GBST HOLDINGS LIMITED

ANNUAL REPORT 2011

GBST

INTRODUCTION

GBST is one of Australia's leading technology services companies. We specialise in providing securities transaction and fund administration software for the financial services industry. Our software platforms connect capital markets throughout Europe, Asia and Australasia, and administer funds valued at more than $350 billion in Australia and the United Kingdom.

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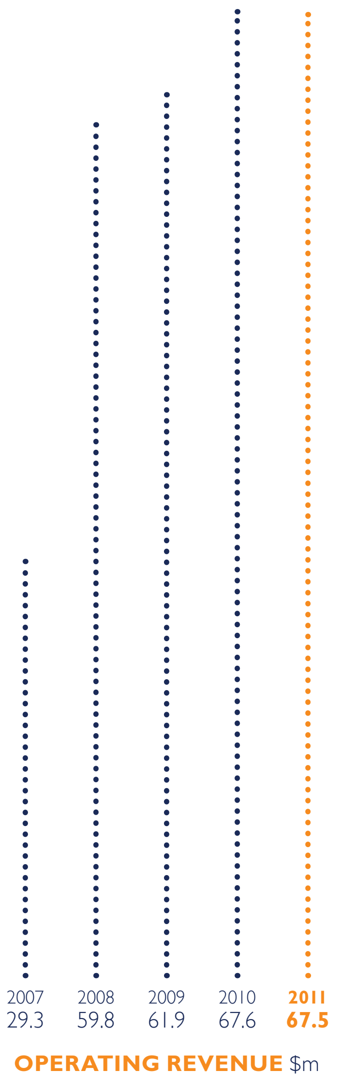
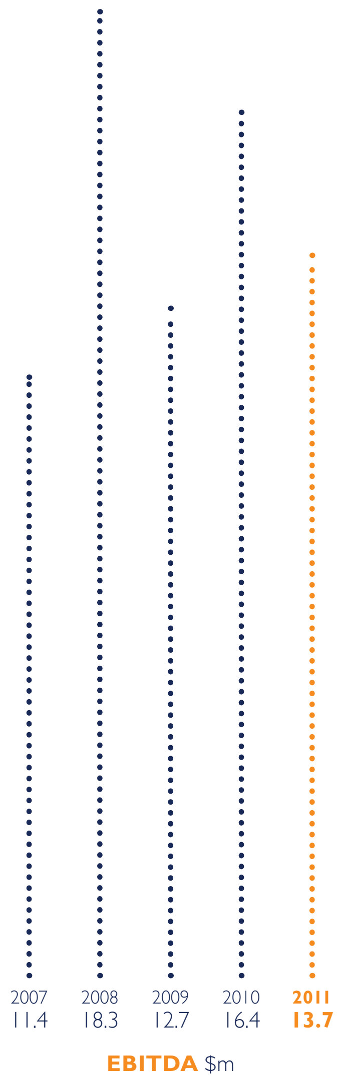
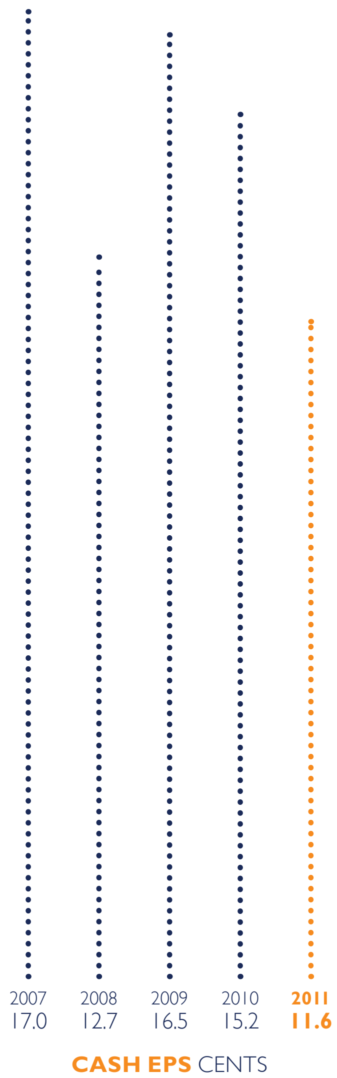
NOTICE OF AGM

GBST Holdings Limited (GBST) will hold its Annual General Meeting at 4.00pm (Brisbane Time) on Wednesday the 26th of October 2011 at the office of McCullough Robertson, Level 11, Central Plaza Two, 66 Eagle Street, Brisbane.

