

05

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# 2005 HIGHLIGHTS

GBST, Australia's largest provider of securities transaction processing, **successfully listed on the Australian Stock Exchange** in June 2005.

**A client base that comprises over half the registered stockbrokers in Australia** as well as leading International and Australian financial market participants.

**GBST Shares™ implemented at Australia's latest Third Party Clearing participant** during the year.

**EBITDA of \$4.94 million**, an increase of \$942,000 or 23.5%, **EBITDA margins strengthened to 22%** of operating revenue, after expensing \$3 million in Research and Development expenditure.

**Normalised Profit before tax of \$4.66 million**, an increase of \$1.21 million or 35.3%.

**Strong operating cash flows, cash at 30 June 2005 of \$6.88 million with no borrowings.**

**Rollout of new version of core product GBST Shares 6.0™** to entire Australian client base

**Development of GBST Floats™** a new product offering to the advisory areas of stockbroking.

# CEO AND CHAIRMANS REPORT

Dear Shareholder

On behalf of the Board of Directors of GBST it gives us great pleasure to present to you our first annual report as a publicly listed company. While the company was established in 1983, this year represents a significant turning point in the history of GBST. This report is the review of a year in which the business made substantial operational and financial

improvements and put in place measures to ensure future growth.

GBST became a listed company in June 2005 and is pleased to announce a normalised profit before tax of \$4.66 million for the year. This result represents a notable increase of \$1.21 million or 35.3% on the prior comparative period.

## **A solid company in a solid market**

GBST is positioned as a leading provider of specialist market access and transaction processing solutions to the financial services industry. GBST's track record in delivering proven technology solutions has allowed us to build a client base that now comprises over half the registered stockbrokers in Australia as well as leading International and Australian financial market participants.

The financial services industry continued to enjoy the benefits of a strong local share market during the year. Of particular relevance to GBST was the continued growth in the level of trading activity on the ASX.

GBST's mission is to grow recurring revenues from financial market transactions. Our revenue growth in 2005 is reflective of this increase in trading activity and the introduction of new business, in particular from our third party clearing clients. There was, however, further consolidation within the industry during the year from which GBST was not immune. Whilst our extensive client base positions us as much to benefit as lose from consolidation, in this instance a broking client and a margin lending client were acquired by businesses using alternative systems.

GBST believes that the trend to outsource transaction processing to specialist providers, including third-party clearers, will continue. We maintain a dominant position in the supply of technology to these specialist providers through two major clients in this area – ACS and the third party clearing arm of Merrill Lynch, Berndale Securities. Citigroup Securities Clearing Australia Limited is the latest clearer to enter this market and went live on the GBST Shares™ platform in July 2005.



Stephen Lake  
Chief Executive Officer  
and Managing Director

## Good people make all the difference

GBST is a technology-based company and owes its success to the quality of its people and leadership. With over 20 years experience in the Australian equities market, our staff has built an extensive industry knowledge – over half of our employees have been with the company for more than five years.

Our staff's commitment to quality and a strong corporate culture has been crucial in establishing our market position and will continue to play a key role in growing the company. The Employee Share Option plan recognises this commitment and its contribution to improving shareholder value.



The Board and Management would like to thank all staff for their valued contribution throughout the year.

The increase in profitability over recent years is also reflective of the development of a strong management team, led by Stephen Lake. During the year Stephen renewed his contract for a further three years.

### Strong Financial Position

GBST's revenue is a mix of variable and fixed service fees. New business and favourable equity market conditions contributed to growth in variable revenue in the year, whilst operating costs were kept in line with 2004. As a result, normalised earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 23.5% to \$4.94 million.

This increase in earnings was coupled with a strengthening of EBITDA margins to 22% of operating revenue, after expensing \$3 million in research and development activities.

John Puttick  
Chairman

GBST's policy is to expense internal research and development costs as incurred.

The company's normalised earnings per share (EPS) for the year was 7.54c, being normalised profit after tax divided by the shares on issue at 30 June 2005. Reported profit after tax, of \$4.45 million, was affected by non recurring items as outlined in the company's prospectus and a one-off tax credit arising from the recognition of timing differences and tax losses carried forward from prior years. Reported EPS is presented on a weighted basis and its calculation is impacted by a number of share capital restructuring events undertaken prior to the company listing.

At 30 June 2005, the company had cash of \$6.88 million and no borrowings, leaving it strongly positioned to target acquisitions and other opportunities in 2006.

In accordance with the dividend policy outlined in the prospectus, GBST does not propose to pay a final dividend for 2005.

### Transaction Technology

During the course of the year the company invested a further \$3 million into research and product development. This investment was crucial to the success of the release of GBST Shares 6.0™, and the creation of new products for the client advisory market.

GBST Shares 6.0™ was the largest upgrade to GBST's core product in the past 5 years. The release significantly enhances the ability of all GBST products and services to integrate with other systems and our clients' ability to transact with other financial participants. The release also enables exception based processing and workflow automation, both of which serve to drive down the cost of transaction processing.

We will continue to invest in enhancing the technological platforms underpinning our products and we are seeking to provide better integration and automation through the use of web services, messaging and service oriented architectures.

#### **Growing the business**

GBST continues to work closely with our clients and industry participants to build and share our industry experience. This knowledge allows us to identify and meet the needs of our clients. A recent example of this is the release of GBST Floats™, a module that assists brokers in the processing of Initial Public Offering requests.

GBST will continue to focus on extending its product suite to cover the processing of new instruments, such as derivatives, and growing the number of financial participants on our network. Our expansion goals will be met through a combination of organic growth

and targeted acquisitions to increase the scale and reach of our network.

#### **Thank you**

We are confident that the combination of settled and experienced management, highly qualified and motivated staff and a strong balance sheet means the company is in an excellent position to grow our business.

We are delighted to have substantially extended our shareholder base this year. We thank you for your support of the company and for your confidence in its future. All of us at GBST look forward to sharing another successful year with you.

Kind Regards



Stephen Lake  
Chief Executive Officer and  
Managing Director



John Puttick  
Chairman

# CORPORATE GOVERNANCE STATEMENT

## Introduction

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations' ('Guidelines') applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The board has made an assessment of the company against the Guidelines. Due to the history and current size of the Company, it is not practicable to comply with all of the Guidelines. The Board has taken measures to address corporate governance issues arising. The Board outlines its assessment below. This statement on corporate governance reflects our charter, policies and procedures on 9 September 2005.

## Scope of responsibility of Board

a) Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously

and fairly, in accordance with the law, in the interests of GBST's shareholders with a view to building sustainable value for them and the interests of employees and other stakeholders.

- b) The Board's broad function is to:
- (i) chart strategy and set financial targets for the Company
  - (ii) monitor the implementation and execution of strategy and performance against financial targets and
  - (iii) oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.
- c) Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:
- (i) composition of the Board itself including the appointment and removal of Directors
  - (ii) oversight of the Company including its control and

accountability system

- (iii) appointment and removal of the Chief Executive Officer and the Company Secretary
- (iv) reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance
- (v) monitoring senior management's performance and implementation of strategy and
- (vi) approving and monitoring financial and other reporting and the operation of committees.

## Composition of Board

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- a) the Board should comprise at least five Directors
- b) the Board shall be constituted by members having an appropriate range of skills and expertise
- c) at least two directors will be Non-Executive Directors independent from management.

## Board charter and policy

- a) The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal



recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

- (i) a detailed definition of 'independence'
- (ii) a framework for the identification of candidates for appointment to the Board and their selection
- (iii) a framework for individual performance review and evaluation
- (iv) proper training to be made available to Directors both at the time of their appointment and on an on-going basis
- (v) basic procedures for meetings of the Board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive Directors
- (vi) ethical standards and values – formalised in a detailed code of ethics and values
- (vii) dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates and
- (viii) communications with shareholders and the market.

b) These initiatives, together with the other matters provided for

in the Board's charter, are designed to 'institutionalise' good corporate governance and to build a culture of best practice in GBST's own internal practices and in its dealings with others.

### Audit and Risk Management Committee

- a) The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. Its members will be:
  - (i) Mr John Puttick, Chairman
  - (ii) Mr David Shirley
  - (iii) Mr Allan Brackin.
- b) The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:
  - (i) Board and committee structure to facilitate a proper review function by the Board

- (ii) internal control framework including management information systems
  - (iii) corporate risk assessment and compliance with internal controls
  - (iv) internal audit function and management processes supporting external reporting
  - (v) review of financial statements and other financial information distributed externally
  - (vi) review of the effectiveness of the audit function
  - (vii) review of the performance and independence of the external auditors
  - (viii) review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls
  - (ix) assessing the adequacy of external reporting for the needs of shareholders and
  - (x) monitoring compliance with the Company's code of ethics.
- c) Meetings are held at least four times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

## Best practice commitment

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this section, that are designed to achieve this objective. GBST's corporate governance charter is intended to 'institutionalise' good corporate governance and, to build a culture of best practice both in the Company's own internal practices and in its dealings with others.

The following are a tangible demonstration of the Company's corporate governance commitment.

### a) Independent professional advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by the Company.

### b) Code of ethics and values

The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.

### c) Code of conduct for transactions in securities

The Company has developed and adopted a formal code to regulate dealings in securities

by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

### d) Charter

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted.

### e) Substantial compliance with ASX corporate governance guidelines and best practice recommendations.

#### *Principle 1 - Lay solid foundations for management and oversight*

The role of the Board and delegation to management have been formalised as described above in this section and will continue to be refined, in accordance with the Guidelines, in the light of practical experience gained in operating as a listed company. GBST complies with the Guidelines in this area.

#### *Principle 2 - Structure the Board to add value*

Together the Directors have a broad range of experience, skills, qualifications and contacts relevant to the business of the Company. The majority of the Board is not independent. In particular, the Chairman is not independent in terms of the Guidelines. There will be at least two independent Directors. The company appointed Mr Allan Brackin and Mr David Shirley as Directors in April 2005. Prior to this the company had no independent Directors.

The Board as a whole will consider further nominations and has determined not to establish a separate nomination committee.

#### *Principle 3 - Promote ethical and responsible decision making*

The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities as referred to above. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities.

The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the

highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

*Principle 4 - Safeguard integrity in financial reporting*

The Audit and Risk Committee has its own Charter. The Committee will initially comprise three Directors, the majority of which must be independent. All the members of the Audit Committee are financially literate.

*Principle 5 - Make timely and balanced disclosure*

Policies and procedures for compliance with ASX Listing Rule disclosure requirements are included in the Company's corporate governance charter.

*Principle 6 - Respect the rights of shareholders*

The Board recognises the importance of this principle and will strive to communicate with shareholders both regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. It is intended that the Company's auditors will always attend the annual general meeting and be available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

*Principle 7 - Recognise and manage risks*

The Board, together with management, has constantly sought to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible improved. The whole issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will continue to be kept under regular review. Review takes place at both committee level (Audit and Risk Management Committee), with meetings at least four times each year, and at Board level.

*Principle 8 - Encourage enhanced performance*

The corporate governance charter adopted by the Board requires individual performance review and evaluation to be conducted formally on an annual basis. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of

further enhancing performance both individually and collectively. GBST's practice complies with the Guidelines in this area.

*Principle 9 - Remunerate fairly and responsibly*

Remuneration of Directors and executives will be fully disclosed in the annual report and any changes with respect to key executives announced in accordance with continuous disclosure principles.

The Board has determined not to initially establish a remuneration committee. The Chairman will lead a review of the Directors and the independent Directors will lead a review of the Chairman. No individual will be directly involved in deciding his or her remuneration.

*Principle 10 - Recognise the legitimate interests of stakeholders*

The Board recognises the importance of this principle (which it believes represents not only sound ethics but also good business sense and commercial practice) and continues to develop and implement procedures to ensure compliance with legal and other obligations to legitimate stakeholders. The Company and its policies and practices comply with the Guidelines in this area.

## DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities ('GBST') for the financial year ended 30 June 2005.

### Directors

The names of the directors of the company in office at any time during or since the end of the year are:

Mr John F Puttick  
Mr Joakim J Sundell  
Mr Stephen M L Lake (appointed 15 February 2005)  
Mr David C Shirley (appointed 27 April 2005)  
Mr Allan J Brackin (appointed 27 April 2005)  
Mr Malcolm A Murdoch (resigned 4 October 2004)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Company Secretary

The following persons held the position of company secretary at the end of the financial year:

David M Doyle – Mr Doyle joined GBST in 1997 and was appointed Company Secretary on 18 April 2005. Mr Doyle's responsibilities at GBST have included project management, the oversight of the administrative function and the oversight of the company's human resource department. He holds Bachelor degrees in Law and Business (Computing) and a Graduate Diploma in Occupational Health and Safety from Queensland University of Technology.

John F Puttick – Mr Puttick was appointed Company Secretary in 1984. Information on Mr Puttick is set out in the section of this report dealing with information on Directors.

### Principal Activities

GBST Holdings Limited listed on the Australian Stock Exchange on 28 June 2005 following a capital raising pursuant to a prospectus dated 3 May 2005. The principal activities of GBST during the financial year were the provision of advanced electronic business solutions for the finance, banking and securities industry in Australia, New Zealand and South East Asia. No significant change in the nature of these activities occurred during the year.

### Operating Results and Dividends

The consolidated profit of GBST for the financial year after providing for income tax amounted to \$4,446,121 (2004: \$2,448,128 profit). The profit included an income tax credit of \$667,744 (2004: \$Nil)

Unfranked dividends declared and paid during the year were as follows:

	\$
Ordinary dividend paid on 17 March 2005	1,020,360
Preference dividends paid on 17 March 2005	
- Class A	652,244
- Class B	436,831
	<u>2,109,435</u>

No further dividend has been recommended by the Directors for the year ended 30 June 2005.

## Review of Operations

The company experienced significant improvement in revenue and profit during the year primarily due to increased levels of financial market activity resulting in increased usage of GBST's products and levels of transaction processing. Profit from ordinary activities before tax grew by 54% to \$3,778,377 (2004: \$2,448,128).

Revenue grew by 5% to \$24,043,022 (2004: \$22,899,421) and profit before research and development increased by 19% to \$6,749,406 (2004: \$5,650,329). The company undertook a further \$2,971,029 (2004: \$3,202,201) in research and development activities.

Profit from ordinary activities after income tax of \$4,446,121 (2004: \$2,448,128) was impacted by a number of significant items that are not expected to reoccur in future periods:

- Costs associated with litigation and redundancy payments to a former Director/Shareholder of \$1,080,378 (2004: \$433,684) were expensed in the year. The dispute was settled in September 2004.
- Interest of \$78,115 (2004: \$400,201) on redeemable preference shares was expensed during the year. The redemption right was waived during the current year and the preference shares converted to ordinary shares on 17 March 2005.
- Revenue includes an amount of \$431,728 which represents a variable license fee invoiced at the end of a contract term. The fee relates to trading activity in prior financial years.
- An income tax expense credit of \$667,744 (2004: Nil) arose from the recognition of taxation losses and other timing differences which had not previously been brought to account as their realisation was not virtually certain.

The business generated cash flows from operations of \$2,641,845 (2004: \$3,277,067) which, in conjunction with capital structuring activities, facilitated the company's build up of cash reserves and also enabled the company to pay a dividend in March 2005 of \$2,109,435.

Further information on the operational performance of the company is included in the Chairman and Managing Director's Report.

## Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the financial year:

- (a) The company listed on the Australian Stock Exchange on 28 June 2005 following a capital raising pursuant to a prospectus dated 3 May 2005. Under that prospectus 10,000,000 ordinary shares were offered, including 4,000,000 new shares issued. Capital raised by the company after issue costs was \$3,204,439.
- (b) As part of the capital raising and listing process, the company converted from a proprietary company to a public company on 1 April 2005.
- (c) Prior to conversion to a public company, GBST also undertook various other transactions involving its issued capital:
  - i. A selective buy-back of 1706 ordinary shares for a total value of \$2,823,427 on 20 September 2004.
  - ii. On 17 March 2005, a call up of the uncalled amount on preference shares, exercise of options over preference shares, and conversion of all preference shares to ordinary shares. These transactions raised \$2,326,558 for the company.
  - iii. A share split in the ratio of 2000:1 on ordinary capital.
- (d) On 9 March 2005, GBST established the GBST Employee Option Plan. The plan comprised two sub-schemes, being an Exempt Options Scheme (175,824 options issued) for general staff and a Deferred Options Scheme (3,921,360 options issued) for select staff and eligible Directors. The options are subject to performance criteria. An employee share trust has been established to facilitate the option scheme. The company advanced the trust \$2,336,076 during the year to acquire shares in GBST over which the options have been issued.

## After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of GBST, the results of those operations, or the state of affairs of GBST in future financial years.

## DIRECTORS' REPORT (Continued)

### Future Developments, Prospects and Business Strategies

Disclosure of information regarding future developments and financial results is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

### Environmental Issues

GBST's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Information on Directors

**John Puttick** – Chairman (Non-executive)

*Qualifications and Experience:*

John Puttick is the founder and Chairman of GBST. Mr Puttick's vision and leadership has driven the Company's development over the last two decades to its present status as a leading Australian provider to the securities processing industry. He has 34 years experience in the IT industry – 21 of which developing financial services solutions at GBST. Mr Puttick serves on Faculty Advisory Committees for the University of Queensland and the Queensland University of Technology; as Chair of Southbank TAFE Community Council; and as Adjunct Professor, School of Information Technology and Electrical Engineering at the University of Queensland.

*Interest in Shares and Options* – 9,167,760 Ordinary Shares of GBST Holdings Limited held by Mr Puttick and associated entities.

*Special Responsibilities* – Mr Puttick is a Member of the Audit and Risk Management Committee.

**Stephen Lake** – Managing Director and Chief Executive Officer

*Qualifications and Experience:*

Stephen Lake joined GBST in September 2001 after an extensive career in the capital markets industry in Australia, the United Kingdom and Asia. Mr Lake became a shareholder of GBST and was appointed Chief Executive Officer in 2001. Prior to joining GBST, he was Chief General Manager of Financial Markets at Adelaide Bank Limited. Mr Lake was also Managing Director of the Fixed Interest Division at BZW (Asia) Ltd, and served as the Managing Director of BZW's Capital Market's Division Australia.

*Interest in Shares and Options* - 999,332 options and 3,563,096 Ordinary Share of GBST Holdings Limited held by Mr Lake.

**Joakim Sundell** – Non-Executive Director

*Qualifications and Experience:*

Joakim Sundell was appointed a Director in 2001. Mr Sundell has an extensive career in private equity finance, merchant banking, and management both in Sydney and London. He is Managing Director of Crown Financial Pty Ltd, a private investment company.

*Interest in Shares and Options* - 18,483,144 Ordinary shares held by Mr Sundell's associated entities.

## DIRECTORS' REPORT (Continued)

### David Shirley – Independent Director

#### *Qualifications and Experience:*

David Shirley was appointed a Director in April 2005. Mr Shirley has a successful career providing strategic, business planning and governance advice in executive management positions with Microsoft Business Solutions and Navision. He was also a non-executive board and audit committee member with Queensland Capital Corporation Limited, offered strategic and governance consultancy advice to Australian Business Research Pty Ltd, and was a Partner with Gadens Lawyers.

#### *Interest in Shares and Options – Nil*

*Special Responsibilities* – Mr Shirley is a Member of the Audit and Risk Management Committee.

### Allan Brackin – Independent Director

#### *Qualifications and Experience:*

Allan Brackin joined GBST as a Director in April 2005. Mr Brackin has a detailed knowledge of the IT sector having served as CEO of Volante Group, one of Australia's largest infrastructure service companies. He also founded Queensland Laser and Survey Supplies, as well as Applied Micro Systems (Australia) Pty Ltd, which grew to become the national company AAG Technology Services.

#### *Interest in Shares and Options – Nil*

*Special Responsibilities* – Mr Brackin is a Member of the Audit and Risk Management Committee.

*Directorships held in other listed entities* - former Director of Volante Limited (November 2000 to 31 October 2004).

## Remuneration Report

This report details the nature and amount of remuneration for each Director of GBST Holdings Limited, and for the executives receiving the highest remuneration.

#### *Remuneration Policy*

The policy for determining the nature and amount of emoluments of Directors and specified executives is as follows:

Remuneration of Non-Executive Directors is determined by the Board with reference to market rates for comparable companies and reflective of the responsibilities and commitment required of the Director. The remuneration of Directors is voted on annually at the company's annual general meeting.

Remuneration packages are aligned with the market and properly reflect the person's duties, responsibilities and performance. The current remuneration structure has three components: base pay, superannuation, performance-related bonus and equity based remuneration. Executives are offered longer term incentives through an employee share option plan which seeks to align the executives' performance with the interests of shareholders.

The performance of executives is considered annually against agreed performance objectives relating to both individual performance goals and contribution to the achievement of broader company objectives. Executive remuneration packages are reviewed annually by reference to the company's economic performance, executive performance and comparative information from industry sectors.

Remuneration paid to Directors and Executives is valued at the cost to the company and expensed. The company operates an Employee Option scheme, comprising of two sub-schemes, being an Exempt Options Scheme for staff generally and a Deferred Options Scheme for select staff and eligible Directors. Options are valued using a binomial model which includes variables such as time, volatility, risk and return. The value of equity based compensation under the Deferred Option Scheme is not recognised as an employee benefits expense. This policy will change with the introduction of Australian Equivalents to International Financial Reporting Standards (AIFRS).

## DIRECTORS' REPORT (Continued)

The board recognises that a key driver for shareholder value is the quality of the people employed by and attracted to the company. In order to meet corporate objectives GBST must attract, motivate and retain highly skilled executives and talented employees.

### *Remuneration Principles*

1. The company will use competitive remuneration packages to attract, motivate and retain talented executives.
2. The employees will be rewarded for sustained and sustainable improvement in the performance of the company.
3. Directors and senior executives are encouraged to make investments in the company but only in accordance with the company's share trading guidelines.
4. The company will make full disclosure of director and executive remuneration.
5. Senior executive agreements will not allow for significant termination payments if an employment agreement has to be terminated for cause.

The board recognises the significant role played by remuneration in attracting and retaining staff.

### *Remuneration Structure*

Three elements make up the company's remuneration structure for senior executives.

1. Fixed remuneration of salary and superannuation.
2. Bonus payments based upon company performance and the meeting of corporate objectives.
3. Equity based remuneration.

Fixed remuneration levels are set with reference to commercial benchmark information and the individual's role, responsibility, experience and geographic location.

Bonus and equity based schemes are designed to motivate employees for the continuing benefit of shareholders. No employee has a continuous entitlement to bonus payments. Performance objectives for each executive are set on an annual basis and are reflective of the areas of responsibility of the executive and the broader objectives of the company. Performance objectives include financial and non-financial goals.

Executive performance is reviewed annually with bonuses being awarded based on an assessment of performance against agreed criteria. The payment of performance bonuses is subject to a consideration of whether or not the overall performance of the company warrants the payment of a bonus. Performance bonus payments in the current financial year have taken account of the significant growth in revenue and profitability of the company in the financial year ended 30 June 2004. Normalised profit before tax increased from approximately \$72,000 in the 2003 financial year to approximately \$3.4 million in 2004.

The company has put in place an employee share ownership plan. The plan involves the use of options to acquire shares. The plan has two considerations in its design. The first is to reward senior executives for their work in building the company into the successful enterprise that joined the ASX list in June 2005. The second is to encourage behaviours that would see the company's financial performance improve through the course of 2006. The improvement is measured by comparing the company's financial performance in the 2006 financial year with the performance in the 2005 financial year. The comparison is adjusted to take account of some elements that contribute to improvement but which are not influenced by employee's behaviour. The employee must also remain in continuous employment until 31 October 2006.

