

Appendix 4D
Half-year report
for the period ending 31 December 2017

This report should be read in conjunction with the attached Reviewed Financial Report for the half-year ended 31 December 2017. All comparisons are to the half-year ended 31 December 2016.

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 2017:

of the half year ended 31 December 2017:

		Current period	Previous corresponding period
		\$A'000	\$A'000
Total revenue	down 6% to	42,736	45,352
Profit from ordinary activities after tax attributable to members	down 43% to	2,494	4,385
Net profit for the period attributable to members	down 43% to	2,494	4,385
Dividends (distributions)	Amount per security	Franked amount per security	
Interim Dividend	2.50¢	2.50¢	
The record date for determining entitlement is 3 April 2018.			

Net tangible asset backing

The net tangible assets of the company improved by 16% from \$18.9 million at 31 December 2016 to \$22.0 million at 31 December 2017.

	Current period	Previous corresponding period
Net tangible assets backing per ordinary security (cents)	32.43	27.89

Dividends

	Date paid/payable	Amount per security	Franked amount per security at 30% tax
Interim dividend current year	20 April 2018	2.50¢	2.50¢
Final dividend previous year	13 Oct 2017	2.50¢	2.50¢
Interim dividend previous year	20 April 2017	3.70¢	3.70¢

GBST Holdings Limited

ABN: 85 010 488 874

Financial Report for the
Half-Year Ended 31 December 2017

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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 2017 and the review report thereon.

Directors

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

Name	Period of Directorship
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
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 2017 were:

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

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

Review of Operations

For a detailed review of operations for the half-year ended 31 December 2017 refer to the commentary contained in the results presentation and ASX announcement accompanying the release of this financial report. A summary of the results for the half-year compared to the prior corresponding period, and preceding half include:

	1H FY18 \$'000	2H FY17 \$'000	1H FY17 \$'000
Total revenue and other income	42,736	42,623	45,352
Operating EBITDA before strategic R&D⁹	9,659	8,840	12,946
Strategic R&D⁸	(4,828)	(4,663)	(4,942)
Operating EBITDA⁷	4,831	4,177	8,004
Restructure and other non-operating expenses ⁶	(256)	(192)	-
EBITDA⁵	4,575	3,985	8,004
Net finance costs	(123)	(344)	(267)
Depreciation & operating amortisation ⁴	(1,425)	(1,492)	(1,370)
Investment amortisation ³	(1,082)	(1,691)	(1,802)
Profit before income tax	1,945	458	4,565
Income tax credit/(expense)	549	2,142	(180)
Statutory Net Profit after income tax	2,494	2,600	4,385
Adjusted NPAT²	3,576	4,291	6,187
Basic EPS (cents)	3.67	3.83	6.48
Adjusted EPS (cents)²	5.27	6.31	9.15
Dividends declared per share (cents)	2.5	2.5	3.7
Cashflow from operations	5,366	3,265	7,653
Cash at Bank	14,958	11,728	12,091

Notes

1. GBST makes use of both IFRS and non-IFRS financial information. Non-IFRS measures used by the company are relevant because they are internal performance indicators applied consistently over time that allow for better evaluation of overall Group performance and relative business segment performance in light of GBST's significant investments in research & development and other changes in the business. The non-IFRS measures are consistent with the segment disclosures in Note 7 to the financial report and can be reconciled to IFRS measures by following the calculations in the table above or in the segment note. The non-IFRS measures have not been subject to audit or review.
2. **Adjusted NPAT** is a non-IFRS measure representing profit after income tax plus Investment amortisation. Adjusted NPAT is used in the Adjusted EPS measure.
3. **Investment amortisation** is a non-IFRS measure representing amortisation of intangible assets acquired through acquisition.

