

Appendix 4D
Half-year report
for the period ending 31 December 2016

This report should be read in conjunction with the attached Reviewed Financial Report for the half-year ended 31 December 2016. All comparisons are to the half-year ended 31 December 2015.

Name of entity

ABN

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

For the half-year ended 31 December 2016:

of the half year ended 31 December 2016:

		Current period	Previous corresponding period
		\$A'000	\$A'000
Total revenue	down 20% to	45,352	56,688
Profit from ordinary activities after tax attributable to members	up 93% to	4,385	2,270
Net profit for the period attributable to members	up 93% to	4,385	2,270
Dividends (distributions)	Amount per security	Franked amount per security	
Interim Dividend	3.70¢	3.70¢	
The record date for determining entitlement is 3 April 2017.			

Net tangible asset backing

The net tangible assets of the company improved by 46% from \$13.0 million at 31 December 2015 to \$18.9 million at 31 December 2016.

	Current period	Previous corresponding period
Net tangible assets backing per ordinary security (cents)	27.89	19.27

Dividends

	Date paid/payable	Amount per security	Franked amount per security at 30% tax
Interim dividend current year	20 April 2017	3.70¢	3.70¢
Interim dividend previous year	21 April 2016	5.50¢	5.50¢

GBST Holdings Limited

ABN: 85 010 488 874

Financial Report for the
Half-Year Ended 31 December 2016

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Directors' Report

The Directors of GBST Holdings Limited ('GBST' or the 'Company') submit their report together with the consolidated financial report of the Group, comprising the Company and its controlled entities for the half-year ended 31 December 2016 and the review report thereon.

Directors

The names of the Directors of the Company in office during the half-year and to the date of this report are:

Name	Period of Directorship
Non-Executive	
Allan Brackin (Chairperson)	Appointed 27 April 2005
Christine Bartlett (Deputy Chairperson)	Appointed 24 June 2015
David Adams	Appointed 1 April 2008
Deborah Page AM	Appointed 1 July 2016
Tam Vu	Appointed 1 January 2017
Joakim Sundell	Resigned 27 July 2016
Dr Ian Thomas	Resigned 31 January 2017
Executive	
Robert DeDominicis (Managing Director and Chief Executive Officer)	Appointed 15 December 2015

Principal activities

The principal activities of GBST during the half-year ended 31 December 2016 were:

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

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

GBST restructured into three regional divisions during the half-year:

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

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

DIVIDENDS

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

Dividends declared after the end of the half-year:

The Directors recommend an interim dividend of 3.7 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and paid on 20 April 2017.

Group results

	Half-year to 31 December		
	2016 \$'000	2015 \$'000	% Change
Total revenue and other income	45,352	56,688	(20)
Operating EBITDA	8,004	8,494	(6)
Restructure and other non-operating expenses	-	(2,486)	
EBITDA	8,004	6,008	33
Net finance costs	(267)	(237)	(13)
Depreciation & operating amortisation	(1,370)	(1,438)	5
Investment amortisation	(1,802)	(2,084)	14
Profit before income tax	4,565	2,249	103
Income tax (expense)/credit	(180)	21	
Statutory Net Profit after income tax	4,385	2,270	93
Adjusted NPAT	6,187	4,354	42
Basic EPS (cents)	6.48	3.40	91
Adjusted EPS (cents)	9.15	6.52	40

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

Measures of profitability and basis of preparation

GBST defines Operating EBITDA as profit before net finance costs, tax, depreciation, amortisation, and other unallocated expenses. Operating Amortisation is defined as amortisation relating to tangible and intangible assets used as part of on-going operating activities; Investment Amortisation relates to intangible assets acquired through acquisition. GBST defines Adjusted NPAT as profit after income tax plus Investment Amortisation. GBST uses Operating EBITDA, Adjusted NPAT and Adjusted EPS as internal performance indicators for the management of its operational business segments, and overall Group performance to allow for better evaluation of business segment activities and comparison over reporting periods.

Restructure and other non-operating expenses are costs associated with organisation restructuring following the departure of the former CEO. These costs are not associated with any business segment and therefore are not allocated to a segment. This treatment is in accordance with Management's internal measurement of segment performance and the segment disclosures in Note 8 to the financial report. Restructure and other non-operating expenses are reported to allow for reconciliation between the Group and segment reports.

Group performance

GBST, which provides administration and transaction processing solutions for retail wealth management organisations and global and regional investment banks, reported total revenue and other income of \$45.4m for the first half of FY2017, 20% below \$56.7m in the previous corresponding period. This followed project delays and deferred spending related to major projects in the UK, which is GBST's largest international market, and foreign exchange movements as the British pound declined against the Australian dollar.

Operating EBITDA was \$8.0m, in line with guidance provided to the market on 1 February 2017. While this was 6% below the previous corresponding period (1H FY2016: \$8.5m), operating EBITDA margins improved to 18% from 15% due to tight cost control across all areas of the business, with operating costs reduced to \$37.4m from \$48.2m in 1H FY2016, reflecting increased efficiency following the Group's restructure. As restructuring and recruitment costs of \$2.5m in the previous corresponding half were not repeated, EBITDA was \$8.0m, up 33% from \$6.0m in the previous corresponding period.