### *Service Agreements*

Remuneration and other terms of employment for Executive Directors and Executives are formalised in service contracts. All agreements with executives are subject to an annual review. Each of the agreements provide for base pay, leave entitlements, superannuation and performance-related bonus. The agreements are expressed to cover periods specific to individual appointments but may generally be terminated by notice by either party or earlier in the event of certain breaches of terms and conditions. Except for Mr Lake the service agreements do not have fixed terms. Mr Lake's service agreement terminates in August 2007. Mr Puttick resigned as an executive employee with effect on 15 July 2005. Mr Puttick agreed to accept a position as non-executive Chairman from that date. His appointment as a Director continued.



## DIRECTORS' REPORT (Continued)

## Details of Remuneration for Year Ended 30 June 2005

The remuneration for each Director and of the executive officers of GBST receiving the highest remuneration during the year was as follows:

	PRIMARY		Non-cash benefits	POST	Equity Options	Other	Total
	Base salary	Bonus		EMPLOYMENT			
	\$	\$	\$	Superannuation	\$	\$	\$
<b>Jun 2005</b>							
<b>Directors</b>							
J Puttick	276,058	-	-	22,664	-	-	298,722
J Sundell	6,667	-	-	-	-	-	6,667
D Shirley	6,667	-	-	-	-	-	6,667
A Brackin	6,667	-	-	-	-	-	6,667
M Murdoch	-	-	-	-	-	700,000	700,000
S Lake	487,885	-	-	43,909	76,149	-	607,943
<b>Total Directors</b>	<b>783,944</b>	<b>-</b>	<b>-</b>	<b>66,573</b>	<b>76,149</b>	<b>700,000</b>	<b>1,626,666</b>
<b>Specified Executives</b>							
C Apps	163,096	25,000	-	16,839	21,205	-	226,140
P Biggs	165,846	30,000	-	17,536	21,205	-	234,587
P Ferguson	74,077	-	-	6,667	-	-	80,744
S Hayhoe	145,731	20,000	-	14,825	13,082	-	193,638
E Lloyd	158,019	30,000	-	16,832	21,205	-	226,056
K Wallis	138,000	20,000	-	14,130	21,205	-	193,335
<b>Total Executives</b>	<b>844,769</b>	<b>125,000</b>	<b>-</b>	<b>86,829</b>	<b>97,902</b>	<b>-</b>	<b>1,154,500</b>
<b>Jun 2004</b>							
<b>Directors</b>							
J Puttick	275,000	229,358	-	43,142	-	-	547,500
J Sundell	182,638	-	-	16,437	-	-	199,075
M Murdoch	100,353	-	-	3,462	-	-	103,815
<b>Total Directors</b>	<b>557,991</b>	<b>229,358</b>	<b>-</b>	<b>63,041</b>	<b>-</b>	<b>-</b>	<b>850,390</b>
<b>Specified Executives</b>							
S Lake	450,000	-	-	36,754	-	-	486,754
C Apps	154,615	11,000	-	14,905	-	-	180,520
P Biggs	131,923	11,000	-	12,863	-	-	155,786
S Hayhoe	96,962	1,000	-	8,716	-	-	106,678
E Lloyd	136,539	1,000	-	12,100	-	-	149,639
K Wallis	129,615	11,000	-	12,655	-	-	153,270
<b>Total Executives</b>	<b>1,099,654</b>	<b>35,000</b>	<b>-</b>	<b>97,993</b>	<b>-</b>	<b>-</b>	<b>1,232,647</b>

## DIRECTORS' REPORT (Continued)

## Options issued as Part of Remuneration for the Year Ended 30 June 2005

	Granted No. \$	Options Granted as Part of Remuneration \$	Total Remuneration represented by Options \$	Options Exercised \$	Options Lapsed (\$)	Total \$
<b>Directors</b>						
J Puttick	-	-	-	-	-	-
J Sundell	-	-	-	-	-	-
D Shirley	-	-	-	-	-	-
A Brackin	-	-	-	-	-	-
M Murdoch	-	-	-	-	-	-
S Lake	999,332	76,149	13	-	-	76,149
<b>Total Directors</b>	<b>999,332</b>	<b>76,149</b>				<b>76,149</b>
<b>Specified Executives</b>						
C Apps	266,488	21,205	9	-	-	21,205
P Biggs	266,488	21,205	9	-	-	21,205
P Ferguson	-	-	-	-	-	-
S Hayhoe	159,892	13,082	7	-	-	13,082
E Lloyd	266,488	21,205	9	-	-	21,205
K Wallis	266,488	21,205	11	-	-	21,205
<b>Total Executives</b>	<b>1,225,844</b>	<b>97,902</b>				<b>97,902</b>

## Meetings of Directors

During the financial year, 13 meetings of Directors (including committees of directors) were held. Attendances by each director during the year were as follows:

DIRECTORS NAMES	DIRECTORS' MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Puttick	13	13	-	-
M Murdoch	2	2	-	-
J Sundell	13	12	-	-
S Lake	6	6	-	-
A Brackin	5	4	-	-
D Shirley	5	4	-	-

## DIRECTORS' REPORT (Continued)

**Indemnifying Directors and Officers**

During the financial year, the company paid a premium in respect of a contract insuring the Directors of the company, the company secretaries and all executive officers of the company against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

In addition, the company has entered into a Deed of Indemnity which ensures that generally the Directors and Officers of the company will incur no monetary loss as a result of defending the actions taken against them as Directors and Officers.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

**Options**

The number of options outstanding are as follows:

Grant Date	Expiry and Exercise Date	Exercise Price	Number
9.3.05	8.3.10	\$0.0000	175,824
9.3.05	8.3.07	\$0.7505	3,921,360
			<u>4,097,184</u>

The Company established an employee share trust during the year and advanced the trust \$2,336,076 with which it has acquired 2,754,000 shares in GBST. The advance was in the form of a contribution of \$133,000 towards the Exempt Option Scheme and a loan of \$2,203,076 towards the Deferred Option Scheme (refer Note 29). The shares will be used for subsequent allocation under the GBST Employee Option Plan.

## DIRECTORS' REPORT (Continued)

### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

### Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- Prior to ASX listing all non-audit services were reviewed and approved by the Directors prior to commencement to ensure they did not adversely affect the integrity and objectivity of the auditor; and since listing an audit committee has been established to conduct the same review/approval process.
- the nature of the services do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005:

	\$
Services as Independent Accountant for the company's prospectus	55,013
Services relating to legal matters concerning shareholders	6,750
Other taxation and statutory compliance assistance	17,495
	<u>79,258</u>

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on the page following this directors' report.

Signed in accordance with a resolution of the Board of Directors:



J F Puttick  
Chairman



S M L Lake  
Managing Director and Chief Executive Officer

Brisbane  
9 September 2005



**Auditor's Independence Declaration  
Under Section 307C of the Corporations Act 2001**

**To the Directors of GBST Holdings Ltd**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

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

A handwritten signature in black ink that reads "Robertsons".

Robertsons  
Chartered Accountants

A handwritten signature in black ink that reads "A W Thomas".

A W Thomas  
Partner

Date: 9 September 2005



GBST HOLDINGS LIMITED

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001:
  - a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



J F Puttick  
Chairman



S M L Lake  
Managing Director and Chief Executive Officer

Brisbane  
9 September 2005

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	CONSOLIDATED		COMPANY	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenue from license and service sales		22,363,922	20,645,411	22,363,922	20,645,411
Revenue from sale of third party product		1,352,633	1,900,868	1,352,633	1,900,868
Other revenue		326,467	353,142	326,467	353,142
Revenue from ordinary activities	2	24,043,022	22,899,421	24,043,022	22,899,421
Product delivery and support expenses		(8,605,887)	(7,895,300)	(8,605,887)	(7,895,300)
Cost of third party product sold		(1,152,709)	(1,521,075)	(1,152,709)	(1,521,075)
Property and equipment expenses		(2,521,969)	(3,495,549)	(2,521,969)	(3,495,549)
Corporate and administrative expenses		(4,918,611)	(3,919,359)	(4,918,611)	(3,919,359)
Borrowing costs	2	(94,440)	(417,809)	(94,440)	(417,809)
Profit from ordinary activities before research & development expenses		6,749,406	5,650,329	6,749,406	5,650,329
Research and development expenses	1	(2,971,029)	(3,202,201)	(2,971,029)	(3,202,201)
Profit from ordinary activities before tax expense	2	3,778,377	2,448,128	3,778,377	2,448,128
Income tax (expense)/credit relating to ordinary activities	3	667,744	-	667,744	-
Profit from ordinary activities after related income tax expense attributable to members of the company	18	4,446,121	2,448,128	4,446,121	2,448,128
Total changes in equity other than those resulting from transactions with owners as owners		4,446,121	2,448,128	4,446,121	2,448,128
Basic earnings per share (cents)	30	17.49			
Diluted earnings per share (cents)		12.30			

The accompanying notes form part of these financial statements

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	NOTE	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash Assets	5	6,883,035	4,486,604	6,883,035	4,486,604
Receivables	6	2,264,386	2,191,939	2,264,386	2,191,939
Inventories	7	62,310	-	62,310	-
Other financial assets	8	127,254	1,498,246	110,446	1,483,647
Other assets	11	241,633	195,004	241,633	195,004
<b>TOTAL CURRENT ASSETS</b>		<b>9,578,618</b>	<b>8,371,793</b>	<b>9,561,810</b>	<b>8,357,194</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	8	2,252,432	941,069	2,269,240	955,668
Property, plant and equipment	9	1,050,574	1,090,326	1,050,574	1,090,326
Deferred tax assets	10	758,346	-	758,346	-
Other assets	11	14,753	-	14,753	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,076,105</b>	<b>2,031,395</b>	<b>4,092,913</b>	<b>2,045,994</b>
<b>TOTAL ASSETS</b>		<b>13,654,723</b>	<b>10,403,188</b>	<b>13,654,723</b>	<b>10,403,188</b>
<b>CURRENT LIABILITIES</b>					
Payables	12	1,919,883	2,102,548	1,919,883	2,102,548
Interest - bearing liabilities	13	37,397	117,073	37,397	117,073
Current tax liabilities	14	88,090	-	88,090	-
Provisions	15	767,925	707,898	767,925	707,898
Other financial liabilities	16	888,678	2,026,659	888,678	2,026,659
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,701,973</b>	<b>4,954,178</b>	<b>3,701,973</b>	<b>4,954,178</b>
<b>NON-CURRENT LIABILITIES</b>					
Payables	12	155,960	378,930	155,960	378,930
Interest - bearing liabilities	13	35,276	3,042,672	35,276	3,042,672
Deferred tax liabilities	14	2,512	-	2,512	-
Provisions	15	649,492	547,014	649,492	547,014
Other financial liabilities	16	142,178	380,728	142,178	380,728
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>985,418</b>	<b>4,349,344</b>	<b>985,418</b>	<b>4,349,344</b>
<b>TOTAL LIABILITIES</b>		<b>4,687,391</b>	<b>9,303,522</b>	<b>4,687,391</b>	<b>9,303,522</b>
<b>NET ASSETS</b>		<b>8,967,332</b>	<b>1,099,666</b>	<b>8,967,332</b>	<b>1,099,666</b>
<b>EQUITY</b>					
Contributed equity	17	5,531,080	100	5,531,080	100
Retained profits	18	3,436,252	1,099,566	3,436,252	1,099,566
<b>TOTAL EQUITY</b>		<b>8,967,332</b>	<b>1,099,666</b>	<b>8,967,332</b>	<b>1,099,666</b>

