

**Appendix 4D**  
**Half-year report**  
**for the period ending 31 December 2018**

This report should be read in conjunction with the attached Reviewed Financial Report for the half-year ended 31 December 2018. All comparisons are to the half-year ended 31 December 2017.

**Name of entity**

**ABN**

GBST HOLDINGS LIMITED	85 010 488 874
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**Results for announcement to the market**

For the half-year ended 31 December 2018:

		Current period	Previous corresponding period
		\$A'000	\$A'000
Total revenue	up 3% to	43,879	42,736
Profit from ordinary activities after tax attributable to members	up 48% to	3,693	2,494
Net profit for the period attributable to members	up 48% to	3,693	2,494
Dividends (distributions)	Amount per security	Franked amount per security	
Interim Dividend	-	-	

**Net tangible asset backing**

The net tangible assets of the company decreased by 40% from \$22.0 million at 31 December 2017 to \$13.3 million at 31 December 2018.

	Current period	Previous corresponding period
Net tangible assets backing per ordinary security (cents)	19.51	32.43

**Dividends**

	Date paid/payable	Amount per security	Franked amount per security at 30% tax
Interim dividend current year	-	-	-
Final dividend previous year	12 Oct 2018	2.50¢	2.50¢
Interim dividend previous year	20 April 2018	2.50¢	2.50¢

GBST Holdings Limited

ABN: 85 010 488 874

Financial Report for the  
Half-Year Ended 31 December 2018

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# 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 half-year ended 31 December 2018 and the review report thereon.

## Directors

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

Name	Period of Directorship
<b>Non-Executive</b>	
Allan Brackin (Chairperson)	Appointed 27 April 2005
Christine Bartlett (Deputy Chairperson)	Appointed 24 June 2015
Deborah Page AM	Appointed 1 July 2016
Tam Vu	Appointed 1 January 2017
<b>Executive</b>	
Robert DeDominicis (Managing Director and Chief Executive Officer)	Appointed 15 December 2015

## Principal activities

The principal activities of GBST during the half-year ended 31 December 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 half-year.

## Review of Operations

For a detailed review of operations for the half-year ended 31 December 2018 refer to the commentary contained in the results presentation and ASX announcement accompanying the release of this financial report. A summary of the results for the half-year compared to the prior corresponding period, and preceding half include:

	1H FY19 \$'000	2H FY18 \$'000	1H FY18 \$'000
<b>Total revenue and other income</b>	<b>43,879</b>	45,522	42,736
<b>Operating EBITDA before strategic R&amp;D<sup>9</sup></b>	<b>5,822</b>	10,563	9,659
<b>Less Strategic R&amp;D<sup>8</sup></b>	<b>(400)</b>	(2,845)	(4,828)
Gross Strategic R&D expenditure <sup>8</sup>	<b>(10,301)</b>	(9,881)	(4,828)
Strategic R&D capitalised <sup>8</sup>	<b>9,901</b>	7,036	-
<b>Operating EBITDA<sup>7</sup></b>	<b>5,422</b>	7,718	4,831
Restructure and other non-operating expenses <sup>6</sup>	-	(100)	(256)
<b>EBITDA<sup>5</sup></b>	<b>5,422</b>	7,618	4,575
<b>EBITDA % margin</b>	<b>12%</b>	17%	11%
Net finance costs	<b>32</b>	243	(123)
Depreciation & operating amortisation <sup>4</sup>	<b>(1,694)</b>	(1,215)	(1,425)
Investment amortisation <sup>3</sup>	<b>(744)</b>	(819)	(1,082)
<b>Profit before income tax</b>	<b>3,016</b>	5,827	1,945
Income tax credit/(expense)	<b>677</b>	(2,072)	549
<b>Statutory Net Profit after income tax</b>	<b>3,693</b>	3,755	2,494
<b>Adjusted NPAT<sup>2</sup></b>	<b>4,437</b>	4,574	3,576
<b>Basic EPS (cents)</b>	<b>5.44</b>	5.53	3.67
<b>Adjusted EPS (cents)<sup>2</sup></b>	<b>6.53</b>	6.73	5.27
<b>Dividends declared per share (cents)</b>	-	2.5	2.5
<b>Cashflow from operations</b>	<b>9,962</b>	5,834	5,366
<b>Cash at Bank</b>	<b>9,597</b>	11,373	14,958