THE YEAR IN REVIEW







- Significant improvement in new sales resulted in a record number of new contracts signed for terms of three to ten years.
- Substantial investment in research and development has consolidated GBST's technology lead over competitors, leading to an increase in market share.
- Launched GBST Front Office for Australian stockbrokers and Syn~ 2.0 for Asian and European capital market participants.
- Dividend payments for the year doubled to 4 cents for the year, and a final fully franked dividend of 2 cents will be paid on 26 October 2011.

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

It was a record year for GBST in terms of new client wins. This result is testament to the innovation of our staff, our software development planning, and ability to sustain a long period of investment.

MR JOHN PUTTICK
CHAIRMAN

Dear fellow shareholders, in our sixth year since listing on the Australian Securities Exchange, we are pleased to report we have continued our track record of progress.

While our long term investment in our technology takes time to realise revenue, we believe it is critical for ensuring our future growth. This growth is now starting to be realised with encouraging new sales being achieved over the last 12 months.

In fact, despite it being a difficult year for our clients, it was a record year for GBST in terms of new client wins. This result is testament to the innovation of our staff, our software development planning, and ability to sustain a long period of investment. The new contracts are for periods of three to 10 years and will contribute at least $70 million including approximately $7 million in new revenue in FY2012 and $10 million in FY2013.

RESEARCH AND DEVELOPMENT

GBST provides capital markets transactions and fund administration software for the financial services industry, supporting many of the world's major institutional banks, stockbrokers and wealth managers.

This infrastructure connects global capital markets, enabling companies to complete transactions, exchange services, and administer investments and registries – activities that are in many ways the cornerstone of the global financial system. The world's financial markets are evolving rapidly and so we believe continued investment in product development is essential to our strategy of building next-generation software for the financial services sector. Indeed, our clients view their technology systems as critical to their success and expect us to continuously enhance our platforms with new features while improving reliability, scalability and the user experience.

It's no surprise then to conclude innovation ensures GBST's competitive strength. That's why we have invested substantial resources in adopting robust development methodologies and processes. In FY2011 GBST's investment in research and development expenditure was $7.3 million, which was fully expensed.

We plan to maintain this level of investment over the coming year as we progress development of Syn~ for Australia. A number of institutional clients are already committed to move to Syn~ in FY2013. This powerful technology offers a single platform for capital market participants' back- and middle-offices for equities, fixed income and derivatives.

Our investment pipeline also resulted in the launch of the new GBST Front Office software for stockbroking advisors in Australia. This product is a first-of-a-kind integrated client relationship management tool that transforms the relationship GBST has with the stockbroking industry. GBST Front Office is used predominantly by the private client advisor and management, expanding awareness of our products and services to this new audience. Increasingly our Front Office solutions will facilitate and support the changing market landscape and consolidation of financial information and industry participants.

The launch of Syn~ 2.0 next-generation back-and middle-office platform for our Asian and European capital markets clients is another outcome of our R&D program. This much-anticipated launch has attracted overwhelmingly positive feedback from participants in these key growth markets and is expected to fuel a growing proportion of our future sales. Further enhancement of Syn~ for all markets will continue in the coming 12 months.

In the wealth management market we enhanced our flagship platform Composer and ComposerWeb solutions, which offer the only fully-integrated technology to support wrap platforms and individual tax wrapper administration in the United Kingdom. Future R&D focus includes enhancements to Composer, extending web interfaces for intermediaries, employers and investors; integration to brokers, trading systems and internal systems.

Our business model is to earn recurring revenue from financial services transaction processing, asset administration and exposure to asset values.

GBST is in a strong position to deliver ongoing revenue growth as sales momentum builds and ongoing investment in our technology secures our competitive advantage.

MR STEPHEN LAKE
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

BUILDING GBST'S SKILLS BANK

While our business necessarily operates on long investment and implementation horizons, we are continuously exploring ways we can reduce time to market and increase scale to avoid supply constraints as demand increases. As a result, we are adopting a global approach to sourcing skills, which is particularly important to support the growth of our international operations. Indeed, we are already using Eastern European skills to deliver several client implementations in Europe across the Global Broker Services and Wealth Management divisions.