Cash flow from operations (excluding interest and taxes) was \$7.7m for the half, representing 97% conversion of EBITDA to cash flow (1H FY2016: \$1.5m).

Depreciation and operating amortisation charges were \$1.4m, consistent with the previous corresponding period. Investment amortisation charges were \$1.8m, down 14% from the previous corresponding period due to foreign exchange movements on the valuation of underlying assets.

Net profit was \$4.4m, up 93% from \$2.3m in the previous corresponding period. Adjusted earnings per share, including investment amortisation charges, were 9.2 cents per share, up 40% from 6.5 cents per share for the previous corresponding period.

At 31 December 2016, the company held \$12.1m cash and had no debt.

GBST maintains guidance of EBITDA in the region of \$12.0m for the full year.

Regional structure

The Group has aligned its products and services to focus on clients in three key regions: Australia, the United Kingdom, and the Rest of the World. In Australia and the UK, the Company is well established, with a trusted brand and strong market positions. In the rest of the world, the Company's software provides services in Asia, Europe, the Middle East and Africa, and North America.

People

GBST employs more than 500 staff, including a high percentage of long-tenure staff with substantial domain knowledge and subject matter expertise. The Company is focused on building a high performance culture through leadership capability, performance development and staff engagement.

Research and development

As one of Australia's top technology companies GBST is committed to driving global growth through sales of its financial services technology. GBST has embarked on a program of technology renewal to align its software capabilities with customers' needs. This software development program leverages a

long-term product roadmap which aims to extend and maintain the Company's long-term market leadership.

In the first half research and development expenditure increased to 20% of revenue, reflecting program expansion and a greater proportion of GBST-funded development. All internal R&D costs are fully expensed. The Company's R&D is managed in Australia and through the Company's technology development centre in Ho Chi Minh City, Vietnam.

GBST has focused development on three major projects which underpin the long-term future of the Company – the evolution of GBST Composer; the transition of GBST's Shares platform to GBST Syn~; and development of the GBST Catalyst platform which represents a growth path for the retail wealth market.

GBST Composer has already been significantly enhanced with multiple database support, and investment has focused on building a more powerful software platform.

The delivery of GBST's 'Front Office' product for GBST Composer was a significant accomplishment. Two installations of the new GBST ComposerWeb – the first in Australia – went 'live' for global fund managers in the half. This product leverages the scalability and flexibility of Composer to enable browser and mobile access.

GBST ComposerWeb's further evolution includes transition to an architectural style known as REST (representational state transfer) which will enable faster development and client benefits including faster access to data and higher productivity.

Work continued to increase GBST Composer's scalability to manage 3m accounts in the next two years. New improved security and business intelligence reporting were introduced during the half, and progress continued on building Javascript-based direct-to-customer applications. These allow GBST's clients to enhance the digital experience of their customers, and are being trialled in the UK.

A major program to transition the back- and middle-offices of a major institutional bank from GBST Shares to GBST Syn~ is continuing, and expected to 'go live' in Q2 2017. When completed, this will be the fourth live GBST Syn~ installation in Australia, and GBST Syn~ will process about 20% of ASX trades. This project is expected to provide a springboard for regional Australia-Asia back- and middle-office deployment.

Further R&D completed for GBST Syn~ during the half included:

- Multi-lingual support in Asia, including traditional and simplified Chinese.
- Further scalability and performance improvements including support for fixed income, multi-asset capabilities.
- Improved specialised settlements for enterprise multi-entity post-trade operations.
- Extended cash management capabilities, allowing investment banks to connect effectively to payments infrastructure. In time, these will extend the use of GBST Syn~ into Treasury operations.

Development of our retail wealth product GBST Catalyst, which provides a growth path in Australia in the converging wealth management and capital markets sectors, is on schedule. This platform integrates GBST's Front Office, GBST Business Intelligence Reporting and GBST MarginSuite products for the retail wealth market.

GBST Catalyst's development path will enable integration of GBST's capital markets product suite with GBST Composer, including deployment through a software-as-a-service (SaaS) model. This will allow GBST Catalyst to serve retail customers directly, and increase GBST's addressable market.

Australia

Half-year to 31 December	2016 \$000's	2015 \$000's	% Change
Revenue – Wealth Management	9,018	8,706	4
Revenue – Capital Markets	13,792	15,989	(14)
Revenue - Total	22,810	24,695	(8)
Operating EBITDA - Wealth Management	3,824	1,660	130
Operating EBITDA - Capital Markets	3,160	5,307	(40)
Operating EBITDA - Total	6,984	6,967	-

Wealth Management Australia

Operating EBITDA for Wealth Management in Australia was \$3.8m for 1H FY2017, up 130% compared to \$1.7m in the previous corresponding period. This followed the introduction of a new operating model which focused more effectively on retail wealth clients, and restructuring which allowed sector specialists to expand their roles to provide services for the Group's full range of products.