The accompanying notes form part of these financial statements



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		24,721,988	24,636,117	24,721,988	24,636,117
Payments to suppliers and employees		(22,072,588)	(20,787,682)	(22,070,380)	(20,787,682)
Interest received		286,848	140,340	286,848	140,340
Rebates received		3,395	16,858	3,395	16,858
Sundry income		8,121	26,333	8,121	26,333
Grant income		-	70,867	-	70,867
Interest and other costs of finance paid		(305,919)	(825,766)	(305,919)	(825,766)
Net cash provided by/(used in) operating activities	22(a)	2,641,845	3,277,067	2,644,053	3,277,067
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of plant & equipment		26,555	14,763	26,555	14,763
Purchase of plant & equipment		(589,647)	(206,221)	(589,647)	(206,221)
Amounts advanced to other related entities		(2,203,076)	-	(2,203,076)	-
Proceeds from related entity receivables		2,171,619	113,083	2,169,411	113,083
Proceeds from other entity receivables		14,662	13,059	14,662	13,059
Net cash provided by/(used in) investing activities		(579,887)	(65,316)	(582,095)	(65,316)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of lease & hire purchase finance borrowings		(117,072)	(234,274)	(117,072)	(234,274)
Proceeds from issue of ordinary shares		4,000,000	-	4,000,000	-
Costs of share issue		(795,561)	-	(795,561)	-
Dividends paid		(2,109,435)	-	(2,109,435)	-
Payment for Share Buy Back		(2,823,427)	-	(2,823,427)	-
Call on unpaid capital		1,879,968	-	1,879,968	-
Exercise of options		300,000	-	300,000	-
Net cash provided by/(used in) financing activities		334,473	(234,274)	334,473	(234,274)
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>2,396,431</b>	<b>2,977,477</b>	<b>2,396,431</b>	<b>2,977,477</b>
Cash at beginning of the financial year		4,486,604	1,509,127	4,486,604	1,509,127
Cash at end of the financial year	22(b)	6,883,035	4,486,604	6,883,035	4,486,604

The accompanying notes form part of these financial statements

GBST HOLDINGS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

GBST Holdings Limited is a public company limited by shares, incorporated and domiciled in Australia. The financial report covers the economic entity of GBST Holdings Limited and controlled entities, and GBST Holdings Limited as an individual parent entity. The company converted from a proprietary company to a public company on 1 April 2005. The company was previously known as GBST Holdings Pty Ltd.

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has also been prepared on an accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies have been consistently applied in the current financial year, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

#### Principles of Consolidation

A controlled entity is any entity controlled by GBST Holdings Limited. Control exists where GBST Holdings Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with GBST Holdings Limited to achieve the objectives of GBST Holdings Limited. A list of controlled entities is contained in Note 21 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

#### Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

#### Income Tax

The company has adopted the liability method of tax-effect accounting whereby the income tax expense shown on the Statement of Financial Performance is based on the operating profit before income tax adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and in the anticipation that the company will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit future income tax benefit to be obtained.

The company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. The company is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the ATO that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Inventories**

Inventories are measured at the lower of cost and net realisable value.

**Research and Development Expenditure (Software Systems)**

Software systems are the core asset of the company. Internally developed software and related research and development costs are expensed in the year in which they are incurred.

**Plant and Equipment**

Plant and equipment are carried at cost or fair value, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

The depreciable amount of all fixed assets including capitalised lease assets, is depreciated over their useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate	Basis
Owned plant, equipment and software	7.5%-40%	Straight Line / Diminishing Value
Leased plant, equipment and software	33.3%	Straight Line

**Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages, salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related oncosts. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

The company operates an Employee Option scheme, comprising of two sub-schemes, being an Exempt Options Scheme for staff generally and a Deferred Options Scheme for select staff and eligible Directors, details of which are provided in Note 29 to the financial statements. Options are valued using a binomial model which includes variables such as time, volatility, risk and return. The value of equity based compensation under the Deferred Option Scheme is not recognised as an employee benefits expense. This policy will change with the introduction of Australian Equivalents to International Financial Reporting Standards (AIFRS). Refer to Note 32 for further details.

**Leases and Hire Purchase**

Leases and hire purchase of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives, where it is likely that the company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease incentives under non-cancellable operating leases, where an incentive is repaid by the company through higher lease payments are recognised as a liability. The liability is reduced by allocating lease rental payments between rental expense and reduction of the liability on a straight line basis over the term of the lease.

#### Revenue

Revenue received in advance for software usage rental is recognised over the period of the usage.

Revenue received in advance for long term project development contracts (depending on the terms of individual contracts) is deferred. This revenue is recognised over the period in which expenditure is incurred in relation to the development of the project.

Revenue from the sale of goods, rendering of other services or the disposal of other assets is recognised upon the delivery to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### Converting Preference Shares

The company had preference shares on issue during the year which were converted to ordinary shares on 17 March 2005. In the current year (prior to conversion) the redemption term of the shares was waived and the shares were re-classified as equity. Previously, despite the clear intention that the shares would be converted, the shares did have a redemption term, and in accordance with Australian Accounting Standards the shares were classified as a liability.

For the time that the shares were classified as equity, the cumulative return was accounted for as a dividend. For the time that the shares were classified as a liability, the cumulative return on the shares was accounted for as interest expense.

#### Share Buy Back

The price paid for the repurchase of contributed equity is taken as a direct charge to equity. The price paid is measured at the fair value of consideration given.

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

#### Payables

Trade creditors and other amounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

#### Interest-bearing liabilities

Bank facilities (overdraft, advances, loans) and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

#### Receivables

Trade debtors and other amounts receivable are recorded at the amount due less any provision for doubtful recovery.

#### 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 2: PROFIT FROM ORDINARY ACTIVITIES</b>				
Profit from ordinary activities before income tax expense includes the following items of revenue and expense:				
(a) Revenue:				
Operating activities:				
Revenue from license and service sales	22,360,527	20,628,553	22,360,527	20,628,553
Rebates received	3,395	16,858	3,395	16,858
Revenue from sale of third party product	1,352,633	1,900,868	1,352,633	1,900,868
	<u>23,716,555</u>	<u>22,546,279</u>	<u>23,716,555</u>	<u>22,546,279</u>
Non-operating activities:				
Interest revenue (c)	291,791	241,179	291,791	241,179
Grants received	-	70,867	-	70,867
Sale of plant & equipment (d)	26,555	14,763	26,555	14,763
Other revenue	8,121	26,333	8,121	26,333
	<u>326,467</u>	<u>353,142</u>	<u>326,467</u>	<u>353,142</u>
Total Revenue	<u>24,043,022</u>	<u>22,899,421</u>	<u>24,043,022</u>	<u>22,899,421</u>
(b) Expense:				
Borrowing costs (e)	94,440	417,809	94,440	417,809
Depreciation & amortisation (f)	570,158	788,784	570,158	788,784
Foreign currency translation losses/(gains)	(26,075)	222	(26,075)	222
Operating lease rentals	861,052	1,142,641	861,052	1,142,641
Transfer to/(from) provision for employee benefits	162,505	(10,935)	162,505	(10,935)
	<u>291,791</u>	<u>241,179</u>	<u>291,791</u>	<u>241,179</u>
(c) Interest revenue:				
Directors	175,056	95,396	175,056	95,396
Other entities	116,735	145,783	116,735	145,783
	<u>291,791</u>	<u>241,179</u>	<u>291,791</u>	<u>241,179</u>
(d) Sale of assets:				
Profit/(loss) on sale of plant & equipment	(12,751)	(5,176)	(12,751)	(5,176)
Loss on obsolete equipment	(19,937)	-	(19,937)	-
	<u>(32,688)</u>	<u>(5,176)</u>	<u>(32,688)</u>	<u>(5,176)</u>
(e) Borrowing costs:				
Interest expense - preference shares (See Note 4)	78,115	400,201	78,115	400,201
Interest paid to other entities	3,458	-	3,458	-
Finance lease charges	8,003	17,608	8,003	17,608
Other borrowing costs	4,864	-	4,864	-
	<u>94,440</u>	<u>417,809</u>	<u>94,440</u>	<u>417,809</u>
(f) Depreciation & amortisation:				
Depreciation of plant & equipment	474,470	661,299	474,470	661,299
Amortisation of leased assets	95,688	127,485	95,688	127,485
	<u>570,158</u>	<u>788,784</u>	<u>570,158</u>	<u>788,784</u>
(g) Significant Items:				
The following significant expense items are relevant in explaining the financial performance:				
Litigation and Redundancy payments	1,080,378	433,684	1,080,378	433,684
Licence fees in arrears	(431,728)	-	(431,728)	-
Interest on redeemable preference shares	78,115	400,201	78,115	400,201
Merger and acquisitions advice	151,291	-	151,291	-
	<u>878,056</u>	<u>833,885</u>	<u>878,056</u>	<u>833,885</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 3: INCOME TAX EXPENSE</b>				
The difference between income tax expense provided in the financial statements and the prima facie income tax payable is reconciled as follows:				
Operating profit	3,778,377	2,448,128	3,778,377	2,448,128
Prima facie tax payable thereon at 30%	1,133,513	734,438	1,133,513	734,438
Add/(deduct) tax effect of:				
Research & development expenditure claim	(60,000)	(127,500)	(60,000)	(127,500)
Capital Raising expenditure	(40,008)	-	(40,008)	-
Preference share interest	23,435	120,061	23,435	120,061
Other non-allowable items (net)	17,844	15,704	17,844	15,704
Recoupment of timing differences not previously taken up	(758,758)	(249,049)	(758,758)	(249,049)
Recoupment of prior year tax losses, not previously brought to account	(983,770)	(493,654)	(983,770)	(493,654)
Income tax expense/(benefit)	(667,744)	-	(667,744)	-

In the prior year GBST had \$3.3million of carried forward losses. The future income tax benefit in respect of these losses, and other timing differences, had not been brought to account as their realisation was not virtually certain. These future income tax benefits have been recognised in the current year.

Franking account balance	-	-	-	-
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**NOTE 4: DIVIDENDS**

Provision for dividend on ordinary shares	-	-	-	-
Opening Balance	-	-	-	-
Provided in the period	1,020,360	-	1,020,360	-
Paid on 17 March 2005	(1,020,360)	-	(1,020,360)	-
Closing Balance	-	-	-	-
Provision for dividend on preference shares	-	-	-	-
Opening Balance	-	-	-	-
Provided in the period				
- class A	652,244	-	652,244	-
- class B	436,831	-	436,831	-
Paid on 17 March 2005				
- class A	(652,244)	-	(652,244)	-
- class B	(436,831)	-	(436,831)	-
Closing Balance	-	-	-	-

The preference shares were previously classified as debt. The cumulative dividend on the shares, for the period when they were classified as debt, has been accounted for as interest expense (see Note 2 (e)). The company paid the cumulative return on 17 March 2005.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 5: CASH ASSETS</b>				
Cash on hand	5,137	7,144	5,137	7,144
Cash at bank	1,183,782	2,947,580	1,183,782	2,947,580
Short term deposit	5,694,116	1,531,880	5,694,116	1,531,880
	<u>6,883,035</u>	<u>4,486,604</u>	<u>6,883,035</u>	<u>4,486,604</u>

**NOTE 6: RECEIVABLES**

<b>Current</b>				
Trade debtors	2,264,386	2,191,939	2,264,386	2,191,939
Provision for doubtful debts	-	-	-	-
	<u>2,264,386</u>	<u>2,191,939</u>	<u>2,264,386</u>	<u>2,191,939</u>

**NOTE 7: INVENTORIES**

Inventory on hand at cost	62,310	-	62,310	-
	<u>62,310</u>	<u>-</u>	<u>62,310</u>	<u>-</u>

**NOTE 8: OTHER FINANCIAL ASSETS**

<b>Current</b>				
Non-trade amounts receivable from:				
Directors (a)	-	1,295,128	-	1,295,128
Other entities	127,254	203,118	110,446	188,519
	<u>127,254</u>	<u>1,498,246</u>	<u>110,446</u>	<u>1,483,647</u>
<b>Non-Current</b>				
Non-trade amounts receivable from:				
Directors (a)	-	319,215	-	319,215
Director related entity (b)	-	557,276	-	557,276
Controlled entity (c)	-	-	16,706	14,497
Other related entities (d)	2,203,076	-	2,203,076	-
Other entities	49,356	64,578	49,356	64,578
Shares in controlled entities at cost (note 21)	-	-	102	102
	<u>2,252,432</u>	<u>941,069</u>	<u>2,269,240</u>	<u>955,668</u>

(a) In the prior period, amounts receivable from Directors also included a loan to a Director, Mr J Puttick. That amount was repaid during the period. Interest charged in the period was \$36,252 (2004: \$61,665). The loan was on commercial terms.