We are also evaluating the establishment of a development centre in Asia to support the growth of Broker Services businesses in Asia.

OVERALL PERFORMANCE

Revenue for the year was on par with the previous year at $69.5 million, reflecting ongoing interruptions in the global recovery. Revenue in Global Broker Services and Wealth Management divisions were also impacted by the strength of the Australian dollar, and adverse foreign exchange movements reduced revenue.

Operating EBITDA was $15.2 million, a decrease of 10 per cent. Reported net profit was $1.4 million, compared to a loss of $2.4 million in the previous year which included a $5.5 million charge for the impairment of goodwill on business acquisitions. Cash profit after tax was $7.7 million, compared to $10 million in FY2010.

The company's earnings before interest, tax, depreciation, amortisation, impairment, non-operating and research and development expenditure (EBITDAR) margin was flat at 33 per cent, reflecting our heavy investment in research and development and long lead times for new sales.

Amortisation of software systems and customer contracts from acquisitions was $6.3 million, compared to $6.7 million in the prior year and $7.3 million of GBST funded R&D expenditure was expensed.

FINANCE

Operating cash flow after capital expenditure increased to 18 cents per share, up from 11 cents per share in FY2010, reflecting the ongoing strength of the underlying operations and good cash flow management.

Working capital and operating cash flow improvements allowed debt repayment, and net debt fell from $33 million to $24.3 million over FY2011. The company repaid $10 million subordinated debt in full ahead of term to February 2012, and extinguished the call option enabling conversion of this debt to equity.

GBST renewed its banking facilities to 30 June 2014, including an AUD $20.65 million facility and a senior bank facility of £2.21 million.

Directors have declared a final dividend of 2 cents per share, fully franked, which will be paid on 26 October 2011. This brings dividends for the year to 4 cents per share, fully franked, and doubles the previous full year dividend.

AUSTRALIAN BROKER SERVICES

The Australian Broker Services division provides client accounting and securities transaction technology to capital market participants such as banks, custodians, margin lenders, institutional and retail stockbrokers.

Australian financial markets were beset by volatile retail trading and reduced volumes for most of the year, and consequently revenue declined 7% to $28.0 million compared to $30.2 million in the previous year. Recurring annuity income

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

CONTINUED

contributes 85% of operating revenue, ensuring the division does not rely on new licence sales to fund projects. Operating EBITDA was $9.9 million, down from $12.1 million in the prior year. While volatility is expected to continue in the current year, revenue is expected to increase as new clients and projects come on line.

We welcomed new clients during the year and signed the division's first Australian client for Syn~. Importantly, development of the Australian Syn~ platform offers GBST significant opportunities to increase its client base in Australia and also provide regional solutions across Asia. Our two broker services divisions are working well towards completing the development and the Australian Syn~ platform is expected to be launched in the second half of FY2012.

Recent change to capital markets regulation is benefiting GBST. Increased industry capital requirements and higher costs of regulation and compliance is driving a move towards third party clearing and consolidation, which our Front Office technology can help enable. The software helps both the smaller broker and the third party clearer, through better information transfer and sharing, business intelligence gathering, risk management, and streamlining of the account opening process.

The division's flagship platform, GBST Shares, increased its market share during the year with 51 per cent of Australian Securities Exchange traded volume being processed on the platform, up from 47 per cent in FY2010. GBST's DCA platform processes over 70 per cent of derivatives volumes.

Research and development has consistently improved our platform and we were very pleased in May 2011 to launch GBST Front Office at the Stockbrokers Association of Australia Conference. This new product will be progressively rolled out to clients during FY2012. Enhancement to improve GBST Shares' performance continues, and scaling work has recently been completed for Shares to process 1 million trades per day per client after processing peaks of up to 450,000 trades per day throughout the year. With the entrance of ChiX we are likely to see another increase in volumes and our proven scale ensures our Shares clients are well positioned.

GLOBAL BROKER SERVICES

Through the Syn~ technology platform, the Global Broker Services division provides next-generation technology to process equities, derivatives, fixed income and managed funds transactions to global capital markets in Asia and Europe.