Revenue from service and licence fees for GBST Composer, GBST ComposerWeb, GBST's Unison membership management solution and related products increased slightly to \$9.0m from \$8.7m.

Major projects completed included the launch of the new GBST ComposerWeb, which allows financial advisers and investors to explore account, transaction and portfolio information and access online reports. The wealth management arm of a major retail bank completed migration of a leading retail superannuation product, and \$13bn funds under management, to GBST Composer, and another top retail bank also completed migration of a platform onto GBST Composer in November 2016.

GBST extended its capability in the business process outsourcing market through a partnership with MainstreamBPO's FundBPO business, which is one of Australia's largest independent fund administrators. FundBPO now uses a hosted GBST Composer platform to support its fund administration business processing service and, having successfully migrated a global 100 asset manager's platform onto GBST's platform, plans the migration of other large funds. Outsourcing in the wealth management sector is well-established, with more than 75% of fund managers and 80% of large superannuation funds using a third party in their back office.

The Company also launched its first implementation of the GBST FundGateway service, which provides secure business-to-business messaging for funds using the BPO service. This enables communication with third party financial planning software for wealth management and financial planning professionals, and further extensions are planned, helping to extend GBST's market.

Improved processes to assist Superstream rollovers, contributions and insurance have assisted users of GBST's Superstream Gateway service through a number of improvements, including reducing processing time from an average of 20 business days to 3 business days. As the Australian

government increases the capability of the Superstream messaging platform, insurance and superannuation markets are opening up for GBST, which is well placed to support additional participants and potentially expand into software-as-a-service (SaaS) models for smaller institutions.

GBST Quant completed a significant post-trade tax analytics project for QSuper to implement after-tax equity portfolio analysis on Australian equities and global equities portfolios. This now calculates after-tax benchmarks based on S&P, FTSE and MSCI indices for more than 70 after-tax benchmarks.

A new client selected GBST's Tax Analyser for pre-trade tax management of their superannuation trusts and post-trade tax analytics and investment tax-management reporting. Integration work has commenced and the project is expected to go 'live' early in 2017.

As the Australian market moves from a vertically-integrated financial adviser structure to a more independent adviser model, this is expected to encourage greater use of wrap platforms. As GBST Composer underpins large Australian institutions and the largest UK platform network, it is well positioned to benefit from increased outsourcing in this market.

Capital Markets Australia

Operating EBITDA for Capital Markets in Australia was \$3.2m for 1H FY2017, down 40% from \$5.3m in the previous corresponding period. GBST maintains product and market share leadership, but the market was highly competitive and trading volumes were lower. Revenue from service and licence fees for GBST Shares and GBST Syn~ was \$13.8m, down from \$16.0m.

The migration of a leading global investment bank's back- and middle-office from GBST Shares to GBST Syn~ continued. This is expected to complete in the second half and when it 'goes live', GBST Syn~ will process a significant proportion of Australian Securities Exchange (ASX) trades. The GBST Syn~ platform already operates for three clients in Australia.

The Australian market is changing, and capital requirements are expected to lead to industry consolidation. With ASX market infrastructure changes underway, institutions are transitioning to financial markets utilities, which need economies of scale to operate effectively. GBST expects this will lead to new opportunities, and plans to capitalise on the demand for simpler, more streamlined systems. The Company continues to explore new business models to service the clearing and settlement market in collaboration with investment banks, where its extensive Australian market knowledge provides a competitive advantage.

Users of GBST Shares continued to benefit from technology enhancements, including faster settlement rates, improved straight through processing for GBST Margin Lending, and GBST FrontOffice extensions to support improved client onboarding, deceased estates, and in-specie transfers.

Retail broker business models are continuing to evolve, and intermediary and business partner relationships are increasing. GBST Catalyst opens up new opportunities, enabling brokers to provide additional services with autonomy of client data. Trading participants are demanding secure access to client data, and GBST Catalyst's digital, open architecture model is expected to increase opportunities to secure new outsourced clearing operations. GBST has already been engaged by a significant local institution to build its adviser and intermediary portal.

United Kingdom

Half-year to 31 December	2016 \$000's	2015 \$000's	% Change
Revenue	15,963	24,432	(35)
Operating EBITDA - Total	473	5,130	(91)

Operating EBITDA for the UK was \$0.5m for 1H FY2017, down 91% compared to \$5.1m in the previous corresponding period. As the 1 February 2017 market update advised, this related to project delays and deferred spending related to major projects. Revenue was \$16.0m, down 35% compared to \$24.4m in the previous corresponding period.

While GBST secured a new Composer contract and UK recurring licence fee revenue increased, services revenue - which relates to installation work before a project goes 'live' - was impacted by a project with an existing client that did not go ahead, and client deferral of other projects. GBST is still actively engaged with these clients. Revenue was impacted also by the decline in the British pound against the Australian dollar.