### 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 7 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 7 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 are costs associated with the departure of the former CFO in the previous period.
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.
9. **Operating EBITDA before strategic R&D** is a non-IFRS measure calculated as Operating EBITDA less Strategic R&D expenses.

## Significant changes in state of affairs

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

## Indemnifying Directors and Officers

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

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

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

## 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 six months ended 31 December 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.

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 12th day of February 2019



# 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 review of GBST Holdings Limited for the half-year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Simon Crane  
*Partner*

Brisbane  
12 February 2019



# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year ended 31 December 2018

	Note	31 Dec 2018 \$'000	Restated 31 Dec 2017 <sup>(1)</sup> \$'000
Revenue from licence and support sales <sup>(1)</sup>		31,534	30,175 <sup>(2)</sup>
Revenue from sponsored work <sup>(1)</sup>		11,386	11,917 <sup>(2)</sup>
Revenue from sale of third party product		901	536
<b>Total revenue</b>		<b>43,821</b>	<b>42,628</b>
Other income		58	108
<b>Total revenue and other income</b>		<b>43,879</b>	<b>42,736</b>
Product delivery and support expenses		(36,197)	(36,386) <sup>(3)</sup>
Sales and marketing expenses		(3,195)	(2,875) <sup>(3)</sup>
General and administrative expenses		(1,503)	(1,408) <sup>(3)</sup>
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>2,984</b>	<b>2,068</b>
Finance costs		(17)	(177)
Finance income		49	54
Net finance costs		32	(123)
<b>PROFIT BEFORE INCOME TAX</b>		<b>3,016</b>	<b>1,945</b>
Income tax credit	3	677	549
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>3,693</b>	<b>2,494</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign operations - foreign currency translation differences		327	408
<i>Total items that may be reclassified subsequently to profit or loss</i>		<b>327</b>	<b>408</b>
<b>Other comprehensive profit for the half-year, net of income tax</b>		<b>327</b>	<b>408</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>4,020</b>	<b>2,902</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)		5.44	3.67
Diluted earnings per share (cents)		5.44	3.67

<sup>(1)</sup> The Group has initially applied AASB 15 and AASB 9 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

<sup>(2)</sup> From 1 July 2018, variable support services sales were reclassified for revenue reporting. The 31 December 2017 comparatives have also been updated for this change, resulting in a shift of \$975,000 from Revenue from sponsored work into Revenue from licence and support sales. Total revenues have not changed in either year.

<sup>(3)</sup> Certain operating cost categories and centres have been reclassified this year. Prior year comparatives have been updated to reflect the new reporting classifications.

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

# Consolidated Statement of Financial Position as at 31 December 2018

	Note	31 Dec 2018 \$'000	30 Jun 2018 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		9,597	11,373
Trade and other receivables		16,297	17,153
Contract asset	2	3,380	3,362
Current tax receivables		1,897	2,168
Other assets		3,405	2,450
<b>Total Current Assets</b>		<b>34,576</b>	<b>36,506</b>
<b>NON-CURRENT ASSETS</b>			
Contract asset	2	1,749	1,717
Plant and equipment		4,779	5,498
Intangible assets	5	59,009	50,453
Deferred tax assets		10,650	7,172
Other assets		368	157
<b>Total Non-Current Assets</b>		<b>76,555</b>	<b>64,997</b>
<b>TOTAL ASSETS</b>		<b>111,131</b>	<b>101,503</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		9,710	9,833
Provisions		6,806	7,121
Unearned income		14,203	10,263
<b>Total Current Liabilities</b>		<b>30,719</b>	<b>27,217</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		1,388	1,477
Deferred tax liabilities		4,730	2,168
Provisions		2,033	1,928
<b>Total Non-Current Liabilities</b>		<b>8,151</b>	<b>5,573</b>
<b>TOTAL LIABILITIES</b>		<b>38,870</b>	<b>32,790</b>
<b>NET ASSETS</b>		<b>72,261</b>	<b>68,713</b>
<b>EQUITY</b>			
Issued capital	6	39,473	39,473
Reserves		(3,007)	(3,393)
Retained earnings		35,795	32,633
<b>TOTAL EQUITY</b>		<b>72,261</b>	<b>68,713</b>

