GBST | Financial Services Technology

2019 Annual Report

Contents

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 2019 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 Chairman of two ASX listed companies- mining software company RPM Global Holdings Limited (ASX:RUL) appointed November 2011 and Sensera Limited (ASX:SE1) appointed December 2018. He is also Chairman of telecommunications carrier Opticomm Pty Ltd and 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 2019.

Directors' Report continued

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

Robert is a member of the Technology Committee.

Interest in Shares and Options

609,055 Ordinary Shares in GBST Holdings Limited were held by Mr DeDominicis at 30 June 2019.

90,000 Ordinary Shares in GBST Holdings Limited were held by Mr DeDominicis' associated entities at 30 June 2019.

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) appointed December 2014, Sigma Healthcare Limited (ASX:SIG) appointed March 2016, 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 2019.

20,250 Ordinary Shares were held by Ms Bartlett's associated entities at 30 June 2019.

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, manufacturing, 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 Pendal Group Limited (ASX:PDL) appointed April 2014, Brickworks Limited (ASX:BKW) appointed July 2014 and Service Stream Limited (ASX:SSM), appointed September 2010.

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

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

15,250 Ordinary Shares in GBST Holdings Limited were held by Mrs Page at 30 June 2019.

17,250 Ordinary Shares in GBST Holdings Limited were held by Mrs Page's associated entities at 30 June 2019.

Directors' Report continued

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, a member of the Audit, Risk and Compliance Committee for the National Gallery of Victoria and a member of the Risk and Audit Committee for the Environment Protection Authority 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 2019.

Company Secretary

Jillian Bannan
B.Comm/LLB, Grad Dip Legal Practice

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

Directors’ meetings

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

	Board Meetings		Audit and Risk Committee		Nominations and Remuneration Committee		Technology Committee	
Directors	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
A Brackin	24	24	4	4	6	6	-	1*
C Bartlett	24	24	4	4	6	6	5	5
D Page AM	24	23	4	4	-	5*	-	-
T Vu	24	19	-	2*	6	5	5	5
R DeDominicis	24	23	4**	4**	6**	6**	5	4

Note: The Board also has a Disclosure Committee which meets as and when required. No meetings where 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 2019 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 had two strategic business units during the year:

- **Wealth Management**
  In **Australia**, GBST provides its full range of retail wealth and institutional solutions for the wealth management industry. The Company's industry-leading software platform includes GBST Composer, which provides end to end funds administration and management software for the wealth management industry.
  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.
- **Capital Markets**
  In **Australia** 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 **Rest of the World**, the GBST Syn~ platform supports institutional capital markets primarily in Asia and North America.

Operating and financial review

	2HFY19 $'000	1HFY19 $'000	2HFY18 $'000	1HFY18 $'000	FY19 $'000	FY18 $'000
Total revenue and other income	**50,384**	**43,879**	45,522	42,736	**94,263**	88,258
Operating EBITDA before strategic R&D[7,8]	**14,679**	**5,822**	10,563	9,659	**20,501**	20,222
Less Strategic R&D[6]	**(1,078)**	**(400)**	(2,845)	(4,828)	**(1,478)**	(7,673)
Gross Strategic R&D[6]	**(9,051)**	**(10,301)**	(9,881)	(4,828)	**(19,352)**	(14,709)
Strategic R&D Capitalised[6]	**7,973**	**9,901**	7,036	-	**17,874**	7,036
Operating EBITDA[5]	**13,601**	**5,422**	7,718	4,831	**19,023**	12,549
Restructure and other non-operating expenses[4]	**(416)**	-	(100)	(256)	**(416)**	(356)
EBITDA[3]	**13,185**	**5,422**	7,618	4,575	**18,607**	12,193
EBITDA % margin	**26%**	**12%**	17%	11%	**20%**	14%
Net finance (costs)/income	**(377)**	**32**	243	(123)	**(345)**	120
Depreciation & operating amortisation[2]	**(1,852)**	**(1,694)**	(1,215)	(1,425)	**(3,546)**	(2,640)
Investment amortisation[1]	**(19)**	**(744)**	(819)	(1,082)	**(763)**	(1,901)
Profit before income tax	**10,937**	**3,016**	5,827	1,945	**13,953**	7,772
Income tax expense	**(1,932)**	**677**	(2,072)	549	**(1,255)**	(1,523)
Statutory Net Profit after income tax	**9,005**	**3,693**	3,755	2,494	**12,698**	6,249
Adjusted NPAT[9]	**9,024**	**4,437**	4,574	3,576	**13,461**	8,150
Basic EPS (cents)	**13.26**	**5.44**	5.53	3.67	**18.70**	9.20
Adjusted EPS (cents)[9]	**13.29**	**6.53**	6.73	5.27	**19.82**	12.00
Dividends declared per share (cents)	-	-	2.5	2.5	-	5.0
Cashflow from operations	**16,390**	**9,962**	5,834	5,366	**26,352**	11,200
Cash at Bank	**17,889**	**9,597**	11,373	14,958	**17,889**	11,373

Notes

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 3 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.

1. Amortisation of intellectual property acquired through acquisition.
2. Depreciation or amortisation of tangible and software intangible assets used as part of ongoing operating activities of the business.
3. Profit before income tax and before Investment amortisation; Depreciation & operating amortisation; and net finance costs.
4. Costs not considered to be operating in nature and not associated with internal measurement of segment performance, which are reported to allow for the reconciliation between the Group and segment reports and between IFRS and non-IFRS measures.
5. EBITDA before Restructure and other non-operating expenses.
6. 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.
7. Operating EBITDA less Strategic R&D expenses.
8. At the commencement of FY19, the internal reporting structures were changed with certain group information technology 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.
9. Adjusted NPAT is a non-IFRS measure representing profit after income tax plus Investment amortisation. Adjusted NPAT is used in the Adjusted EPS measure.

Financial overview of the performance of the Group

- **Net profit after tax was up 103% to $12.7m during FY19.**
  - Full year Revenue was up 7% in FY19, with second half revenue pleasingly up 15% from the first half
  - Full year Operating EBITDA before strategic R&D was up marginally to $20.5m, with the second half of $14.7m up 150% from the first half on the back of higher revenue, cost reductions, and capitalisation of new product build
  - Full year Strategic R&D expense of $1.5m was down significantly (FY18 $7.7m) after capitalisation of $17.9m in costs in accordance with accounting standards
  - Net finance expense was $345k, compared to net finance income of $120k in the prior year
  - Non-cash investment amortisation costs were 60% lower at $0.8m
  - Income tax expense of $1.3m for the year reflects increased R&D credits and the utilisation of prior year losses not previously recognised in Wealth Management UK. The prior year recorded an income tax expense of $1.5m for the year, primarily reflecting 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
- **Strong operating cash flow of $26.3m (up from $11.2m in FY18).**
- **Balance sheet remains strong with cash on hand of $17.9m and debt free.**
- **Three-year Strategic R&D Program is progressing to plan.**

  The Strategic R&D investment strengthens GBST's solutions, with:
  - The delivery of Catalyst to the foundation client, the infrastructure being used across the Group, and new client opportunities being progressed
  - Total Strategic R&D investment in FY19 of $19.4m (FY18 $14.7m) was under budget, on time and is meeting technical feasibility and progress milestones
  - Total Strategic R&D investment in FY20 is expected to be approximately $23m across the portfolio
  - Costs being expensed or capitalised in accordance with accounting standards (92% capitalised in FY19)
- **No dividend has been declared in FY19.**
- **Growth prospects are promising, including:**
  - The UK Wealth Management business being on a strong growth path
  - The Australian Wealth Management business leveraging the TaxIntell product
  - Australian Capital Markets delivering new projects with a strong pipeline of work with the ASX Chess changes
  - Capital Markets International developing opportunities in Asia and the United States

Shareholder returns

	2015	2016	2017	2018	2019
Profit attributable to the owners of the Company	$15.3m	$9.3m	$7.0m	$6.2m	**$12.7m**
Basic EPS (cents)	22.94	13.82	10.31	9.20	**18.7**
Dividends paid	$6.3m	$7.4m	$6.2m	$3.4m	**$1.7m**
Dividends paid per share (cents)	9.5	11.0	9.2	5.0	-
Closing share price 30 June	$5.73	$4.14	$2.97	$2.12	**$2.96**
Return on capital employed	23.5%	13.6%	8.1%	10.3%	**15.5%**

Directors' Report continued

Review of operating segments of the Group

United Kingdom – Wealth Management

	2HFY19 $'000	1HFY19 $'000	2HFY18 $'000	1HFY18 $'000	FY19 $'000	FY18 $'000
Revenue	**23,467**	**18,795**	20,912	18,977	**42,262**	39,889
Operating EBITDA – before Strategic R&D	**12,468**	**5,950**	8,826	7,837	**18,418**	16,663

Key points

- Continued Revenue growth in FY19 of 6% on FY18 with strong client sponsored work driving the uplift
- New 10-year contract with Canada Life valued at a minimum $50m (AUD)
- Development of new capability to administer Annuities and Bonds will further increase the addressable UK market opportunity by 50% of AUM

UK Wealth Management full year FY19 revenue was up 6% from FY18 while full year operating EBITDA before strategic R&D was up 11% from FY18 reflecting increasing licence revenue in the UK and significant service revenue during the year driven by the completion of a number of large projects, the build of new Annuities products with Canada Life, and the commencement of the Canada Life implementation.

Revenue for the second half was $23.5m, up 25% from the preceding 6 months. Operating EBITDA before strategic R&D of $12.5m was up 110% from the preceding 6 months, reflecting the Canada Life contract win and the Annuities product build.

Client activity

During the year, the Aegon/Cofunds migration completed with the launch of its Platform service for Nationwide, the largest UK Building Society, transferring 300K of clients to Composer and approximately $16bn of assets. Assets and accounts on Composer have continued to increase and GBST remains the dominant technology provider with approximately 40% share of the non-proprietary platform assets under administration.

New Client activity

In June 2019 GBST extended its existing relationship with Retirement Advantage (a subsidiary of Canada Life) to win a new client implementation with Canada Life. This is a 10-year contract and a significant transformation program spanning the next two years. Canada Life plans to migrate 500K of accounts onto the GBST Composer Platform, expanding the product capabilities in the Investment and Retirement segments whilst helping to launch a new retail savings platform for Canada Life.

E-VOLVE Rollout

All UK clients have completed their migration to the new E-VOLVE database. Focus is turning to upgraded functions, with business readiness planning well advanced for the client upgrades in June 2020.

Australia – Wealth Management

	2HFY19 $'000	1HFY19 $'000	2HFY18 $'000	1HFY18 $'000	FY19 $'000	FY18 $'000
Revenue	**9,241**	**8,196**	8,446	7,017	**17,437**	15,463
Operating EBITDA – before Strategic R&D	**3,952**	**2,636**	4,103	3,374	**6,588**	7,477

Key points

- Revenue increased 13% in FY19 largely due to strong client project pipeline lifting client sponsored work 49% on the prior year
- High levels of process and reporting changes driven by the ATO and ASIC increased costs in FY19 which has decreased in the second half of FY19
- E-VOLVE client adoption has commenced
- TaxIntell with major custodian, NAB Asset Servicing

The Australian Wealth Management division recorded a 13% increase in full year revenue driven by increased project activity with key Wealth Management clients and a 12% drop in full year Operating EBITDA before strategic R&D due to growing investment in mandatory regulatory legislation capability during FY19 and E-VOLVE preparation work.

The division recorded a 13% increase in revenue during the second half to $9.2m. Correspondingly, Operating EBITDA before strategic R&D increased 50% in the second half due to strong client project activity with reductions in investment in legislative changes in the second half of FY19.

E-VOLVE Rollout

A key milestone for E-VOLVE was reached during FY19 with GBST releasing the first technology update to the Australian marketplace which was quickly followed with a tier-1 banking client choosing to implement the upgraded technology components. GBST is receiving strong client demand amongst our other Australian clients and is working closely with them, which should see continued activity in FY20.

Strong pipeline of migration work

GBST continues to work closely with another tier-1 banking client on an ongoing program that will see the consolidation of several legacy solutions onto the Composer platform. During FY19 the client successfully completed the first migration and work continues planning for additional migrations during FY20. The result of these migrations will see an increase in licence fees for this client over the next three years.

TaxIntell signs a foundation client

In previous reports GBST mentioned the development of a market leading digital platform for custodians, their clients and tax advisers to collate and validate data from multiple sources to improve the process of lodging the tax return. During FY19 GBST secured our first client on this platform by signing one of Australia's largest custodians (NAB Asset Servicing) to a multi-year deal.

More broadly within GBST's Tax offerings, positive licence fee contributions were realised through previously on-boarded Tax Analyser clients that were won during the previous year.

Directors' Report continued

Australia – Capital Markets

	2HFY19 $'000	1HFY19 $'000	2HFY18 $'000	1HFY18 $'000	FY19 $'000	FY18 $'000
Revenue	**11,511**	**10,871**	10,695	10,552	**22,382**	21,247
Operating EBITDA – before Strategic R&D	**6,051**	**5,724**	5,129	4,342	**11,775**	9,471

Key points

- Revenue growth of 5% in FY19, with a stronger second half as new client wins initiated
- Operating EBITDA grew 24% in the year as operating costs normalised with client support costs decreasing from previous client implementations
- Commencement of ASX Chess upgrade has led to strong pipeline of new activity and client engagements

Client Delivery

A number of domestic client projects were commenced within FY19 including significant enhancements to the GBST Margin Lending solution enabling the GBST client to acquire a significant loan book, the completion of the ANZ Share Invest migration to CMC Markets and the commencement of a migration to the Syn~ ANG platform for a major Investment Bank. Throughout FY19 GBST maintained share of above 60% of the Australian Equity Market trading volume and processed over $1.7 trillion transactions across our platforms, client retention remained at 100% across FY19.