The Composer platform is the top direct-to-consumer software platform for the distribution of tax-incentivised products in the UK. It is operating in a fast-growing market, demonstrated by the increase in assets under administration on UK platforms from £200bn at the end of 2013 to £392bn at 31 March 2016, including £262bn on advised platforms.

According to research commissioned by GBST, the Company's technology market share in the UK advised platform market was around 16% at 31 December 2016, which, based on existing contracts, will extend to over 25% - more than other providers. The majority of the market remains on proprietary and legacy systems, indicating considerable future opportunity.

Among significant contracts, Aegon announced completion of the purchase of Cofunds following regulatory approval. Both Aegon and Cofunds are in the process of transitioning from traditional life companies to becoming fully-fledged platform businesses. GBST's Composer is a key part of that strategy.

GBST's Composer implementation for a client's platform has become a model deployment for composite long-term savings and investment businesses. It is the first integrated cross-channel deployment in the UK, managing workplace, orphan, direct and advised business, and can move clients between categories easily.

Work on the Retirement Advantage platform is continuing. The Alliance Trust Savings Composer platform has entered testing, and is expected to launch in the second half.

A new implementation is in progress, and will be hosted as a 'software as a service' (SaaS) solution. This recent contract win helps validate GBST's decision to invest in technology renewal.

Regulation to protect consumers driven by the UK Retail Distribution Review has driven change in financial services distribution, and the 2016 Pension Freedoms legislation has removed the need for consumers approaching retirement to acquire annuities. These legislative changes have transformed the UK Financial Services industry.

Following introduction of Pensions Freedoms, the size of the available market has doubled in two years. UK pension assets are estimated at £2.3trn¹, with £667bn in direct contribution (DC) schemes now available for potential transfer to platforms. In addition, more than £1,400bn is estimated to be held by consumers in the 55-74 year age group. As a result, banks, mutuals, life companies and wealth managers are reviewing their business models and focusing investment spend in three key areas: digitisation; enhancing the value chain and cost reduction.

UK long-term savings and investment management firms are moving from legacy in-house systems to third-party, cloud-based deployments. In particular, they are:

- Re-platforming non-insured assets from proprietary platforms to outsourced solutions such as GBST Composer.
- 'Upgrading' older insured assets, particularly personal pensions, from 'legacy' mainframe systems to modern third-party platforms.
- Moving directly held assets with fund managers from older systems to more modern platforms.

Estimates by the lang cat, an independent industry analyst, suggest that of a total £1.8 trillion market, up to £1.1 trillion may still be available for re-platforming to outsourced technologies in the retail market alone. GBST believes the outsourcing trend will accelerate for the foreseeable future, as life companies and wealth and asset managers aim to lower per-policy administration costs.

Overall, this is a small proportion of the £6.9 trillion managed by the UK investment industry. The UK market remains fragmented across market segments and products. There is significant potential for further technology transition and replatforming. Outsourcing remains an important long-term trend and GBST, having established a leading position in the retail wealth market, is confident of its growth opportunities.

¹ Wills Towers Watson.

Rest of the World

Half-year to 31 December	2016 \$000's	2015 \$000's	% Change
Revenue	6,446	7,204	(11)
Operating EBITDA - Total	547	(3,603)	115

Institutional business turnaround

Operating EBITDA for the Rest of the World was \$0.5m for 1H FY2017, a turnaround compared to a loss of \$3.6m in the previous corresponding period. Revenue was \$6.5m, down 11% compared to \$7.2m in the previous corresponding period.

Restructuring of the Group's institutional business has improved performance significantly, and GBST also expects a positive contribution in the second half. The quality of revenue is improving, as the proportion of recurring licence revenue continues to increase.

GBST Syn~ is improving the operational performance for a growing number of customers in Asia and North America. Asia-based clients include the top two top broker-dealers in the Hong Kong market. Through assisting a major institutional broker-dealer to provide middle office and clearing services as an add-on to its existing custody offering, GBST has established a leading position for providing middle office solutions to investment banks in the Asian region.

The GBST Syn~ software provides several important benefits for clients. Its browser-based technology has fully integrated back- and middle-office processing, allowing 'white-labelling' by institutions. Its flexibility allows clients to co-develop their post-trade processing solutions. This platform provides the backbone for one of the world's top custodians and financial market utilities, which has leveraged GBST Syn~'s low deployment costs to provide a multi-market, multi-asset service.

In the current market, technology and straight-through processing increasingly are seen by institutional banks as necessary components that create efficiency, reflecting the high fixed costs which underpin their global operations. GBST Syn~ offers a unique, mature technology which has significant benefits for firms which can leverage economies of scale.

In North America, the rollout of the second phase of GBST Syn~ for Raymond James, a regional broker-dealer, is expected to be completed in the second half of FY2017. This will provide its equity capital markets business with a modern, T+2 compliant middle office platform. Its benefits will include enhanced client service capabilities including trade pricing, matching and reporting; improved operational controls over the management of blocks and allocations, trade amendments, and fees and confirmations; and integrated workflow that ensures processing within T+2 settlement cycle constraints, and reduced exception processing costs.

