	28.03.21
P Salis	10,886	-	-	-	-	-	-
TOTAL EXECUTIVES	23,446	335,095					
GROUP TOTAL	23,446	335,095					

(h) Remuneration Records for FY18 – Statutory Disclosures

Details of the nature and amount of each major element of remuneration accrued for the financial year for each Director of the Company, and other Key Management Personnel of the consolidated entity, prepared according to statutory disclosure requirements and applicable accounting standards are as follows:

2018	Short-Term Benefits		Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits	Share- Based Payment	Performance Rights FY18 Expense \$(iv)	Total Remuneration \$	Equity Based %	Performance Related %
	Base Salary & Fees \$	Bonus \$ (i)	Other \$ (ii)	Super-annuation \$	\$	\$(iii)				
Directors										
A Brackin	135,000	-	-	-	-	-	-	135,000	-	-
C Bartlett	82,192	-	-	7,808	-	-	-	90,000	-	-
D Adams	76,103	-	-	7,230	-	-	-	83,333	-	-
D Page	82,192	-	-	7,808	-	-	-	90,000	-	-
T Vu	82,192	-	-	7,808	-	-	-	90,000	-	-
R DeDominicis	582,316	-	-	20,049	-	20,751	-	623,116	-	1.5%
TOTAL DIRECTORS	1,039,995	-	-	50,703	-	20,751	-	1,111,449		
Executives										
M Knowlton	429,951	120,000	-	20,049	-	8,268	8,840	587,108	1.5	21.9
D Orrock	352,251	-	4,819	20,049	-	6,774	8,904	392,797	2.3	2.3
D Simpson	399,744	177,000	-	31,979	-	-	6,630	615,353	1.1	29.8
G Turner (appointed 11/12/17)	195,165	50,000	-	10,024	-	3,754	4,420	263,363	1.7	20.7
P Salis (resigned 06/10/17)	94,837	-	10,836	10,024	176,126	18,019	1,971	311,813	0.6	0.6
TOTAL EXECUTIVES	1,471,948	347,000	15,655	92,125	176,126	36,815	30,765	2,170,434		
GROUP TOTAL	2,511,943	347,000	15,655	142,828	176,126	57,566	30,765	3,281,883		

- (i) The short-term incentive bonus is for performance during the respective financial year against specific performance criteria set out in the 'Performance Linked Compensation Section' of the Remuneration Report.
- (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 other long-term benefits include leave entitlements and long-term deferred cash bonus incentives.
- (iv) 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.

Details of Remuneration for FY17 – Statutory Disclosures (continued)

Details of the nature and amount of each major element of remuneration accrued for the financial year for each Director of the Company, and other Key Management Personnel of the consolidated entity, prepared according to statutory disclosure requirements and applicable accounting was as follows:

2017	Short-Term Benefits			Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits	Share-Based Payment	Total Remuneration \$	Equity Based %	Performance Related %
	Base Salary & Fees \$	Bonus \$ (i)	Other \$ (ii)	Super-annuation \$		Leave Entitlement \$	Performance Rights FY17 Expense \$(iii)			
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 in the 'Performance Linked Compensation Section' of the Remuneration Report.

(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.

(i) Employment Terms for Key Management Personnel

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) above and are identified as "Short-Term Benefits – Other".

A summary of contract terms in relation to Executive KMP is presented below:

Name	Position Held at Close of FY18	Employing Company	Duration of Contract	Period of Notice	
				From Company	From KMP
Mr. R. DeDominicis	Chief Executive Officer and Managing Director	GBST Holdings Limited	Continuing basis	6 months	6 months
Mr. P. Salis (1)	Chief Financial Officer	GBST Holdings Limited	Continuing basis	3 months	3 months
Mr. G. Turner	Chief Financial Officer	GBST Holdings Limited	Continuing basis	3 months	3 months
Mr. M. Knowlton	Chief Technology Officer	GBST Holdings Limited	Continuing basis	3 months	3 months
Mr. D. Orrock	Head of Asia Pacific	GBST Holdings Limited	Continuing basis	3 months	3 months
Mr. D. Simpson	Head of EMEA	GBST Wealth Management Limited	Continuing basis	3 months	3 months

(1) P Salis resigned on 6 October 2017.

The treatment of incentives in the case of termination is addressed in separate sections of this report that give details of incentive design.

(j) Other Remuneration Related Matters

The following outlines other remuneration related matters that may be of interest to stakeholders, in the interests of transparency and disclosure:

There was a loan to KMP Executive Mr. D Orrock during the financial year of \$186,510 related to an international tax amount payable in respect of a previous long-term incentive grant which was interest free and fully repaid at 30 June 2018. The amount of interest that would have been charged if the loan was on an arms' length basis would be \$2,554.

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

(k) External Remuneration Consultant Advice

During the reporting period, the Nomination and Remuneration Committee approved and engaged an external remuneration consultant (ERC) to provide KMP remuneration recommendations and advice. The consultants and the amount payable for the information and work that led to their recommendations are listed below:

Godfrey Remuneration Group Pty Limited	Market benchmarking, organisation modelling, and recommendations on Senior Executive remuneration.	\$15,000
	Review of and advice on the design and calibration of STI and LTI plans including drafting recommendations.	\$25,000
Crichton and Associates	Preparing a valuation for LTI allocation purposes	\$999
	Reviewing the FY18 Long-term incentive plan	\$1,776
Pegala Consulting Pty Ltd	Provide guidance and research for future short-term and long-term Executive incentive arrangements	\$5,800

Subsequent to the end of the reporting period, an ERC has also been engaged to assist with re-drafting the remuneration report. Any fees charged in relation to this activity will be disclosed as part of the FY19 Remuneration Report.

The Board is satisfied that the KMP remuneration recommendations received were free from undue influence from KMP to whom the recommendations related. The reasons the Board is so satisfied include that it is confident that the policy for engaging external remuneration consultants is being adhered to and is operating as intended, the Board has been closely involved in all dealings with the external remuneration consultants and each KMP remuneration recommendation received during the year was accompanied by a legal declaration from the consultant to the effect that their advice was provided free from undue influence from the KMP to whom the recommendations related.

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 14th day of August 2018



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 2018 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
14 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year ended 30 June 2018

	Note	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Revenue from licence and support sales		58,127	59,119
Revenue from sponsored work		28,818	27,346
Revenue from sale of third party product		1,127	1,144
Total revenue		88,072	87,609
Other income		186	366
Total revenue and other income		88,258	87,975
Product delivery and support expenses		(71,609)	(72,729)
Sales and marketing expenses		(3,834)	(4,908)
General and administrative expenses		(5,163)	(4,704)
RESULTS FROM OPERATING ACTIVITIES		7,652	5,634
Finance costs	4 (d)	(8)	(703)
Finance income	4 (e)	128	92
Net finance income\costs		120	(611)
PROFIT BEFORE INCOME TAX		7,772	5,023
Income tax (expense)\credit	5	(1,523)	1,962
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		6,249	6,985
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		925	(1,446)
<i>Total items that may be reclassified subsequently to profit or loss</i>		925	(1,446)
Other comprehensive income/(loss) for the year, net of income tax		925	(1,446)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		7,174	5,539
Earnings per share			
Basic earnings per share (cents)	30	9.20	10.31
Diluted earnings per share (cents)	30	9.20	10.30