As we advised last year, a new management structure was implemented to align this business with GBST's processes and business model. New staff members were appointed to head European sales, project management, testing and development. Other significant changes included moving our development centre to new premises in Croxley, establishment of a more structured approach to management of the Syn~ application along with a restructure of the support and testing teams to add more skilled development resources.

In a difficult year for European capital markets the division's operating revenue declined to $9 million, down from $12 million in the previous year, as clients reduced sponsored work and implementations and development projects matured.

Adverse foreign exchange movements also reduced revenue. Recurring income contributed 47 per cent of revenue, up from 38 per cent. Operating EBITDA was ($2.1 million) after R&D expenditure of $2.3 million related to developing Syn~ and one-off costs of $0.45 million.

While the division continues to experience lengthy sales cycles to win new clients, it is focused on revenue growth and has secured a substantial new client in Asia during the financial year. This coincides with the launch of Syn~2.0, which includes significant improvements such as enhanced transaction manager and custody, enterprise data and workflow suites for investment banks and custodians and saw the introduction of Google Web Toolkit for the user interface. We have been actively raising the profile of Syn~2.0 in Asia, which has uncovered a number of sales opportunities. The increased sales costs are expected to continue in FY2012 but results are expected to improve as new client installations are completed and 'go live'.

The division's software won the 'best institutional settlement system' award at the 2011 Goodacre Awards in London.

WEALTH MANAGEMENT

Wealth Management provides funds administration and registry software predominantly to the wealth management industry, offering an integrated system for the administration of wrap platforms, master trusts, superannuation, pensions, risk and debt. The division has long-established clients in Australia and administers approximately $350 billion of assets under advice in Australia and the UK. Through the Unison product GBST provides a membership and registry solution for many of Australia's trade unions.

Our wealth management services earn revenue through licence fees based both on fixed and variable fee structures and consulting.

During FY2011, the division won several new contracts and completed the year in a strong position. Revenue increased 19% to $27.1 million, despite the adverse impact of currency movements. Operating EBITDA increased $1.42 million to $6.92 million, and EBITDA margin increased 2 per cent to 26 per cent.

We have focused our resources on the UK market with success. The UK Financial Services Authority's Retail Distribution Review (RDR) has created significant opportunities for GBST, helping us to secure contracts with some of the world's largest wealth managers and pension administration companies. The highly flexible nature of our Composer platform means it can be tailored to meet the changes demanded by the evolving environment, ideally positioning our business to capture growth opportunities as companies adapt to the new regulatory environment.

The RDR is guided by similar principles to Australia's Future of Financial Advice (FoFA) reforms, and aims to increase market confidence in the UK financial system and financial advice industry by protecting consumers. New rules come into effect on 31 December 2012 and ahead of this some £3 trillion of assets and savings are expected to transition from traditional structures to more transparent systems such as wraps. Our sales momentum is expected to increase as understanding of the new regulatory system's requirements increases.

In Australia, FoFA reform is creating new opportunities for GBST's Composer platform and direct to consumer solutions. The increase in functionality necessary to support the broader UK wealth market can now be used in Australia. Ongoing research and development to improve products includes enhancements to Composer and extending web interfaces for intermediaries, employers and investors.

GBST FINANCIAL SERVICES

The division provides access to financial products and related data, transactions management, and web design services for GBST and other organisations. This was its second profitable year since commencement in FY2009. Operating revenue increased more than 30 per cent to $3.4 million with the first full year contribution of the quantitative data services business, which provides after-tax benchmarks and attribution services.

Since its acquisition three years ago the role of internet developer Emu Design has expanded, and its web development skills have contributed to GBST products including GBST Front Office, Syn~ 2.0, ComposerWeb and Unison. Increasingly, Emu also provides web services for our clients including leading wealth management firms, banks and stockbrokers. It has grown its e-commerce services and extended use of its systems from industrial and retail businesses into the financial services sector. Emu has now established in the UK to continue development work on Syn~ and explore growth opportunities with GBST clients in this market.