GBST commenced our CHESS replacement program in the 2H of FY19 and are confident a significant pipeline of activity is in place as we assist and guide our clients and prospects through this generational technology change across the Australian Equity Market infrastructure.

GBST continues to drive opportunities across market participants and are confident of expanding our current client base in FY20 whilst pursuing opportunities in adjacent processing segments.

Rest of the World – Capital Markets

	2HFY19 $'000	1HFY19 $'000	2HFY18 $'000	1HFY18 $'000	FY19 $'000	FY18 $'000
Revenue	**6,059**	**5,959**	5,392	6,081	**12,018**	11,473
Operating EBITDA – before Strategic R&D	**1,731**	**1,508**	1,646	2,306	**3,239**	3,952

Key points

- Revenue increased 5% whist Operating EBITDA decreased 18% for the year, however 2H Operating EBITDA was 15% higher than 1H
- Operating EBITDA was impacted by increased project costs associated with the implementation of Syn~ TAC for a global Investment Bank, support costs and investment in pre-sales activity

Client Delivery

Capital Markets International delivery experienced three major outcomes in FY19 including the go live of Syn~ Custody for Wing Lung Bank in Hong Kong, whilst a major Global Investment Bank migrated their APAC Markets activity to the Syn~ platform. We commenced and delivered the initial Phase of an implementation of Syn~ TAC for a global Investment Bank whilst Phase Two is due to complete in the 1HFY20. Post go-live support and activity has reduced and is not expected to have an impact on the FY20 results. The Asian sales pipeline remains positive with a number of final stage opportunities expected to finalise in the 1HFY20.

Our relationship with SBI BITS in Japan continues and we expect Phase One delivery of a Stock Borrow solution to go live in the 1HFY20 whilst SBI BITS continues to develop a full back office capability on the Syn~ platform in line with the project timelines. Our North American pipeline has improved throughout FY19 whilst we continue to invest in our distribution partnerships for North America. GBST expects continued license fee revenue improvement in FY20 as the full year impact of a number of activities completed in FY19 are consumed.

Financial position

Net assets increased by $12.8m to $81.5m (June 2018: $68.7m).

Factors driving this were:

- an increase in strategic R&D spend of $4.6m to $19.4m from $14.7m at 30 June 2018, of which $17.9m was capitalised as intangible assets (June 2018: $7.0m); and
- no dividend was declared during the year (June 2018: $3.4m).

Current assets exceeded current liabilities by $8.4m (June 2018: $9.3m).

GBST's cash position was $17.9m at 30 June 2019 (June 2018: $11.4m).

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 is 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.

Directors' Report continued

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.	GBST's staff are critical in managing this area of risk. GBST is focused on the hiring, retention and training of its staff of dedicated professionals that are essential to the long-term success of the business. 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. 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. Internal systems and processes continue to be developed and enhanced to manage execution risk.
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.	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. 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.

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 has developed, and continues to improve, its systems and processes for 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 been implemented to improve GBST's ability to meet variability in customer demand levels by being able 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: • succession planning for key staff; • identifying key person risk and adjusting training and development plans for other staff to reduce the key person reliance; • shared key resources and information repositories that reduce reliance on knowledge within individual staff; and • retention scheme due to heightened risk of recent corporate activity.
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: • company-wide education, training and testing on an on-going basis; • regular independent audits to ensure compliance with relevant information security standards; • active management of software currency and threat prevention measures; • external information security expertise including CISO (Chief Information Security Officer) function actively manages this risk.
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 2018 financial year was paid on 12 October 2018, as declared in the financial report for the year ended 30 June 2018.

No dividend has been declared for FY19.

Significant changes in state of affairs

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

On 29 July 2019, GBST entered into a binding Scheme Implementation Deed with Kiwi HoldCo CayCo, Ltd (the group holding company of the FNZ group) under which it is proposed that FNZ will acquire 100% of the shares in GBST by way of a Scheme of Arrangement at a consideration of $3.85 cash per share. The Scheme is subject to limited conditionality and is not subject to financing or due diligence. It is anticipated that a Scheme Booklet in relation to the proposed Scheme will be sent to GBST shareholders in September 2019 and that GBST shareholders will meet to vote on the scheme in October 2019.

Other than noted above, 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 FY20, the third year of the program, GBST expects to spend approximately $6m on the Strategic R&D program. A further $17m is anticipated to be spent on the Annuities/Bonds product build, ASX chess upgrade program and other strategic R&D.

Environmental issues

There are no significant environmental regulations applying to the Group.

Performance rights and Options

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 2019 are as follows:

Grant Date	Exercise Date	Exercise Price	Number
25.01.18	28.02.21	$0.00	279,246

The number of options over ordinary shares outstanding at 30 June 2019 are as follows:

Grant Date	Exercise Date	Exercise Price	Number
18.12.18	30.06.21	$2.0162	1,887,740

On 15 July 2019, 1,694,003 options were granted to select staff for ordinary shares in GBST at an exercise price of $2.12[1]. The options are conditional on the employees meeting continuous service and performance conditions to 30 June 2022. No further shares or employee performance rights or options 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.

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 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 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	$119,837

1. an appropriate value utilising an undisturbed share price in order to eliminate the impact of recent bid activity.

Directors' Report continued

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 2019.

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 2019 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 FY19 and into FY20
d. Overview of GBST's Remuneration Governance Framework & Strategy
e. Outcomes for FY19 Including STI and LTI Assessment
f. Analysis of variable remuneration outcomes
g. Changes in KMP Held Equity
h. Remuneration Records for FY19 – 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 2019, outlining the nature and amount of remuneration for GBST's Non-Executive Directors and other Key Management Personnel ("KMP").

In developing this year's Remuneration Report the Board has carefully considered the feedback from our shareholders and have 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 at GBST, 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 designed 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.

FY18 was a year of review and change for the remuneration practices at GBST and FY19 saw the implementation of these changes. Of significant note has been the prospect of a change-of control of the Company, and the Board has had to take some action on KMP remuneration matters in relation to this circumstance. On 29 July 2019, GBST entered into a binding Scheme Implementation Deed with Kiwi HoldCo CayCo, Ltd (the group holding company of the FNZ group) under which it is proposed that FNZ will acquire 100% of the shares in GBST. If this expected change of control does not occur, the Board will, over the course of FY20 and likely into FY21, 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 FY19, the Board is satisfied the outcomes for remuneration in relation to FY19 demonstrates an appropriate link between performance and reward, in respect of the Executive KMP of the Company.

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 and would like to thank you for your continued support.

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 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 (NED), 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
Allan Brackin	Director (Non-Executive Chair) (Independent)
Christine Bartlett	Director (Non-Executive Deputy Chair) (Independent)
Deborah Page AM	Director (Independent)
Tam Vu	Director (Independent)
Robert DeDominicis	Director (Managing Director and Chief Executive Officer)
Denis Orrock	Head of Asia Pacific
David Simpson	Head of EMEA
Matthew Walton	Chief Financial Officer (commenced 15 October 2018)
Gareth Turner	Chief Financial Officer (resigned 26 October 2018)
Mark Knowlton	Chief Technology Officer (resigned 15 April 2019)

(c) Context of and Changes to KMP Remuneration for FY19 and into FY20

The KMP remuneration structures that appear in this report are those that prevailed over FY19, 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 the previous year.

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.

During FY19 the following KMP remuneration related matters were identified for consideration and/or action during the reporting period and into FY20:

- The prospect of a change of control has been a key consideration for the governance of KMP remuneration in the second half of FY19.
- During FY19 opportunities to improve remuneration disclosure were identified by the Board. Considerations and action in response should be evident from this report.
- New variable remuneration plans were successfully implemented in FY19 in accordance with the decisions made during FY18 – both short and long term plans were replaced.
- 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.
- No new changes to remuneration arrangements for executives have been determined or made, other than in respect of the FY20 LTI grant opportunity in response to the threat of a change of control. As these options were granted after period end they do not impact current period disclosures. The Board has determined that no additional remuneration will be offered to executives in respect of the change of control, as the recently developed LTI plan using Cashless

Exercise Price Options (CEPOs) has been appropriately designed to create a retention incentive in the case of a change of control. While the Board would usually make grants of CEPOs/LTI following the receipt of shareholder approval in respect of the Managing Director, the current threat of a change of control has made it necessary to make the grants of FY20 CEPOs/LTI close to the start of the financial year in order to have the desired retention effect. Therefore, the grant to the Managing Director has been adjusted to ensure that it relates to on-market purchases only, as required by the ASX Listing Rules (when shareholder approval is not obtained). In addition, the Exercise Price for the CEPOs has been set based on an independent expert assessment of the share price without a takeover premium, as if the current Share Price was used, and the change of control did not occur, the CEPOs would likely have no value (i.e. effectively nil LTI for FY20). The Board trusts that shareholders will understand the need for this one-off, exceptional change to the usual LTI governance processes.

(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,
- Nomination and Remuneration 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.

Nomination and Remuneration Committee Charter

The Nomination and Remuneration Committee Charter (the Charter - https://www.gbst.com/wp-content/uploads/2017/01/Corporate-Governance-Charter-GBST-Holdings-Limited-2012.pdf) governs the operation of the Nomination and 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 remuneration 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.

Directors' Report continued

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 incentive and downside risk based on performance against annual objectives,
  - Long-term variable remuneration which provides both upside incentive and downside risk 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 creates a continuous improvement framework (overlapping Measurement Periods), and
  - In total the sum of the elements will constitute a total remuneration package (TRP, which includes base package and incentives).
- Both internal relativities and external market factors should be considered in benchmarking a role,
- TRPs 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 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 earnings should exceed P75, but be designed to be rarely achieved,
- The Board believes Senior Executives (other than the CEO) should receive a similar mix of remuneration (Base Package relative to STI and LTI) to ensure 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 FY19 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 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 operates a formal Short-Term Incentive Plan (STIP) as part of the remuneration offered to Senior Executives 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 is the financial year of the Company, which is considered short-term,
- The STIP is outcome focused rather than input focused, and while an individual performance component may be present, rewards are linked to indicators of shareholder value creation, and
- The Board retains discretion to adjust actual awards to manage circumstances in which the calculated award may be considered inappropriate.

Defining Target and Stretch for Variable Short-Term Incentive Remuneration

In relation to the design, implementation and operation of short-term variable remuneration there is a range of performance and reward outcomes identified and defined. These are 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".

Long-Term Incentive Policy

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

- The Company operates a formal Long-Term Incentive Plan (LTIP) as part of the remuneration offered to Senior Executives 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 to manage circumstances in which the calculated vesting may be considered inappropriate.

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.

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

FY19 STIP

Short-Term Incentive Plan (STIP)

Aspect	Plan, Offers and Comments
Purpose	The STI Plan's purpose is to: • provide an element of a market competitive remuneration package for Senior Executives in accordance with the executive remuneration policy, and align with market practices, • 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 • 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 was 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 had 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 Target and Stretch presented elsewhere in this document when assessing incentive practices and comparing them to those in other companies.

Short-Term Incentive Plan (STIP)

Aspect	Plan, Offers and Comments

Key Performance Indicators (KPIs), Weighting and Performance Goals

Under the STI plan, Executives are allocated a weighting in respect of each of the following key performance indicators (KPIs) and linked to the Company's strategy and business plans in a mix appropriate to the level and type of role:

- 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 applied to all KPIs for FY19 (see below). Financial targets are set with reference to the annual budget for the financial year.

Strategic R&D has been excluded from the financial assessment 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%
Achieved expectations	50% & ≤100%
Exceeded expectations	75% & ≤150%
Significantly exceeded expectations	>200%

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.

Short-Term Incentive Plan (STIP)

Aspect	Plan, Offers and Comments
Gate	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 applied to all KPIs under the FY19 STIP Offers: • Exceed Group Operating EBITDA, and • Individual performance rating must be at "Achieved Expectations" or better.
Award Determination and Payment	Calculations are performed following the end of the Measurement Period and the auditing of Company accounts. Awards will generally be paid in cash in 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 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	In the event of cessation of employment classified as "Bad Leaver" all entitlements in relation to the Measurement Period are forfeited. Bad Leaver includes: • dismissal for cause, or • resignation, unless the Board exercises its discretion to classify the resignation as "Good Leaver". 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.
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 by 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) – Cashless Exercise Price Option (CEPO)

Long-Term Incentive Plan (LTIP)

Aspect	Plan, Rules, Invitations and Comments
Purpose	The LTI Plan's purpose is expected to: • 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, to improve alignment with shareholders beyond the Measurement Period of the LTI.
Form of Equity	The FY19 LTIP is based on grants of CEPOs, which are subject to a service-related vesting condition with a notional exercise price related to the VWAP applicable to the Company's shares around the time of the grant calculation. In addition to the service requirement, an LTI recipient will also need to achieve an individual performance rating of "Achieved Expectations" throughout the period before any LTI grant will vest. The CEPOs 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 CEPO to be aggregated across the exercised CEPOs 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 Options, simplified administration, and ensure the CEPOs are considered indeterminate for tax purposes. The Shares resulting from the exercising of CEPOs may be issued or acquired on-market, at the Board's discretion. No dividends accrue to unvested CEPOs, they are not entitled to new share issues, and no voting rights are attached.
LTI Value	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 CEPOs 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. For FY19 the MD/CEO was granted CEPOs with a Target value equivalent to 60% of Base Package. Other Senior Executives were granted CEPOs with a Target value equivalent to 40% to 50% of Base Package. There is no stretch component to the LTI due to them having binary vesting conditions (either achieved or not achieved). The number of LTI CEPOs granted is calculated with reference to the Target LTI, divided by the fair value (valued as ignoring vesting conditions). The fair value per CEPO will be calculated using a Black Scholes model. For a CEPO, the fair value and face value are equal at grant date.
Measurement Period	The Measurement Period includes three financial years unless otherwise determined by the Board (which would only apply in exceptional circumstances). In respect of the FY19 grant, the Measurement Period is from 1 July 2018 to 30 June 2021. Three-year Measurement Periods combined with annual grants 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.