<sup>(1)</sup> The Group has initially applied AASB 15 and AASB 9 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

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

## Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2018

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve (a) \$'000	Equity Remuneration Reserve (b) \$'000	Total \$'000
<b>Balance at 30 June 2018, as previously reported</b>	<b>39,473</b>	<b>32,633</b>	<b>(3,433)</b>	<b>40</b>	<b>68,713</b>
Adjustment on adoption of AASB15, net of tax (Note 2)	-	1,167	-	-	1,167
<b>Restated Balance at 1 July 2018</b>	<b>39,473</b>	<b>33,800</b>	<b>(3,433)</b>	<b>40</b>	<b>69,880</b>
<b>Total comprehensive income for the half-year</b>					
Profit for the half-year	-	3,693	-	-	3,693
<b>Other comprehensive income</b>					
Foreign operations - foreign currency translation differences	-	-	327	-	327
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>327</b>	<b>-</b>	<b>327</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR</b>	<b>-</b>	<b>3,693</b>	<b>327</b>	<b>-</b>	<b>4,020</b>
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends paid (Note 4)	-	(1,698)	-	-	(1,698)
Share based payments - performance rights	-	-	-	59	59
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>(1,698)</b>	<b>-</b>	<b>59</b>	<b>(1,639)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>(1,698)</b>	<b>-</b>	<b>59</b>	<b>(1,639)</b>
<b>BALANCE AT 31 DECEMBER 2018</b>	<b>39,473</b>	<b>35,795</b>	<b>(3,106)</b>	<b>99</b>	<b>72,261</b>

(a) The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in 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 Half-Year ended 31 December 2018 (continued)

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve (a) \$'000	Equity Remuneration Reserve (b) \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	39,473	29,563	(4,358)	205	64,883
<b>Total comprehensive income for the half-year</b>					
Profit for the half-year	-	2,494	-	-	2,494
<b>Other comprehensive income</b>					
Foreign operations - foreign currency translation differences	-	-	408	-	408
<b>Total other comprehensive loss</b>	-	-	408	-	408
<b>TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR</b>	-	2,494	408	-	2,902
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends paid (Note 4)	-	(1,698)	-	-	(1,698)
Issuing of ordinary shares - vesting of performance rights	-	217	-	(217)	-
Share based payments - performance rights	-	-	-	12	12
<b>Total contributions by and distributions to owners</b>	-	(1,481)	-	(205)	(1,686)
<b>Total transactions with owners</b>	-	(1,481)	-	(205)	(1,686)
<b>BALANCE AT 31 DECEMBER 2017</b>	39,473	30,576	(3,950)	-	66,099

(a) The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in 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 Half-Year ended 31 December 2018