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

Consolidated Statement of Financial Position as at 30 June 2018

	Note	30 Jun 2018 \$'000	30 Jun 2017 \$'000
CURRENT ASSETS			
Cash and cash equivalents	7	11,373	11,728
Trade and other receivables	8	17,153	12,660
Work in progress	9	3,362	4,092
Current tax receivables		2,168	750
Other assets	12	2,450	2,217
Total Current Assets		36,506	31,447
NON-CURRENT ASSETS			
Work in progress	9	1,717	788
Plant and equipment	10	5,498	6,542
Intangible assets	11	50,453	45,120
Deferred tax assets	15	7,172	8,778
Other assets	12	157	151
Total Non-Current Assets		64,997	61,379
TOTAL ASSETS		101,503	92,826
CURRENT LIABILITIES			
Trade and other payables	13	9,833	6,739
Loans and borrowings	14	-	252
Current tax liabilities		-	385
Provisions	16	7,121	6,058
Unearned income	17	10,263	9,449
Total Current Liabilities		27,217	22,883
NON-CURRENT LIABILITIES			
Trade and other payables	13	1,477	2,006
Deferred tax liabilities	15	2,168	810
Provisions	16	1,928	2,244
Total Non-Current Liabilities		5,573	5,060
TOTAL LIABILITIES		32,790	27,943
NET ASSETS		68,713	64,883
EQUITY			
Issued capital	18	39,473	39,473
Reserves	19	(3,393)	(4,153)
Retained earnings		32,633	29,563
TOTAL EQUITY		68,713	64,883

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve (a) \$'000	Equity Remuneration 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 loss	-	-	(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 the Company's net investment in foreign operations.

(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 2018 (continued)

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve (a) \$'000	Equity Remuneration Reserve (b) \$'000	Total \$'000
Balance at 1 July 2017	39,473	29,563	(4,358)	205	64,883
Total comprehensive income for the year					
Profit for the year	-	6,249	-	-	6,249
Other comprehensive income					
Foreign operations - foreign currency translation differences	-	-	925	-	925
Total other comprehensive income	-	-	925	-	925
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	6,249	925	-	7,174
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends paid (Note 6)	-	(3,396)	-	-	(3,396)
Vesting of performance rights	-	217	-	(217)	-
Share based payments - performance rights	-	-	-	52	52
Total contributions by and distributions to owners	-	(3,179)	-	(165)	(3,344)
Total transactions with owners	-	(3,179)	-	(165)	(3,344)
BALANCE AT 30 JUNE 2018	39,473	32,633	(3,433)	40	68,713

(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 the Company's net investment in foreign operations.

(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 2018

	Note	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Cash Flows from Operating Activities			
Receipts from customers		91,569	92,148
Payments to suppliers and employees		(80,379)	(82,054)
Interest income		128	40
Sundry income		183	364
Finance costs paid		(59)	(95)
Income tax paid		(242)	515
Net cash provided by operating activities	24(a)	11,200	10,918
Cash Flows from Investing Activities			
Proceeds from sale of plant and equipment		3	2
Purchase of plant and equipment		(950)	(523)
Purchase of software intangibles		(7,283)	(1,155)
Net cash used in investing activities		(8,230)	(1,676)
Cash Flows from Financing Activities			
Repayment of finance leases		(76)	(79)
Proceeds from borrowings		-	263
Repayment of borrowings		(176)	(109)
Dividends paid	6	(3,396)	(6,243)
Net cash used in financing activities		(3,648)	(6,168)
Net increase in Cash and Cash Equivalents		(678)	3,074
Effect of exchange rate fluctuations on cash held		323	(357)
Cash and cash equivalents at 1 July		11,728	9,011
Cash and cash equivalents at 30 June	24(b)	11,373	11,728

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 2018

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 2018 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 14 August 2018.

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.

Note 2: Basis of Preparation (continued)

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.

Note 2: Basis of Preparation (continued)

Changes in accounting policies

For the year ended 30 June 2018, 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.

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.

Note 3: Significant Accounting Policies (continued)

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 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.

Note 3: Significant Accounting Policies (continued)

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	10%-30%	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.

Note 3: Significant Accounting Policies (continued)

Intangible Assets

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

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

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

Acquired in a business combination and or separately

Software systems 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.

The useful life of internally developed software assets is assessed on a case by case basis but is generally expected to be between 3 and 10 years depending on the nature of the software or functionality developed. Digital or web interfaces are generally expected to have a useful life at the shorter end of the 3-10 year range while developments that enhance core platform technologies or database functionality are expected to be at the longer end of the 3-10 year range.

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.

Note 3: Significant Accounting Policies (continued)

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.

Note 3: Significant Accounting Policies (continued)

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 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.

Note 3: Significant Accounting Policies (continued)

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.

Note 3: Significant Accounting Policies (continued)

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 for performance rights issued prior to financial year 2018 and the Discounted Cashflow Model for performance rights issued in financial year 2018. 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 licence fee revenue

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

- The rights to the software licence 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 licence freely; and
- The consolidated entity has no remaining obligations to perform.

For such arrangements, software licence fee revenue is recognised on the transfer of the rights to the licensee. In other arrangements, revenue is recognised over the licence 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.

Note 3: Significant Accounting Policies (continued)

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.

Managed Services

Where application management services are provided to a customer, revenue from these services are recognised as the services are performed.

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 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.

Note 3: Significant Accounting Policies (continued)

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.

Note 3: Significant Accounting Policies (continued)

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 earlier application is permitted, however the Group has not applied the standards in preparing these consolidated financial statements.

AASB 15 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 118 *Revenue*, AASB 111 *Construction Contracts* and AASB Interpretation 13 *Customer Loyalty Programmes*.

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

GBST has completed preparatory work and assessed the potential impact of AASB 15 on its systems, processes, consolidated financial statements and results for reporting under the new standard from 1 July 2018.

The Group will use the retrospective cumulative effect method prescribed by the standard, whereby the cumulative effect of its application to ongoing/incomplete contracts is posted to the retained earnings account (with required additional disclosures).

To determine the impact on the Group's future results the following has been completed:

- detailed assessments of GBST's products and services; and
- specific evaluations of multi-faceted contracts and revenue treatments for all major incomplete contracts at 1 July 2018.

The assessment has also addressed the standard's requirements regarding incremental costs of obtaining a contract and costs to fulfil a contract.

Note 3: Significant Accounting Policies (continued)

Performance Obligations

At contract inception, AASB 15 requires GBST to identify as a performance obligation each promise to transfer goods or services (including a bundle or series of goods or services) to the customer that are distinct.

GBST's customer contracts include some or all the following performance obligations:

Performance Obligation	Description
Proof of concept services	Pre-contract, discovery-phase statements of work providing an up-front, standalone evaluation. These services are charged on a fixed price quote or time and materials basis.
Development & implementation services	Cover a broad range of activities including configuration, planning, system architecture, testing, training, documentation, project management, pre-acceptance support and post deployment reviews. These services are usually detailed in statements of work or contracts for either bespoke or customer-funded roadmap product development and are charged on a fixed price quote and/or time and materials basis.
Licence	Charged on a periodic and/or usage volume basis and include post go-live support by way of maintenance and upgrade services over the term of the licence. These services may be non-chargeable or separately chargeable as described below.
Maintenance & upgrade services	Non-chargeable services, as defined in each contract, may be provided with the licence on a stand-ready basis. These services include on-call, on-site and production support; provision of technical expertise; and post go-live defect fixes, update and upgrade releases and legislative enhancements (including testing).
Chargeable support services	Include maintenance and upgrade services requested by a customer that are outside the scope of services provided with the licence. These services are usually detailed in statements of work and are charged on a fixed quote or time and materials basis. Support services may be pre-purchased in blocks.
Hosting services	Include GBST, third party and cloud hosted arrangements with fees charged on a periodic and/or usage volume basis.