BRISBANE FLOOD RELIEF

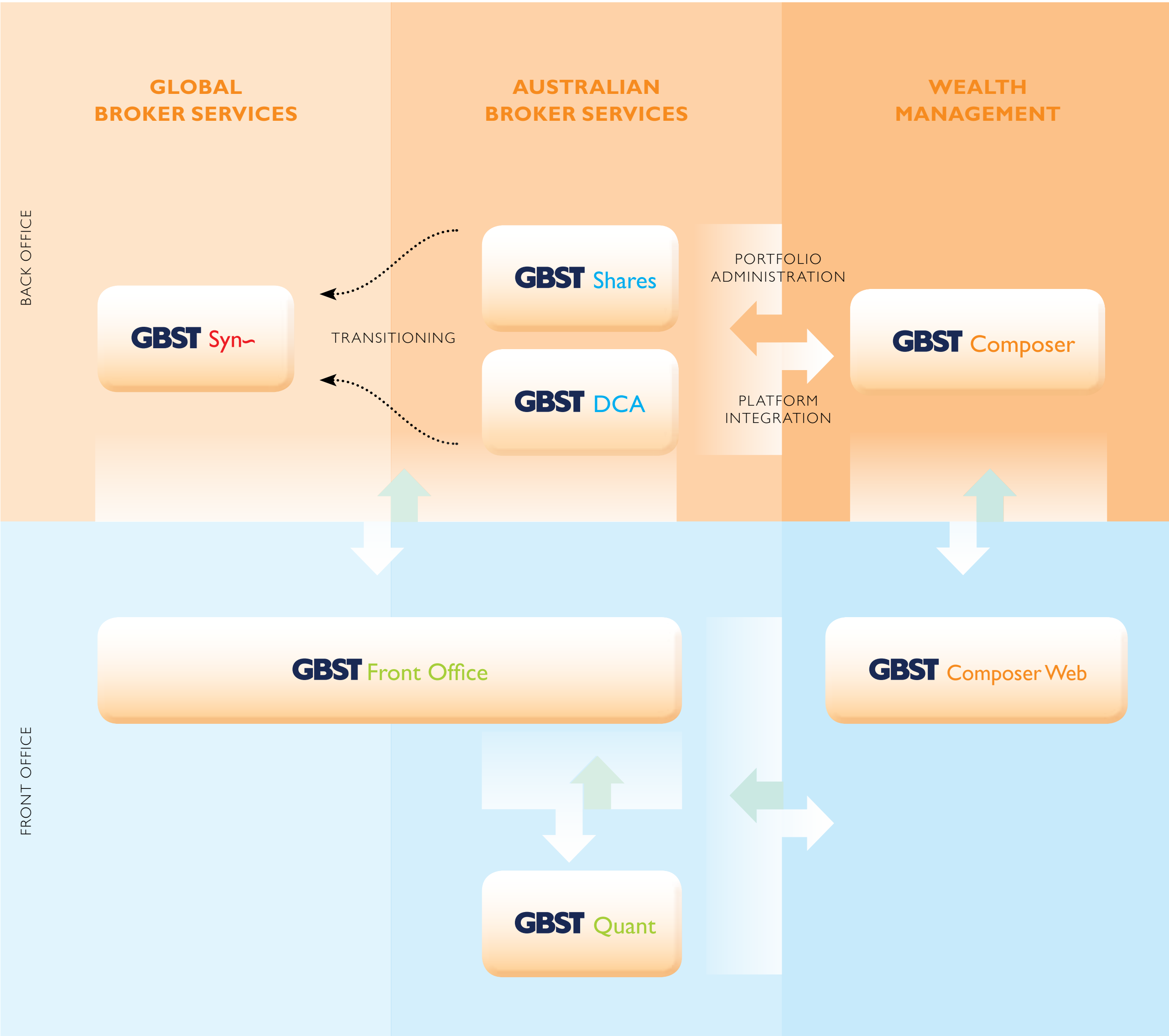
In January, flood waters engulfed the city of Brisbane and GBST's offices, and power and building access were cut off for two weeks. While our business was seriously interrupted during this period, our disaster recovery plan was enacted and we did not experience any down time in systems or support to our clients in Australia. We would like to thank our staff who continued to provide excellent support and service to clients during this difficult period. GBST donated $60,000 to the Queensland Premier's Flood Appeal to assist the recovery, including $10,000 to match staff contributions.