	Note	31 Dec 2018 \$'000	31 Dec 2017 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		53,591	47,455
Payments to suppliers and employees		(43,236)	(42,218)
Interest income		10	12
Sundry income		55	107
Finance costs paid		(20)	(28)
Income tax paid		(438)	38
Net cash provided by operating activities		9,962	5,366
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of plant and equipment		3	1
Purchase of plant and equipment		(279)	(331)
Purchase of software intangibles		(17)	(83)
Internal development of software intangibles		(9,901)	-
Net cash used in investing activities		(10,194)	(413)
<b>Cash Flows from Financing Activities</b>			
Repayment of finance leases		-	(11)
Repayment of borrowings		-	(109)
Dividends paid	4	(1,698)	(1,698)
Net cash used in financing activities		(1,698)	(1,818)
<b>Net (decrease)/increase in Cash and Cash Equivalents</b>		<b>(1,930)</b>	<b>3,135</b>
Effect of exchange rate fluctuations on cash held		154	95
Cash and cash equivalents at 1 July		11,373	11,728
<b>Cash and cash equivalents at 31 December</b>		<b>9,597</b>	<b>14,958</b>

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

# Notes to and forming part of the Consolidated Half-Year Financial Statements for the Period Ended 31 December 2018

## Note 1: Reporting Entity

GBST Holdings Limited (“GBST” or the “Company”) is the Group’s parent Company. The Company is a public Company limited by shares, incorporated and domiciled in Australia. These consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2018 comprises the Company and its controlled entities (together referred to as the “Group” and individually as the “Group entities”).

It is recommended that these half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2018 and public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2018 are available at [www.gbst.com](http://www.gbst.com) or upon request from the Company’s registered office and the principal place of business at Level 4, West Tower, 410 Ann Street, Brisbane, Queensland.

## Note 2: Basis of Preparation

### Statement of compliance

The consolidated half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting. It does not include full disclosure of the type normally included in annual financial statements.

This is the first set of the Group’s financial statements where AASB 15 and AASB 9 have been applied. Changes to these significant accounting policies are described in Note 2.

This consolidated half-year financial report was authorised for issue in accordance with a resolution of Directors on 12 February 2019.

### Basis of measurement

The consolidated half-year financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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

### 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 half-year financial statements are presented in Australian dollars which is the parent entity’s functional and presentation currency.

## Note 2: Basis of Preparation (continued)

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

### Comparative figures

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

### Use of estimates and judgments

The preparation of the consolidated half-year financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated half-year financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018, except for new significant judgements and key sources of estimation uncertainty related to application of AASB 15 and AASB 9, which are described in this Note.

### Changes in Significant Accounting policies

The Group has initially adopted AASB15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 July 2018.

#### 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.

The Group has assessed the impact on its consolidated financial statements resulting from the application of AASB 9. GBST had no debt instruments and no foreign currency hedging at 30 June 2018 and these positions have not changed over the period to 31 December 2018. Hence the adoption of this standard has had no impact on the financial results of the Company to date.

The Group has also considered the impairment of financial assets at 30 June 2018 and 31 December 2018 under the forward looking 'expected credit loss' model required under AASB9 and there was no impact on the financial results from this assessment.

## Note 2: Basis of Preparation (continued)

### AASB15 Revenue from Contracts with Customers

AASB15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations.

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

- detailed assessments of GBST's products, services and performance obligations, including both revenues and related contract costs; and
- specific evaluations of all incomplete contracts and revenue treatments as at 30 June 2018 and for the half year ended 31 December 2018.

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

### Change in Revenue Recognition

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. As detailed in Note 3 of the June 2018 Financial Statements, the Company's products and services were assessed in detail and the following typical performance obligations and measurement methodologies were identified and have been used in the preparation of these interim financial statements.

Performance Obligation	Revenue Reporting Category	Larger, regulatory dependent products – including Composer, Syn-, Shares and Super Stream	Smaller non-regulatory dependent products – including Unison, Margin Lending, Calculators & Tools
Licence	Revenue from licence and support sales	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. (Note (a))
Maintenance & upgrade services			Over time, on a straight-line basis over the term of the licence. These services are generally chargeable for small products.
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.
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).
Proof of concept services	Revenue from sponsored work	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.
Third Party Product Sales	Revenue from sale of third-party product	Point in time in accordance with third party supplier's costs.	Point in time in accordance with third party supplier's costs.