Measurement

Under AASB 15, the Group will recognise revenue for each identifiable performance obligation based on relative stand-alone selling prices at contract inception. Contract transaction prices may be reallocated between performance obligations to reflect fair values as necessary. This is the same as the fair value adjustments made under the current accounting standards.

For development and implementation services, revenue will be measured using an input method by comparing actual hours consumed against forecast total hours to determine a percentage complete. This is consistent with the Group's current revenue recognition process for these types of services.

Usage-based licence charges will be recognised at the later of when the usage occurs or when the performance obligation to which the charge is allocated has been satisfied (or partly satisfied).

Note 3: Significant Accounting Policies (continued)

Variable consideration may arise due to discounts, rebates, rate increases, and future contingent events. Estimates of variable consideration will be included in revenue when and to the extent it is highly probable that a significant reversal of the amount recognised will not occur when the associated uncertainty is resolved. As a result, variable consideration may be recognised earlier under the new standard, with estimates subject to update at the end of each reporting period.

Separate contracts entered into at or near the same time with the same customer that support the same performance obligation will be combined and accounted for as a single contract. Successive statements of work relating to the same performance obligation will be recognised as contract modifications. Adjustments to revenue arising from combined and modified contracts will be recognised on a cumulative catch-up basis in accordance with the standard.

Revenue Recognition

AASB 15 requires that revenue is recognised as each performance obligation is satisfied by the transfer of a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Licence Revenue

By granting a licence, GBST promises to provide a right to access the Group's intellectual property when:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights
- the rights granted by the licence directly expose the customer to any positive or negative effects of those activities
- those activities do not result in the transfer of a good or service to the customer as those activities occur.

When all these criteria are met, the customer simultaneously receives and consumes the benefit from the Group's performance of providing access to its intellectual property as the performance occurs. Accordingly, the Group will account for the promise to grant a licence as a performance obligation satisfied over time, until that performance obligation is completely satisfied.

If all the criteria are not met, the customer can direct the use of, and obtain substantially all the remaining benefits from, the licence at the point in time at which the licence transfers. In this case, the Group will account for the promise to provide a right to use the Group's intellectual property as a performance obligation satisfied at the point in time when the licence is granted to the customer.

Chargeable Services Revenue

Performance obligations for chargeable services (including proof of concept, development & implementation, support and hosting) are satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance
- the Group's performance creates or enhances an asset that the customer controls
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for the performance completed to date.

When one or more of these criteria are met, the Group will recognise revenue for these services over time as control is transferred until the performance obligation is completely satisfied.

Note 3: Significant Accounting Policies (continued)

Chargeable services not satisfied over time will be recognised at the point in time when the customer obtains control of the promised asset. This is likely to follow completion of the work when the customer has accepted the asset and GBST has a present right to payment.

Methodology

Revenue from contracts with similar characteristics will be recognised consistently on the following basis:

Performance Obligation	Larger, regulatory dependent products – including Composer, Syn~, Shares, TaxIntell and SuperStream	Smaller non-regulatory dependent products - including Unison, Margin Lending, Emu, Calculators & Tools
Proof of concept services	Over time, on a percent completion basis.	Not generally applicable to small products or as billed.
Development & implementation services	Over time, on a percent completion basis.	At a point in time, on completion of the work or as billed.
Licence	Bundled as a single performance obligation and recognised on a straight-line basis over the term of the licence.	At a point in time, on commencement of the term of the licence.
Maintenance & upgrade services		Over time, on a straight-line basis over the term of the licence.
Chargeable support services	At a point in time, generally as billed (as a practical expediency).	At a point in time, generally as billed (as a practical expediency).
Hosting Services	Over time, on a straight-line basis over the term of the contract.	Over time, on a straight-line basis over the term of the contract.

Development and implementation services are recognised as a separate performance obligation to the licence due to the minimal impact of these services on the licensed software. Customisation and modification of software mainly occurs as part of roadmap product development. GBST is then able to deliver generic products to customers with minimal bespoke changes required.

For larger regulatory-dependent products, the bundling of the licence with maintenance & upgrade services into a single performance obligation is due to the updates:

- significantly modifying the functionality of the software (e.g. to incorporate legislative and regulatory changes);
- being integral in maintaining the utility of the licence (as evidenced by the frequency of release by GBST and the timeliness of implementation by customers throughout the term of the licence).

For smaller products, maintenance & upgrade services (which are generally charged for as used) are not as critical in maintaining the ongoing value of the licence. Accordingly, they are distinct from the licence and will be treated as a separate performance obligation.

Impact of AASB 15

On initial adoption, AASB 15 is expected to increase the Group's opening retained earnings on 1 July 2018 by \$1.57m pre-tax, comprising:

- a) the change in methodology for the recognition of smaller, non-regulatory products' licence revenue to point in time (on commencement of the term of the licence) instead of over the term of the licence.

Note 3: Significant Accounting Policies (continued)

This change, which represents smaller products' licence revenue not previously recognised at 1 July 2018, will increase opening retained earnings by \$1.23m. The increase will include \$338 thousand previously recognised as Unearned Income and creates a Contract Asset balance of \$895 thousand in the Consolidated Statement of Financial Position.

The Contract Asset balance will represent cumulative revenue recognised from satisfied (or partly satisfied) performance obligations which at year end is not yet received or receivable. The Contract Asset will convert to Accounts Receivable as the licences are billed to customers over the life of the licence contracts.

Of the total adjustment to opening retained earnings, approximately \$871 thousand will be for revenues that would have otherwise been recognised during FY19. However, this will be offset by an indeterminant amount as future licence revenues are recognised immediately upon contract renewals or new implementations. Due to the number of variables involved, it is not possible to estimate whether the net impact will be material to GBST's results.

Other revenue timing differences may arise (in comparison to current accounting treatments) due to the treatment of variable consideration amounts and the combination or separation of statements of work into performance obligations. These differences are not expected to be significant.

- b) the change in recognition of software sales commission costs which meet the definition of incremental costs of obtaining a contract under the standard and so must be capitalised. These costs were previously expensed as incurred.

As a result, opening retained earnings will be increased by \$341 thousand on 1 July 2018 and a corresponding Capitalised Contract Costs asset will be created in the Consolidated Statement of Financial Position. This asset will be amortised over the remaining periods of the related contracts but will be "offset" by commission costs that would have otherwise been expensed during the period. The net impact is not possible to accurately estimate but is unlikely to be materially different from the commission expense calculated under current accounting methods.

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 has assessed the potential impact on its consolidated financial statements resulting from the application of AASB 9. At 30 June 2018 GBST has no debt instruments and no foreign currency hedging. Accordingly, unless these positions change significantly during FY19, the standard is expected to have little to no impact on the financial results. The Group has also considered the impairment of financial assets at 30 June 2018 under the forward looking 'expected credit loss' model required under AASB9. There is not expected to be a material change to the 30 June 2018 results as a result of this assessment.