4. **Depreciation & operating amortisation** is a non-IFRS measure representing depreciation or amortisation of tangible and intangible assets used as part of ongoing operating activities of the business.
5. **EBITDA** is a non-IFRS measure calculated as profit before income tax and before: Investment amortisation; Depreciation & operating amortisation; and net finance costs.
6. **Restructure and other non-operating expenses** are costs not considered to be operating in nature, are not associated with any business segment and are therefore not allocated to a segment. This treatment is in accordance with internal measurement of segment performance and the segment disclosures in Note 7 to the financial report. Restructure and other non-operating expenses are reported to allow for the reconciliation between the Group and segment reports and between IFRS and non-IFRS measures. Restructure and other non-operating expenses during the period are costs associated with the departure of the former CFO.
7. **Operating EBITDA** is a non-IFRS measure calculated as EBITDA before Restructure and other non-operating expenses.
8. **Strategic R&D** is defined as research and development expenditure for strategic product and technology investments which form part of the Company's long-term product roadmap.
9. **Operating EBITDA before strategic R&D** is a non-IFRS measure calculated as Operating EBITDA less Strategic R&D expenses.

Significant changes in state of affairs

During the half-year, the Company issued 53,590 shares related to the 5 August 2014 issue of performance rights to selected employees under the GBST Performance Rights and Option Plan that vested after meeting performance criteria. The remainder of performance rights issued on 5 August 2014 have been forfeited prior to the vesting date.

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.

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 \$12,244 to a former director and executive, Mr Stephen Lake, in accordance with the terms of the Deed of Access, Indemnity and Insurance ("the Deed") with Mr Lake. The advances were paid to cover legal costs incurred in defending proceedings brought against Mr Lake in the Supreme Court of Queensland by Mr Malcolm Murdoch, a former director and shareholder of GBST. The proceedings relate to a dispute surrounding the terms on which proceedings by Mr Murdoch in 2003 were settled in 2004. All amounts advanced by GBST under the Deed are repayable if, upon the final adjudication of the proceedings, Mr Lake is not entitled to be indemnified by GBST. To date, GBST has advanced a total of \$1.16m to Mr Lake to cover legal costs incurred in defending these proceedings since he first claimed under his indemnity in 2012. These amounts are expensed as incurred.

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

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 2017.

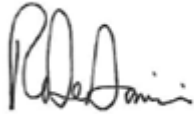
Rounding

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

Signed in accordance with a resolution of the Directors:



.....
Mr A J Brackin
Chairman



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

Dated at Sydney this 12th day of February 2018



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

To: the Directors of GBST Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of GBST Holdings Limited for the half-year ended 31 December 2017 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.

A stylized, handwritten signature of the KPMG firm, appearing as 'KPMG' in a cursive script.

A handwritten signature of Simon Crane, appearing as a stylized 'S' followed by a horizontal line.

KPMG

Simon Crane
Partner

Brisbane
12 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year ended 31 December 2017

	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue from license and support sales		29,200	31,067
Revenue from sponsored work		12,892	13,472
Revenue from sale of third party product		536	680
Total revenue		42,628	45,219
Other income		108	133
Total revenue and other income		42,736	45,352
Product delivery and support expenses		(36,394)	(35,918)
Sales and marketing expenses		(2,023)	(2,291)
General and administrative expenses		(2,251)	(2,311)
RESULTS FROM OPERATING ACTIVITIES		2,068	4,832
Finance costs		(177)	(319)
Finance income		54	52
Net finance costs		(123)	(267)
PROFIT BEFORE INCOME TAX		1,945	4,565
Income tax credit\expense	3	549	(180)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		2,494	4,385
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		408	(926)
<i>Total items that may be reclassified subsequently to profit or loss</i>		408	(926)
Other comprehensive loss for the year, net of income tax		408	(926)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		2,902	3,459
Earnings per share			
Basic earnings per share (cents)		3.67	6.48
Diluted earnings per share (cents)		3.67	6.47