Unlike other products in the North American market, GBST Syn~ has modern architecture, flexibility and can be adopted by module. While the size of the US market offers enormous potential for GBST, it has a large participant and geographic market, so GBST is focused on developing both direct and indirect sales models.

GBST has established relationships with a number of advisory and technology consulting firms to leverage their sales distribution channels, and plans to focus on sell-side broker dealers, buy-side investment managers, custodians and retail distributors for sales. While GBST's institutional and wealth management products have not been fully adapted to US regulations and practices, there are numerous opportunities to assist capital markets participants to augment or replace their older, inflexible platforms over time.

The Company has also begun to explore wealth management opportunities in the US.

Financial position

Net assets have decreased by \$0.4m to \$65.5m (June 2016: \$65.9m).

GBST's senior debt was nil and the cash position was \$12.1m at 31 December 2016.

Indemnifying Directors and Officers

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

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

During the half year, GBST advanced \$15k to a former director and executive, Mr Stephen Lake, in accordance with the terms of the Deed of Access, indemnity and insurance ("the Deed") with Mr Lake. The advances were paid to cover legal costs incurred in defending proceedings brought against Mr Lake in the Supreme Court of Queensland by Mr Malcolm Murdoch, a former director and shareholder of GBST. The proceedings relate to a dispute surrounding the terms on which proceedings by Mr Murdoch in 2003 were settled in 2004. All amounts advanced by GBST under the Deed are repayable if, upon the final adjudication of the proceedings, Mr Lake is not entitled to be indemnified by GBST. To date, GBST has advanced a total of \$888k to Mr Lake to cover legal costs incurred in defending these proceedings since he first claimed under his indemnity in 2012.

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

Significant changes in state of affairs

During the half-year, the Company issued 435,376 shares in respect of performance rights related to the 24 September 2013 issue of performance rights to selected employees issued under the GBST Performance Rights and Option Plan and that vested after meeting performance criteria. The remainder of performance rights issued on 24 September 2013 had been forfeited. A further 373,987 (Dec 2015: 273,205) performance rights were issued during the period to selected employees under the GBST Performance Rights and Option Plan and are subject to performance criteria.

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

Lead Auditor's Independence Declaration

The lead Auditor's independence declaration can be found on the page following this Directors' report and forms part of the Directors' report for the six months ended 31 December 2016.

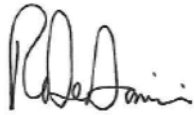
Rounding

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

Signed in accordance with a resolution of the Directors:



.....
Mr A J Brackin
Chairman



.....
Mr R DeDominicis
Managing Director and Chief Executive Officer

Dated at Sydney this 14th day of February 2017



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

To: the directors of GBST Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

KPMG

Simon Crane
Partner

Brisbane
14 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue from license and support sales		31,067	35,256
Revenue from sponsored work		13,472	20,086
Revenue from sale of third party product		680	989
Total revenue		45,219	56,331
Other income		133	357
Total revenue and other income		45,352	56,688
Product delivery and support expenses		(35,918)	(47,128)
Sales and marketing expenses		(2,291)	(2,913)
General and administrative expenses		(2,311)	(4,161)
RESULTS FROM OPERATING ACTIVITIES		4,832	2,486
Finance costs		(319)	(248)
Finance income		52	11
Net finance costs		(267)	(237)
PROFIT BEFORE INCOME TAX		4,565	2,249
Income tax (expense)/credit	3	(180)	21
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		4,385	2,270
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		(926)	(98)
<i>Total items that may be reclassified subsequently to profit or loss</i>		(926)	(98)
Other comprehensive loss for the year, net of income tax		(926)	(98)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		3,459	2,172
Earnings per share			
Basic earnings per share (cents)		6.48	3.40
Diluted earnings per share (cents)		6.47	3.38

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

Consolidated Statement of Financial Position as at 31 December 2016

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
CURRENT ASSETS			
Cash and cash equivalents		12,091	9,011
Trade and other receivables		11,642	13,817
Work in progress		2,428	3,396
Current tax receivables		1,188	2,265
Other assets		2,537	2,374
Total Current Assets		29,886	30,863
NON-CURRENT ASSETS			
Work in progress		648	84
Plant and equipment		7,189	8,116
Intangible assets	5	46,555	48,889
Deferred tax assets		6,801	6,306
Other assets		51	112
Total Non-Current Assets		61,244	63,507
TOTAL ASSETS		91,130	94,370
CURRENT LIABILITIES			
Trade and other payables		5,467	6,919
Loans and borrowings	6	79	100
Current tax liabilities		58	131
Provisions		5,659	5,567
Unearned income		8,640	9,588
Total Current Liabilities		19,903	22,305
NON-CURRENT LIABILITIES			
Trade and other payables		2,278	2,426
Loans and borrowings	6	66	76
Deferred tax liabilities		1,140	1,458
Provisions		2,264	2,217
Total Non-Current Liabilities		5,748	6,177
TOTAL LIABILITIES		25,651	28,482
NET ASSETS		65,479	65,888
EQUITY			
Issued capital	7	39,473	38,366
Reserves		(3,468)	(1,299)
Retained earnings		29,474	28,821
TOTAL EQUITY		65,479	65,888