Note 3: Significant Accounting Policies (continued)

AASB 16 Leases

AASB 16 removes the lease classification test for lessees as either operating leases or finance leases as is required by AASB 117 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.

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

On a high-level basis, on adoption of AASB 16, 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.

At GBST, operating leases with terms of more than 12 months relate to leases of office facilities. As at reporting date, the Group had non-cancellable operating lease commitments of \$15.7m (see Note 20).

GBST will adopt AASB 16 for the financial year commencing 1 July 2019 and accordingly no opening transitional adjustments or disclosures will be made until that time.

Note 4: Profit for the Year

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

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
(a) <i>Other expenses:</i>		
Cost of third party product and services sold	1,357	1,655
Operating lease rentals	2,996	2,821
Research & development costs (1)	13,412	13,544
(b) <i>Depreciation & amortisation:</i>		
Depreciation of plant & equipment	2,077	2,216
Amortisation of tangible & intangible leased assets	169	55
Amortisation of acquired intangibles (excluding leased assets)	2,295	4,084
	4,541	6,355
(c) <i>Employee benefits expense:</i>		
Monetary based expense (includes contributions for superannuation & other retirement benefits of \$3.64m (2017: \$3.64m))	50,318	48,026
Share based payments	48	(301)
	50,366	47,725
(d) <i>Finance costs:</i>		
Foreign currency (gains)/losses	(51)	608
Interest paid to external entities	-	12
Finance lease charges	4	2
Facility fees	55	81
	8	703
(e) <i>Finance income:</i>		
Bank interest	128	92
	128	92

(1) The comparative balance of Research and Development costs has been restated from \$18,837k in the prior year to \$13,544k. These costs remain classified as Product Delivery and Support expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income, but have been removed from the Research and Development disclosure as they represent product maintenance and general overhead expenditure.

Note 5: Income Tax Expense

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
(a) The components of tax expense comprise:		
Current tax	(1,137)	1,421
Deferred tax (Note 15 (c) (i))	2,980	(3,103)
Over provision in respect of prior years	(320)	(280)
	1,523	(1,962)
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit before tax	7,772	5,023
Prima facie tax payable at 30%	2,332	1,507
Adjust for tax effect of:		
Research & development expenditure claim	(1,718)	(2,387)
Contributions to Employees Share and Option Plan	(31)	(559)
UK R&D tax credit - current & prior years (1)	(347)	(78)
Under/(Over) provision in respect of prior years	(320)	(280)
Current year losses for which no deferred tax asset was recognised (2)	269	318
Derecognition of previously recognised tax losses (3)	1,496	-
Other (deductible)/non-allowable items (net)	(32)	(14)
Reduction in tax rate on deferred tax balances	-	21
Effect of different tax rates of subsidiaries operating in other jurisdictions	(126)	(490)
Income tax credit attributable to entity	1,523	(1,962)
Weighted average effective tax rates:	20%	(39%)

(1) 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 2018.

(2) For GBST Ltd and GBST Wealth Management Ltd (UK) deferred tax assets have not been recognised in relation to operating losses due to uncertainty that future taxable profit will be available against which the Group can utilise the benefits there from.

(3) In the prior financial year the Group brought to account a deferred tax asset relating to the tax benefit on losses in GBST Wealth Management Ltd (UK). Due to uncertainty around future profits to support such recognition, this was derecognised in the current year.

(4) Legislation to reduce the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 was substantively enacted on 26 October 2015. As these changes were substantively enacted at 31 March 2016, deferred tax at that date was calculated accordingly. Legislation was substantively enacted on 15 September 2016 to further reduce the corporation tax rate to 17% from 1 April 2020. This will reduce the Company's future current tax charge accordingly.

(5) The US federal corporate income tax rate reduced from 40% to 21%, for taxable years beginning after 31 December, 2017.

Note 6: Dividends

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
<i>Dividends paid in the period:</i>		
2017 final fully franked (at 30%) dividend paid of 2.5 cents per share (2016: 5.5)	1,698	3,732
2018 Interim fully franked (at 30%) dividend paid of 2.5 cents per share (2017: 3.7)	1,698	2,511
Net Dividend paid	3,396	6,243

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 12 October 2018. The dividend has not been provided and there are no income tax consequences.

Dividend franking account:

Balance of franking account at year-end	12,867	13,443
30% franking credits available to shareholders of GBST Holdings Limited for subsequent financial years post final dividend payment.	10,448	13,063

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

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated Group at the year-end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

Note 7: Cash and Cash Equivalents

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
Cash at bank and on hand	9,947	10,376
Cash on deposit	1,426	1,352
Cash and cash equivalents in the Statement of Cash flows	11,373	11,728

Note 8: Trade and Other Receivables

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
Current		
Trade receivables	16,586	11,917
Accrued revenue	-	377
Other amounts receivable	567	366
	17,153	12,660

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 a reversal of the accrued impairment of \$293k due to recovery of the doubtful debt (2017 movement :\$281k). There were no amounts written off.

Note 9: Work in Progress

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
Current - at cost		
Work in progress	3,362	4,092
	3,362	4,092
Non-Current - at cost		
Work in progress	1,717	788
	1,717	788

Note 10: Plant and Equipment

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
Owned plant and equipment at cost	17,978	21,653
Accumulated depreciation	(12,480)	(15,121)
Net carrying value	5,498	6,532
Leased plant and equipment at cost	1,089	1,140
Accumulated amortisation	(1,089)	(1,130)
Net carrying value	-	10
Total plant and equipment	5,498	6,542

(a) Movement in Plant and Equipment

GBST Group	Owned \$'000	Leased \$'000	Total \$'000
Year ended 30 June 2016			
Balance at 1 July 2016	8,086	30	8,116
Additions	786	-	786
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
Year ended 30 June 2017			
Balance at 1 July 2017	6,532	10	6,542
Additions	1,040	-	1,040
Disposals	(61)	-	(61)
Depreciation expense	(2,077)	(10)	(2,087)
Effect of movements in exchange rates	64	-	64
Balance at 30 June 2018	5,498	-	5,498

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

Note 11: Intangible Assets

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
At Cost		
Software systems	51,536	43,632
Accumulated amortisation	(41,376)	(38,561)
Net carrying value	10,160	5,071
Goodwill	45,830	45,138
Accumulated impairment losses	(5,572)	(5,283)
Net carrying value	40,258	39,855
Leased software at cost	626	626
Accumulated amortisation	(591)	(432)
Net carrying value	35	194
Total intangibles	50,453	45,120

(a) Movement in Intangibles

GBST Group	Software Systems externally acquired	Software Systems internally Developed	Software Systems internal under development	Goodwill	Leased Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2017						
Balance at 1 July 2016	7,915	394	-	40,350	230	48,889
Additions - externally acquired	316	-	-	-	-	316
Additions - internally developed	-	-	839	-	-	839
Amortisation charge	(3,690)	(394)	-	-	(35)	(4,119)
Effect of movements in exchange rates	(309)	-	-	(495)	(1)	(805)
Balance at 30 June 2017	4,232	-	839	39,855	194	45,120
Year ended 30 June 2018						
Balance at 1 July 2017	4,232	-	839	39,855	194	45,120
Additions - externally acquired	104	-	-	-	-	104
Additions - internally developed	-	-	7,179	-	-	7,179
Amortisation charge	(2,295)	-	-	-	(159)	(2,454)
Effect of movements in exchange rates	101	-	-	403	-	504
Balance at 30 June 2018	2,142	-	8,018	40,258	35	50,453

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.