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

Consolidated Statement of Financial Position as at 31 December 2017

	Note	31 Dec 2017 \$'000	30 Jun 2017 \$'000
CURRENT ASSETS			
Cash and cash equivalents		14,958	11,728
Trade and other receivables		12,421	12,660
Work in progress		2,287	4,092
Current tax receivables		643	750
Other assets		2,251	2,217
Total Current Assets		32,560	31,447
NON-CURRENT ASSETS			
Work in progress		1,447	788
Plant and equipment		5,716	6,542
Intangible assets	5	44,074	45,120
Deferred tax assets		8,787	8,778
Other assets		109	151
Total Non-Current Assets		60,133	61,379
TOTAL ASSETS		92,693	92,826
CURRENT LIABILITIES			
Trade and other payables		6,280	6,739
Loans and borrowings		132	252
Current tax liabilities		-	385
Provisions		6,486	6,058
Unearned income		9,363	9,449
Total Current Liabilities		22,261	22,883
NON-CURRENT LIABILITIES			
Trade and other payables		1,688	2,006
Deferred tax liabilities		548	810
Provisions		2,097	2,244
Total Non-Current Liabilities		4,333	5,060
TOTAL LIABILITIES		26,594	27,943
NET ASSETS		66,099	64,883
EQUITY			
Issued capital	6	39,473	39,473
Reserves		(3,950)	(4,153)
Retained earnings		30,576	29,563
TOTAL EQUITY		66,099	64,883

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 2017

	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 loss	-	-	(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 retained earnings.

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

Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2017 (continued)

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

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

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

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

Consolidated Statement of Cash Flows for the Half-Year ended 31 December 2017

	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash Flows from Operating Activities			
Receipts from customers		47,455	49,735
Payments to suppliers and employees		(42,218)	(42,140)
Interest income		12	17
Sundry income		107	131
Finance costs paid		(28)	(58)
Income tax paid		38	(32)
Net cash provided by operating activities		5,366	7,653
Cash Flows from Investing Activities			
Proceeds from sale of plant and equipment		1	-
Purchase of plant and equipment		(331)	(263)
Purchase of software intangibles		(83)	(361)
Net cash used in investing activities		(413)	(624)
Cash Flows from Financing Activities			
Repayment of finance leases		(11)	(10)
Repayment of borrowings		(109)	(22)
Dividends paid	4	(1,698)	(3,732)
Net cash used in financing activities		(1,818)	(3,764)
Net increase in Cash and Cash Equivalents		3,135	3,265
Effect of exchange rate fluctuations on cash held		95	(185)
Cash and cash equivalents at 1 July		11,728	9,011
Cash and cash equivalents at 31 December		14,958	12,091

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

Notes to and forming part of the Consolidated Half-Year Financial Statements for the Period Ended 31 December 2017

Note 1: Reporting Entity

GBST Holdings Limited (“GBST” or the “Company”) is the Group’s parent Company. The Company is a public Company limited by shares, incorporated and domiciled in Australia. These consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2017 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 2017 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 2017 are available at www.gbst.com or upon request from the Company’s registered office and the principal place of business at Level 4, West Tower, 410 Ann Street, Brisbane, Queensland.

Note 2: Basis of Preparation

Statement of compliance

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

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 2017.

This consolidated half-year financial report was authorised for issue in accordance with a resolution of Directors on 12 February 2018.

Basis of measurement

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

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

Functional and presentation currency

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

Note 2: Basis of Preparation (continued)

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

Comparative figures

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

Use of estimates and judgments

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

In preparing the consolidated half year financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2017.

New Standards and Interpretations not yet adopted

The following standards, issued but not mandatory for the interim reporting period 31 December 2017, have not been adopted by the Company in preparing these consolidated half-year financial statements.

AASB15 Revenue from Contracts with Customers

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

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

As reported in our FY17 financial statements, the Group is continuing to assess the potential impact of AASB15 on its systems, processes, consolidated financial statements and reported results in accordance with an implementation plan. Management is working through complex issues to calculate the impact on revenue and cost recognition across numerous multifaceted contracts. During this half-year, the Company's Finance Team held a workshop with our external auditors (including specialists from their technical area) to present and discuss how the new standard might apply to GBST's specific circumstances and its way of contracting with its clients. Good progress has been made on establishing these conceptual parameters, but this is yet to be finalised at the time of releasing this half-year report. Quantification of the impact of applying the new standards can only follow, after the conceptual application has been finalised. Additional specialist internal resources have also been introduced to the project team. The implementation phase will commence once the assessment and core principles have been established internally, agreed with our Audit and Risk Committee and our external auditors. The likely financial impacts will be presented in our full year FY18 financial statements.