## Note 2: Basis of Preparation (continued)

Note (a). The only material change to the Company's methodology for recognising revenue upon adoption of AASB15, is in relation to multi-year licence fees for smaller non-regulatory dependent products. For these products, maintenance and upgrade services are not as critical in maintaining the ongoing value of the licence and are generally charged for as used. Accordingly, the licence is distinct from the other support services and will be treated as a separate performance obligation. Revenue from these contracts is recognised at a point in time (generally on commencement of the licence term), rather than on a straight-line basis over the licence term under AASB 118.

### Renaming of Work in Progress

Under previous accounting standards, the value of earned revenue that was not yet due to be invoiced to customers was held on the balance sheet and labelled Work in Progress. Under AASB 15, the same purposed account is referred to as Contract Asset and this name has been adopted in the Statement of Financial Position and other notes from this reporting date.

### Change in contract cost recognition

AASB 15 also prescribes changes in accounting treatment of incremental costs of obtaining contracts. Only certain software sales commission costs incurred by the Company meet this definition and have been capitalised and amortised over the life of the related contract revenues, in accordance with the Standard. In previous years, these costs were written off as incurred.

### Impact on the 31 December 2018 interim financial statements

The Group has adopted AASB 15 using the retrospective cumulative effect method, with the effect of applying the standard from the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2017 has not been restated, but is presented as previously reported.

The following tables summarise the impacts of adopting AASB 15 on the consolidated Group's interim statement of profit or loss for the six months ended 31 December 2018 and interim statement of financial position for each of the line items affected. There was no material impact on the Group's interim statement of cash flows for the period.

#### (a) Reconciliation of opening retained earnings following adoption of AASB 15

	GBST Group 30 Jun 2018 \$'000
Total retained earnings at 30 June 2018 prior to adoption of AASB 15	32,633
<i>Adjustments to opening retained earnings:<sup>(a)</sup></i>	
Capitalisation of contract commission costs	333
Revenue recognition brought forward on smaller product licences	1,232
Movement in deferred tax liability <sup>(a)</sup>	(315)
Movement in deferred tax asset <sup>(a)</sup>	(83)
<b>Increase in retained earnings following adoption of AASB 15</b>	<b>1,167</b>
<b>Total restated retained earnings at 30 June 2018 following adoption of AASB 15</b>	<b>33,800</b>

(a) The adjustment to opening Retained Earnings disclosed in Note 3 of the 30 June 2018 financial statements was estimated as \$1.57m pre-tax. This gross amount is unchanged but has now been tax effected at the relevant jurisdiction's tax rates.

Note 2: Basis of Preparation (continued)

**(b) Impact of AASB 15 on the consolidated statement of profit and loss for the half-year ended 31 December 2018**

	<b>GBST Group 31 Dec 2018 \$'000</b>
Net profit without adoption of AASB15	3,751
<i>Adjustments to profit:</i>	
Revenue from licence and support sales	
- increase due to immediate recognition of full value of small product licence sales	534
- decrease due to small product licenses previously recognised over licence term	(686)
Sales and marketing expenses	
- decrease in commission expenditure due to amounts capitalised under AASB15	178
- increase in commission expenditure due to amortisation of capitalised commission costs	(109)
Decrease in profit before income tax	(83)
Income tax benefit - prima facie decrease in tax expense due to above	25
<b>Decrease in net profit due to adoption of AASB 15</b>	<b>(58)</b>
<b>Profit attributable to members of the parent entity as reported under AASB 15</b>	<b>3,693</b>