Note 11: Intangible Assets (continued)

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 2018	30 Jun 2017
	\$'000	\$'000
Capital Markets Australia (Palion)	3,350	3,350
Wealth Management Australia (InfoComp)	28,238	28,238
Capital Markets International (Coexis)	7,784	7,381
Financial Services (Emu)	886	886
Total Goodwill	40,258	39,855

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 2019 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 2018 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.

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

	Coexis	InfoComp	Palion	EMU
2017	Fair value less cost of disposal	Value-in-use	Value-in-use	Value-in-use
Calculation Method				
Revenue growth rates	3-6%	7.5%	0.0%	7.5%
Cost growth rates	3-5%	4%	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%
2018	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%	1.5- 2%	4-7.5%
Cost growth rates	2-5%	4-7.5%	4.0%	4-7.5%
Long term growth rates	2.5%	3.0%	1.5%	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 2018.

For the Coexis fair value, Management has identified the amount by which the following assumptions would need to change individually to cause the carrying amount to exceed the recoverable amount:

Decrease of annual revenue against forecast by	13.7% (June 2017: 10.8%)
Increase of annual costs above forecast by	18.0% (June 2017: 13.7%)
Increase of post-tax discount rate to	36.6% (June 2017: 27.1%)

Note 12: Other Assets

	GBST Group	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Current		
Prepaid expenditure	2,450	2,217
	2,450	2,217
Non-Current		
Prepaid expenditure	157	151
	157	151

Note 13: Trade and other Payables

	GBST Group	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Current (unsecured)		
Trade payables & accruals	9,545	6,451
Leasehold liability	288	288
	9,833	6,739
Non-Current (unsecured)		
Trade payables & accruals	559	800
Leasehold liability	918	1,206
	1,477	2,006

Note 14: Loans and Borrowings

	GBST Group	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Current		
Commercial loan facility (secured)	-	176
Finance lease liability (Note 20)	-	76
	-	252

Note 15: Tax

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
(a) Deferred tax liabilities		
<i>Deferred tax liability comprises:</i>		
Tax allowances relating to plant and equipment	-	117
Tax allowances relating to intangibles	2,168	693
	2,168	810
(b) Deferred tax assets		
<i>Deferred tax assets comprise:</i>		
Provisions	2,373	2,352
Tax allowances relating to plant and equipment	337	389
Tax allowances relating to intangibles	2,839	2,958
Other items*	1,623	1,525
Recognised tax losses	-	1,554
	7,172	8,778
*Other items include deferred tax assets arising from income classified as unearned for accounting purposes but assessable for tax purposes.		
(c) Reconciliations		
Net Movement		
<i>The overall movement in the net deferred tax account is as follows:</i>		
Opening balance	7,968	4,848
Recognised in the income statement	(2,980)	3,103
Foreign currency translation	41	(64)
Charge to equity	(25)	81
Closing balance	5,004	7,968
(d) Total deferred tax assets not brought to account as at reporting period end:		
- tax losses: operating losses	6,204	6,878
- 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.

In the prior financial year the Group brought to account a deferred tax asset relating to the tax benefit on losses in GBST Wealth Management Ltd (UK). Due to uncertainty around future profits to support such recognition, this was derecognised in the current year.

Note 16: Provisions

	GBST Group		
	30 Jun 2018 \$'000	30 Jun 2017 \$'000	
Current			
Employee benefits	7,111	6,007	
Make Good (a)	10	51	
	7,121	6,058	
Non-Current			
Employee benefits	750	1,158	
Make Good (a)	1,178	1,086	
	1,928	2,244	
GBST Group	Employee benefits	Make Good	Total
	\$'000	\$'000	\$'000
Balance at the beginning of the year	7,165	1,137	8,302
Additional provisions	4,446	104	4,550
Amounts used	(3,640)	(43)	(3,683)
Unused amounts reversed	(110)	(10)	(120)
Balance at 30 June 2018	7,861	1,188	9,049

(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 2019 to 2026.

Note 17: Unearned Income

	GBST Group	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Current		
Revenue received in advance for software usage and support services	10,263	9,449
	10,263	9,449

Note 18: Issued Capital

	GBST Group	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Fully paid ordinary shares - opening balance	39,473	38,366
Issuing of ordinary shares - vesting of performance rights	-	1,107
	39,473	39,473
Ordinary shares	No.	No.
Opening Balance	67,858,918	67,423,542
Issuing of ordinary shares - vesting of performance rights	53,590	435,376
	67,912,508	67,858,918

During the year, the Company issued 53,590 shares for nil consideration in respect of performance rights related to the 5 August 2014 issue of performance rights to selected employees under the GBST Performance Rights and Option Plan.

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 2018	30 Jun 2017
	\$'000	\$'000
Equity remuneration reserve	40	205
Foreign currency translation reserve	(3,433)	(4,358)
	(3,393)	(4,153)

Note 20: Capital, Leasing and Other Commitments

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
(a) Finance Leasing Commitments		
<i>Payable on leases:</i>		
Not later than one year	-	80
Later than one year but not later than five years	-	-
	-	80
Less future finance charges	-	(4)
Total liability	-	76
<i>Lease liabilities are included in the Statement of Financial Position as:</i>		
Current (Note 14)	-	76
	-	76

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

(b) Non-cancellable Operating Leases

Lease amounts are payable:

Not later than one year	3,708	3,293
Later than one year but not later than five years	11,068	12,537
Later than five years	992	2,593
	15,768	18,423

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

Contracted for:

Capital purchases	70	167
Other operating purchases	1,361	490
	1,431	657
<i>Payable</i>		
Not later than one year	1,431	657
	1,431	657

Note 21: Auditors' Remuneration

	GBST Group	
	30 Jun 2018	30 Jun 2017
	\$	\$
Audit Services		
KPMG Australia		
Audit & review of financial reports	249,738	300,746
Overseas KPMG firms		
Audit & review of financial reports	131,764	174,941
	381,502	475,687
Other Services		
KPMG Australia		
Taxation services	105,351	97,707
Other services	-	25,258
Overseas KPMG firms		
Taxation services	29,410	169,584
Other services	-	10,309
	134,761	302,858

Note 22: Other Group Entities

(a) Controlled Entities Consolidated

Group Entity	Principal place of Business	Percentage Owned
GBST Pty Ltd*	Australia	100% (June 2017: 100%)
Emu Design (Qld) Pty Ltd*	Australia	100% (June 2017: 100%)
GBST ESOP Pty Ltd*	Australia	100% (June 2017: 100%)
GBST Employee Share Scheme Trust	Australia	100% (June 2017: 100%)
GBST Ltd	United Kingdom	100% (June 2017: 100%)
GBST (Australia) Pty Ltd*	Australia	100% (June 2017: 100%)
<i>Subsidiaries of GBST Ltd:</i>		
GBST Inc	United States of America	100% (June 2017: 100%)
GBST Singapore Pte Limited	Singapore	100% (June 2017: 100%)
<i>Subsidiaries of GBST (Australia) Pty Ltd:</i>		
GBST Hong Kong Limited	Hong Kong	100% (June 2017: 100%)
GBST Registry Solutions Pty Ltd*	Australia	100% (June 2017: 100%)
GBST Wealth Management Pty Ltd*	Australia	100% (June 2017: 100%)
<i>Subsidiaries of GBST Wealth Management Pty Ltd:</i>		
GBST UK Holdings Limited	United Kingdom	100% (June 2017: 100%)
<i>Subsidiaries of GBST UK Holdings Ltd:</i>		
GBST Hosting Ltd	United Kingdom	100% (June 2017: 100%)
GBST Wealth Management Limited	United Kingdom	100% (June 2017: 100%)

(b) Deed of Cross Guarantee

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

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.