In the prior period, amounts receivable from Directors also included a loan to a former Director, Mr M Murdoch. That amount was repaid during the period. Interest charged in the period was \$138,805 (2004: \$33,731). The loan was on commercial terms.

(b) In a prior period, the amount receivable from GBST Investments Pty Ltd, a company in which certain directors have a shareholding interest, was advanced on commercial terms. Repayment of the amount occurred in June 2005. There was no interest charged in the current and prior period.

(c) Amount advanced to GBST Hong Kong Limited on an interest free basis.

(d) Amount advanced to GBST ESOP as trustee for the ESOP Trust (refer Note 29). The loan is advanced on commercial terms including a repayment period and the ability to charge interest. No interest has been charged in the current period. The recoverability of the loan is dependent on the value of GBST's shares. The GBST group has no proprietary interest in the share options or the shares.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 9: PLANT AND EQUIPMENT</b>				
Owned plant, equipment & software at cost	4,195,188	6,040,248	4,195,188	6,040,248
Provision for depreciation	(3,208,461)	(5,109,457)	(3,208,461)	(5,109,457)
	<u>986,727</u>	<u>930,791</u>	<u>986,727</u>	<u>930,791</u>
Hire Purchase plant, equipment & software at cost	-	270,045	-	270,045
Provision for depreciation	-	(270,045)	-	(270,045)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Leased plant, equipment & software at cost	120,963	453,054	120,963	453,054
Provision for amortisation	(57,116)	(293,519)	(57,116)	(293,519)
	<u>63,847</u>	<u>159,535</u>	<u>63,847</u>	<u>159,535</u>
Total plant and equipment	<u>1,050,574</u>	<u>1,090,326</u>	<u>1,050,574</u>	<u>1,090,326</u>

## (a) Movement in plant and equipment

	Owned Assets	Assets under Hire Purchase Agreements	Assets under Finance Lease Agreements	Total
	\$	\$	\$	\$
Balance at the beginning of the period	930,791	-	159,535	1,090,326
Additions	589,648	-	-	589,648
Disposals	(59,242)	-	-	(59,242)
Depreciation expense	(474,470)	-	(95,688)	(570,158)
Reclassification to owned assets - cost	602,136	(270,045)	(332,091)	-
Reclassification to owned assets - accumulated depreciation	(602,136)	270,045	332,091	-
Carrying amount at the end of the period	<u>986,727</u>	<u>-</u>	<u>63,847</u>	<u>1,050,574</u>

## NOTE 10: DEFERRED TAX ASSETS

Future income tax benefit:

Timing differences	758,346	-	758,346	-
	<u>758,346</u>	<u>-</u>	<u>758,346</u>	<u>-</u>

## NOTE 11: OTHER ASSETS

## Current

Prepaid expenditure	241,633	195,004	241,633	195,004
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## Non-Current

Prepaid expenditure	14,753	-	14,753	-
	<u>14,753</u>	<u>-</u>	<u>14,753</u>	<u>-</u>

## NOTE 12: PAYABLES

## Current

Trade creditors & accruals (unsecured)	1,919,883	2,102,548	1,919,883	2,102,548
	<u>1,919,883</u>	<u>2,102,548</u>	<u>1,919,883</u>	<u>2,102,548</u>

## Non-Current

Trade creditors & accruals (unsecured)	155,960	378,930	155,960	378,930
	<u>155,960</u>	<u>378,930</u>	<u>155,960</u>	<u>378,930</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 13: INTEREST-BEARING LIABILITIES</b>				
<b>Current</b>				
Commercial hire purchase liability (Note 19)	-	21,610	-	21,610
Finance lease liability (Note 19)	37,397	95,463	37,397	95,463
	<u>37,397</u>	<u>117,073</u>	<u>37,397</u>	<u>117,073</u>
<b>Non-Current</b>				
Redeemable preference shares (a)	-	2,970,000	-	2,970,000
Finance lease liability (Note 19)	35,276	72,672	35,276	72,672
	<u>35,276</u>	<u>3,042,672</u>	<u>35,276</u>	<u>3,042,672</u>

(a) In the prior period the preference shares were classified as debt as their terms and conditions included redemption at the holders' option. In the current period this redemption term was waived, and the shares were reclassified from liabilities to contributed equity (Note 17).

**NOTE 14: TAX LIABILITIES**

<b>Current</b>				
Income tax	88,090	-	88,090	-
<b>Non-Current</b>				
Provision for deferred income tax	2,512	-	2,512	-

**NOTE 15: PROVISIONS**

<b>Current</b>				
Employee benefits	767,925	707,898	767,925	707,898
	<u>767,925</u>	<u>707,898</u>	<u>767,925</u>	<u>707,898</u>
<b>Non-Current</b>				
Employee benefits	649,492	547,014	649,492	547,014
Dividends (Note 4)	-	-	-	-
	<u>649,492</u>	<u>547,014</u>	<u>649,492</u>	<u>547,014</u>

The company had 129 full time equivalent employees (June 2004: 125) at the end of the period.

**NOTE 16: OTHER FINANCIAL LIABILITIES**

<b>Current</b>				
Payments made in advance for software usage and support services	888,678	2,026,659	888,678	2,026,659
	<u>888,678</u>	<u>2,026,659</u>	<u>888,678</u>	<u>2,026,659</u>
<b>Non-current</b>				
Payments made in advance for software usage and support services	142,178	380,728	142,178	380,728
	<u>142,178</u>	<u>380,728</u>	<u>142,178</u>	<u>380,728</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 17: CONTRIBUTED EQUITY</b>				
43,968,000 (June 2004: 10,000)				
fully paid ordinary shares (a)	5,531,080	100	5,531,080	100
	<u>5,531,080</u>	<u>100</u>	<u>5,531,080</u>	<u>100</u>
Movements in contributed equity:				
<b>Ordinary Shares</b>				
Opening balance	100	100	100	100
Selective buy back (a)	(17)	-	(17)	-
Conversion of preference shares (b)	2,326,558	-	2,326,558	-
Share issue (d)	4,000,000	-	4,000,000	-
Share issue costs	(795,561)	-	(795,561)	-
	<u>5,531,080</u>	<u>100</u>	<u>5,531,080</u>	<u>100</u>
	No.	No.	No.	No.
Opening balance	10,000	10,000	10,000	10,000
Selective buy back (a)	(1,706)	-	(1,706)	-
Conversion of preference shares (b)	11,690	-	11,690	-
Share split (c)	39,948,016	-	39,948,016	-
Share issue (d)	4,000,000	-	4,000,000	-
	<u>43,968,000</u>	<u>10,000</u>	<u>43,968,000</u>	<u>10,000</u>
<b>Preference Shares</b>				
	\$	\$	\$	\$
Opening balance	-	-	-	-
Reclassification from liabilities (e)	2,970,000	-	2,970,000	-
Selective buy back (a)	(2,823,410)	-	(2,823,410)	-
Call on unpaid capital (f)	1,879,968	-	1,879,968	-
Exercise of options (g)	300,000	-	300,000	-
Conversion to ordinary capital (b)	(2,326,558)	-	(2,326,558)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	No.	No.	No.	No.
Opening balance	-	-	-	-
Reclassification from liabilities - class A (e)	4,545	-	4,545	-
Reclassification from liabilities - class B (e)	3,418	-	3,418	-
Exercise of options - class A (g)	3,727	-	3,727	-
Conversion to ordinary capital - class A (b)	(8,272)	-	(8,272)	-
Conversion to ordinary capital - class B (b)	(3,418)	-	(3,418)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(a) On 20 September 2004 the company undertook a selective buy-back of 1706 ordinary shares for a total value of \$2,823,427 (\$1,655 per share). The shares were cancelled. The buy-back was apportioned on a pro-rata basis between the ordinary and preference capital of the company.

(b) The company had on issue A and B class preference shares. Conversion of the preference shares took place on 17 March 2005. In this process, the option over A Class Preference Shares was exercised and the company received \$300,000 and the uncalled amount on the B Class Preference Shares was called up and the company received \$1,879,000 cash. The A Class and B Class shares then converted to 11,690 ordinary shares.

(c) The company conducted a share split of its ordinary shares, on 27 April 2005. The share split ratio was 2000:1.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

**NOTE 17: CONTRIBUTED EQUITY (Continued)**

- (d) Issue of 4,000,000 fully paid ordinary shares at \$1.00 per share pursuant to a Prospectus dated 3 May 2005. The allotment took place on 20 June 2005.
- (e) The company had on issue A and B class preference shares. In the prior period the preference shares were classified as debt as their terms and conditions included redemption at the holders' option. In the current period this redemption term was waived, and the shares were reclassified from liabilities to contributed equity.
- (f) The class B shares were issued at an issue price of \$687.52 per share, paid up to \$137.50 per share. The unpaid balance on the class B shares was paid up, on 17 March 2005.
- (g) The company established options over unissued shares in September 2001. The options were exercised on 17 March 2005 into class A convertible preference shares (equal to the number of shares equivalent to 3.75% of the capital of the company on a fully diluted basis at the time of exercise of the option). The issue price for the exercise of the option was \$300,000.

For details on options over ordinary shares, see Note 29.

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 18: RETAINED PROFITS</b>				
Movements during the period:				
Opening balance	1,099,566	(1,348,562)	1,099,566	(1,348,562)
Net profit	4,446,121	2,448,128	4,446,121	2,448,128
Dividends paid (Note 4)	(2,109,435)	-	(2,109,435)	-
	<u>3,436,252</u>	<u>1,099,566</u>	<u>3,436,252</u>	<u>1,099,566</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 19: CAPITAL, LEASING AND OTHER COMMITMENTS</b>				
<b>a) Finance leasing and hire purchase commitments</b>				
Payable on leases:				
Not later than one year	41,431	103,248	41,431	103,248
Later than one year but not later than five years	36,265	77,696	36,265	77,696
	<u>77,696</u>	<u>180,944</u>	<u>77,696</u>	<u>180,944</u>
Less future finance charges	(5,023)	(12,809)	(5,023)	(12,809)
Total liability	<u>72,673</u>	<u>168,135</u>	<u>72,673</u>	<u>168,135</u>
Lease liabilities are included in the Statement of Financial Position as:				
Current (Note 13)	37,397	95,463	37,397	95,463
Non-current (Note 13)	35,276	72,672	35,276	72,672
	<u>72,673</u>	<u>168,135</u>	<u>72,673</u>	<u>168,135</u>
Payable on hire purchase:				
Not later than one year	-	21,830	-	21,830
	<u>-</u>	<u>21,830</u>	<u>-</u>	<u>21,830</u>
Less future finance charges	-	(220)	-	(220)
Total liability	<u>-</u>	<u>21,610</u>	<u>-</u>	<u>21,610</u>
Hire purchase liabilities are included in the Statement of Financial Position as:				
Current (Note 13)	-	21,610	-	21,610
	<u>-</u>	<u>21,610</u>	<u>-</u>	<u>21,610</u>

These liabilities are secured by the assets leased, the current market value of which exceeds the value of the lease liability. Indemnities have been provided by Messrs Puttick and Sundell (Directors and Shareholders).

**b) Non-cancellable operating leases**

Lease amounts are payable:

Not later than one year	1,082,864	1,124,493	1,082,864	1,124,493
Later than one year but not later than five years	1,579,264	2,808,203	1,579,264	2,808,203
Later than five years	-	-	-	-
	<u>2,662,128</u>	<u>3,932,696</u>	<u>2,662,128</u>	<u>3,932,696</u>

Certain leases contain options to renew at the end of their term for a further five years.