Long-Term Incentive Plan (LTIP)

Aspect	Plan, Rules, Invitations and Comments
Vesting Conditions	The Board has discretion to set vesting conditions for each Invitation. The vesting conditions must be satisfied for CEPOs to vest, and CEPOs that do not vest will lapse automatically if there is no further opportunity for them to vest. The FY19 Invitations include a three-year service condition on the CEPOs such that the executive must remain employed at the end of the Measurement Period in order for the CEPOs to vest (subject to termination of employment clauses, see below). The exercise price of a CEPO serves as an inbuilt performance condition, in that Participants will not receive a benefit from the CEPO 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.
Retesting	There is no retesting applicable to grants of CEPOs.
Plan Gate & Board Discretion	CEPOs have an individual performance gate assessment of "achieved expectations" or better. 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 CEPOs	No amount is payable by participants for CEPOs. The target value of CEPOs is included in assessments of remuneration benchmarking and policy positioning. This is standard market practice and consistent with the nature of CEPOs.
Exercise of Vested CEPOs	Participants will be required to submit an Exercise Notice to convert the CEPOs to Shares. Under the FY19 Invitations CEPOs have an exercise price equal to the share price, as at grant date as at the time of the grant calculation (assessed via VWAP). CEPOs that are not exercised after 2 years following vesting, will lapse automatically. The CEPOs 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 CEPOs they exercise. This produces an outcome that is less dilutive than traditional Options. Exercised CEPOs 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.
Disposal Restrictions etc.	CEPOs may not be disposed of or otherwise dealt with while they remain CEPOs i.e. prior to exercise. All shares acquired by Participants as a consequence of exercising vested CEPOs, 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: 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	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 CEPOs will lapse at termination. In other cases, (Good Leaver) unless the Board determines otherwise, unvested CEPOs 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.

Long-Term Incentive Plan (LTIP)

Aspect	Plan, Rules, Invitations and Comments
Claw back/Malus	If the Board forms the view that a Participant has committed fraud, defalcation or gross misconduct in relation to the Company then all CEPOs 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 CEPOs 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
Change of Control of the Company	Unless otherwise determined by the Board, in the event of a Change of Control (CoC) including a takeover, CEPOs will vest in full. While this practice is not appropriate in the case of Rights, in the case of CEPOs 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 CEPOs are unlikely to deliver any value.

On 15 July 2019, 1,228,441 options were granted to KMP for ordinary shares in GBST at an exercise price of $2.12[2]. The options are conditional on the employees meeting continuous services and performance conditions to 30 June 2022. No further shares or performance rights or options have been issued up to the date of this report.

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

Performance rights are issued under the Company's LTI Plan approved at the Company's 2012 Annual General Meeting. 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.

The 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) 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.

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

2. an appropriate value utilising an undisturbed share price in order to eliminate the impact of recent bid activity.

Grant Date	Financial Performance hurdle
25 January 2018	Cumulative Before Interest, Tax, Depreciation, Amortisation and Strategic R&D (Operating EBITDA before strategic R&D) Target • Subject to GBST achieving an Operating EBITDA before strategic R&D for FY18 of at least $20,000,000. • The targets and respective % are:

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%

Service Condition

- Continuous employment with the Group from grant date for three years.

(e) Outcomes for FY19 Including STI and LTI Assessment

Company Performance

The following outlines the performance of the Company over the FY19 period and the previous 4 financial years in accordance with the requirements of the Corporations Act:

	2015	2016	2017	2018	2019
EBITDA	$24.5m	$17.2m	$12.0m	$12.2m	$18.6m
Year on Year Growth	20%	(30)%	(30)%	2%	**53%**
Net profit before tax	$17.3m	$9.1m	$5.0m	$7.8m	$14.0m
Year on Year Growth	44%	(48)%	(45)%	55%	**80%**
Net profit after tax	$15.3m	$9.3m	$7.0m	$6.2m	$12.7
Year on Year Growth	52%	(39)%	(25)%	(11)%	**103%**
Basic EPS (cents)	22.94	13.82	10.3	9.2	18.7
Year on Year Growth	52%	(39)%	(25)%	(11)%	**103%**
Closing share price	$5.73	$4.14	$2.97	$2.12	$2.96
Dividends paid (cents per share)	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 comprised 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 variable remuneration outcomes

The Board has assessed the KPI's and found the opening gate threshold based on EBITDA before strategic R&D has been met. However, the Board has exercised its discretion to lower the payment to KMP. This recognises the impact of software capitalisation arising from a significant client funded project.

Details of the short-term incentive cash bonuses awarded as remuneration following the end of the financial year to Key Management Personnel are set out below:

Short-term incentive bonus(i)

2019	Amount $	Awarded %	Forfeited(ii) %
R DeDominicis	120,000	50	50
D Orrock	45,000	30	70
D Simpson	80,000	45	55
M Walton *	85,000	57	43
G Turner **	0	0	100
M Knowlton ***	0	0	100
TOTAL	**330,000**		

(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 2 August 2019.

(ii) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

* M Walton commenced in role 15 October 2018

** G Turner resigned 26 October 2018

*** M Knowlton resigned 15 April 2019

(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.

2019	Balance at 01/07/18	Received as Compensation	Performance Rights & Options Exercised	Net Change Other[i]	Balance on Resignation/ Restructure	Balance at 30/06/19
Directors						
A Brackin	260,000	-	-	-	-	260,000
C Bartlett	25,000	-	-	-	-	25,000
D Page	26,500	-	-	6,000	-	32,500
T Vu	5,464	-	-	-	-	5,464
R DeDominicis	699,055	-	-	-	-	699,055
TOTAL DIRECTORS	1,016,019	-	-	6,000	-	1,022,019
Executives						
D Orrock	12,560	-	-	-	-	12,560
D Simpson	-	-	-	-	-	-
M Walton	-	-	-	-	-	-
G Turner*	-	-	-	-	-	-
M Knowlton**	-	-	-	-	-	-
TOTAL EXECUTIVES	12,560	-	-	-	-	12,560
GROUP TOTAL	1,028,579	-	-	6,000	-	1,034,579

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

* G Turner resigned 26 October 2018

** M Knowlton resigned 15 April 2019

Changes in KMP Held Equity (continued)

Equity instruments of Key Management Personnel

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

	Instruments issued	Number of instruments 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	CEPO	597,114	18.12.2018	-	-	2021	188,091
Executives							
D Orrock	CEPO	311,826	18.12.2018	-	-	2021	98,225
D Orrock	Performance Right	83,774	25.01.18	-	-	2021	185,141
D Simpson	CEPO	345,196	18.12.2018	-	-	2021	108,737
D Simpson	Performance Right	83,774	25.01.18	-	-	2021	185,141
M Walton	CEPO	281,970	18.12.2018	-	-	2021	88,821
G Turner *	Performance Right	55,849	25.01.18	-	100	2021	-
M Knowlton**	CEPO	373,196	18.12.2018	-	100	2021	-
M Knowlton**	Performance Right	111,698	25.01.18	-	100	2021	-

* G Turner resigned 26 October 2018

** M Knowlton resigned 15 April 2019

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.

2019	Balance 01/07/18	Granted as Compensation	Performance rights Exercised or Sold	Performance rights Cancelled/ Forfeited/ Lapsed/ Restructure	Balance 30/06/19	Total Vested at 30/06/19	Total Unvested and Unexercisable at 30/06/19
Directors							
R DeDominicis	-	-	-	-	-	-	-
TOTAL DIRECTORS	-	-	-	-	-	-	-
Executives							
D Orrock	83,774	-	-	-	83,774	-	83,774
D Simpson	83,774	-	-	-	83,774	-	83,774
M Walton	-	-	-	-	-	-	-
G Turner*	55,849	-	-	(55,849)	-	-	-
M Knowlton**	111,698	-	-	(111,698)	-	-	-
TOTAL EXECUTIVES	**335,095**	-	-	**167,547**	**167,548**	-	**167,548**
GROUP TOTAL	**335,095**	-	-	**167,547**	**167,548**	-	**167,548**

* G Turner resigned 26 October 2018

** M Knowlton resigned 15 April 2019

Details of all performance rights are set out in Note 26 in the financial statements

Changes in KMP Held Equity (continued)

Cashless Exercise Option Plan (CEPOs) of Key Management Personnel

Details of CEPOs on issue as compensation to each key management person during the reporting period and details of vesting date:

2019	Number of CEPOs issued during 2018-19#	Grant Date	Fair value per CEPO at grant date	Exercise price per CEPO	Expiry date	Number of CEPOs vested during 2018-2019	Vesting Date
Directors							
R DeDominicis	597,114	18 December 2018	$0.315	$2.0162	30 June 2023	-	30 June 2021
TOTAL DIRECTORS	**597,114**						
Executives							
D Orrock	311,826	18 December 2018	$0.315	$2.0162	30 June 2023	-	30 June 2021
D Simpson	345,196	18 December 2018	$0.315	$2.0162	30 June 2023	-	30 June 2021
M Walton	281,970	18 December 2018	$0.315	$2.0162	30 June 2023	-	30 June 2021
M Knowlton(i)	373,196	18 December 2018	$0.315	$2.0162	30 June 2023	-	30 June 2021
TOTAL EXECUTIVES	**1,312,188**						
GROUP TOTAL	**1,909,302**						

(i) Options issued to M Knowlton lapsed on resignation - 15 April 2019.

There were no CEPOs issued during FY2018.

Details of CEPOs are set out in Note 26 in the financial statements.

(h) Remuneration Records for FY19 – 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:

		Short-Term Benefits		Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits	Share-Based Payment			
2019	**Base Salary & Fees**	**Bonus**	**Other**	**Super-annuation**			**Performance Rights & CEPOs FY19 Expense**	**Total Remuneration**	**Equity Based**	**Performance Related**
	$	$(i)	$(ii)	$	$	$(iii)	$(iv)	$	%	%
Directors										
A Brackin	135,000	-	-	-	-	-	-	135,000	-	-
C Bartlett	82,192	-	-	7,808	-	-	-	90,000	-	-
D Page	82,192	-	-	7,808	-	-	-	90,000	-	-
T Vu	82,192	-	-	7,808	-	-	-	90,000	-	-
R DeDominicis	579,951	120,000	583	20,531	-	34,370	39,609	795,044	5.0	23.0
TOTAL DIRECTORS	**961,257**	**120,000**	**583**	**43,955**	**-**	**34,370**	**39,609**	**1,200,044**		
Executives										
D Orrock	355,201	45,000	2,693	20,531	-	6,836	36,099	466,360	7.7	17.4
D Simpson	416,321	80,000	-	31,979	-	-	38,312	566,612	6.8	20.9
M Walton (appointed 15/10/18)	243,952	85,000	-	15,399	-	-	18,704	363,055	5.2	28.6
G Turner (resigned 26/10/18)	110,618	-	-	7,243	-	-	(4,420)	113,441	(3.9)	(3.9)
M Knowlton (resigned 15/04/19)	286,634	-	-	15,399	51,815	5,788	(8,840)	350,796	(2.5)	(2.5)
TOTAL EXECUTIVES	**1,412,726**	**210,000**	**2,693**	**90,551**	**51,815**	**12,624**	**79,855**	**1,860,264**		
GROUP TOTAL	**2,374,253**	**330,000**	**3,276**	**134,506**	**51,815**	**46,994**	**119,464**	**3,060,308**		

(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 and CEPOs 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 FY18 – 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 standards was as follows:

		Short-Term Benefits		Post-Employment Benefits	Termination Benefits	Other Long-Term Benefits	Share-Based Payment			
2018	Base Salary & Fees $	Bonus $(i)	Other $(ii)	Super-annuation $	$	$(iii)	Performance Rights FY18 Expense $(iv)	Total Remuneration $	Equity Based %	Performance Related %
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.