LOOKING FORWARD

The management and board are confident GBST is in a strong position to deliver ongoing revenue growth as sales momentum builds and ongoing investment in our technology secures our competitive advantage. As the regulatory environment changes globally and pressure builds for investment banks and asset managers to transform their back and front offices, we believe we have a clear direction to grow our market share in the world's largest capital markets.

We would like to take this opportunity to thank all of GBST's employees for their efforts this year. It is their contribution that has made our achievements possible and we acknowledge their hard work, drive and passion.

THE GBST PRODUCT SUITE



Through its flagship products GBST provides leading securities transaction and fund administration software for the financial services industry.

The GBST Shares platform is the most scalable and widely-used middle- and back-office equities system in Australia. It helps institutional and retail stockbrokers and third-party clearers to manage and execute transactions with the Australian Securities Exchange's market operations and clearing systems. Through GBST's products and extended network, it is possible to transact in virtually every type of financial instrument including derivatives, margin lending, foreign equities, term deposits, bonds, bank bills and other cash products.

GBST's DCA is a fully integrated client accounting system for derivatives trading. It is directly connected to the ASX's derivatives clearing system and processes most Australian derivatives transactions.

GBST Front Office is used in the stockbroker's front office to provide client advisers with client information including their portfolio, risk profile and investment preferences.

Internationally, GBST's Syn~ provides next-generation technology to process equities, derivatives, fixed income and managed funds transactions. It is used extensively across Europe and Asia by global capital market participants and provides a highly scalable transaction processing system in the middle- and back-office. GBST is developing the Syn~ technology for the Australian market.

GBST Composer is the leading administration and registry platform for the wealth management industry. In Australia, Composer supports wraps, corporate and personal superannuation, pensions, retail and wholesale unit trusts, life, risk, loans and cash management. In the United Kingdom, it offers a comprehensive solution for the management and administration of tax wrappers for self-invested personal pensions, income drawdown, individual savings accounts, bonds and Wraps across multiple investments including retail and wholesale unit trusts and open ended investment companies.

It is supplemented online by GBST ComposerWeb, which enables advisers and clients to administer portfolios from the pre-sale planning stage through to maintaining their portfolios.

GBST EXECUTIVE TEAM






STEPHEN LAKE
Managing Director and Chief Executive Officer

Mr Stephen Lake joined GBST in September 2001 after an extensive career in the capital markets industry in Australia, the United Kingdom and Asia. Stephen 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. Stephen was Managing Director of BZW's Capital Market's Division Australia and also Managing Director of the Fixed Interest Division at BZW (Asia) Ltd. Stephen is a Member of the Nominations and Remuneration Committee.

CHRIS MALLIOS
Chief Financial Officer

Chris joined GBST on 30 August 2010 as Chief Financial Officer. Chris has extensive financial and global commercial experience spanning 18 years gained in the services, technology, engineering, contracting and manufacturing industry sectors. Most recently, he was Head of Finance – Asia Pacific for Tyco Electronics responsible for finance, strategic planning, mergers and acquisitions and corporate services with operations throughout Japan, South Korea and China. Chris has also held other senior management financial roles during his 13 years with Tyco International. Chris holds a Bachelor of Arts and Masters of Commerce from the University of New South Wales and is a Fellow of CPA Australia.

PATRICK SALIS
Chief Executive, Global Broker Services

Patrick was appointed Chief Executive, Global Broker Services in March 2010, having joined GBST in October 2007 as Chief Financial Officer. Previously, Patrick held senior financial roles in the financial services industry, most recently as Chief Financial Officer of Virgin Money Australia Limited. He has extensive experience working in wealth management, equities and derivatives broking, superannuation, mortgages and unsecured lending. Patrick holds a Bachelor of Accounting and is a member of the Institute of Chartered Accountants in Australia.

ISABEL SANCHEZ
Chief Technology Officer

Isabel was appointed as Chief Technology Officer in March 2008. Isabel has over 18 years experience in software development and has been a member of GBST's Wealth Management Division (formerly InfoComp) for 16 years, where she acted in a similar capacity since 2000. Isabel holds a Bachelor of Computing Science from the University of Wollongong.