Note 22: Other Group Entities (continued)

(b) Deed of Cross Guarantee (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 2018 is set out as follows:

	Closed Group and Parties to Deed of Cross Guarantee	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
<i>Financial information in relation to:</i>		
i. Summarised Statement of Profit or Loss and Other Comprehensive Income		
Revenue from licence and service sales	47,710	49,911
Revenue from sponsored work	15,062	12,036
Revenue from sale of third party product	920	1,023
Other income	5	60
Results from Operating Activities	6,484	2,686
Finance costs	(11)	(844)
Finance income	126	92
Net finance costs	115	(752)
Profit before income tax	6,599	1,934
Income tax expense\benefit	(324)	1,177
Profit after income tax	6,275	3,111
Profit Attributable to Members of the Parent Entity	6,275	3,111
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	6,275	3,111
ii. Retained Earnings		
Retained profits at the beginning of the year	19,359	22,491
Profit after income tax	6,275	3,111
Dividends provided for or paid	(3,396)	(6,243)
Vesting of performance rights	217	-
Retained Earnings at End of the Year	22,455	19,359

Note 22: Other Group Entities (continued)

(b) Deed of Cross Guarantee (continued)

	Closed Group and Parties to Deed of Cross Guarantee	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
iii. Statement of Financial Position		
<i>Current Assets</i>		
Cash and cash equivalents	7,871	5,620
Trade and other receivables	7,050	9,306
Work in progress	2,949	2,940
Current tax receivable	1,691	-
Other assets	1,934	1,648
Total Current Assets	21,495	19,514
Non-Current Assets		
Work in progress	1,228	788
Property, plant and equipment	12,290	6,726
Intangible assets	32,962	33,258
Investments	8,526	9,690
Deferred tax assets	7,107	7,140
Other assets	28	28
Total Non-Current Assets	62,141	57,630
TOTAL ASSETS	83,636	77,144
Current Liabilities		
Trade and other payables	5,754	3,455
Loans and borrowings	-	252
Current tax liabilities	-	348
Provisions	6,737	5,825
Unearned income	7,360	7,219
Total Current Liabilities	19,851	17,099
Non-Current Liabilities		
Trade and other payables	1,355	1,792
Deferred tax liabilities	2,168	693
Provisions	1,483	1,888
Total Non-Current Liabilities	5,006	4,373
TOTAL LIABILITIES	24,857	21,472
NET ASSETS	58,779	55,672
Equity		
Issued capital	39,473	39,473
Reserves	(3,149)	(3,160)
Retained earnings	22,455	19,359
TOTAL EQUITY	58,779	55,672

Note 23: Financing Arrangements

	GBST Group	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Financing facilities (a)	13,594	13,582
Amount utilised	(1,689)	(1,989)
Unused credit facility	11,905	11,593

(a) The balance as at 30 June 2018 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 2018 \$'000	30 Jun 2017 \$'000
(a) Reconciliation of Net Cash provided by Operating Activities to Profit after Income Tax		
Profit after income tax	6,249	6,985
<i>Non-cash flows in operating profit:</i>		
Depreciation and amortisation	4,541	6,355
Profit on sale of plant & equipment	(3)	(2)
Share based payments	48	(301)
<i>Changes in assets and liabilities:</i>		
Change in receivables	(4,493)	1,157
Change in other assets	(239)	118
Change in unearned income	814	(139)
Change in work in progress	(199)	(1,400)
Change in deferred tax balances	2,964	(3,120)
Change in tax provision	(1,803)	1,769
Change in trade and other payables	2,574	(1,022)
Change in provisions	747	518
Cash flow from operations	11,200	10,918
(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)	11,373	11,728
	11,373	11,728

(c) Non-cash Financing Activities

During the 2018 financial year the Group acquired plant and equipment of \$nil (2017: \$263k) by means of an equipment loan.

Note 25: Operating Segments

The Group's management structure and reporting is organised 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 Syn~, Shares and derivatives platforms which are the country's most widely used middle-office and back-office equities and derivatives systems. 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 (UK). 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. Revenues for FY18 by country were UK \$1.9m (FY17: \$1.7m), North America \$1.4m (FY17: \$2.2m), Remainder \$8.2m (FY17: \$9.7m).

Reportable Segments

	Australia		United Kingdom		Rest of the World		Eliminations		GBST Group			
	Capital Markets		Wealth Management		Wealth Management		Capital Markets					
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
Revenue from external customers	21,247	24,883	15,463	16,567	39,889	32,559	11,473	13,600	-	-	88,072	87,609
Other income from external customers	3	60	3	-	175	239	5	67	-	-	186	366
Inter-segment revenues*	2,423	380	-	-	-	-	-	-	(2,423)	(380)	-	-
Total segment revenue	23,673	25,323	15,466	16,567	40,064	32,798	11,478	13,667	(2,423)	(380)	88,258	87,975
Operating EBITDA before strategic R&D⁸	3,995	7,539	5,596	8,496	9,734	4,122	897	1,630	-	-	20,222	21,787
Less Strategic R&D⁷											(7,673)	(9,606)
Gross Strategic R&D ⁷											(14,709)	(9,606)
Strategic R&D Capitalised ⁷											7,036	-
Operating EBITDA⁶											12,549	12,181
Restructure & other non-operating expenses ⁵											(356)	(192)
EBITDA⁴											12,193	11,989
Net finance income\costs											120	(611)
Depreciation & operating amortisation ³											(2,640)	(2,862)
Investment amortisation ²											(1,901)	(3,493)
Profit before income tax											7,772	5,023
Income tax (expense)\credit											(1,523)	1,962
Profit after income tax											6,249	6,985

Note 25: Operating Segments (continued)

Notes

1. GBST makes use of both IFRS and non-IFRS financial information. Non-IFRS measures used by the company are relevant because they are internal performance indicators applied consistently over time that allow for better evaluation of overall Group performance and relative business segment performance in light of GBST's significant investments in research & development and other changes in the business. The non-IFRS measures can be reconciled to IFRS measures.
2. Investment amortisation is a non-IFRS measure representing amortisation of intangible assets acquired through acquisition.
3. Depreciation & operating amortisation is a non-IFRS measure representing depreciation or amortisation of tangible and intangible assets used as part of ongoing operating activities of the business.
4. EBITDA is a non-IFRS measure calculated as profit before income tax and before: Investment amortisation; Depreciation & operating amortisation; and net finance costs.
5. Restructure and other non-operating expenses are costs not considered to be operating in nature, are not associated with any business segment and are therefore not allocated to a segment. This treatment is in accordance with internal measurement of segment performance. Restructure and other non-operating expenses are reported to allow for the reconciliation between the Group and segment reports and between IFRS and non-IFRS measures. Restructure and other non-operating expenses during the period are costs associated with the departure of the former CFO.
6. Operating EBITDA is a non-IFRS measure calculated as EBITDA before Restructure and other non-operating expenses.
7. 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. To the extent that all of the accounting criteria are met, expenditure is capitalised as internally generated software systems.
8. Operating EBITDA before strategic R&D is a non-IFRS measure calculated as Operating EBITDA less Strategic R&D expenses.