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

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

				Period of Notice	
Name	**Position Held at Close of FY19**	**Employing Company**	**Duration of Contract**	**From Company**	**From KMP**
Mr. R. DeDominicis	Chief Executive Officer and Managing Director	GBST Holdings Limited	Continuing basis	6 months	6 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
Mr. M. Walton [(1)]	Chief Financial Officer	GBST Holdings Limited	Continuing basis	3 months	3 months
Mr. G. Turner [(2)]	Chief Financial Officer	GBST Holdings Limited	Continuing basis	3 months	3 months
Mr. M. Knowlton [(3)]	Chief Technology Officer	GBST Holdings Limited	Continuing basis	3 months	3 months

(1) In the event of corporate activity and the role being made redundant, M Walton's Company notice period is 6 months

(2) G Turner resigned 26 October 2018.

(3) M Knowlton resigned 15 April 2019

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

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	Drafting notice of meeting resolutions.	$6,000
Group Pty Limited	Draft STI plan documents and Annual Report Remuneration Report.	$24,000
	Drafting Rights plan documentation	$15,000

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 13 day of August 2019

Auditor's Independence Declaration

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 2019 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
13 August 2019

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year ended 30 June 2019

	Note	30 Jun 2019 $'000	30 Jun 2018 $'000
Revenue from licence and support sales		**64,000**	62,092
Revenue from sponsored work		**28,372**	24,853
Revenue from sale of third party product		**1,727**	1,127
Total revenue	1	**94,099**	88,072
Other income		**164**	186
Total revenue and other income		**94,263**	88,258
Product delivery and support expenses	2	**(70,048)**	(71,518)
Sales and marketing expenses	2	**(5,242)**	(5,767)
General and administrative expenses	2	**(4,675)**	(3,321)
RESULTS FROM OPERATING ACTIVITIES		**14,298**	7,652
Finance costs	2(d)	**(394)**	(8)
Finance income	2(e)	**49**	128
Net finance income/(costs)		**(345)**	120
Profit before income tax	3	**13,953**	7,772
Income tax expense	4	**(1,255)**	(1,523)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**12,698**	6,249
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		**420**	925
Total items that may be reclassified subsequently to profit or loss		**420**	925
Other comprehensive income for the year, net of income tax		**420**	925
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**13,118**	7,174
Earnings per share			
Basic earnings per share (cents)	5	**18.70**	9.20
Diluted earnings per share (cents)	5	**18.70**	9.20

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

Consolidated Statement of Financial Position as at 30 June 2019

	Note	30 Jun 2019 $'000	30 Jun 2018 $'000
Current assets			
Cash and cash equivalents	6	**17,889**	11,373
Trade and other receivables	7	**12,995**	17,153
Contract assets	8	**7,515**	3,362
Current tax receivables	4	**965**	2,168
Other assets	11	**4,330**	2,450
Total Current Assets		**43,694**	36,506
Non-current assets			
Contract assets	8	**2,077**	1,717
Plant and equipment	9	**4,078**	5,498
Intangible assets	10	**65,932**	50,453
Deferred tax assets	4	**10,893**	7,172
Other assets	11	**893**	157
Total Non-Current Assets		**83,873**	64,997
TOTAL ASSETS		**127,567**	101,503
Current liabilities			
Trade and other payables	12	**9,050**	9,833
Provisions	13	**7,339**	7,121
Unearned income	14	**18,874**	10,263
Total Current Liabilities		**35,263**	27,217
Non-current liabilities			
Trade and other payables	12	**1,942**	1,477
Deferred tax liabilities	4	**6,910**	2,168
Provisions	13	**1,993**	1,928
Total Non-Current Liabilities		**10,845**	5,573
TOTAL LIABILITIES		**46,108**	32,790
NET ASSETS		**81,459**	68,713
Equity			
Issued capital	15	**39,473**	39,473
Reserves	16	**(2,814)**	(3,393)
Retained earnings		**44,800**	32,633
TOTAL EQUITY		**81,459**	68,713

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2019

	Issued Capital $'000	Retained Earnings $'000	Foreign Currency Translation Reserve $'000	Equity Remuneration Reserve $'000	Total $'000
Balance at 30 June 2018, as previously reported	**39,473**	**32,633**	**(3,433)**	**40**	**68,713**
Adjustment on adoption of AASB15, net of tax (Note 28)	-	1,167	-	-	1,167
Restated Balance at 1 July 2018	**39,473**	**33,800**	**(3,433)**	**40**	**69,880**
Total comprehensive income for the year					
Profit for the year	-	12,698	-	-	**12,698**
Other comprehensive income					
Foreign operations - foreign currency translation differences	-	-	420	-	**420**
Total other comprehensive loss	**-**	**-**	**420**	**-**	**420**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**12,698**	**420**	**-**	**13,118**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends paid (Note 17)	-	(1,698)	-	-	**(1,698)**
Share based payments - performance rights [(a)]	-	-	-	159	**159**
Total contributions by and distributions to owners	-	**(1,698)**	**-**	**159**	**(1,539)**
Total transactions with owners	**-**	**(1,698)**	**-**	**159**	**(1,539)**
BALANCE AT 30 JUNE 2019	**39,473**	**44,800**	**(3,013)**	**199**	**81,459**

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2019 (continued)

	Issued Capital $'000	Retained Earnings $'000	Foreign Currency Translation Reserve $'000	Equity Remuneration Reserve $'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 17)	-	(3,396)	-	-	(3,396)
Share based payments - performance rights [(a)]	-	-	-	52	52
Issuing of ordinary shares - vesting of employee performance rights	-	217	-	(217)	-
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 share based payment transaction recognised on valuation of employee options/performance rights, which is recognised over the vesting period. The movement from equity remuneration reserve to retained earnings represents the grant date valuation of employee options/performance rights granted that have vested or forfeited during the year.

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

Consolidated Statement of Cash Flows for the Year ended 30 June 2019

	Note	30 Jun 2019 $'000	30 Jun 2018 $'000
Cash Flows from Operating Activities			
Receipts from customers		**111,270**	91,569
Payments to suppliers and employees		**(85,113)**	(80,379)
Interest income		**30**	128
Sundry income		**161**	183
Finance costs paid		**(175)**	(59)
Income tax paid		**179**	(242)
Net cash provided by operating activities	6(a)	**26,352**	11,200
Cash Flows from Investing Activities			
Proceeds from sale of plant and equipment		**3**	3
Purchase of plant and equipment		**(373)**	(950)
Purchase of software intangibles		**(17,938)**	(7,283)
Net cash used in investing activities		**(18,308)**	(8,230)
Cash Flows from Financing Activities			
Repayment of finance leases		**-**	(76)
Repayment of borrowings		**-**	(176)
Dividends paid	17	**(1,698)**	(3,396)
Net cash used in financing activities		**(1,698)**	(3,648)
Net increase in Cash and Cash Equivalents		**6,346**	(678)
Effect of exchange rate fluctuations on cash held		**170**	323
Cash and cash equivalents at 1 July		**11,373**	11,728
Cash and cash equivalents at 30 June	6(b)	**17,889**	11,373

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

Notes to and forming part of the Consolidated Financial Statements for the Year Ended 30 June 2019

General information

GBST Holdings Limited ("GBST" or the "Company") is the Group's parent Company, a public for profit Company limited by shares, incorporated and domiciled in Australia. The Company's registered office and principal place of business is Level 4, West Tower, 410 Ann Street, Brisbane, Queensland. The nature of the principal activities of the Company and its controlled entities (the Group) are described in the Segment information.

This consolidated general purpose financial report was authorised for issue in accordance with a resolution of Directors on 13 August 2019.

Section A: Basis of preparation

This section sets out the basis upon which the consolidated financial statements have been prepared.

The notes to the consolidated financial statements that follow present information relevant to understanding the Group's:

- business performance;
- operating assets and liabilities;
- capital and financing arrangements, including the Group's approach to risk;
- structure, including related party transactions and parent entity information; and
- other items at the end of the reporting period.

Significant accounting policies are contained with the financial statement notes to which they relate. The accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

The financial statements:

- have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations; and International Financial Reporting Standards (IFRSs);
- have been prepared on an accruals basis and based on historical cost, except for certain assets and liabilities measured at revalued amounts or carried at their fair value;
- are presented in Australian dollars;
- are rounded to the nearest thousand dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- present reclassified comparative information where required for consistency to conform with the current period's presentation; (see Note 2)
- subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies; including the assets, liabilities and results of controlled entities for the period, and eliminating all inter-company balances and transactions on consolidation.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Basis of Preparation (continued)

Foreign operations

Upon consolidation foreign operations are translated into Australian dollars using the following applicable exchange rates:

- assets and liabilities are translated at the exchange rate at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- 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.

Key estimates and judgements

Preparation of the financial report requires management to make judgements, estimates and assumptions about the reported amounts of assets, liabilities, income and expenses.

Further Information can be found in the following notes:

- recognition of revenue (Note 1);
- treatment of software development costs and whether these are to be capitalised (Note 10).
- impairment testing of the consolidated entity's cash-generating units containing goodwill (Note 10);
- utilisation of tax losses (Note 4).

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).

Section B: Business performance

This section contains information relevant to understanding the results and performance of the Group during the reporting period:

Note 1: Revenue

Revenue (2018 Period)

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.

Revenue Recognition (2019 Period)

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. 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 financial statements.

	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. Maintenance & upgrade services are required to retain the utility of the product.	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. 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 proportion of work performed (costs incurred to date) to estimated total work performed (total contract costs) on a percent completion (POC) basis.	Not generally applicable to small products or as billed.
Development & implementation services		Over time, on a proportion of work performed (costs incurred to date) to estimated total work performed (total contract costs) on a POC basis.	Overtime, 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.

Notes to and forming part of the Consolidated Financial Statements for the Year Ended 30 June 2019 continued

Note 1: Revenue (continued)

Some revenue contracts include variable consideration in relation to their licences. Variable consideration associated with software licences is constrained to zero in the estimation of the contract's transaction price and is recognised in the income statement when the usage occurs.

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 example margin lending. 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.

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Revenue from licence and support sales	**64,000**	62,092
Revenue from sponsored work	**28,372**	24,853
Revenue from sale of third party product	**1,727**	1,127
	94,099	88,072

The Group has applied AASB 15 from 1 July 2018. Under the transition methods chosen, comparative information is not restated. See Note 28.

From 1 July 2018, customised support services were reclassified for revenue reporting. The 30 June 2018 comparatives have also been updated for this change, resulting in a shift of $3.97m from Revenue from sponsored work into Revenue from licence and support sales. Total revenues have not changed in either year.

Calculation Future Revenue Unsatisfied Performance Obligations

Revenue from existing contracts with unsatisfied or partially unsatisfied performance obligations at 30 June 2019 is $162m. This is expected to be recognised when or as those performance obligations are satisfied over the life of the contracts.

As at 30 June 2019 GBST has revenue from unsatisfied performance obligations spanning up to ten years:

	$'000
Within one year	**64,095**
Revenue from sponsored work	**68,509**
Revenue from sale of third party product	**29,722**
	162,326

Note 2: Expenses

Employee benefits expense

Employee benefits, mainly comprising of base salary, bonus payments, annual leave and superannuation payments are expensed as the employee renders services.

Depreciation and amortisation

Refer to Notes 9 and 10 for recognition and measurement of depreciation and amortisation.

Finance income and expense

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

Finance expenses comprise interest expense payable on borrowings calculated using the effective interest rate method. Facility fees are amortisation of borrowing costs capitalised over the term of the agreement.

Profit/(loss) before income tax includes the following specific expenses:

		GBST Group	
		30 Jun 2019 $'000	30 Jun 2018 $'000
a.	**Other expenses:** [2]		
	Cost of third party product and services sold	**1,974**	1,357
	Operating lease rentals	**3,147**	2,996
	Research & development costs [1]	**3,126**	13,412
b.	**Employee benefits expense:**		
	Monetary based expense (includes contributions for superannuation & other retirement benefits of $4.1m (2018: $3.64m)	**55,431**	50,318
	Share based payments	**159**	48
		55,590	50,366
c.	**Depreciation & amortisation:**		
	Depreciation of plant & equipment	**1,779**	2,077
	Amortisation of tangible & intangible leased assets	**34**	169
	Amortisation of intangibles internally developed	**1,347**	-
	Amortisation of acquired intangibles (excluding leased assets)	**1,149**	2,295
		4,309	4,541
d.	**Finance costs:**		
	Foreign currency losses/(gains)	**219**	(51)
	Interest paid to external entities	**63**	-
	Finance lease charges	**-**	4
	Facility fees	**112**	55
		394	8
e.	**Finance income:**		
	Bank interest	**49**	128
		49	128
Net Finance (costs)/income		**(345)**	120

(1) Research and development (R&D) costs include $1.648m non-strategic R&D expense (2018: $5.739m).

(2) Certain operating cost categories and centres have been reclassified this year. Prior year comparatives have been updated to reflect the new reporting classifications.

Note 3: Operating Segments

The Group has two strategic business units: Capital Markets and Wealth Management. These operate in Australia, United Kingdom and Rest of the World geographic segments. 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:

Capital Markets segment offers the GBST Syn~, Shares and derivatives platforms to process equities, derivatives, fixed income and managed funds transactions for capital markets.

Wealth Management segment through the GBST Composer platform, provides end to end funds administration and management software to the wealth management industry. 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.