ROBERT DE DOMINICIS
Chief Executive, GBST Wealth Management

Robert is a founding partner of InfoComp, now GBST's Wealth Management Division, with over 25 years experience in the development of software applications. Robert holds a Bachelor of Mathematics. Robert has a business and technical software background having been part of the Wealth Management Division's development and professional services teams.

DENIS ORROCK
Chief Executive, GBST Broker Services and GBST Financial Services

Denis joined GBST in May 2008 and manages the Broker Services and Financial Services divisions. Prior to joining GBST, Denis was General Manager of InfoChoice. Denis has worked within the Australian Financial Services industry for over 15 years. He has a broad understanding of domestic wholesale and retail markets and has held advisory and trading positions with UBS, Grange Securities and Taylor Collison.

GBST BOARD OF DIRECTORS





JOHN PUTTICK
Non-Executive Chairman

Dr John Puttick is the founder and Chairman of GBST and has forty years experience in the IT industry, twenty five of which developing financial services solutions at GBST. John serves as a member of the QUT Council and on University of Queensland and Queensland University of Technology Faculty Advisory Committees. He is currently Adjunct Professor at the School of Information Technology and Electrical Engineering University of Queensland and Chair of Southbank Institute of Technology Business Council. John is a member of GBST's Audit and Risk Management Committee and is Chairman of the Nominations and Remuneration Committee.

STEPHEN LAKE
Managing Director and Chief Executive Officer

Mr Stephen Lake joined GBST in September 2001 after an extensive career in the capital markets industry in Australia, the United Kingdom and Asia. Stephen 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.

Stephen was Managing Director of BZW's Capital Market's Division Australia and also Managing Director of the Fixed Interest Division at BZW (Asia) Ltd. Stephen is a Member of the Nominations and Remuneration Committee.

ALLAN BRACKIN
Independent Non-Executive Director

Mr Allan Brackin was appointed to the Board in April 2005. He has detailed knowledge of the IT sector having served as Director and Chief Executive Officer of Volante Group Limited, one of Australia's largest IT services companies from November 2000 to October 2004. Prior to this Allan co-founded a number of IT companies including Applied Micro Systems (Australia) Pty Ltd, Prion Pty Ltd and Netbridge Pty Ltd, all national organisations operating under the Group Company of AAG Technology Services Pty Ltd. Allan currently serves as Chairman of NSW Cardiovascular Research Network and is Chairman of IT software company Emagine Pty Ltd. Allan is Chairman of GBST's Audit and Risk Management Committee and is a member of the Nominations and Remuneration Committee.

JOAKIM SUNDELL
Non-Executive Director

Mr Joakim Sundell was appointed to the Board in 2001. Joakim 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. He was a Director of Infochoice Limited (from 13 December 2006 until 5 February 2008). Joakim is a Member of the Nominations and Remuneration Committee.

DAVID ADAMS
Independent Non-Executive Director

Mr David Adams was appointed to the Board on 1 April 2008. David has an extensive career in the funds management industry including the establishment of Australia's first cash management trust at Hill Samuel Australia in 1980 and Group Head of the Funds Management Group for Macquarie Bank. He was a Director at Macquarie Bank from 1983 until 2001.

David was Chairman of the Investment and Financial Services Association in 2000 and 2001. He was a Visiting Fellow (Management of Financial Institutions) at Macquarie University and holds a Bachelor of Science from the University of Sydney and a Masters in Business Administration from the University of New South Wales. David is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations with 2010 Amendments' 2nd Edition ('Guidelines') applying to listed entities was released 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. The Board has made decisions in relation to its operations and the operations of the Company that mean that it does not completely comply with all of the Guidelines but these are in place to guide better performance. The Board outlines its assessment against the Guidelines below. This statement on corporate governance reflects the Company's charter, policies and procedures on 1 September 2011.

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 and the making of recommendations to shareholders concerning 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.

(d) Senior management roles are given authorities and responsibilities pursuant to both corporate policies and through directions issued from time to time. The CEO's performance is reviewed by the Chairman in consultation with the Board and the CEO takes responsibility for the review of other executives' performance. Formal reviews are conducted at least annually. The Board uses a variety of means of review including during the last twelve months conducting a 360° feedback review conducted with the assistance of external consultants.

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; and

(c) at least two Directors will be non-executive Directors independent from management.