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

Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2016

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve (a) \$'000	Equity Remuneration Reserve (b) \$'000	Total \$'000
Balance at 1 July 2015	37,664	26,920	(538)	2,409	66,455
Total comprehensive income for the half-year					
Profit for the half-year	-	2,270	-	-	2,270
Other comprehensive income					
Foreign operations - foreign currency translation differences	-	-	(98)	-	(98)
Total other comprehensive loss	-	-	(98)	-	(98)
TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR	-	2,270	(98)	-	2,172
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends paid (Note 4)	-	(3,661)	-	-	(3,661)
Issuing of ordinary shares - vesting of performance rights	702	-	-	(702)	-
Share based payments - performance rights	-	-	-	(131)	(131)
Total contributions by and distributions to owners	702	(3,661)	-	(833)	(3,792)
Total transactions with owners	702	(3,661)	-	(833)	(3,792)
BALANCE AT 31 DECEMBER 2015	38,366	25,529	(636)	1,576	64,835

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

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

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

Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2016 (continued)

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve (a) \$'000	Equity Remuneration Reserve (b) \$'000	Total \$'000
Balance at 1 July 2016	38,366	28,821	(2,912)	1,613	65,888
Total comprehensive income for the half-year					
Profit for the half-year	-	4,385	-	-	4,385
Other comprehensive income					
Foreign operations - foreign currency translation differences	-	-	(926)	-	(926)
Total other comprehensive income	-	-	(926)	-	(926)
TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR	-	4,385	(926)	-	3,459
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends paid (Note 4)	-	(3,732)	-	-	(3,732)
Issuing of ordinary shares - vesting of performance rights	1,107	-	-	(1,107)	-
Share based payments - performance rights	-	-	-	(136)	(136)
Total contributions by and distributions to owners	1,107	(3,732)	-	(1,243)	(3,868)
Total transactions with owners	1,107	(3,732)	-	(1,243)	(3,868)
BALANCE AT 31 DECEMBER 2016	39,473	29,474	(3,838)	370	65,479

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

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

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

Consolidated Statement of Cash Flows for the Half-Year Ended 31 December 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash Flows from Operating Activities			
Receipts from customers		49,735	58,548
Payments to suppliers and employees		(42,140)	(57,214)
Interest income		17	11
Sundry income		131	262
Finance costs paid		(58)	(86)
Income tax paid		(32)	(58)
Net cash provided by operating activities		7,653	1,463
Cash Flows from Investing Activities			
Purchase of plant and equipment		(263)	(892)
Purchase of software intangibles		(361)	(63)
Net cash used in investing activities		(624)	(955)
Cash Flows from Financing Activities			
Repayment of finance leases		(10)	(187)
Repayment of borrowings		(22)	-
Dividends paid	4	(3,732)	(3,661)
Net cash used in financing activities		(3,764)	(3,848)
Net increase/(decrease) in Cash and Cash Equivalents		3,265	(3,340)
Effect of exchange rate fluctuations on cash held		(185)	97
Cash and cash equivalents at 1 July		9,011	7,785
Cash and cash equivalents at 31 December		12,091	4,542

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

Notes to and forming part of the Condensed Consolidated Half-Year Financial Statements for the Period Ended 31 December 2016

Note 1: Reporting Entity

GBST Holdings Limited (“GBST” or the “Company”) is the Group’s parent Company. The Company is a public Company limited by shares, incorporated and domiciled in Australia. These condensed consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2016 comprises the Company and its controlled entities (together referred to as the “Group” and individually as the “Group entities”).

It is recommended that these half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2016 and public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2016 are available at www.gbst.com or upon request from the Company’s registered office at:

GBST Holdings Limited
c/- McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

Note 2: Basis of Preparation

Statement of compliance

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

The accounting policies applied by the Group in this consolidated half-year financial report are the same as those applied by the Group in its consolidated financial report, as at and for the year ended 30 June 2016.

This consolidated half-year financial report was authorised for issue in accordance with a resolution of Directors on 14 February 2017.

Basis of measurement

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

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

Note 2: Basis of Preparation (continued)

Functional and presentation currency

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

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

Comparative figures

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

Use of estimates and judgments

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

In preparing the consolidated half year financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

Note 3: Income Tax Expense

	GBST Group	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit before tax	4,565	2,249
Prima facie tax payable at 30%	1,370	675
Adjust for tax effect of:		
Research & development expenditure claim	(818)	(1,552)
Contributions to Employee Share and Option Plan	(559)	(1,023)
(Over)/Under provision in respect of prior years	(166)	347
Current half-year losses for which no deferred tax asset was recognised	8	867
Utilisation of deferred tax asset not recognised	(286)	-
Other non-allowable items (net)	297	254
Effect of different tax rates of subsidiaries operating in other jurisdictions	(307)	(247)
Adjustment to reflect effective annual tax rate	641	658
Income tax expense/(credit) attributable to entity	180	(21)
Weighted average effective tax rates:	4%	(1%)

The weighted average effective consolidated tax rate for the half-year ended 31 December 2016 is 4% (December 2015: (1%)) primarily due to the benefit of Research and Development tax concessions in Australia and the United Kingdom (UK), and claiming a tax deduction for contributions to the Employee Share and Option Plan.