Note 2: Basis of Preparation (continued)

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As previously reported, the actual impact of adopting AASB 9 on the Group's consolidated financial statements in 2018 cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time, as well as accounting elections and judgements that it will make in the future. Any likely material impacts will be reported in our full year FY18 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 17 and instead, introduces a single lessee accounting model, involving capitalisation of leased assets and on balance sheet recognition of total liabilities.

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

The Group has not completed its assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 16.

Note 3: Income Tax Expense

	GBST Group	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit before tax	1,945	4,565
Prima facie tax payable at 30%	584	1,370
Adjust for tax effect of:		
Research & development expenditure claim	(729)	(818)
Contributions to Employee Share and Option Plan	(31)	(559)
UK R&D tax credit - current year (1)	(144)	-
Over provision in respect of prior years	(128)	(166)
Current half-year losses for which no deferred tax asset was recognised	155	8
Utilisation of deferred tax asset not recognised	-	(286)
Other (deductible)\non-allowable items (net)	(8)	297
Effect of different tax rates of subsidiaries operating in other jurisdictions	(248)	(307)
Adjustment to reflect effective annual tax rate	-	641
Income tax (credit)\expense attributable to entity	(549)	180
Weighted average effective tax rates:	(28)%	4%

The weighted average effective consolidated tax rate for the half-year ended 31 December 2017 is (28%) (December 2016: 4%) 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.

(1) The UK permits the surrender of research and development enhanced tax losses in exchange for a refundable tax credit. The above figure includes the credit arising in relation to the half-year ended 31 December 2017.

Note 4: Dividends

	GBST Group	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
<i>Dividend paid in the period:</i>		
2017 final fully franked (at 30%) dividend paid of 2.5 cents per share (December 2016: 5.5 cents per share)	1,698	3,732
Net dividend paid	1,698	3,732

After the reporting date the Directors recommended an interim dividend of 2.5 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 20 April 2018. The dividend has not been included as a liability in these interim financial statements. The total estimated dividend to be paid is \$1.7m.

Note 5: Intangible Assets

	GBST Group	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
At Cost		
Software systems	44,117	43,632
Accumulated amortisation	(40,133)	(38,561)
Net carrying value	3,984	5,071
Goodwill	45,435	45,138
Accumulated impairment losses	(5,407)	(5,283)
Net carrying value	40,028	39,855
Leased software at cost	626	626
Accumulated amortisation	(564)	(432)
Net carrying value	62	194
Total intangibles	44,074	45,120

Impairment Disclosures

At 31 December 2017, the Group considered whether there was an indication of impairment 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. No indicators of impairment were identified in each of the four CGU's presented in the consolidated annual report of the Group for the year ended 30 June 2017 and as a result these CGU's have not been tested for impairment at 31 December 2017. The annual impairment testing over these CGU's will be performed at 30 June 2018.

Note 6: Issued Capital

	GBST Group	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Fully paid ordinary shares	39,473	38,366
Issuing of ordinary shares - vesting of performance rights (30 June 2017: 1,107)	-	1,107
	39,473	39,473
Ordinary Shares	No.	No.
Opening balance	67,858,918	67,423,542
Issuing of ordinary shares - vesting of performance rights (30 June 2017: 435,376)	53,590	435,376
	67,912,508	67,858,918

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

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

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

Options and Performance Rights

For details on performance rights over ordinary shares, see Note 8.

Note 7: Operating Segments

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

Australia

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

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

United Kingdom

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

Rest of the World

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

Reportable Segments

	Australia		United Kingdom		Rest of the World		Eliminations		GBST Group			
	Capital Markets		Wealth Management		Wealth Management		Capital Markets					
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Revenue												
Revenue from external customers	10,553	13,792	7,017	9,018	18,977	15,963	6,081	6,446	-	-	42,628	45,219
Other income from external customers	1	11	-	-	103	91	4	31	-	-	108	133
Inter-segment revenues*	977	102	-	-	-	-	-	-	(977)	(102)	-	-
Total segment revenue	11,531	13,905	7,017	9,018	19,080	16,054	6,085	6,477	(977)	(102)	42,736	45,352
Operating EBITDA before strategic R&D⁹	1,756	4,687	2,510	4,800	4,517	2,737	876	722	-	-	9,659	12,946
Strategic R&D ⁸	(459)	(1,527)	-	(976)	(3,977)	(2,264)	(392)	(175)	-	-	(4,828)	(4,942)
Operating EBITDA⁷	1,297	3,160	2,510	3,824	540	473	484	547	-	-	4,831	8,004
Restructure & other non-operating expenses ⁶											(256)	-
EBITDA⁵											4,575	8,004
Net finance costs											(123)	(267)
Depreciation & operating amortisation ⁴											(1,425)	(1,370)
Investment amortisation ³											(1,082)	(1,802)
Profit before income tax											1,945	4,565
Income tax credit(expense)											549	(180)
Profit after income tax											2,494	4,385