Major Customers

Revenues from one customer of the Group represents \$19.7m (2017: \$17.6m) of the Group's total revenues.

Revenues from the top five customers of the Group represents \$39.7m (2017: \$37.1m) 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	
	2018	2017
	\$'000	\$'000
Financial assets		
Cash	5,339	2,492
	5,339	2,492

Lease liabilities have fixed rates, all other items are variable rate.

Note 26: Financial Risk Management (continued)

(b) Market Risk (continued)**Foreign currency variable interest rate risk**

At reporting period, 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:

	2018		2017	
	Cash and Receivables \$'000	Payables \$'000	Cash and Receivables \$'000	Payables \$'000
Great British Pounds	14,877	3,860	12,680	3,035
United States of America Dollars	3,171	144	3,887	154
Euros	2	-	2	-
Singapore Dollars	628	73	508	77
Hong Kong Dollars	694	122	230	240
	19,372	4,199	17,307	3,506

(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.

Note 26: Financial Risk Management (continued)

(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 45% (2017: 42%) of the Group's revenue is derived from five customers providing financial services, who represent 56% of the gross trade debtor balance as at 30 June 2018.

Trade debtor terms range between fourteen to thirty days. Included in the Group's trade receivable balance are debtors with a carrying amount of \$3.66m (2017: \$4.38m) which are past due at the reporting date for which the 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 21 days (2017: 27 days).

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

	2018		2017	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	12,926	-	7,529	-
Past due 0-30 days	2,071	-	2,436	-
Past due 30-90 days	963	-	1,028	-
Past due more than 90 days	626	-	1,217	293
	16,586	-	12,210	293

Note 26: Financial Risk Management (continued)

(d) Credit Risk (continued)

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

	GBST Group Carrying Amount	
	2018 \$'000	2017 \$'000
Opening balance	293	1,208
Impairment loss (derecognised)\recognised	(293)	281
Amounts written off	-	(1,196)
Closing balance	-	293

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

	GBST Group Carrying Amount	
	2018 \$'000	2017 \$'000
Cash and cash equivalents	11,373	11,728
Trade and other receivables	17,153	12,660
	28,526	24,388

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

	GBST Group Carrying Amount	
	2018 \$'000	2017 \$'000
Australia & New Zealand	3,815	4,572
Europe	10,773	5,794
Asia	1,796	1,298
North America	769	996
	17,153	12,660

Note 26: Financial Risk Management (continued)

(e) Financial Instruments**(i) Liquidity Risk:**

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

	0-1 Years		1-2 Years		2-5 Years		Over 5 Years		Total		Carrying Amounts	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
GBST Group												
Financial Liabilities												
Bank loan	-	176	-	-	-	-	-	-	-	176	-	176
Lease facilities (i)	-	80	-	-	-	-	-	-	-	80	-	76
Trade & other payables	9,833	6,739	544	487	898	1,345	35	174	11,310	8,745	11,310	8,745
TOTAL FINANCIAL LIABILITIES	9,833	6,995	544	487	898	1,345	35	174	11,310	9,001	11,310	8,997

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

Note 26: Financial Risk Management (continued)

(e) Financial Instruments (continued)**(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.

Foreign Currency Risk Sensitivity Analysis

At 30 June 2018, 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	
	2018 \$'000	2017 \$'000
Increase/(Decrease) in Profit		
Improvement in AUD to GBP by 10%	73	454
Decline in AUD to GBP by 10%	(73)	(454)
Improvement in AUD to USD by 10%	(99)	(81)
Decline in AUD to USD by 10%	99	81
Improvement in AUD to SGD by 10%	5	9
Decline in AUD to SGD by 10%	(5)	(9)
Improvement in AUD to HKD by 10%	19	6
Decline in AUD to HKD by 10%	(19)	(6)

Note 27: Contingent Liabilities

The Company has entered into Deeds of Access, Insurance and Indemnity (“Deed”) 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 \$131,674 to a former director and Executive, Mr Stephen Lake, in accordance with the terms of his Deed. 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. To date, GBST has advanced a total of \$1.28m 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 obligation to indemnify Mr Lake in accordance with the terms of his Deed for this matter has now concluded.

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 2018, 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	
	2018	2017
	\$	\$
Short-term employee benefits	2,874,598	2,733,333
Post-employment benefits	142,828	163,851
Other long-term benefits	57,566	39,524
Termination benefits	176,126	-
Share-based payments	30,765	(247,883)
	3,281,883	2,688,825

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

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.

To align employee and shareholder interests, the Company uses financial performance hurdles as detailed in the Performance Criteria Table as a performance hurdles for each grant of the LTI Plan.

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.

Share Performance Rights

On 28 August 2017, 53,590 performance rights issued on 5 August 2014 vested. The remainder of performance rights issued on 5 August 2014 lapsed prior to the vesting date and have expired.

Performance rights failing to meet the financial performance targets for the 2017 financial year were forfeited during the year:

- (i) 75% of the 5 August 2014 issue lapsed as the performance hurdles were not met at 30 June 2017.
- (ii) 100% of the 26 September 2016 and 27 October 2016 issue lapsed as the performance hurdles were not met at 30 June 2017.

On 25 January 2018, the Group issued 502,642 performance rights to selected employees. The FY18 performance rights are conditional upon the participants meeting continuous service conditions and the Company meeting certain financial performance measures. There is a nil exercise price and the FY18 performance rights vest on the later of: (a) 3 years from Grant Date; or (b) if the date in (a) above occurs during a Closed Period under the GBST *Securities Trading Policy*, then the date that the relevant Closed Period ends and trading is permitted under that Policy. These performance rights expire thirty days after the vesting date.

Note 29: Share Based Payments (continued)

During the year, the following movement in balances occurred:

	Opening Balance	Granted	Forfeited	Exercised	Expired	Closing Balance
05 August 2014	264,615	-	(211,025)	(53,590)	-	-
26 September 2016	255,951	-	(255,951)	-	-	-
27 October 2016	62,124	-	(62,124)	-	-	-
25 January 2018	-	502,642	-	-	-	502,642
Total	582,690		(529,100)	(53,590)	-	502,642

As at reporting date a net \$48k expense (2017: \$301k benefit) was included in share-based payments expense. This benefit in the prior year was as a result of employees not meeting the employment service conditions and performance rights failing to meet the financial performance targets for the 2018 financial year:

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 2018 Number	Jun 2018 WAEP	Jun 2017 Number	Jun 2017 WAEP
Outstanding at the beginning of the period	582,690	-	723,438	-
Granted during the period	502,642	-	373,987	-
Forfeited during the period	(529,100)	-	(79,359)	-
Exercised during the period	(53,590)	-	(435,376)	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	502,642	-	582,690	-
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.