**c) Capital and other expenditure commitments**

Contracted for:

Capital and other operating purchases	1,403,317	202,014	1,403,317	202,014
Payable				
Not later than one year	1,403,317	185,347	1,403,317	185,347
Later than one year but not later than five years	-	16,667	-	16,667
Later than five years	-	-	-	-
	<u>1,403,317</u>	<u>202,014</u>	<u>1,403,317</u>	<u>202,014</u>

This amount includes \$1,250,000 (June: \$Nil) pursuant to a contract for development of software. Contract payments fall due in stages aligned with development milestones. The contract can be terminated by the company if these milestones are not achieved.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 20: AUDITORS' REMUNERATION</b>				
Remuneration of the auditor of the company for:				
Auditing or reviewing the financial report	25,000	16,000	25,000	16,000
Services as Independent Accountant for the company's prospectus	55,013	-	55,013	-
Services relating to legal matters concerning shareholders	6,750	-	6,750	-
Other taxation and statutory compliance assistance	17,495	15,510	17,495	15,510
	<u>104,258</u>	<u>31,510</u>	<u>104,258</u>	<u>31,510</u>
Remuneration of other auditors				
of subsidiary for auditing that financial report	4,700	4,500	-	-

**NOTE 21: OTHER GROUP ENTITIES**

Group entity: GBST Pty Ltd

Country of Incorporation: Australia

Percentage owned: 100% (June 2004: 100%)

Group entity: GBST ESOP Pty Ltd

Country of Incorporation: Australia

Percentage owned: 100% (June 2004: 100%)

Group entity: GBST Australia Pty Ltd

Country of Incorporation: Australia

Percentage owned: 100% (June 2004: 100%)

These companies are dormant and have nominal shareholders' equity. GBST ESOP is dormant, but acts as trustee for the ESOP Share Trust (see Note 29).

Group entity: GBST Hong Kong Limited

Country of Incorporation: Hong Kong

Percentage owned: 100% (June 2004: 100%)

During the year GBST Hong Kong Limited performed services on behalf of GBST Holdings Limited to the value of \$279,732 (2004: \$291,520).

**NOTE 22: NOTES TO THE STATEMENT OF CASH FLOWS****a) Reconciliation of net cash provided by operating activities to operating result from ordinary activities after income tax**

Operating profit after income tax	4,446,121	2,448,128	4,446,121	2,448,128
Non-cash flows in operating profit:				
Depreciation	474,470	661,299	474,470	661,299
Amortisation - leased plant and equipment	95,688	127,485	95,688	127,485
Deferred borrowing costs	(24,561)	-	(24,561)	-
(Profit)/Loss on sale of plant & equipment	32,688	5,176	32,688	5,176
Discounts, commissions, interest and other income	(4,944)	(100,839)	(4,944)	(100,839)
Increase/(decrease) in provision for employee entitlements	186,848	(10,935)	186,848	(10,935)
Changes in assets and liabilities:-				
(Increase)/decrease in trade debtors and other debtors	8,921	(11,242)	11,129	(11,242)
(Increase)/decrease in prepaid expenditure	(36,822)	180,893	(36,822)	180,893
Increase/(decrease) in payments in advance	(1,376,531)	(128,743)	(1,376,531)	(128,743)
(Increase)/decrease in inventories	(62,310)	-	(62,310)	-
Increase/(decrease) in deferred tax balances	(755,834)	-	(755,834)	-
Increase/(decrease) in tax provision	88,090	-	88,090	-
Increase/(decrease) in trade creditors and accruals	(429,979)	105,845	(429,979)	105,845
Net cash provided by/(used in) operating activities	<u>2,641,845</u>	<u>3,277,067</u>	<u>2,644,053</u>	<u>3,277,067</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$

## NOTE 22: NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

## b) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash on hand (Note 5)	5,137	7,144	5,137	7,144
Cash at bank (Note 5)	1,183,782	2,947,580	1,183,782	2,947,580
Short term deposit (Note 5)	5,694,116	1,531,880	5,694,116	1,531,880
	<u>6,883,035</u>	<u>4,486,604</u>	<u>6,883,035</u>	<u>4,486,604</u>

## NOTE 23: FINANCING ARRANGEMENTS

Credit card facility (a)	12,500	12,500	12,500	12,500
Amount utilised	(4,225)	(6,626)	(4,225)	(6,626)
Unused credit facility	<u>8,275</u>	<u>5,874</u>	<u>8,275</u>	<u>5,874</u>
Other Financing facilities (b)	2,625,000	-	2,625,000	-
Amount utilised	-	-	-	-
Unused credit facilities	<u>2,625,000</u>	<u>-</u>	<u>2,625,000</u>	<u>-</u>

a) No specified expiry date.

b) This bank facility expires in three years, and is secured over the assets and undertakings of the economic entity. Interest rates under the facility are variable. The facility limit reduces by \$750,000 in the first year, and is subject to annual review. The facility has a number of other commercial terms and conditions.

## NOTE 24: SEGMENT REPORTING

The company operates in the finance, banking and securities industry where it provides advanced electronic business solutions, predominately in Australia, New Zealand, and also Hong Kong.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 25: FINANCIAL INSTRUMENTS

## a) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Non-Interest Bearing		Floating Interest Rate		Within 1 Year		Fixed Interest Rate Maturing					
									1-5 Years		Over 5 Years		Total	
	05 %	04 %	05 \$	04 \$	05 \$	04 \$	05 \$	04 \$	05 \$	04 \$	05 \$	04 \$	05 \$	04 \$
<b>FINANCIAL ASSETS</b>														
Cash	5.4	5.3	1,188,919	2,954,724	5,694,116	1,531,880	-	-	-	-	-	-	6,883,035	4,486,604
Trade and Other receivables	7.1	6.6	2,364,487	2,372,091	76,509	87,544	-	-	-	-	-	-	2,440,996	2,459,635
Directors	12.0	12.0	-	-	-	-	-	1,295,128	-	319,215	-	-	-	1,614,343
Director related entities	-	-	-	557,276	-	-	-	-	-	-	-	-	-	557,276
Other related entities	-	-	-	-	-	-	-	-	2,203,076	-	-	-	2,203,076	-
<b>TOTAL FINANCIAL ASSETS</b>			<b>3,553,406</b>	<b>5,884,091</b>	<b>5,770,625</b>	<b>1,619,424</b>	<b>-</b>	<b>1,295,128</b>	<b>2,203,076</b>	<b>319,215</b>	<b>-</b>	<b>-</b>	<b>11,527,107</b>	<b>9,117,858</b>
<b>FINANCIAL LIABILITIES</b>														
Lease & HP facilities	7.1	7.6	-	-	-	-	37,397	117,073	35,276	72,672	-	-	72,673	189,745
Trade & other creditors	-	-	3,106,699	4,888,865	-	-	-	-	-	-	-	-	3,106,699	4,888,865
Preference Shares	-	12.0	-	-	-	-	-	-	-	2,970,000	-	-	-	2,970,000
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>3,106,699</b>	<b>4,888,865</b>	<b>-</b>	<b>-</b>	<b>37,397</b>	<b>117,073</b>	<b>35,276</b>	<b>3,042,672</b>	<b>-</b>	<b>-</b>	<b>3,179,372</b>	<b>8,048,610</b>

## b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Except for the following concentrations of credit risks, the economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity. Approximately 50% of the company's revenue is derived from five customers.

## c) Net Fair Values

For financial assets and financial liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 26: CONTINGENT LIABILITIES

#### Potential Claim by Mr M Murdoch

In September 2004 the company settled a claim by the former director and shareholder, Mr M. Murdoch. The matter was finalised pursuant to a binding deed of settlement and release.

On 17 May 2005, GBST received correspondence from Mr Murdoch's solicitors alleging a potential claim for an amount of approximately \$5 million, on the basis that Mr Murdoch was misled at the time he entered into the deed of release and settlement.

At the date of signing of these financial statements, the company has not received any further correspondence on the claim from Mr M. Murdoch.

The Directors are not aware of any reasonable basis on which the lodgement of a claim can be justified or of any circumstance that would prevent them from relying upon the deed of release and settlement. GBST intends to vigorously defend any claim and any formal or related proceedings.

#### Warranties and Indemnities

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.

The various other claims detailed in the prior year's financial report have been resolved.

### NOTE 27: DIRECTOR AND EXECUTIVE REMUNERATION AND EQUITY

#### a) Directors

The following persons were Directors of the company during the financial year:

Name	Position
J Puttick	Director (Non-executive Chairman, resigned from Executive Chairman 15 July 2005)
J Sundell	Director (Non-executive)
D Shirley	Director (Independent, appointed 27 April 2005)
A Brackin	Director (Independent, appointed 27 April 2005)
S Lake	Director (Managing Director and Chief Executive Officer, appointed 15 February 2005)
M Murdoch	Director (Non-executive, resigned 4 October 2004)

#### b) Specified Executives (other than Directors)

The following persons were the specified executives of the company during the financial year:

Name	Position
C Apps	General Manager, Clearing Settlements & Custody Solutions
P Biggs	Head of Operations (resigned 29 July 2005)
P Ferguson	Head of Corporate Development (appointed 2 February 2005)
S Hayhoe	Chief Technology Officer
E Lloyd	General Manager, Front Office and Margin Lending
K Wallis	Chief Financial Officer



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 27: DIRECTOR AND EXECUTIVE REMUNERATION AND EQUITY (Continued)

## c) Remuneration of Directors and Executives

The policy for determining the nature and amount of emoluments of Directors and specified executives is as follows:

Remuneration packages are aligned with the market and properly reflect the person's duties, responsibilities and performance. The current remuneration structure has three components: base pay, superannuation, and performance-related bonus.

## Details of remuneration

	PRIMARY		Non-cash benefits \$	POST EMPLOYMENT			Total \$
	Base salary \$	Bonus \$		Superannuation \$	Equity Options \$	Other \$	
<b>Jun 2005</b>							
<b>Directors</b>							
J Puttick	276,058	-	-	22,664	-	-	298,722
J Sundell	6,667	-	-	-	-	-	6,667
D Shirley	6,667	-	-	-	-	-	6,667
A Brackin	6,667	-	-	-	-	-	6,667
M Murdoch	-	-	-	-	-	700,000	700,000
S Lake	487,885	-	-	43,909	76,149	-	607,943
<b>Total Directors</b>	<b>783,944</b>	<b>-</b>	<b>-</b>	<b>66,573</b>	<b>76,149</b>	<b>700,000</b>	<b>1,626,666</b>
<b>Specified Executives</b>							
C Apps	163,096	25,000	-	16,839	21,205	-	226,140
P Biggs	165,846	30,000	-	17,536	21,205	-	234,587
P Ferguson	74,077	-	-	6,667	-	-	80,744
S Hayhoe	145,731	20,000	-	14,825	13,082	-	193,638
E Lloyd	158,019	30,000	-	16,832	21,205	-	226,056
K Wallis	138,000	20,000	-	14,130	21,205	-	193,335
<b>Total Executives</b>	<b>844,769</b>	<b>125,000</b>	<b>-</b>	<b>86,829</b>	<b>97,902</b>	<b>-</b>	<b>1,154,500</b>
<b>Jun 2004</b>							
<b>Directors</b>							
J Puttick	275,000	229,358	-	43,142	-	-	547,500
J Sundell	182,638	-	-	16,437	-	-	199,075
M Murdoch	100,353	-	-	3,462	-	-	103,815
<b>Total Directors</b>	<b>557,991</b>	<b>229,358</b>	<b>-</b>	<b>63,041</b>	<b>-</b>	<b>-</b>	<b>850,390</b>
<b>Specified Executives</b>							
S Lake	450,000	-	-	36,754	-	-	486,754
C Apps	154,615	11,000	-	14,905	-	-	180,520
P Biggs	131,923	11,000	-	12,863	-	-	155,786
S Hayhoe	96,962	1,000	-	8,716	-	-	106,678
E Lloyd	136,539	1,000	-	12,100	-	-	149,639
K Wallis	129,615	11,000	-	12,655	-	-	153,270
<b>Total Executives</b>	<b>1,099,654</b>	<b>35,000</b>	<b>-</b>	<b>97,993</b>	<b>-</b>	<b>-</b>	<b>1,232,647</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 27: DIRECTOR AND EXECUTIVE REMUNERATION AND EQUITY (Continued)

## Remuneration of Directors and Executives (Continued)

Executives are offered longer term incentives through an employee share option plan which seeks to align the executives' performance with the interests of shareholders.