Note 7: Operating Segments (continued)

Notes

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

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 \$119k from Australia (Dec 2016: nil) for use of intangible assets is not included to align with reporting to CEO. In addition, revenue to reflect arm's length transactions for re-charges for software development work charges and other costs received by Australia from Rest of the World of \$781k (Dec 2016: \$227k revenue), and by Rest of the World from Australia \$322k (Dec 2016: \$864k revenue) and by the United Kingdom from Australia of \$629k (Dec 2016: \$557k) and by Australia from the United Kingdom \$689k (Dec 2016: nil) is not included in inter-segment revenue. United Kingdom revenue includes all license revenue relating to United Kingdom based clients and as IP is owned by Australia an inter-segment sales commission of \$3.3m is remitted to the UK (Dec 2016: \$2.9m). 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 8: Share Based Payments

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

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

Share Performance Rights

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

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

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

	Opening Balance	Granted	Forfeited	Exercised	Expired	Closing Balance
5 August 2014	264,615	-	(211,025)	(53,590)	-	-
26 September 2016	255,951	-	(255,951)	-	-	-
27 October 2016	62,124	-	(62,124)	-	-	-
Total 31 Dec 2017	582,690	-	(529,100)	(53,590)	-	-
Total 31 Dec 2016	723,438	373,987	-	(435,376)	-	662,049

As at reporting date \$11k (Dec 2016: \$136k credit) was included in share based payment expense. In the prior financial half-year, the benefit was as a result of the failure of particular performance rights to meet certain performance criteria.

During the half-year, the Company issued 53,590 shares in respect of performance rights related to the 5 August 2014 issue of performance rights to selected employees under the GBST Performance Rights and Option Plan that vested after meeting performance criteria. The remainder of performance rights issued on 5 August 2014 had been forfeited prior to the vesting date.

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

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

Note 9: Contingent Liabilities

During the half-year, GBST advanced \$12,244 to a former director and executive, Mr Stephen Lake, in accordance with the terms of the Deed of Access, Indemnity and Insurance ("the Deed") with Mr Lake. The advances were paid to cover legal costs incurred in defending proceedings brought against Mr Lake in the Supreme Court of Queensland by Mr Malcolm Murdoch, a former director and shareholder of GBST. The proceedings relate to a dispute surrounding the terms on which proceedings by Mr Murdoch in 2003 were settled in 2004. All amounts advanced by GBST under the Deed are repayable if, upon the final adjudication of the proceedings, Mr Lake is not entitled to be indemnified by GBST. To date, GBST has advanced a total of \$1.16m 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 2017, GBST has with its clients a variety of software supply agreements, each of which contain service and performance warranties and indemnities. These warranties and indemnities are of the standard type used in the industry and the likelihood of liabilities arising under these warranties and indemnities is considered remote.

Note 10: Subsequent Events

Since 31 December 2017 the Company issued 502,642 performance rights on 25 January 2018 to selected employees in accordance with the terms of the GBST Performance Rights and Option Plan and are subject to performance criteria.

Other than disclosed in the commentary 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 12 February 2018 by the Board of Directors.

Directors' Declaration

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

- a) the consolidated financial statements and notes set out on pages 7 to 22 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 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



.....
Mr A J Brackin
Chairman



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

Dated at Sydney this 12th day of February 2018

Independent Auditor's Review Report

To the shareholders of GBST Holdings Limited

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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



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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of GBST Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Simon Crane
Partner

Brisbane
12 February 2018