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, are conditional on the employees meeting continuous service conditions and the group meeting certain financial performance measures.

Note 29: Share Based Payments (continued)

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

Grant Date	Financial Performance hurdle										
<p>5 August 2014 ⁽¹⁾ 345,005 performance rights (198,465 - failed the cumulative EPS target for 50 cents and 60 cents; remainder 80,390 service target failed; 12,560 employees elected not to accept the shares arising from the performance rights.)</p>	<p>Cumulative Earnings Per Share (EPS) Target</p> <ul style="list-style-type: none"> 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). <p>Minimum EPS</p> <ul style="list-style-type: none"> A minimum EPS of 10 cents is achieved in each year <p>Service Condition</p> <ul style="list-style-type: none"> Continuous employment with the Group from grant date for three years. 										
<p>26 September 2016 & 27 October 2016 ⁽²⁾ 373,987 performance rights (318,075 - failed minimum EPS target; remainder service target failed) 62,124 performance rights (62,124 - failed minimum EPS target)</p>	<p>Cumulative Earnings Per Share (EPS) Target</p> <ul style="list-style-type: none"> 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). <p>Minimum EPS</p> <ul style="list-style-type: none"> A minimum EPS of 13 cents is achieved in each year <p>Service Condition</p> <ul style="list-style-type: none"> Continuous employment with the Group from grant date for three years. 										
<p>25 January 2018 ⁽³⁾ 502,642 performance rights</p>	<p>Cumulative Before Interest, Tax, Depreciation, Amortisation and Strategic R&D (Operating EBITDA before strategic R&D) Target</p> <ul style="list-style-type: none"> Subject to GBST achieving an Operating EBITDA before strategic R&D for FY18 of at least \$20,000,000. The targets and respective % are: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Performance Condition Target over the Measurement Period</th> <th>Proportion of Performance Rights to vest</th> </tr> </thead> <tbody> <tr> <td>≥ \$20,000,000 to < \$21,000,000</td> <td>25%</td> </tr> <tr> <td>≥ \$21,000,000 to < \$22,500,000</td> <td>50%</td> </tr> <tr> <td>≥ \$22,500,000 to < \$23,500,000</td> <td>75%</td> </tr> <tr> <td>≥ \$23,500,000</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Continuous employment with the Group from grant date for three years. 	Performance Condition Target over the Measurement Period	Proportion of Performance Rights to vest	≥ \$20,000,000 to < \$21,000,000	25%	≥ \$21,000,000 to < \$22,500,000	50%	≥ \$22,500,000 to < \$23,500,000	75%	≥ \$23,500,000	100%
Performance Condition Target over the Measurement Period	Proportion of Performance Rights to vest										
≥ \$20,000,000 to < \$21,000,000	25%										
≥ \$21,000,000 to < \$22,500,000	50%										
≥ \$22,500,000 to < \$23,500,000	75%										
≥ \$23,500,000	100%										

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ The fair value of the share performance rights of \$2.21 each was determined using the Discounted Cashflow methodology. The model inputs were: the share price at date of grant \$2.35, dividend yield per annum but not received by holder during the vesting period, a term of three years. The exercise price for the share performance rights is nil.

Note 30: Earnings Per Share

	GBST Group	
	2018	2017
Basic earnings per share (cents)	9.20	10.31
Diluted earnings per share (cents)	9.20	10.30
(a) Reconciliation of earnings to net profit	\$'000	\$'000
Net Profit	6,249	6,985
Earnings used in the calculation of basic EPS and dilutive EPS	6,249	6,985
(b) Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	67,903,992	67,755,143
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	67,903,992	67,821,297

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. For FY18 there were no performance rights meeting this criterion.

Note 31: Subsequent Events

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.

The financial report was authorised for issue on 14 August 2018 by the Board of Directors.

Note 32: Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2018 the parent company of the Group was GBST Holdings Limited.

	GBST Holdings	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Results of the Parent Entity		
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	1,839	5,392
OTHER COMPREHENSIVE INCOME		
<i>Total items that will not be reclassified to profit or loss</i>	-	-
Total Comprehensive Income for the Year	1,839	5,392
Financial Position of the Parent Entity at Year End		
Current Assets	9,924	7,079
Total Assets	75,337	76,937
Current Liabilities	8,537	7,827
Total Liabilities	10,757	10,635
Total Equity of the Parent Entity Comprising of:		
Issued capital	39,473	39,473
Equity remuneration reserve	40	205
Retained earnings	25,067	26,624
Total Equity	64,580	66,302

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 the contingent liability disclosed in 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 2018 \$'000	30 Jun 2017 \$'000
Parent Entity Capital and Other Expenditure Commitments		
<i>Contracted for:</i>		
Capital and other operating purchases	146	562
<i>Payable</i>		
Not later than one year	146	562
	146	562

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

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, 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 2018 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 2018.
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 14th day of August 2018



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 2018 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 2018;
- 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; and
- 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; and
- Valuation of the Capital Markets International CGU.

Key Audit Matters are those matters that, in our professional judgement, 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.

Revenue Recognition	
Refer to Note 3 in the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>This is a key audit matter due to the level of judgment we applied when considering the Group's determination of revenue allocated to the different elements.</p> <p>Significant judgments include:</p> <ul style="list-style-type: none"> • 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; and • 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. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We critically assessed the allocation of revenue to the individual elements of the contract by selecting a sample of significant contracts and assessing the relative fair values of each element. The Company determine the relative fair value on a cost plus margin basis. We also assessed the forecast cost of each element against the Company's 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 the cost allocation to the contracts. Where cost contingencies are included in the costs to complete, we inspected and critically assessed the rationale for the basis for their inclusion with the project managers responsible for delivering the projects.
Valuation of Capital Markets International CGU	
Refer to Note 11 in the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group's annual impairment testing 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 the Group's assessment.</p> <p>The significant judgments incorporated into the Group's fair value less cost of disposal model used to determine the valuation of the CGU include:</p> <ul style="list-style-type: none"> • Forecast operating cashflows – The CGU has experienced volatility in revenue from sponsored work. This increases the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. • Growth rate assumptions – In addition to the uncertainties described above the Group's model is sensitive to changes in growth rate assumptions. This drives additional audit effort specific to their feasibility. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We evaluated the Group's process regarding the valuation of the Capital Markets International CGU. We challenged the methodology and assumptions used in the Group's impairment model. This included analysing the implied earnings multiples against comparable companies. We compared short term growth assumptions against historical results actually achieved. We assessed the accuracy of previous Group forecasts to inform our evaluation of the forecasts incorporated in the model. • Using our valuation specialists, we challenged the Group's key judgements included in their discount rate. We used our knowledge of the client, and their industry to form our own assessment in relation to key inputs to the discount rate and growth rate assumptions.



<ul style="list-style-type: none">Discount rates applied in the model – These are complicated in nature and vary according to the market conditions and environment the specific CGU is subject to. <p>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.</p>	<ul style="list-style-type: none">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.
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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 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; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 and Company or to cease operations, or have no realistic alternative but to do so.



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 the 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_responsibilities/ar1.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 2018, 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 in *pages 20 to 51* of the Directors' Report for the year ended 30 June 2018.

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

KPMG

Simon Crane
Partner

Brisbane
14 August 2018