All agreements with executives are subject to an annual review. Each of the agreements provide for base pay, leave entitlements, superannuation and performance-related bonus. Except for Mr Lake the service agreements do not have fixed terms. Mr Lake's service agreement terminates in August 2007.

The company has put in place an employee share ownership plan. The plan involves the use of options to acquire shares. The plan has two considerations in its design. The first is to reward selected employees for their work in building the company into the successful enterprise that joined the ASX list in June 2005. The second is to encourage behaviours that would see the company's financial performance improve through the course of 2006. The improvement is measured by comparing the company's financial performance in the 2006 financial year with the performance in the 2005 financial year. The comparison is adjusted to take account of some elements that contribute to improvement but which are not influenced by employee's behaviour. The employee must also remain in continuous employment until 31 October 2006.

## Options granted as remuneration

	Vested No.	Granted No.	Grant Date	Average Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
				\$	\$		
<b>Directors</b>							
J Puttick	-	-	-	-	-	-	-
J Sundell	-	-	-	-	-	-	-
D Shirley	-	-	-	-	-	-	-
A Brackin	-	-	-	-	-	-	-
M Murdoch	-	-	-	-	-	-	-
S Lake	-	999,332	10.3.05	0.0762	0.7505	1.7.05	8.3.07
<b>Total Directors</b>	<b>-</b>	<b>999,332</b>					
<b>Specified Executives</b>							
C Apps	1,332	266,488	9.3.05	0.0762	0.7505	1.7.05	8.3.07
P Biggs	1,332	266,488	9.3.05	0.0762	0.7505	1.7.05	8.3.07
P Ferguson	-	-	-	-	-	-	-
S Hayhoe	1,332	159,892	9.3.05	0.0762	0.7505	1.7.05	8.3.07
E Lloyd	1,332	266,488	9.3.05	0.0762	0.7505	1.7.05	8.3.07
K Wallis	1,332	266,488	9.3.05	0.0762	0.7505	1.7.05	8.3.07
<b>Total Executives</b>	<b>6,660</b>	<b>1,225,844</b>					

Details of these options are set out in Note 29. Messrs Sundell and Lake also held options over preference shares during the year (refer Note 27 (d)), with those holdings not remuneration related.

The average value per option at grant date and the exercise price do not include the value of options granted to executives under the Exempt Option Scheme. Options granted under the Exempt Option Scheme have a value of \$1,000 and have no exercise price.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 27: DIRECTOR AND EXECUTIVE REMUNERATION AND EQUITY (Continued)

## Options Holdings

	Balance 1.7.04	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.06.05	Total Vested 30.06.05	Total Exercisable 30.06.05	Total Unexercisable 30.06.05
<b>Directors</b>								
J. Puttick	-	-	-	-	-	-	-	-
J. Sundell	-	-	-	-	-	-	-	-
D. Shirley	-	-	-	-	-	-	-	-
A. Brackin	-	-	-	-	-	-	-	-
M. Murdoch	-	-	-	-	-	-	-	-
S. Lake	-	999,332	-	-	999,332	-	-	999,332
<b>Total Directors</b>	-	<b>999,332</b>	-	-	<b>999,332</b>	-	-	<b>999,332</b>
<b>Specified Executives</b>								
C. Apps	-	266,488	-	-	266,488	1,332	-	266,488
P. Biggs	-	266,488	-	-	266,488	1,332	-	266,488
P. Ferguson	-	-	-	-	-	-	-	-
S. Hayhoe	-	159,892	-	-	159,892	1,332	-	159,892
E. Lloyd	-	266,488	-	-	266,488	1,332	-	266,488
K. Wallis	-	266,488	-	-	266,488	1,332	-	266,488
<b>Total Executives</b>	-	<b>1,225,844</b>	-	-	<b>1,225,844</b>	<b>6,660</b>	-	<b>1,225,844</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 27: DIRECTOR AND EXECUTIVE REMUNERATION AND EQUITY (Continued)

#### d) Shareholdings

The numbers of shares in the company held during the financial year by each Director and specified executive of GBST, including their personally-related entities, are set out below.

	Balance at 1/7/04	Received as Remuneration	Exercise of Options	Net Change Other (ii)	Balance at 30/06/05
<b>Directors</b>					
Directors J Puttick - ordinary	5,349	-	-	9,162,411	9,167,760
M Murdoch - ordinary (i)	3,083	-	-	(3,083)	-
J Sundell - ordinary	948	-	-	18,482,196	18,483,144
- Preference A Class	3,636	-	1,960	(5,596)	-
- Preference B Class	3,418	-	-	(3,418)	-
S Lake - ordinary	220	-	-	3,562,876	3,563,096
- Preference A Class	909	-	490	(1,399)	-
A Brackin	-	-	-	-	-
D Shirley	-	-	-	-	-
GBST Investments Pty Ltd - ordinary	400	-	-	(400)	-
GBST ESOP Pty Ltd as trustee					
- ordinary (iii)	-	-	-	2,754,000	2,754,000
<b>Total Directors</b>	<b>17,963</b>	<b>-</b>	<b>2,450</b>	<b>33,947,587</b>	<b>33,968,000</b>

#### (i) Buyback of Shares

On 4 October 2004 GBST conducted a buyback of shares from a then shareholder and director, Mr M Murdoch to the value of \$2,823,427. Crown Financial Pty Ltd an entity associated with Director, Mr J Sundell, acquired the balance of Mr Murdoch's shareholding to the value of \$2,336,076. These transactions were connected with the exit of Mr Murdoch's interest in GBST, finalised pursuant to a binding deed of settlement and release.

#### (ii) Share Split and Share Conversion

Pursuant to a capital restructure, conversion of the company's A and B class preference shares and exercise of an option took place on 17 March 2005. In this process, all preference shares converted into ordinary shares resulting in ordinary shares (and options over them) being the only class of securities in the capital of the company.

The company also completed a share split in the ratio 2000:1 of ordinary shares.

#### (iii) Shares held as trustee for the ESOP Trust (refer Note 29)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 28: RELATED PARTY TRANSACTIONS

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

#### a) Loans to Directors and director related entities

Loans to Directors were repaid during the year (refer Note 8).

#### GBST Investments Pty Ltd

GBST Investments Pty Ltd is wholly owned by Mr Lake and entities associated with Messrs Sundell and Pultick. In March 2005 all of the shares held in GBST by GBST Investments Pty Ltd were transferred to Messrs Pultick and Lake, and Bogasi Pty Ltd as trustee for JRS Family Trust; and Bogasi Pty Ltd as trustee for the TRGS Family Trust (entities associated with Mr Sundell). GBST Investments Pty Ltd used the proceeds from the consideration received for the shares to repay its loan to GBST.

#### b) Other Transactions with Directors

Directors' remuneration and equity interests are set out in Note 27.

#### Mr J Sundell

During the June 2004 financial year, the company had an undrawn loan facility with a company associated with Mr Sundell. That facility, for \$700,000, was terminated in February 2004. Fees charged on the facility in the year were \$1,036.

#### Mr M Murdoch

As noted in the June 2004 financial report, the company was in dispute with a former Director and Shareholder, Mr M Murdoch. This matter was resolved during the period, as follows:

- a) The company undertook a buy-back of part of Mr Murdoch's shareholding (refer Note 17 (a));
- b) The balance of Mr Murdoch's shareholding was acquired by an entity associated with another Director, Mr J Sundell, in preparation for the company undertaking an Employee Share Option Plan (refer Note 29 (a));
- c) Mr Murdoch's shareholder loan was repaid (refer Note 8);
- d) Mr Murdoch's remuneration arrangements were settled (refer Note 2 (g)).

#### c) Capital raising expenses

GBST Holdings Limited listed on the Australian Stock Exchange on 28 June 2005 following a capital raising pursuant to a prospectus dated 3 May 2005. The costs associated with the capital raising were shared between the company and vending shareholders.

The underwriting fee on the raising totalled \$280,000 of which \$160,000 was borne by the company and \$120,000 by the vending shareholders. The balance of the capital raising costs of \$635,561 was met by the company.

#### d) Other Transactions with Controlled Entities

Details of transactions with controlled entities are set out in Notes 8 & 21.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 29: EMPLOYEE BENEFITS

On 9 March 2005, GBST established the GBST Employee Option Plan. The plan comprised two sub-schemes, being an Exempt Options Scheme for staff generally and a Deferred Options Scheme for select staff and eligible Directors.

#### Outstanding Options

175,824 options have been issued under the Exempt Options Scheme and 3,921,360 options have been issued to select staff under the Deferred Options Scheme, totalling 4,097,184 outstanding options over shares in GBST. The options were issued in recognition of past support and effort of staff and executives and the commitment of these parties to the continuing success of GBST.

GBST ESOP Pty Ltd (formerly know as GBST Technology Pty Ltd) has, in its capacity as trustee, acquired 2,754,000 shares in GBST for subsequent allocation under the GBST Employee Option Plan. GBST has advanced GBST ESOP \$2,336,076 for that acquisition. The advance was in the form of a contribution of \$133,000 towards the Exempt Option Scheme and a loan of \$2,203,076 towards the Deferred Option Scheme (refer Note 28). The loan will be repaid from the proceeds from the exercise of options.

#### Exempt Options Scheme

Under this Scheme employees have been offered the right to acquire \$1,000 worth of shares in GBST. There is no performance or vesting criteria which needs to be satisfied before employees have the benefit from holding the Options. Divestiture of the shares is restricted for a period of 3 years, subject to cessation of employment. The options lapse in 5 years.

#### Deferred Options Scheme

Under this Scheme select staff have been made individual offers of specific numbers of Options at the discretion of the Board. The Options have an exercise price of \$0.7505 per share. One-half of the Options issued to each participant shall vest if the participant remains in employment with GBST as at 1 July 2005. The other half of the options shall be subject to a time based vesting condition requiring continued employment until 31 October 2006, and also to an additional performance based hurdle. This hurdle is formula based and requires achievement of a target percentage of 15% or greater growth in GBST's normalised earnings per share. The target percentage is moderated against relative increases or decreases in ASX trading volumes as there will be a correlating impact on GBST's earnings due to the nature of its customer contracts. The Options lapse in 2 years.

#### Plan Rules

The GBST Employee Option Plan Rules contain provisions which may facilitate the buy-back of Options; allow the Board to determine that the Options may be disposed of, exercised or bought back upon a change of control event; and which specify how the Options are dealt with upon a reorganisation and other events affecting share capital. The Plan Rules are subject to the ASX Listing Rules.

#### Future offers

The GBST Employee Option Plan Rules allow for future offers under an exempt scheme and a deferred scheme. At such time, the Board may determine the number of Options, issue price, vesting conditions, vesting period, exercise price and expiry date. Options may be granted at any time, subject to the Corporations Act and ASX Listing Rules.