There is no tax recognised in other comprehensive income within the current period or prior period.

Note 4: Dividends

	GBST Group	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
<i>Dividend paid in the period:</i>		
2016 final fully franked (at 30%) dividend paid of 5.5 cents per share (December 2015: 5.5 cents per share)	3,732	3,661
Net dividend paid	3,732	3,661

After the reporting date the Directors recommended an interim dividend of 3.7 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 20 April 2017.

Note 5: Intangible Assets

	GBST Group	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
At Cost		
Software systems	43,099	43,642
Accumulated amortisation	(36,734)	(35,333)
Net carrying value	6,365	8,309
Customer contracts	13,069	13,069
Accumulated amortisation	(13,069)	(13,069)
Net carrying value	-	-
Goodwill	45,328	45,988
Accumulated impairment losses	(5,362)	(5,638)
Net carrying value	39,966	40,350
Leased software at cost	626	626
Accumulated amortisation	(402)	(396)
Net carrying value	224	230
Total intangibles	46,555	48,889

Note 5: Intangible Assets (continued)

Impairment Disclosures

At 31 December 2016, the Group considered whether there was an indication based on both internal and external sources of information, that any of the Group's assets or Cash Generating Units (CGU's) may be impaired. The Coexis CGU was impairment tested at 31 December 2016. No indicators of impairment were identified in each of the other three CGU's presented in the consolidated annual report of the Group for the year ended 30 June 2016 and as a result these CGU's have not been tested for impairment at 31 December 2016. The annual impairment testing over these CGU's will be performed at 30 June 2017.

Coexis CGU

The carrying value of the goodwill allocated to the Coexis CGU is \$7.5m. 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.

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 Latest 2017 Normalised Forecast 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.

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.

All the key assumptions used in our discounted cash flow model have remained consistent with those disclosed in the 30 June 2016 financial statements, other than the Post Tax Discount rate which has increased to 15.0% (June 2016: 14.1%).

Note 6: Loans and Borrowings

	GBST Group	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Current		
Commercial loan facility (secured)	-	21
Finance lease liability	79	79
	79	100
Non-Current		
Finance lease liability	66	76
	66	76

Note 7: Issued Capital

	GBST Group	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Fully paid ordinary shares	38,366	37,664
Issuing of ordinary shares - vesting of performance rights (30 June 2016: 702)	1,107	702
	39,473	38,366
Ordinary Shares	No.	No.
Opening balance	67,423,542	66,561,725
Issuing of ordinary shares - vesting of performance rights (30 June 2016: 861,817)	435,376	861,817
	67,858,918	67,423,542

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

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

Options and Performance Rights

For details on performance rights over ordinary shares, see Note 9.

Note 8: Operating Segments

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

Australia

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

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

United Kingdom

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

Rest of the World

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

Reportable Segments

	Australia				United Kingdom		Rest of the World		Eliminations		GBST Group	
	Capital Markets		Wealth Management		Wealth Management		Capital Markets					
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
Revenue from external customers	13,792	15,989	9,018	8,706	15,963	24,432	6,446	7,204	-	-	45,219	56,331
Other income from external customers	11	1	-	106	91	235	31	15	-	-	133	357
Inter-segment revenues*	102	84	-	7	-	-	-	-	(102)	(91)	-	-
Total segment revenue	13,905	16,074	9,018	8,819	16,054	24,667	6,477	7,219	(102)	(91)	45,352	56,688
Operating EBITDA	3,160	5,307	3,824	1,660	473	5,130	547	(3,603)	-	-	8,004	8,494
Depreciation and amortisation	(1,457)	(782)	(1,242)	(1,240)	(236)	(279)	(237)	(1,221)	-	-	(3,172)	(3,522)
Segment result	1,703	4,525	2,582	420	237	4,851	310	(4,824)	-	-	4,832	4,972
Unallocated expenses											-	(2,486)
Net finance costs											(267)	(237)
Profit before income tax											4,565	2,249
Income tax (expense)/credit											(180)	21
Profit after income tax											4,385	2,270

Note 8: Operating Segments (continued)

Intersegment Transfers

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

* Inter-segment revenue received by Rest of the World of nil from Australia (Dec 2015: \$800k) for use of intangible assets is not included to align with reporting to CEO. In addition, margin to reflect arm's length transactions for re-charges for software development work charges and other costs between Australia and Rest of the World of \$676k revenue (Dec 2015: \$434k) and by Australia and United Kingdom of \$557k (Dec 2015: \$603k) are also not included. Inter-segment revenue with an associated direct external cost (typically direct labour costs) is included.