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 3: Operating Segments (continued)

Reportable Segments	Capital Markets		Wealth Management		Wealth Management		Capital Markets		Group Expenditure[8]		GBST Group	
	Australia				United Kingdom		Rest of the World					
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Revenue												
Revenue from licence and support sales	**19,150**	18,614	**13,056**	12,508	**23,713**	23,136	**8,081**	7,834			**64,000**	62,092
Revenue from sponsored work	**2,304**	1,730	**4,365**	2,937	**17,783**	16,557	**3,920**	3,630			**28,372**	24,854
Revenue from sale of third party product	**928**	902	**16**	18	**766**	196	**17**	10			**1,727**	1,126
Other income from external customers	**10**	3	**1**	3	**153**	175	**-**	5			**164**	186
Total segment revenue	**22,392**	21,249	**17,438**	15,466	**42,415**	40,064	**12,018**	11,479			**94,263**	88,258
Operating EBITDA before strategic R&D[7,8]	**11,775**	9,471	**6,588**	7,477	**18,418**	16,663	**3,239**	3,952	**(19,519)**	(17,341)	**20,501**	20,222
Less Strategic R&D[6]											**(1,478)**	(7,673)
Gross Strategic R&D[6]											**(19,352)**	(14,709)
Strategic R&D Capitalised[6]											**17,874**	7,036
Operating EBITDA[5]											**19,023**	12,549
Restructure & other non-operating expenses[4]											**(416)**	(356)
EBITDA[3]											**18,607**	12,193
Net finance (costs)/income											**(345)**	120
Depreciation & operating amortisation[2]											**(3,546)**	(2,640)
Investment amortisation[1]											**(763)**	(1,901)
Profit before income tax											**13,953**	7,772
Income tax expense											**(1,255)**	(1,523)
Profit after income tax											**12,698**	6,249

Alternative profit measures - In addition to using profit as an evaluation of overall Group performance and relative business segment performance, GBST uses measures not defined under IFRS - 'non-IFRS' measures which can be reconciled to the IFRS measures.

1. Amortisation of intellectual property acquired through acquisition.
2. Depreciation or amortisation of tangible and software intangible assets used as part of ongoing operating activities of the business.
3. Profit before income tax and Investment amortisation; Depreciation & operating amortisation; and net finance costs.
4. Costs not considered to be operating in nature and not associated with internal measurement of segment performance, which are reported to allow for the reconciliation between the Group and segment reports and between IFRS and non-IFRS measures. Previous period costs are associated with the departure of the former CFO.
5. EBITDA before Restructure and other non-operating expenses.
6. 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.
7. Operating EBITDA less Strategic R&D expenses.
8. At the commencement of FY19, the internal reporting structures were changed with certain group information technology 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.

Note 3: Operating Segments (continued)

Major customers

Revenues from one customer of the Group represents $15.7m (2018: $19.7m) of the Group's total revenues.

Revenues from the top five customers of the Group represents $39.5m (2018: $39.7m) of the Group's total revenues.

Note 4: Income Tax Expense

Income tax

Income tax expense or revenue comprises current and deferred tax recognised in the Statement of Profit or Loss during the year.

Current tax

Current tax expense represents the expected tax payable on the taxable income for the year, using current tax rates and any adjustment to tax payable in respect of previous years. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax

Deferred tax balances arise when there are temporary differences between accounting carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced if it is no longer probable that the related tax benefit will be realised.

Offsetting

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. The head entity within the tax-consolidated Group is GBST Holdings Limited.

Note 4: Income Tax Expense (continued)

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
f. The components of tax expense comprise:		
Current tax	**395**	(1,137)
Deferred tax	**1,011**	2,980
Over provision in respect of prior years	**(151)**	(320)
	1,255	1,523
g. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit before tax	**13,953**	7,772
Prima facie tax payable at 30%	**4,186**	2,332
Adjust for tax effect of:		
Research & development expenditure claim	**(2,373)**	(1,718)
Tax losses surrendered in relation to tax credit	**268**	-
Contributions to Employees Share and Option Plan	**-**	(31)
UK R&D tax credit - current & prior years [(1)]	**(204)**	(347)
Over provision in respect of prior years	**(151)**	(320)
Current year losses for which no deferred tax asset was recognised [(2)]	**166**	269
Derecognition of previously recognised tax losses	**-**	1,496
Utilisation of deferred tax asset not recognised	**(563)**	-
Other non-allowable/(deductible) items (net)	**251**	(32)
Reduction in tax rate on deferred tax balances	**3**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(328)**	(126)
Income tax expense attributable to entity	**1,255**	1,523
Weighted average effective tax rates:	**9%**	20%

(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 2019.

(2) Deferred tax assets have not been recognised in relation to operating losses for GBST Inc due to uncertainty that future taxable profit will be available against which the Group can utilise the benefits there from.

Note 4: Income Tax Expense (continued)

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
a. Liabilities		
Non-current		
Deferred tax liabilities		
Deferred tax liability comprises:		
Tax allowances relating to intangibles	**6,910**	2,168
	6,910	2,168
b. Assets		
Current		
Tax receivable	**965**	2,168
	965	2,168
Deferred tax assets		
Deferred tax assets comprise:		
Provisions	**2,893**	2,373
Tax allowances relating to plant and equipment	**313**	337
Tax allowances relating to intangibles	**2,645**	2,839
Other items*	**2,908**	1,623
Research and development tax credits	**2,121**	-
Recognised tax losses	**13**	-
	10,893	7,172

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

c. Reconciliations		
Net Movement		
The overall movement in the net deferred tax account is as follows:		
Opening balance	**5,004**	7,968
Recognised in the income statement	**(1,011)**	(2,980)
Foreign currency translation	**(4)**	41
Charge to equity	**(6)**	(25)
Closing balance	**3,983**	5,004
d. Total deferred tax assets not brought to account as at reporting period end:		
- tax losses: operating losses	**5,595**	6,204
- tax losses: capital losses	**1,147**	1,147

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

Note 5: Earnings per Share

	GBST Group	
	30 Jun 2019	30 Jun 2018
Basic earnings per share (cents)	**18.70**	9.20
Diluted earnings per share (cents)	**18.70**	9.20
	$'000	**$'000**
a. Reconciliation of earnings to net profit		
Net Profit	**12,698**	6,249
Earnings used in the calculation of basic EPS and dilutive EPS	**12,698**	6,249
b. Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	**67,912,508**	67,903,992
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive earnings per share	**67,912,508**	67,903,992

Notes to and forming part of the Consolidated Financial Statements for the Year Ended 30 June 2019 continued

Section C: Operating assets and liabilities

This section provides information on the operating assets used and the operating liabilities incurred by the Group:

Note 6: Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and on demand deposits that are readily convertible to known amounts of cash. Cash security deposits are required to comply with regulatory requirements for overseas banks.

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Cash at bank and on hand	**16,368**	9,947
Security cash deposits	**1,521**	1,426
Cash and cash equivalents in the Statement of Cash flows	**17,889**	11,373
a. Reconciliation of Net Cash provided by Operating Activities to Profit after Income Tax		
Profit after income tax	**12,698**	6,249
Non-cash flows in operating profit:		
Depreciation and amortisation	**4,309**	4,541
Write off on sale of plant & equipment	**190**	(3)
Share based payments	**159**	48
Adjustment on adoption of AASB15	**1,167**	-
Changes in assets and liabilities:		
Change in receivables	**4,158**	(4,493)
Change in other assets	**(2,616)**	(239)
Change in unearned income	**8,611**	814
Change in contract assets	**(4,513)**	(199)
Change in deferred tax balances	**1,021**	2,964
Change in tax provision	**1,203**	(1,803)
Change in trade and other payables	**(318)**	2,574
Change in provisions	**283**	747
Cash flow from operations	**26,352**	11,200
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	**17,889**	11,373
	17,889	11,373
c. Non-cash Financing Activities		
During the 2019 financial year the Group acquired plant and equipment of $nil (2018: $nil) by means of an equipment loan.		

Note 7: Trade and Other Receivables

Trade receivables are initially recorded at the amount billed to customers. Trade receivables are generally due for settlement within 14 to 30 days.

Collectability of trade receivables is assessed on an ongoing basis. The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECL).

See Note 19 for information about the Group's exposure to credit risk in relation to trade and other receivables.

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Current		
Trade receivables	**12,716**	16,586
Other amounts receivable	**279**	567
	12,995	17,153

The Group has adopted AASB9 Financial Instruments from 1 July 2018. The main change arising from initial adoption of AASB 9 is that the bad debt provision is based on the expected credit loss allowance.

There was no movement in the credit loss allowance during the year or amounts written off. In the prior year, the movement related to the reversal of the accrued impairment of $293k due to recovery of the doubtful debt.

Other amounts receivable relate predominantly to office and utility deposits.

Note 8: Contract Assets

Contract assets relates to the Group's right to consideration for work completed, but not due to be invoiced and remains as work in progress at the reporting date.

The timing of revenue recognition, billing and cash collection results in billed accounts receivable, unbilled receivables (contract assets), and customer advances (unearned income) are reported upon the Consolidated Balance Sheet.

Licence revenue is billed at periodic intervals (e.g. Monthly, biannually or annually). Service Revenue is billed as work in progress, in accordance with agreed-upon contractual terms, on either periodic intervals or upon achievement of contractual milestones.

Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. The receipt of advances from customers which occur before revenue recognition, result in contract liabilities.

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Current - at cost		
Contract assets	**7,515**	3,362
	7,515	3,362
Non-Current - at cost		
Contract assets	**2,077**	1,717
	2,077	1,717

Note 9: Plant and Equipment

Plant and equipment is recorded at cost, less any accumulated depreciation and where applicable, impairment losses.

Subsequent costs are capitalised 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 recognised in the profit or loss as incurred.

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 included in profit or loss.

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.

Note 9: Plant and Equipment (continued)

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Owned plant and equipment at cost	**15,800**	17,978
Accumulated depreciation	**(11,722)**	(12,480)
Net carrying value	**4,078**	5,498
Leased plant and equipment at cost	**680**	1,089
Accumulated amortisation	**(680)**	(1,089)
Net carrying value	-	-
Total plant and equipment	**4,078**	5,498

a. Movement in Plant and Equipment

GBST Group	Owned $'000	Leased $'000	Total $'000
Year ended 30 June 2018			
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**
Year ended 30 June 2019			
Balance at 1 July 2018	**5,498**	-	**5,498**
Additions	**390**	-	**390**
Disposals	**(66)**	-	**(66)**
Depreciation expense	**(1,779)**	-	**(1,779)**
Effect of movements in exchange rates	**35**	-	**35**
Balance at 30 June 2019	**4,078**	-	**4,078**

Plant and equipment was impairment tested in conjunction with intangible assets, refer Note 10.

Note 10: 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.

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.

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

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. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Once development is completed, capitalised development costs are amortised over their useful life as determined by Management on a straight-line basis.

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 10: Intangible Assets (continued)

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
At Cost		
Software systems	**68,341**	51,536
Accumulated amortisation	**(42,776)**	(41,376)
Net carrying value	**25,565**	10,160
Goodwill	**46,016**	45,830
Accumulated impairment losses	**(5,649)**	(5,572)
Net carrying value	**40,367**	40,258
Leased software at cost	**611**	626
Accumulated amortisation	**(611)**	(591)
Net carrying value	**-**	35
Total intangibles	**65,932**	50,453

(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 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**
Year ended 30 June 2019						
Balance at 1 July 2018	**2,142**	**-**	**8,018**	**40,258**	**35**	**50,453**
Additions - externally acquired	**64**	**-**	**1,691**	**-**	**-**	**1,755**
Additions - internally developed	**-**	**9,585**	**6,599**	**-**	**-**	**16,184**
Transfer	**(708)**	**-**	**708**	**-**	**-**	**-**
Disposals	**(69)**	**-**	**-**	**-**	**-**	**(69)**
Amortisation charge	**(1,149)**	**(1,347)**	**-**	**-**	**(35)**	**(2,531)**
Effect of movements in exchange rates	**25**	**-**	**6**	**109**	**-**	**140**
Balance at 30 June 2019	**305**	**8,238**	**17,022**	**40,367**	**-**	**65,932**

Note 10: Intangible Assets (continued)

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.

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

Impairment Disclosures

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

	30 Jun 2019 $'000	30 Jun 2018 $'000
Capital Markets Australia (Palion)	**3,350**	3,350
Wealth Management Australia (InfoComp)	**28,238**	28,238
Capital Markets International (Coexis)	**7,893**	7,784
Financial Services (Emu)	**886**	886
Total Goodwill	**40,367**	40,258

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 cash flow projections for 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.

Note 10: Intangible Assets (continued)

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 Section A).

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 2019 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. 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
2018	Fair value less cost of disposal	Value-in-use	Value-in-use	Value-in-use
Calculation Method				
Revenue growth rates	3-6%	7.5%	1.5-2.0%	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%

	Coexis	InfoComp	Palion	EMU
2019	Fair value less cost to sell	Value-in-use	Value-in-use	Value-in-use
Calculation Method				
Revenue growth rates	**3-6%**	**2-4%**	**1.3-2.0%**	**1.3-4%**
Cost growth rates	**5.0%**	**1.3%**	**4.0%**	**1.3%**
Long-term growth rates	**2.0%**	**3.0%**	**1.3%**	**3.0%**
Post-tax discount rate	**12.0%**	**10.2%**	**12.0%**	**12.0%**

Future anticipated cash flows for all CGU's indicate that the carrying value of the intangible assets were not required to be impaired in 2019.