Note 2: Basis of Preparation (continued)

c) Impact of AASB 15 on the statement of financial position at 31 December 2018

	GBST Group as reported	Adjustments	Amounts without adoption of AASB 15
	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Contract Asset <sup>(a)</sup>	3,380	(385)	2,995
Current tax receivables	1,897	(25)	1,872
Other assets	3,405	(364)	3,041
<b>Total Current Assets</b>	<b>34,576</b>	<b>(774)</b>	<b>33,802</b>
<b>NON-CURRENT ASSETS</b>			
Contract Asset <sup>(a)</sup>	1,749	(118)	1,631
Deferred tax assets	10,650	83	10,733
Other assets	368	(169)	199
<b>Total Non-Current Assets</b>	<b>76,555</b>	<b>(204)</b>	<b>76,351</b>
<b>TOTAL ASSETS</b>	<b>111,131</b>	<b>(978)</b>	<b>110,153</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9,710	70	9,780
Unearned income	14,203	388	14,591
<b>Total Current Liabilities</b>	<b>30,719</b>	<b>458</b>	<b>31,177</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	4,730	(315)	4,415
<b>Total Non-Current Liabilities</b>	<b>8,151</b>	<b>(315)</b>	<b>7,836</b>
<b>TOTAL LIABILITIES</b>	<b>38,870</b>	<b>143</b>	<b>39,013</b>
<b>NET ASSETS</b>	<b>72,261</b>	<b>(1,121)</b>	<b>71,140</b>
<b>EQUITY</b>			
Reserves	(3,007)	(12)	(3,019)
Retained earnings	35,795	(1,109)	34,685
<b>TOTAL EQUITY</b>	<b>72,261</b>	<b>(1,121)</b>	<b>71,140</b>

(a) In comparative reporting periods, prior to the adoption of AASB 15, Contract Asset was referred to as Work in Progress.  
The Statement of Financial Position has been amended to include this name change.

## Note 2: Basis of Preparation (continued)

### **New Standards and Interpretations not yet adopted**

The following standard, issued but not mandatory for the interim reporting period 31 December 2018, has not been adopted by the Company in preparing these consolidated half-year financial statements.

#### **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.

The Group has assessed 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 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 \$13.998m.

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 3: Income Tax Expense

	GBST Group	
	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit before tax	3,016	1,945
Prima facie tax payable at 30%	905	584
Adjust for tax effect of:		
Research & development expenditure claim	(1,427)	(918)
Tax losses surrendered in relation to tax credit	302	189
Contributions to Employee Share and Option Plan	-	(31)
UK R&D tax credit - current & prior years (1)	(230)	(144)
Over provision in respect of prior years	(103)	(128)
Current half-year losses for which no deferred tax asset was recognised	38	155
Utilisation of deferred tax asset not recognised	(183)	-
Other non-allowable/(deductible) items (net)	178	(8)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(157)	(248)
<b>Income tax credit attributable to entity</b>	<b>(677)</b>	<b>(549)</b>
Weighted average effective tax rates:	<b>(22)%</b>	<b>(28)%</b>

The weighted average effective consolidated tax rate for the half-year ended 31 December 2018 is (22)% (December 2017: (28)%) primarily due to the benefit of Research and Development tax concessions in Australia and the United Kingdom (UK).

(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 half-year ended 31 December 2018.

## Note 4: Dividends

	GBST Group	
	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
<i>Dividend paid in the period:</i>		
2018 final fully franked (at 30%) dividend paid of 2.5 cents per share (December 2017: 2.5 cents per share)	1,698	1,698
<b>Net dividend paid</b>	<b>1,698</b>	<b>1,698</b>

For the period ended 31 December 2018, the Directors have determined not to declare a dividend.