The closing share market price of an ordinary share of GBST Holdings Limited on the Australian Stock Exchange at 30 June 2005 was \$1.23.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 29: EMPLOYEE BENEFITS (Continued)

	CONSOLIDATED		COMPANY	
	2005 No.	2004 No.	2005 No.	2004 No.
(a) Movement in the number of share options held by employees are as follows:				
Opening Balance		-	-	-
Granted during the year	4,097,184	-	4,097,184	-
Exercised during the year		-	-	-
Lapsed during the year		-	-	-
<b>Closing Balance</b>	<b>4,097,184</b>	<b>-</b>	<b>4,097,184</b>	<b>-</b>

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	Grant Date	Expiry and Exercise Date	Exercise Price	CONSOLIDATED		COMPANY	
				2005 No.	2004 No.	2005 No.	2004 No.
(b) Details of the share options outstanding at the end of the year:							
	9.3.05	8.3.10	\$0.0000	175,824	-	175,824	-
	9.3.05	8.3.07	\$0.7505	3,921,360	-	3,921,360	-
				<b>4,097,184</b>	<b>-</b>	<b>4,097,184</b>	<b>-</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 30: EARNINGS PER SHARE

	Consolidated 2005
Basic earnings per share (cents)	17.49
Diluted earnings per share (cents)	12.30
<b>a) Reconciliation of Earnings to Net Profit or Loss</b>	
	<b>\$</b>
Net Profit	4,446,121
Redeemable and converting preference share dividends	<u>(190,554)</u>
Earnings used in the calculation of basic EPS	4,255,567
Dividends on converting preference shares	<u>190,554</u>
Earnings used in the calculation of dilutive EPS	<u>4,446,121</u>
<b>b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</b>	
	<u>24,332,615</u>
Weighted average number of options outstanding or exercised during the year	3,486,538
Weighted average number of converting preference shares outstanding or converted during the year	<u>8,326,153</u>
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	<u>36,145,306</u>

**c) Classification of Securities**

The following securities have been classified as potential ordinary shares and are included in the determination of dilutive EPS:

- Options over unissued shares established in September 2001. The options were exercised on 17 March 2005.
- 12% converting preference shares. The company had on issue A and B class preference shares. During the year the preference shares were classified as debt as their terms and conditions included redemption at the holders option. During the year the redemption term was waived, and the shares were reclassified from liabilities to contributed equity. The preference shares also converted to ordinary shares on 17 March 2005.

Options issued under the GBST Employee Option Plan are not included in the basic or dilutive EPS as, either the shares are already on issue and held by the Employee Share Trust, or the issue of shares is contingent upon future events. As at reporting date, conditions which would result in the issue of shares had not been obtained (refer to Note 29).

The company changed its status from a private company to a listed company during the year, as such no comparative earnings per share information is provided.

## NOTE 31: SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of GBST, the results of those operations, or the state of affairs of GBST in future financial years.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 32: INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia has adopted equivalents of the International Financial Reporting Standards (A-IFRS) effective for financial years commencing 1 January 2005. The company will be required to prepare its 30 June 2006 financial statements under A-IFRS, and also show comparatives for the year ended 30 June 2005 under A-IFRS.

The company's management, along with its advisors, are assessing the significance of these changes and preparing for their implementation.

Set out below is a summary of the anticipated changes in the company's accounting policies as a result of A-IFRS. The changes disclosed in this note are based on management's best knowledge of expected standards and interpretations and current facts and circumstances. Users of the financial statements should note however that the amounts disclosed could change if there are any amendments to current A-IFRS or interpretation of the A-IFRS requirements changes from the continuing implementation process of the company.

#### Research and Development

Under A-IFRS, development costs are required to be capitalised and amortised over their useful lives where strict criteria are met.

The company's current policy is to expense all internal development costs as incurred. It is not expected that there will be any expenditure in the 2005 financial year which will need to be capitalised under A-IFRS.

#### Impairment of Assets

Under A-IFRS, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy that determines the recoverable amount of an asset on the basis of discounted future cash flows. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known. There will be no impact on the 30 June 2005 financial statements as a result of this change in policy.

#### Shared Based Payments

Under AASB 2 Share Based Payments, the company will be required to determine the fair value of options (and other equity-based incentives) issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This applies to all share-based payments issued after 7 November 2002 that have not vested as at 1 January 2005.

The company established in February 2005 an Employee Share Option Plan. The application of this new accounting policy will result in a charge against the company's profit of \$175,000 in the 2005 financial year and the recognition of an Employee Equity Benefits Reserve account for the same amount.

#### Income Taxes

Under A-IFRS the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current deferred taxes cannot be recognised directly in equity.

The most significant impact of this change will be the recognition of a deferred tax asset of \$190,935 at 30 June 2005 arising from the future tax deductibility of transaction costs associated with the capital raising and listing of the company on the ASX. This adjustment will have no impact on profit for the year ended 30 June 2005 as the deferred tax is recognised directly to equity.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

## NOTE 32: INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

## Asset Retirement Obligations

Under AIFRS the cost of property, plant and equipment includes an initial estimate of the cost of make good allowances, and a corresponding provision for these future costs is provided. The company has a number of lease agreements over office premises which include an obligation to make good the premises at the conclusion of the lease term. Under AIFRS the company will recognise a liability and an asset for the estimated cost of making good at the time of entering a lease agreement. The resulting asset will be amortised over the term of the premises lease.

The impact of this adopting this change will be the recognition of a non-current liability as at 1 July 2004 of \$322,350, a non current asset of \$210,338, and a net reduction to retained earnings of \$112,012. A charge will also arise against profit in the 2005 financial year of \$63,420.

## Treasury Shares

Under AASB 127, Consolidated and Separate Financial Statements and UIG 112, Consolidation - Special Purpose Entities, the GBST Employee Share Trust (refer Note 29) will be treated as a special purpose entity and consolidated. This will result in the trust's shareholding in GBST being disclosed as treasury shares and deducted from equity. The amount of this adjustment is \$2,203,036.

This consolidation treatment arises on the basis that, although the GBST group has no proprietary interest in the shares, the GBST Employee Share Trust has been established to maintain and hold securities in accordance with the remuneration policies and objectives of the GBST group. AIFRS deems that the trust is controlled by the GBST group.

Where the employee share options are exercised and the employees acquire the shares from the ESOP Trust, the treasury shares will be removed from the balance sheet as cash is received from the employees. The financial impact of this change as at 30 June 2005 will be a reduction in non-current assets of \$2,203,036 and a corresponding reduction in equity.

	CONSOLIDATED 2005 \$	COMPANY 2005 \$
Reconciliation of Net Profit		
Net profit reported under Australian Accounting Standards	4,446,121	4,446,121
Transitional adjustments:		
- Share based payments expense	(175,000)	(175,000)
- Provision for asset retirement obligation	(63,420)	(63,420)
- Income tax expense	52,630	52,630
Total transitional adjustments	(185,790)	(185,790)
<b>Net profit under AIFRS</b>	<b>4,260,331</b>	<b>4,260,331</b>
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	8,967,332	8,967,332
Transitional adjustments:		
- Provision for asset retirement obligation	(112,012)	(112,012)
- Reclassification of treasury shares	(2,203,036)	(2,203,036)
- Employee equity benefits reserve	175,000	175,000
- Recognition of deferred tax on capital raising expenses	190,935	190,935
	(1,949,113)	(1,949,113)
Decrease in current year profit resulting from transition to AIFRS	(185,790)	(185,790)
<b>Total equity under AIFRS</b>	<b>6,832,429</b>	<b>6,832,429</b>

GBST HOLDINGS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 33: COMPANY DETAILS

The registered office of the company is:

GBST Holdings Limited

c/- McCullough Robertson

Level 12, Central Plaza Two

66 Eagle Street

BRISBANE QLD 4000

The principal place of business of the company is:

GBST Holdings Limited

5 Cribb Street

MILTON QLD 4064

**INDEPENDENT AUDIT REPORT TO THE MEMBERS  
OF GBST HOLDINGS LIMITED**

**Scope**

*The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for GBST Holdings Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit approach*

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



**INDEPENDENT AUDIT REPORT TO THE MEMBERS  
OF GBST HOLDINGS LIMITED (continued)**

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as attached to the financial report has not changed at the date of providing our audit opinion.

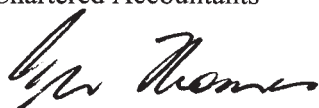
**Audit Opinion**

In our opinion, the financial report of GBST Holdings Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



ROBERTSONS  
Chartered Accountants



A W THOMAS  
Partner

Brisbane

Date: 9 September 2005

## ADDITIONAL INFORMATION

### Shareholding

#### (a) Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	7
1,001 – 5,000	272
5,001 – 10,000	122
10,001 – 100,000	144
100,001 – and over	15
	<u>560</u>

(b) The number of shareholdings held in less than marketable parcels is nil.

(c) The names of the substantial shareholders listed in the company's register as at 21 September 2005 are:

Shareholder	Number Ordinary
Crown Financial Pty Ltd	17,987,144
Mr John Francis Puttick	7,167,760
Stephen Maurice Linton Lake	3,563,096
GBST ESOP Pty Limited (The Employee Rights Plan A/C)	2,744,008
Geraldine Ann Maunder + John Francis Puttick (Puttick Family A/C)	2,000,000

#### (d) Voting Rights

The company only has ordinary shares on issue.

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(e) 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Crown Financial Pty Ltd	17,987,144	40.87
2. Mr John Francis Puttick	7,167,760	16.29
3. Stephen Maurice Linton Lake	3,563,096	8.10
4. GBST ESOP Pty Limited (The Employee Rights Plan A/C)	2,744,008	6.24
5. Geraldine Ann Maunder & John Francis Puttick (Puttick Family A/C)	2,000,000	4.54
6. Merrill Lynch (Australia) Nominees Ltd	1,231,500	2.80
7. Fortis Clearing Nominees P/L (Settlement A/C)	635,569	1.44
8. Mr Michael Hall & Mrs Patrea Burrows-Hall (Burrows Hall Super Fund A/C)	325,112	.74
9. PTG Holdings Pty Ltd (PTG Investments A/C)	270,000	.61
10. Lost Ark Nominees Pty Limited (ONM BPFAM A/C)	250,000	.57
11. BOGASI Pty Ltd (IRS Family A/C)	248,000	.56
12. BOGASI Pty Ltd (TRGS Family A/C)	248,000	.56
13. Huntercorp Pacific Pty Ltd (Huntercorp G&M A/C)	160,000	.36
14. Calcom Holdings Pty Ltd (IPC Family A/C)	150,000	.34
15. Second Chance Investments Pty Ltd	110,000	.25
16. Bennelong Capital Pty Limited	100,000	.23
17. Bond Street Custodians Limited (PFG - MG0394 A/C)	100,000	.23
18. Copplemere Pty Ltd	100,000	.23
19. Mr Alexander Gontmakher & Mrs Nadia Gontmakher	100,000	.23
20. Mr Michael Hall & Mrs Patrea Burrows-Hall	100,000	.23

**Registered Office**

c/- McCullough Robertson, Lawyers  
Level 12, Central Plaza Two,  
66 Eagle Street  
BRISBANE QLD 4000

Ph 07 3233 8888  
Fax 07 3229 9949

**Principal Place of Business**

5 Cribb Street  
MILTON QLD 4064

Ph 07 3331 5701  
Fax 07 3367 0181

www.gbst.com

*Postal address*

PO Box 1511  
MILTON QLD 4064

**Directors**

John Francis Puttick  
Stephen Maurice Linton Lake  
Joakim James Sundell  
David Cameron Shirley  
Allan James Brackin

**Company Secretaries**

David Michael Doyle  
John Francis Puttick

**Share Registry**

ASX Perpetual Registrars Limited  
Level 22, 300 Queen Street  
BRISBANE QLD 4000

PH 07 3228 4219

**Stock Exchange Listing**

GBST Holdings Limited shares are quoted on the Australian Stock Exchange under the code GBT

**Unquoted Securities**

A total of 3,739,742 options are on issue to 1 director and 129 employees under the GBST Holdings Limited Employee Option Plan.

**Auditors**

Robertson Chartered Accountants  
Level 4, 127 Creek Street  
BRISBANE QLD 4000

PH 07 3229 2022  
FAX 07 3229 3277

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