Note 11: Other Assets

Prepaid expenditure

Prepaid expenditure represents payments for goods and services prior to the end of the reporting period that will be consumed in a future period. They are recognised initially at fair value and subsequently measured at amortised cost. Prepayments are presented as current assets unless utilisation of the service is not due within twelve months after the reporting period.

Capitalisation of contract costs

Capitalised contract costs include incremental costs associated with obtaining customer contracts and amortised over the life of the related contract revenue.

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Current		
Prepaid expenditure	**2,978**	2,450
Capitalisation of contract costs [1]	**1,352**	-
	4,330	2,450
Non-Current		
Prepaid expenditure	**294**	157
Capitalisation of contract costs	**599**	-
	893	157

(1) Amortisation expense on capitalisation of contract costs for the period is $237k (2018: nil).

Note 12: Trade and other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid. The amounts are unsecured and are paid in accordance with the Group's terms of trade.

They are recognised initially at fair value and subsequently measured at amortised cost.

Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period.

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Current (unsecured)		
Trade payables & accruals	**8,762**	9,545
Leasehold liability	**288**	288
	9,050	9,833
Non-Current (unsecured)		
Trade payables & accruals	**1,311**	559
Leasehold liability	**631**	918
	1,942	1,477

Note 13: Provisions

Provisions are measured at the present value of the expenditure required to settle a present legal or constructive obligation.

Employee benefits

Comprise annual leave and long service leave entitlements of employees.

Make good

Relates to restoration expenses which will be incurred upon termination of property leases in order to reinstate the leased properties to their original condition.

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Current		
Employee benefits	**7,222**	7,111
Make good obligations [(a)]	**117**	10
	7,339	7,121
Non-Current		
Employee benefits	**894**	750
Make good obligations [(a)]	**1,099**	1,178
	1,993	1,928

(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.

GBST Group	Employee benefits $'000	Make good obligations $'000	Total $'000
Balance at the beginning of the year	7,861	1,188	9,049
Additional provisions	4,909	28	4,937
Amounts used	(4,493)	-	(4,493)
Unused amounts reversed	(161)	-	(161)
Balance at 30 June 2019	**8,116**	**1,216**	**9,332**

Note 14: Unearned Income

Unearned income relates to the advance consideration received from customers for licence and service contracts. Revenue is recognised over the period during which the service is delivered.

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Current		
Revenue received in advance for software usage and support services	**18,874**	10,263
	18,874	10,263

Deferred revenue will be earned over the next 12 months.

Section D: Capital and financing

This section provides information on how the Group manages its capital structure and financing, including its exposure to financial risk:

Note 15: Issued Capital

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.

	GBST Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Fully paid ordinary shares	**39,473**	39,473
Ordinary shares		
	No.	No.
Opening Balance	**67,912,508**	67,858,918
Issuing of ordinary shares - vesting of performance rights	**-**	53,590
	67,912,508	67,912,508

Holders of ordinary shares are entitled to dividends as declared and are entitled to one vote per share at general meetings of the Company. Ordinary shares have no par value.

For details on employee options and performance rights over ordinary shares, see Note 26.

Note 16: Reserves

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Equity remuneration reserve	**199**	40
Foreign currency translation reserve	**(3,013)**	(3,433)
	(2,814)	(3,393)

The above should be read in conjunction with the Statement of Changes in Equity and accompanying Note 26.

(a) The equity remuneration reserve is used to record items recognised as expenses on valuation of employee 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.

(b) 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.

Note 17: Dividends

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Dividends paid in the period:		
2018 final fully franked (at 30%) dividend paid of 2.5 cents per share (2017: 2.5)	**1,698**	1,698
2019 Interim fully franked (at 30%) dividend paid of 0.0 cents per share (2018: 2.5)	-	1,698
Net Dividend paid	**1,698**	3,396
For the period ended 30 June 2019, the Directors have determined not to declare a dividend.		
Dividend franking account:		
Balance of franking account at year-end	**11,652**	12,867
Franking credits available to shareholders of GBST Holdings Limited for subsequent financial years post final dividend payment.	**11,652**	10,448

The balance of the dividend franking account recognises:

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

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

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

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

Note 18: Loans and Borrowings

Borrowings

Initially recognised at fair value, net of transaction costs incurred and subsequently at amortised cost

GBST entered into a $25m banking facility with Westpac Banking Corporation on 25 February 2019. The three-year agreement provides a $22m revolving cash advance facility, together with a bank guarantee facility for $3m, transaction processing and ancillary services. Standard commercial covenants and security provisions apply.

The facilities are secured by fixed and floating charges over the operating companies within the Group. The interest rate under the facility is variable and linked to BBSY

Based on the Group's current forecast and business plan, the Group anticipates that it will continue to meet its covenants. In respect of the bank facility, at 30 June 2019, the Group met all covenant requirements.

Financing Arrangements

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Financing facilities [(a)]	**22,000**	7,000
Amount utilised [(a)]	**-**	-
Financing facilities [(b)]	**3,000**	6,000
Amount utilised [(b)]	**(1,520)**	(1,637)
Corporate credit cards [(c)]	**401**	594
Amount utilised [(c)]	**(26)**	(52)
Unused credit facility	**23,855**	11,905

(a) Comprises of a revolving cash advance facility with Westpac Banking Corporation. The facilities are secured by fixed and floating charges over the operating companies within the Group. The interest rate under the facility is variable and linked to BBSY. [2018 comprises of facilities for working capital with the Commonwealth Bank of Australia (CBA).]

(b) Comprises of a revolving bank guarantee and corporate credit card facility with Westpac Banking Corporation (WBC) [2018 CBA].

(c) Comprises of facilities for corporate cards with WBC, Barclays and HSBC. [2018 comprises of facilities for credit cards with the CBA, Barclays and HSBC.]

Note 19: Financial Risk Management

Financial Risk Management Policies

The Group has exposure to a variety of financial risks including market risk, credit risk and liquidity risk. The risk management seeks to minimise potential adverse effects on the financial performance of the Group.

The Executive Management Team identifies, evaluates and manages financial risk within the Group's Risk Management Framework. Compliance with the framework is monitored on an ongoing basis through regular reporting to the Board.

The Group uses different methods to manage different types of risk, including sensitivity analysis (for interest rate and foreign exchange) and aging analysis (for credit risk).

Net Fair Values

Trade receivables and other 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.

Note 19: Financial Risk Management (continued)

(a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rate and interest rates, will affect income or the value of holdings of financial instruments. The Group currently does not use derivatives to manage market risk exposures.

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 functional currencies of the Group companies. 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:

	2019		2018	
	Cash and Receivables $'000	Payables $'000	Cash and Receivables $'000	Payables $'000
Great British Pounds	**17,294**	**3,366**	14,877	3,860
United States of America Dollars	**3,128**	**50**	3,171	144
Euros	**2**	**-**	2	-
Singapore Dollars	**846**	**68**	628	73
Hong Kong Dollars	**670**	**250**	694	122
	21,940	**3,734**	19,372	4,199

Foreign Currency Risk Sensitivity Analysis

At 30 June 2019, 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	
	2019 $'000	2018 $'000
Increase/(Decrease) in Profit		
Improvement in AUD to GBP by 10%	**389**	73
Decline in AUD to GBP by 10%	**(389)**	(73)
Improvement in AUD to USD by 10%	**79**	(99)
Decline in AUD to USD by 10%	**(79)**	99
Improvement in AUD to Other by 10%	**4**	5
Decline in AUD to Other by 10%	**(4)**	(5)

Interest rate risk

The exposure to market risk for interest rates relates primarily to term deposits and the Bank Facility. The borrowing costs on the undrawn bank facility are subject to changes to Bank Bill Swap Rate (BBSY) and an applicable margin.

Notes to and forming part of the Consolidated Financial Statements for the Year Ended 30 June 2019 continued

Note 19: Financial Risk Management (continued)

Australian interest rate risk

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

	GBST Group	
	2019 $'000	2018 $'000
Financial assets		
Cash and cash equivalents	**3,965**	5,339
	3,965	5,339

Interest Rate Risk Sensitivity Analysis

	GBST Group	
	2019 $'000	2018 $'000
Increase/(Decrease) in Profit and Equity		
Improvement in interest rate by 1%	**(670)**	-
Decline in interest rate by 1%	**670**	-

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. Financial assets include cash and cash equivalents, trade and other receivables and contract assets.

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 20.

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

	GBST Group Carrying Amount	
	2019 $'000	2018 $'000
Cash and cash equivalents	**17,889**	11,373
Trade and other receivables	**12,995**	17,153
Contract assets	**9,592**	5,079
	40,476	33,605

Note 19: Financial Risk Management (continued)

Cash and cash equivalents

The Group believe its exposure to credit risk in relation to cash and cash equivalents is low as exposure to credit risk in relation to cash and cash equivalents arises principally from financial institution counterparties, which are rated AA- to AA+ from one of the three rating agencies (Fitch, Moody's and / or S&P).

Trade and other receivables and contract assets

Exposure to credit risk in relation to receivables arises principally from trade debtor counterparties. The Group has been transacting with the majority of its customers for a number of years. Trade and other receivables and contract asset balances are monitored and are not credit-impaired at reporting date. Collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Approximately 42% (2018: 45%) of the Group's revenue is derived from five customers providing financial services, who represent 39% of the gross trade debtor balance as at 30 June 2019 (2018: 56%).

Trade debtor terms range between fourteen to forty-five days. Included in the Group's trade receivable balance are debtors with a carrying amount of $2.02m (2018: $3.66m) 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 14 days (2018: 21 days).

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

	2019		2018	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	**10,701**	-	12,926	-
Past due 0-30 days	**1,245**	-	2,071	-
Past due 30-90 days	**639**	-	963	-
Past due more than 90 days	**131**	-	626	-
	12,716	-	**16,586**	-

Credit Risk Sensitivity Analysis

At 30 June 2019, the effect on working capital as a result of change in the average debtor days (with all other variables remaining constant) is as follows:

	GBST Group	
	2019 $'000	2018 $'000
Increase/(Decrease) in cash balances		
Improvement in debtor days by 10%	**1,272**	1,659
Decline in debtor days by 10%	**(1,272)**	(1,659)

Note 19: Financial Risk Management (continued)

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

	GBST Group Carrying Amount	
	2019 $'000	2018 $'000
Opening balance	-	293
Impairment loss (derecognised)/recognised	-	(293)
Amounts written off	-	-
Closing balance	-	-

(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 Group's approach to managing liquidity is to ensure, as far as commercially reasonable, that there will always be sufficient liquidity to meet liabilities when due, under both normal and stressed conditions.

Risk management

The Group manages liquidity risk by monitoring forecast business performance including cash flows, the collection of trade receivables, payment of trade payables, maintaining adequate borrowing facilities and maintaining a minimum cash level equivalent to $5,000,000.

(c) Liquidity Risk

Financing arrangements

Details of the Group's borrowings are discussed in Note 18. The Group had access to the following undrawn borrowing facilities from its bankers at the end of the reporting period.

	GBST Group Carrying Amount	
	2019 $'000	2018 $'000
Expiring within one year - Bank overdraft	-	4,000
Expiring beyond one year - Loan facility	**22,000**	-
Expiring beyond one year - Equipment Finance facility	-	3,000
Expiring beyond one year - Bank Guarantee facility	**1,480**	4,363
	23,480	11,363

Maturing debt or committed debt facilities are refinanced or have an approval for refinancing a minimum 12 months prior to maturity to ensure sufficient time to arrange appropriate financing alternatives. GBST will only borrow funds from appropriately creditworthy institutions that have an investment grade rating AA- to AA+ from one of the three rating agencies being (Fitch, Moody's, and / or S&P).