## Note 5: Intangible Assets

	GBST Group	
	31 Dec 2018	30 Jun 2018
	\$'000	\$'000
At Cost		
Software systems	61,366	51,536
Accumulated amortisation	(42,712)	(41,376)
Net carrying value	18,654	10,160
Goodwill	45,986	45,830
Accumulated impairment losses	(5,637)	(5,572)
Net carrying value	40,349	40,258
Leased software at cost	626	626
Accumulated amortisation	(620)	(591)
Net carrying value	6	35
<b>Total intangibles</b>	<b>59,009</b>	<b>50,453</b>

## Impairment Disclosures

At 31 December 2018, the Group considered whether, based on both internal and external sources of information, any of the Group's assets or Cash Generating Units (CGU's) may be impaired. Based on this assessment, possible impairment was indicated for the EMU CGU. As a result, the recoverable amount for the EMU CGU was retested and it was determined that no impairment existed. The annual impairment testing over all CGU's will be performed at 30 June 2019.

## Note 6: Issued Capital

	GBST Group	
	31 Dec 2018	30 Jun 2018
	\$'000	\$'000
Fully paid ordinary shares	39,473	39,473
Issuing of ordinary shares - vesting of performance rights	-	-
	<b>39,473</b>	<b>39,473</b>
<b>Ordinary Shares</b>	<b>No.</b>	<b>No.</b>
Opening balance	67,912,508	67,858,918
Issuing of ordinary shares - vesting of performance rights	-	53,590
	<b>67,912,508</b>	<b>67,912,508</b>

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 performance rights over ordinary shares, see Note 8.

## Note 7: 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.

## Reportable Segments

	Australia				United Kingdom		Rest of the World		Group Expenditure <sup>9</sup>		GBST Group	
	Capital Markets		Wealth Management		Wealth Management		Capital Markets					
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>												
Revenue from licence and support sales	9,724	9,464	6,425	6,224	11,486	10,328	3,899	4,159			31,534	30,175
Revenue from sponsored work	708	680	1,768	781	6,857	8,534	2,053	1,922			11,386	11,917
Revenue from sale of third party product	437	409	4	12	452	115	8	-			901	536
Other income from external customers	10	1	-	-	48	103	-	4			58	108
<b>Total segment revenue</b>	<b>10,879</b>	<b>10,554</b>	<b>8,197</b>	<b>7,017</b>	<b>18,843</b>	<b>19,080</b>	<b>5,960</b>	<b>6,085</b>			<b>43,879</b>	<b>42,736</b>
<b>Operating EBITDA before strategic R&amp;D<sup>8,9</sup></b>	<b>5,724</b>	<b>4,342</b>	<b>2,636</b>	<b>3,374</b>	<b>5,950</b>	<b>7,837</b>	<b>1,508</b>	<b>2,306</b>	<b>(9,996)</b>	<b>(8,200)</b>	<b>5,822</b>	<b>9,659</b>
<b>Less: Strategic R&amp;D<sup>7</sup></b>											<b>(400)</b>	<b>(4,828)</b>
Gross Strategic R&D <sup>7</sup>											<b>(10,301)</b>	<b>(4,828)</b>
Strategic R&D Capitalised <sup>7</sup>											<b>9,901</b>	<b>-</b>
<b>Operating EBITDA<sup>6</sup></b>											<b>5,422</b>	<b>4,831</b>
Restructure & other non-operating expenses <sup>5</sup>											<b>-</b>	<b>(256)</b>
<b>EBITDA<sup>4</sup></b>											<b>5,422</b>	<b>4,575</b>
Net finance income/(costs)											<b>32</b>	<b>(123)</b>
Depreciation & operating amortisation <sup>3</sup>											<b>(1,694)</b>	<b>(1,425)</b>
Investment amortisation <sup>2</sup>											<b>(744)</b>	<b>(1,082)</b>
<b>Profit before income tax</b>											<b>3,016</b>	<b>1,945</b>
<b>Income tax credit</b>											<b>677</b>	<b>549</b>
<b>Profit after income tax</b>											<b>3,693</b>	<b>2,494</b>



## Note 7: 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 are costs associated with the departure of the former CFO in the previous period.
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.
9. At the commencement of FY19, the internal reporting structures were changed with certain group costs moved up into segment direct costs and the residual Group Expenditure no longer allocated to Divisional results. The comparative figures have been updated to reflect this reporting restructure.