Accounting Policies

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

Note 9: Share Based Payments

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

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

Share Performance Rights

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

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

In addition to the performance rights issued in the prior financial years disclosed in the consolidated annual report of the Group as at and for the year ended 30 June 2016, the Group has issued the following performance rights in the current period:

On 26 September 2016, the Group issued 373,987 performance rights to selected employees. There is a nil exercise price and the share performance rights vest in thirty-six months after the date of grant or the date of release of GBST's financial results for the 2019 financial year, whichever is later. The share performance rights expire thirty days after the vesting date. The share performance rights are conditional on the employees meeting continuous service conditions and the Group meeting certain financial performance measures.

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

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

	Opening Balance	Granted	Forfeited	Exercised	Expired	Closing Balance
24 September 2013	435,376	-	-	(435,376)	-	-
5 August 2014	288,062	-	-	-	-	288,062
26 September 2016	-	373,987	-	-	-	373,987
Total	723,438	373,987	-	(435,376)	-	662,049

As at reporting date a net \$136k credit (Dec 2015: \$131k credit) was included in share based payment expense as a result of the likely failure of particular performance rights to meet certain performance criteria. In the prior financial year the benefit was as a result employees not meeting the employment service conditions.

Note 9: 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.

	Dec 2016 Number	Dec 2016 WAEP	Dec 2015 Number	Dec 2015 WAEP
Outstanding at the beginning of the period	723,438	-	2,279,763	-
Granted during the period	373,987	-	273,205	-
Forfeited during the period	-	-	(729,939)	-
Exercised during the period	(435,376)	-	(861,817)	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	662,049	-	961,212	-
Exercisable at the end of the period	-	-	-	-

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

The performance criteria associated with the grant of share performance rights during the current period under the GBST Performance Rights and Option Plan are summarized below:

PERFORMANCE CRITERIA

Grant Date	Financial Performance hurdle
26 September 2016	<p>Cumulative Earnings Per Share (EPS) Target</p> <ul style="list-style-type: none"> - Subject to GBST achieving three year (2017-2019 financial years) cumulative EPS targets of 50 cents, 53 cents, and 57 cents for 25%, 50% and 100% vesting respectively (interpolated) <p>Minimum EPS</p> <ul style="list-style-type: none"> - A minimum EPS of 13 cents is achieved in each year <p>Service Condition</p> <ul style="list-style-type: none"> - Continuous employment with the Group from grant date for three years

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

Note 10: Related Parties

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

Key Management Personnel Transactions

Mr Kim Sundell and Mr Ian Thomas are Directors and shareholders of FinClear Pty Ltd ('FinClear'). On 10 October 2016, FinClear purchased Lonsec Limited which had an existing agreement with GBST for the provision of front office services ('Agreement'). This Agreement ended on 3 February 2017 and GBST does not currently provide any other products or services to FinClear. The total revenue related to the front office agreement was \$5k. The amount owing at 31 December 2016 was \$nil. There were no doubtful debts provided for or expensed during the period with regard to these transactions. The terms and conditions of the Agreement are no more favourable than those available, or which might be reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

Note 11: Contingent Liabilities

During the half year, GBST advanced \$15k to a former director and executive, Mr Stephen Lake, in accordance with the terms of the Deed of Access, indemnity and insurance ("the Deed") with Mr Lake. The advances were paid to cover legal costs incurred in defending proceedings brought against Mr Lake in the Supreme Court of Queensland by Mr Malcolm Murdoch, a former director and shareholder of GBST. The proceedings relate to a dispute surrounding the terms on which proceedings by Mr Murdoch in 2003 were settled in 2004. All amounts advanced by GBST under the Deed are repayable if, upon the final adjudication of the proceedings, Mr Lake is not entitled to be indemnified by GBST. To date, GBST has advanced a total of \$888k to Mr Lake to cover legal costs incurred in defending these proceedings since he first claimed under his indemnity in 2012. These amounts are expensed as incurred.

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

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

As at 31 December 2016, 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 12: Subsequent Events

On the 1 February 2017, the Company provided a trading update stating it expects EBITDA in the region of \$12.0m for the FY17 financial year, referencing the impact of project delays and deferred spending related to major projects in the United Kingdom.

Other than referred to above, no matters or circumstances have arisen since the end of the financial half-year which significantly affect or may significantly affect operations of GBST, the results of those operations, or the state of affairs of GBST in future financial years.

The financial report was authorised for issue on 14 February 2017 by the Board of Directors.

Directors' Declaration

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

- a) the condensed consolidated financial statements and notes set out on pages 16 to 32 are in accordance with the *Corporations Act (2001)*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



.....
Mr A J Brackin
Chairman



.....
Mr R DeDominicis
Managing Director and Chief Executive Officer

Dated at Sydney this 14th day of February 2017

Independent Auditor's Review Report

To the shareholders of GBST Holdings Limited

Conclusion

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

- i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the Half-year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

- the consolidated statement of financial position as at 31 December 2016
- consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of GBST Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



KPMG



Simon Crane
Partner

Brisbane
14 February 2017