Note 19: Financial Risk Management (continued)

(c) Liquidity Risk (continued)

Maturity of financial liabilities

The following table discloses the financial liabilities in relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows including interest payments:

	0-1 Years		1-2 Years		2-5 Years		Over 5 Years		Total		Carrying Amounts	
GBST Group	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Financial Liabilities												
Trade & other payables	**9,050**	9,833	**1,207**	544	**735**	898	-	35	-	11,310	**10,992**	11,310
TOTAL FINANCIAL LIABILITIES	**9,050**	9,833	**1,207**	544	**735**	898	-	35	-	11,310	**10,992**	11,310

Section E: Group structure

This section provides information on the GBST Limited Group structure, including business acquisitions and disposals, controlled entities and related parties:

Note 20: Other Group Entities

(a) Controlled Entities Consolidated

Group Entity	Principal place of Business	Percentage Owned
GBST Pty Ltd*	Australia	100% (June 2018: 100%)
Emu Design (Qld) Pty Ltd*	Australia	100% (June 2018: 100%)
GBST ESOP Pty Ltd*	Australia	100% (June 2018: 100%)
GBST Employee Share Scheme Trust	Australia	100% (June 2018: 100%)
GBST Ltd	United Kingdom	100% (June 2018: 100%)
GBST (Australia) Pty Ltd*	Australia	100% (June 2018: 100%)
GBST Inc	United States of America	100% (June 2018: 100%)
GBST Singapore Pte Limited	Singapore	100% (June 2018: 100%)
GBST Hong Kong Limited	Hong Kong	100% (June 2018: 100%)
GBST Registry Solutions Pty Ltd*	Australia	100% (June 2018: 100%)
GBST Wealth Management Pty Ltd*	Australia	100% (June 2018: 100%)
GBST UK Holdings Limited	United Kingdom	100% (June 2018: 100%)
GBST Hosting Ltd	United Kingdom	100% (June 2018: 100%)
GBST Wealth Management Limited	United Kingdom	100% (June 2018: 100%)

(b) Deed of Cross Guarantee

* Pursuant to Wholly owned companies instrument 2016/785 these wholly-owned controlled entities are relieved from *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 20: 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 2019 is set out as follows:

	Closed Group and Parties to Deed of Cross Guarantee	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Financial information in relation to:		
v. **Summarised Statement of Profit or Loss and Other Comprehensive Income**		
Revenue	**68,676**	63,692
Other income	**11**	5
Other expenses	**(55,066)**	(57,213)
Results from Operating Activities	**13,621**	6,484
Finance costs	**(2,635)**	(11)
Finance income	**47**	126
Net finance costs	**(2,588)**	115
Profit before income tax	**11,033**	6,599
Income tax expense	**(1,482)**	(324)
Profit after income tax	**9,551**	6,275
Profit Attributable to Members of the Parent Entity	**9,551**	6,275
Other Comprehensive Income	**-**	-
Total Comprehensive Income for the Year	**9,551**	6,275
vi. **Retained Earnings**		
Retained profits at the beginning of the year	**22,455**	19,359
Transfer financial asset reserve to retained earnings	**917**	-
Profit after income tax	**9,551**	6,275
Dividends provided for or paid	**(1,698)**	(3,396)
Vesting of performance rights	**-**	217
Retained Earnings at End of the Year	**31,225**	22,455

Note 20: Other Group Entities (continued)

(b) Deed of Cross Guarantee (continued)

	Closed Group and Parties to Deed of Cross Guarantee	
	30 Jun 2019 $'000	30 Jun 2018 $'000
vii. Statement of Financial Position		
Current Assets		
Cash and cash equivalents	**12,697**	7,871
Trade and other receivables	**7,369**	8,890
Contract assets	**4,692**	2,949
Current tax receivable	**335**	1,691
Other assets	**2,345**	1,934
Total Current Assets	**27,438**	23,335
Non-Current Assets		
Contract assets	**1,539**	1,228
Plant and equipment	**3,036**	12,290
Intangible assets	**58,013**	32,962
Investments	**7,893**	8,526
Deferred tax assets	**10,836**	7,107
Other assets	**581**	28
Total Non-Current Assets	**81,898**	62,141
TOTAL ASSETS	**109,336**	85,476
Current Liabilities		
Trade and other payables	**5,425**	5,754
Provisions	**6,576**	6,737
Unearned income	**14,285**	7,360
Total Current Liabilities	**26,286**	19,851
Non-Current Liabilities		
Trade and other payables	**6,727**	3,195
Deferred tax liabilities	**6,910**	2,168
Provisions	**1,530**	1,483
Total Non-Current Liabilities	**15,167**	6,846
TOTAL LIABILITIES	**41,453**	26,697
NET ASSETS	**67,883**	58,779
Equity		
Issued capital	**39,473**	39,473
Reserves	**(2,815)**	(3,149)
Retained earnings	**31,225**	22,455
TOTAL EQUITY	**67,883**	58,779

Note 21: 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.

Other than key management personnel compensation, there are no other related party transactions.

Key Management Personnel Compensation

	GBST Holdings	
	30 Jun 2019 $	30 Jun 2018 $
Short-term employee benefits	**2,707,529**	2,874,598
Post-employment benefits	**134,506**	142,828
Other long-term benefits	**46,994**	57,566
Termination benefits	**51,815**	176,126
Share-based payments	**119,464**	30,765
	3,060,308	3,281,883

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

Note 22: Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2019 the parent company of the Group was GBST Holdings Limited.

	GBST Holdings	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Results of the Parent Entity		
Profit for the period	**3,400**	1,839
Total Comprehensive Income for the Year	**3,400**	1,839
Financial Position of the Parent Entity at Year End		
Current Assets	**16,224**	9,924
Total Assets	**77,522**	75,337
Current Liabilities	**9,054**	8,537
Total Liabilities	**11,081**	10,757
Total Equity of the Parent Entity Comprising of:		
Issued capital	**39,473**	39,473
Equity remuneration reserve	**199**	40
Retained earnings	**26,769**	25,067
Total Equity	**66,441**	64,580

Notes to and forming part of the Consolidated Financial Statements for the Year Ended 30 June 2019 continued

Note 22: Parent Entity Disclosures (continued)

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 24.

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 2019 $'000	**30 Jun 2018 $'000**
Parent Entity Capital and Other Expenditure Commitments		
Contracted for:		
Capital and other operating purchases	**400**	146
Payable		
Not later than one year	**400**	146
	400	146

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.

Details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 20.

Section F: Other

This section contains information about:

a. items that are not recognised in the financial statements but may have a significant impact on the Group's financial position or performance;

b. disclosures required for the Group to comply with the accounting standards and other pronouncements, the Corporations Act 2001 or the Corporations Regulations but are not considered to be significant in understanding the financial position or performance of the Group.

Note 23: Commitments

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.

Operating leases payments 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.

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
a. Non-cancellable Operating Leases		
Lease amounts are payable:		
Not later than one year	**3,852**	3,708
Later than one year but not later than five years	**7,930**	11,068
Later than five years	**395**	992
	12,177	15,768

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.

	GBST Group	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
b. Capital and Other Expenditure Commitments		
Contracted for:		
Capital purchases	-	70
Other operating purchases	**1,042**	1,361
	1,042	1,431
Payable		
Not later than one year	**1,042**	1,431
	1,042	1,431

GBST will adopt AASB16 Leases from 1 July 2019 (see Note 28).

Notes to and forming part of the Consolidated Financial Statements for the Year Ended 30 June 2019 continued

Note 24: Contingent Liabilities

The Company has entered into Deeds of Access, Insurance and 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.

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 30 June 2019, 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 25: Subsequent Events

On 29 July 2019, GBST entered into a binding Scheme Implementation Deed with Kiwi HoldCo CayCo, Ltd (the group holding company of the FNZ group) under which it is proposed that FNZ will acquire 100% of the shares in GBST by way of a Scheme of Arrangement at a consideration of $3.85 cash per share. The Scheme is subject to limited conditionality and is not subject to financing or due diligence. It is anticipated that a Scheme Booklet in relation to the proposed Scheme will be sent to GBST shareholders in September 2019 and that GBST shareholders will meet to vote on the scheme in October 2019.

Other than noted above, 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 13 August 2019 by the Board of Directors.

Note 26: Share Based Payments

In 2012, the Group established a Performance Rights and Option Plan which is designed to provide long term incentives to eligible Executives and selected employees who are made individual offers of specific numbers of performance rights or options to acquire shares in the Company, subject to the successful achievement of performance hurdles and service conditions.

Share Performance Rights

Performance rights are issued under the Company's LTI Plan approved at the Company's 2012 Annual General Meeting. 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.

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) 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. Due to failure to meet continuous service conditions, 223,396 performance rights issued lapsed on resignation from GBST. As at reporting date a net $34k expense (2018: $48k expense) was included in share-based payments expense.

Note 26: Share Based Payments (continued)

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 2019 Number	Jun 2019 WAEP	Jun 2018 Number	Jun 2018 WAEP
Outstanding at the beginning of the period	**502,642**	-	582,690	-
Granted during the period	-	-	502,642	-
Forfeited during the period	**(223,396)**	-	(529,100)	-
Exercised during the period	-	-	(53,590)	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	**279,246**	-	502,642	-
Exercisable at the end of the period	-	-	-	-

Cashless Exercise Option Plan (CEPO)

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.

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 minimum personal performance ratings.

The share options lapse on 30 June 2023. Due to failure to meet continuous service conditions, 585,503 options issued lapsed on resignation from GBST. As at reporting date $125k (Jun 2018: nil) was included in share-based payment expense for the cashless options.

Note 26: Share Based Payments (continued)

Movement in Options

The following table illustrates the number, weighted average exercise price (WAEP) and movement in options under the GBST Option Plan issued during the period:

	Jun 2019 Number	Jun 2019 WAEP	Jun 2018 Number	Jun 2018 WAEP
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	2,473,243	-	-	-
Forfeited during the period	(585,503)	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	1,887,740	-	-	-
Exercisable at the end of the period	-	-	-	-

The performance criteria associated with the grant of share performance rights and CEPOs 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
25 January 2018 [(1)] 502,642 performance rights	Cumulative Before Interest, Tax, Depreciation, Amortisation and Strategic R&D (Operating EBITDA before strategic R&D) Target • Subject to GBST achieving an Operating EBITDA before strategic R&D for FY18 of at least \$20,000,000. • The targets and respective % are: (see table below) Service Condition • Continuous employment with the Group from grant date for three years.
18 December 2018 [(2)] 2,473,243 cashless exercise price options (CEPO)	Service Condition • Continued employment: until 30 June 2021 and • Employment performance hurdle met.

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 \$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.

(2) The fair value of the share options of \$0.315 each was determined using the Black Scholes methodology. The model inputs were: the share price at date of grant \$1.50, expected volatility 43.50%, expected dividend yield 3.33%, a term of three years and risk- free rate of 2.05%. The exercise price for the option is \$2.0162. Each CEPO is an entitlement, upon vesting cashless exercise price and exercise, to the net value of the Share Price at the time of exercise less the Exercise Price i.e. the Options are cashless exercise price options.

Note 27: Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	GBST Group	
	30 Jun 2019	30 Jun 2018
	$	$
Audit Services		
KPMG Australia		
Audit & review of financial reports	**302,013**	249,738
Overseas KPMG firms		
Audit & review of financial reports	**145,097**	131,764
	447,110	381,502
Other Services		
KPMG Australia		
Taxation services	**37,105**	105,351
Other services	-	-
Overseas KPMG firms		
Taxation services	**82,732**	29,410
Other services	-	-
	119,837	134,761

Note 28: Other Accounting Policies

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.

Financial Instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification and subsequent measurement

Financial assets - Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 July 2018

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are soley payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

Note 28: Other Accounting Policies (continued)

Financial Instruments (continued)

Financial assets – Subsequent measurement and gains and losses: - Policy applicable from 1 July 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition in profit or loss.

Financial assets – Policy applicable before 1 July 2018

The Group classified its financial assets into receivables which are measured at amortised cost using the effective interest method.

Financial liabilities – Classification, Subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial assets when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows from the modified liability are substantially different, in which financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Impairment

Non-derivative financial assets

Policy applicable from 1 July 2018

The Group recognises loss allowance for expected credit losses (ECL) on:

- financial assets measured at amortised cost;
- contract assets

The Group measures loss allowances at an amount equal to lifetime ECLs for trade receivables and contract assets, being the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of the financial asset has increased significantly, the Group considers reasonable and supportable information and analysis, based on historical experience and informed credit assessment and forecast information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and is in default when the financial asset is more than 120 days past due.

Note 28: Other Accounting Policies (continued)

Financial Instruments (continued)

Measurement of ECLs

ECL's are probability-weighted estimate of credit losses, measured as the present value of all cash shortfalls and discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

Each reporting date the Group assesses whether financial assets carried at amortised cost are credit impaired. Evidence that a financial asset is impaired includes a breach of contract such as being more than 120 days past due. Loss allowances are deducted from the gross carrying amount of the assets.

Write-off

A financial asset is written off when the Group has no reasonable expectation of recovering the financial asset after making an assessment with respect to the timing and recovery.

Policy applicable before 1 July 2018

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 by 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. In addition, objective evidence 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.

All individually significant receivables are assessed for specific impairment and those 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 judgement 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, for example goodwill and intangible 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.

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.

Note 28: Other Accounting Policies (continued)

Financial Instruments (continued)

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount, with impairment losses 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.

Changes in Significant Accounting policies

AASB15 Revenue from Contracts with Customers

The Group has initially applied AASB15 from 1 July 2018. Information about the Group's accounting policies relating to contracts with customers is provided in Note 1. The effect of initially apply AASB 15 is described below.

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 for the year ended 30 June 2019.

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.

Contract Balances

The timing of revenue recognition, billing and cash collection results in billed accounts receivable, unbilled receivables (contract assets), and customer advances (contract liabilities) are reported upon the Consolidated Balance Sheet. Licence revenue is billed at periodic intervals (e.g. Monthly, biannually or annually). Service Revenue is billed as work in progress, in accordance with agreed-upon contractual terms, on either periodic intervals or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. The receipt of advances from customers which occur before revenue recognition, result in contract liabilities.

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 Assets 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.

Note 28: Other Accounting Policies (continued)

AASB15 Revenue from Contracts with Customers (continued)

Impact on the 30 June 2019 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 2018 has not been restated, but is presented as previously reported.

As a practical expedient:

- incremental costs of obtaining a contract have been recognised as an expense when incurred if the amortisation period of the asset is for one year or less.
- if payment and the service provided occurs within one year from the contract inception, no adjustment for financing is required.

The impact of the adoption of AASB15 is as follows:

- certain licence revenue (after separating any embedded maintenance and support revenue) relating to less regulatory dependent products have been recognised earlier than in prior financial years;
- the unbilled revenue resulted in an increase in contract assets and the billed revenue has resulted in a decrease in unearned income;
- Contract incremental costs such as sales commission have been capitalised and amortised over the contract term. This is different to the previous accounting treatment where the costs are expensed as accrued, over a period prior to the licence go-live date;
- the above treatment also results in a difference in the amount of applicable tax expense.