### 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 8: Share Based Payments

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

Share based payments entered into in the half-year are detailed below.

### Share Performance Rights

At the Company's 2012 annual general meeting, the GBST Performance Rights and Option Plan was approved by shareholders.

Under the plan, select staff are made individual offers of specific numbers of share performance rights at the discretion of the Board. The Board may determine the number of share performance rights, vesting conditions, vesting period, exercise price and expiry date. Share performance rights may be granted at any time, subject to the *Corporations Act* and ASX Listing Rules.

During the half-year the following movement in performance rights balances occurred:

	Opening Balance	Granted	Forfeited	Exercised	Expired	Closing Balance
25 January 2018	502,642	-	(55,849)	-	-	446,793
<b>Total 31 Dec 2018</b>	<b>502,642</b>	<b>-</b>	<b>(55,849)</b>	<b>-</b>	<b>-</b>	<b>446,793</b>
<hr/>						
<b>Total 31 Dec 2017</b>	<b>582,690</b>	<b>-</b>	<b>(529,100)</b>	<b>(53,590)</b>	<b>-</b>	<b>-</b>

As at reporting date \$37k (Dec 2017: \$11k) was included in share-based payment expense.

### Cashless Exercise Price Option

At the Company's 2018 annual general meeting, the GBST Option Plan was approved by shareholders.

Under the plan, select staff are made individual offers of specific numbers of options at the discretion of the Board. The Board may determine the number of options, vesting conditions, vesting period, exercise price and expiry date. Option rights may be granted at any time, subject to the *Corporations Act* and ASX Listing Rules.

The following share-based payment arrangements existed at 31 December 2018 under the Cashless Exercise Price Option Scheme:

On 18 December 2018, 2,473,243 options were granted to select staff for ordinary shares in GBST at an exercise price of \$2.0162. The options are conditional on the employees meeting continuous service conditions to 30 June 2021 and meeting personal performance ratings.

The fair value of the share performance rights of \$0.315 each at grant date was determined using the Black Sholes Calculation. The model inputs were: the share price at date of grant \$1.50, expected volatility of 43.50 percent, expected dividend yield of 3.33 percent, a term of three years and a risk-free interest rate of 2.05 percent.

The share options lapse on 30 June 2023. All 2,473,243 share options remain outstanding at reporting date.

## Note 8: Share Based Payments (continued)

During the half-year the following movement in option balances occurred:

	Opening Balance	Granted	Forfeited	Exercised	Expired	Closing Balance
18 December 2018	-	2,473,243	-	-	-	2,473,243
<b>Total 31 Dec 2018</b>	-	<b>2,473,243</b>	-	-	-	<b>2,473,243</b>
<hr/>						
<b>Total 31 Dec 2017</b>	-	-	-	-	-	-

As at reporting date \$23k (Dec 2017: nil) was included in share-based payment expense for the cashless options.

## Note 9: 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.

As previously disclosed to the ASX in February 2016, the Company is involved in a dispute for \$2.6m with its former Managing Director and CEO, Stephen Lake, regarding the termination of his employment. The matter proceeded to trial in the Queensland Supreme Court in late 2018, and the Company is awaiting the judgement. On the basis of present information, the Company has made no provision for any loss or damage in relation to this claim.

As at 31 December 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 10: Subsequent Events

No matters or circumstances have arisen since the end of the financial half-year which significantly affect 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 12 February 2019 by the Board of Directors.

# Directors' Declaration

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

- a) the consolidated financial statements and notes set out on pages 7 to 25 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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.

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 12th day of February 2019



# Independent Auditor's Review Report

To the shareholders of GBST Holdings Limited

## Report on the Half-year Financial Report

### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of GBST Holdings Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of GBST Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 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 half-year ended on that date
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises GBST Holdings Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

## Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of GBST Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG

Simon Crane  
Partner

Brisbane  
12 February 2019