The following tables summarise the impacts of adopting AASB 15 on opening retained earnings at 30 June 2018, the consolidated Group's statement of profit or loss for the period ended 30 June 2019 and statement of financial position for each of the line items affected.

There was no material impact on the Group's 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**
Adjustments to opening retained earnings:[(a)]	
Capitalisation of contract commission costs	333
Revenue recognition brought forward on smaller product licences	1,232
Movement in deferred tax liability [(a)]	(315)
Movement in deferred tax asset [(a)]	(83)
Increase in retained earnings following adoption of AASB 15	1,167
Total restated retained earnings at 30 June 2018 following adoption of AASB 15	33,800

(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 28: Other Accounting Policies (continued)

AASB15 Revenue from Contracts with Customers (continued)

b) Impact of AASB 15 on the consolidated statement of profit and loss for the period ended 30 June 2019

	GBST Group 30 Jun 2019 $'000
Net profit without adoption of AASB15	**11,879**
Adjustments to profit:	
Revenue from licence and support sales	
- increase due to immediate recognition of full value of small product licence sales	1,232
- decrease due to small product licenses previously recognised over licence term	(1,119)
Sales and marketing expenses	
- decrease in commission expenditure due to amounts capitalised under ASSB15	759
- decrease in commission expenditure due to amortisation of capitalised commission costs	85
Increase in profit before income tax	957
Income tax expense - prima facie increase in tax expense due to above	(138)
Increase in net profit due to adoption of AASB 15	819
Profit attributable to members of the parent entity as reported under AASB 15	12,698

Note 28: Other Accounting Policies (continued)

AASB15 Revenue from Contracts with Customers (continued)

c) Impact of AASB 15 on the statement of financial position at 30 June 2019

	GBST Group 30 Jun 2019 $'000	Adjustments $'000	Amounts without adoption of AASB 15 $'000
CURRENT ASSETS			
Contract Assets [(a)]	7,515	(506)	7,009
Current tax receivables	965	97	1,062
Other assets	4,330	(1,352)	2,978
Total Current Assets	**43,694**	**(1,761)**	**41,933**
NON-CURRENT ASSETS			
Contract Assets [(a)]	2,077	(674)	1,403
Deferred tax assets	11,561	83	11,644
Other assets	893	(599)	294
Total Non-Current Assets	**84,541**	**(1,190)**	**83,351**
TOTAL ASSETS	**128,235**	**(2,951)**	**125,284**
CURRENT LIABILITIES			
Trade and other payables	9,050	(573)	8,477
Unearned income	18,874	(24)	18,850
Total Current Liabilities	**35,263**	**(597)**	**34,666**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	7,578	(356)	7,222
Total Non-Current Liabilities	**11,513**	**(356)**	**11,157**
TOTAL LIABILITIES	**46,776**	**(953)**	**45,823**
NET ASSETS	**81,459**	**(1,998)**	**79,461**
EQUITY			
Reserves	(2,814)	(12)	(2,826)
Retained earnings	45,808	(1,986)	43,822
TOTAL EQUITY	**81,459**	**(1,998)**	**79,461**

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

Note 28: Other Accounting Policies (continued)

AASB 9 Financial Instruments

The Group has adopted AASB 9 *Financial Instruments* from 1 July 2018. AASB 9, 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 30 June 2019. 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 30 June 2019 under the forward looking 'expected credit loss' model required under AASB9 and there was no material impact on the financial results from this assessment.

On adoption of AASB 9, the Group classified financial assets and liabilities as subsequently measured at either amortised cost or fair value. There were no changes in the measurement of the Group financial instruments. The classifications are shown in the table below:

Presented in the Statement of Financial Position	Financial Instrument	AASB 39		AASB 9
		IAS 39 classification	**Subsequent measurement**	**Impact**
Cash and cash equivalents	Cash	Loans and receivables – Amortised cost	Measured at amortised cost using the effective interest method	No changes Measured at amortised cost
Trade and other receivables	Loans and receivables	Loans and receivables – Amortised cost	Measured at amortised cost using the effective interest method	No changes Measured at amortised cost
Loans and Borrowings	Interest bearing liabilities	Financial liabilities – Amortised cost	Measured at amortised cost using the effective interest method	No changes Measured at amortised cost

New Standards and Interpretations not yet adopted

The following standard and interpretation is effective for annual periods beginning after 1 January 2019, and earlier application is permitted, however the Group has not applied the standards in preparing these consolidated 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.

Notes to and forming part of the Consolidated Financial Statements for the Year Ended 30 June 2019 continued

Note 28: Other Accounting Policies (continued)

AASB16 Leases (continued)

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019.

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 23 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 $12.2m (see Note 23).

GBST will adopt AASB 16 for the financial year commencing 1 July 2019. No opening transitional adjustments or disclosures will be made until the first reporting period after that date.

Directors' Declaration

1. In the opinion of the Directors of GBST Holdings Limited ('the Company'):
   a. the consolidated financial statements and Notes 1 to 28 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 2019 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 20 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 2019.
4. The Directors draw attention to Section A 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 13th day of August 2019

Independent Auditor's Report

KPMG

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 2019 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 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

KPMG

Key Audit Matters

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

- Sponsored work - Revenue recognition
- Valuation of goodwill and intangible assets

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.

Sponsored work - Revenue recognition

Refer to Note 1 Revenue

The key audit matter	How the matter was addressed in our audit

Revenue recognition of sponsored work is a key audit matter due to the significant audit effort and judgement we applied in assessing the Group's recognition and measurement of revenue from sponsored work. Sponsored work revenue includes revenue from development and implementation services, which is our area of focus.
 	
Significant audit effort was driven from:
• Multiple services within the sponsored work contracts leading to increased possibility of the Group inappropriately identifying performance obligations and incorrectly recognising development and implementation services revenue in accordance with AASB 15 *Revenue from Contracts with Customers* ('AASB 15') which the Group adopted on 1 July 2018.
• Significant judgement we applied to assess the Group's measure of progress for revenue recognition of development and implementation services using an estimation of costs to complete. In particular, we focussed on the high degree of estimation uncertainty relating to key assumptions such as expected labour hours and cost contingencies due to the bespoke nature of the Group's business and customer contracts.
• New disclosure requirements arising from the adoption of AASB 15.
 	
These assessments can be inherently subjective and difficult, therefore we involved our senior audit team members in assessing this key audit matter.
	Our procedures included:
	• Considered the appropriateness of the Group's accounting policies against the requirements of AASB 15 and our understanding of the business.
	• For a sample of contracts, compared the relevant features of the underlying sponsored work contracts to the criteria in the accounting standard, those in the Group's policy, and against what the Group identified as the development and implementation services performance obligations.
	
	In addition, we focused on the significant judgement applied to assess the Group's measure of progress for revenue recognition of development and implementation services. For a sample of contracts, we:
	• Challenged the Group's key assumptions, such as labour hours and cost contingencies, used in estimating each contract's costs to complete and to measure the progress for revenue recognition. We did this by:
	  ◦ Challenging the Group's estimate of the labour hours remaining in the cost to complete where contracts were still in progress at reporting date. We compared the Group's estimates with the relevant underlying documentation, and inquired with the Group's project managers;
	  ◦ Inspecting key terms, including pricing, deliverables and the timetable set out in the contracts. We performed inquiries with the relevant project managers about the progress of the contract against key milestones in the contract, progress against budget and budget revisions;

KPMG

	• Comparing past estimates of costs to complete to actual results to identify those assumptions at higher risk of bias, unpredictability or inconsistency in application; and • Considered the appropriateness of the Group's disclosures against the requirements of AASB 15.

<table>
<tr><th colspan="2">Valuation of goodwill and intangible assets ($65.9m)</th></tr>
<tr><td colspan="2">Refer to Note 10 Intangible Assets</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment, given the size of the balance (being 52% of total assets). We focussed on the significant forward-looking assumptions the Group applied in its value in use and fair value less cost of disposal models, including:
• forecast operating cash flows, growth rates and specific terminal growth rates – the Group has experienced a history of volatility in revenue from sponsored work due to the bespoke nature of the Group's business and customer contracts. This increases the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider.
• forecast growth rates and terminal growth rates – in addition to the uncertainties described above, the Group's models are highly sensitive to small changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy.
• discount rates - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to and the approach to incorporating risks into the cash flows or the discount rates. The Group's recoverable amounts are sensitive to changes in the discount rate for specific CGUs. We involve our valuation specialists with this assessment.</td><td>Working with our valuation specialists, our procedures included:
• We considered the appropriateness of the value in use and fair value less cost of disposal methods applied by the Group to perform the annual test of goodwill and intangible assets for impairment against the requirements of the accounting standards.
• We assessed the integrity of the models used, including the accuracy of the underlying calculation formulas.
• We compared the forecast cash flows contained in the models to Board approved forecasts.
• We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models in light of the history of volatility in revenue from sponsored work.
• We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates, and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures.
• We challenged the Group's forecast operating cash flows and growth assumptions applied, in light of the expected continuation of volatility in revenue from sponsored work. We compared key events to the Board approved plan and strategy. We used our knowledge of the Group, their past performance, business and customers, and our industry experience.</td></tr>
</table>

The Group's impairment models use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Modelling, using forward-looking assumptions tends to be prone to greater risks for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• We independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry in which it operates. • We compared the implied multiples from comparable market transactions to the implied multiple for the Group's CGU applying a fair value less costs of disposal model. • We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

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. 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 and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group 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.

Independent Auditor's Report continued

KPMG

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 2019, 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 16 to 37* of the Directors' Report for the year ended 30 June 2019.

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
13 August 2019

Additional Information as at 16 August 2019

Distribution of shareholdings at 16 August 2019

Category (size of holding)	No. Holders
1 to 1,000	812
1,001 to 5,000	859
5,001 to 10,000	230
10,001 to 100,000	219
100,001 and over	31
Total No. of Holders	**2,151**

The number of shareholders holding less than a marketable parcel is 197

Substantial shareholders at 16 August 2019

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

Name	No. Ordinary Shares	% of Voting Power
SPHERIA ASSET MANAGEMENT PTY LIMITED	12,216,153	17.99%
NATIONAL NOMINEES LTD ACF AUSTRALIAN ETHICAL INVESTMENT LIMITED	8,752,554	12.89%
BURGUNDY ASSET MANAGEMENT LIMITED	4,713,889	6.94%
SCHRODER INVESTMENT MANAGEMENT AUSTRALIA LIMITED	4,979,915	7.33%
PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED (AND VARIOUS SUBSIDIARIES)	3,397,835	5.00%

Voting rights

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

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

No shares are the subject of voluntary escrow.

Additional Information as at 16 August 2019 continued

20 Largest Shareholders at 16 August 2019 – Ordinary Shares

Rank	Name	No. Ordinary Shares	% of Issued Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,677,310	24.56
2	NATIONAL NOMINEES LIMITED	13,458,983	19.82
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	10,359,718	15.25
4	BNP PARIBAS NOMS PTY LTD <DRP>	3,103,587	4.57
5	MR JOHN FRANCIS PUTTICK	2,300,000	3.39
6	CITICORP NOMINEES PTY LIMITED	2,090,834	3.08
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	1,859,785	2.74
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,554,102	2.29
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	823,112	1.21
10	BERISLAV BECAREVIC & IVANKA BECAREVIC	751,553	1.11
11	ROBERT DEDOMINICIS	609,055	0.90
12	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	564,001	0.83
13	CROWN FINANCIAL PTY LTD	496,000	0.73
14	C E CONSULTANTS LTD <C & E BAKER SUPER FUND>	448,156	0.66
15	DOG FUNDS PTY LTD	263,928	0.39
16	ALLAN BRACKIN RETIREMENT FUND PTY LTD <ALLAN BRACKIN S/F A/C>	260,000	0.38
17	HIPERWORLD HOLDINGS PTY LTD <J & H KRAMER SUPER FUND A/C>	200,000	0.29
18	DEPOFO PTY LTD <SUPER A/C>	190,000	0.28
19	DEKACROFT PTY LTD <PUTTICK FAMILY A/C>	170,000	0.25
20	CLAIRE SHEFFIELD	157,583	0.23
	Total	**56,337,707**	**82.96**

Unquoted equity securities

The number of each class of unquoted equity securities and the number of holders in each class pursuant to various GBST employee incentive plans as at 16 August 2019, are as follows:

Class	Number	Holders
Cashless exercise price options (exercise price $2.0162; expiry 30 June 2023)	1,887,740	6
Cashless exercise price options (exercise price $2.12; expiry 30 June 2024)	1,694,003	7
Performance Rights	279,246	4

On-market buy-back

There is no current on-market buy-back.

Corporate Directory

Registered Office and Principal Place of Business

Level 4, 410 Ann Street
Brisbane QLD 4000
Ph +61 7 3331 5555
Fax +61 7 3839 7783
www.gbst.com

Postal Address

GPO Box 2221
Brisbane QLD 4000

Directors

Allan Brackin
Christine Bartlett
Deborah Page AM
Tam Vu
Robert DeDominicis

Company Secretary

Jillian Bannan

Share Registry

Link Market Services
Level 21, 10 Eagle Street
Brisbane QLD 4000
Ph +61 1300 554 474
Fax +61 2 9287 0309

Stock Exchange Listing

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

Auditors

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