During the year the Nominations and Remuneration Committee of the Board considered the Board structure, number and make up particularly with a view to the adoption of its diversity policy.

BOARD CHARTER AND POLICY

(a) The Board has adopted a charter (which is kept under review and amended from time to time as the Board considers 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. The Board's charter is included within the Company's corporate governance charter, which is available from the Company's web site.

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 are:

CORPORATE GOVERNANCE STATEMENT

CONTINUED

(i) Mr Allan Brackin, Chairman;
(ii) Mr John Puttick; and
(iii) Mr David Adams

(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. During the year the committee decided to add to its meeting schedule a further committee meeting to provide further time for review of accounting matters connected with the Company's financial statements and is likely to adopt this change within the Board's annual program.

NOMINATIONS AND REMUNERATION COMMITTEE

(a) The purpose of this committee with regard to remuneration is to review and approve the remuneration of senior executives, the remuneration policies for the Group and the structure of equity based remuneration programmes.

(b) The purpose of this committee with regard to nominations is to consider the structure and membership of the Board, to review the performance of the Board, to set desirable criteria for future Board members and to assess candidates against those criteria.

(c) Due to the importance of people to the business of the Group, each Director is a member of the committee. Committee meetings are held from time to time as required by the Board. Meetings are held at least twice each year. David Adams, a non-executive and independent Director is the chair of the committee. Relevant discussions on nominations and remuneration have been considered by the Board at various Board meetings as specific items of business and in general business. The Board conducted a review of its own performance with the chair discussing performance with each Director individually and then collectively with the Board. As a result of the review the Board set out an annual program of meetings and changed reporting techniques to take advantage of technology.

DIVERSITY

The Board has adopted a diversity policy that documents the Company's commitment to diversity to further embed within the Company's culture the importance of a diverse work force and an environment that embraces the benefits of diversity. The Company takes a broad view on diversity and its policy encourages diversity in the workplace in relation to gender, sexual orientation, age, race, ethnic origin, religious beliefs, impairment and nationality. The diversity policy also recognises a commitment to merit based appointments.

As at 30 June 2011, the proportion of female employees in the whole organisation, in senior positions and on the Board was:

Proportion of Women at GBST	31%
Proportion of Women in senior roles at GBST	32%
Proportion of Women on the Board	0%

The Nomination and Remuneration Committee within its charter is given a specific role to implement and monitor the Company's diversity policy. The Nomination and Remuneration Committee set measurable objectives including:

1. offering senior female employees opportunities to undertake a Board readiness program and encouraging them to do so;
2. the development of female leaders within an executive development program that is being formally established for the Company. ;
3. requiring the Company to report twice annually on the statistical performance of the Company in areas including diversity within the GBST work force, recruitment results based on gender and pay equity; and
4. the Company early adopting reporting on diversity in its Annual Report.

The Company's adoption of a diversity policy was a formalisation of the Company's values. The Company has previously developed its own paid maternity leave program and has tried to provide a work environment that recognises the need for a work life balance. The Company is proud to have been awarded the Employer of Choice awards conducted by Women in Information Technology in Queensland. The Company has also committed itself to providing positions as a part of the Australian Employment Covenant (http://www.fiftythousandjobs.org.au).

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, which 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 and is available for review on the Company's web site.

GBST BOARD ASSESSMENT AGAINST THE GUIDELINES

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. 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 current Board is not independent. In particular, the Chairman is not independent in terms of the Guidelines. There are at least two independent Directors, namely Mr Allan Brackin and Mr David Adams. GBST believes that the current Board of five Directors has been appropriate for a Company of GBST's size and the current Directors have been the best people to act in the interests of stakeholders and for this reason does not presently fully comply with the recommendations. The Board will consider increasing its size should suitable candidates be identified. The number of independent Directors may be increased as a result of the additional appointments. The Board calls specific meetings of the Board as a Nominations and Remuneration 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 comprises three Directors, the majority of which are 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 strives 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 Company uses its quality management system and project management methodologies to identify, assess and manage risk. With the acquisition of new subsidiaries the Company initiated a program of integration which involved an assessment of the adequacies of risk management in the subsidiaries to ensure they were of a sufficient standard in light of the Board's requirements in this area. 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. The Board requires the CEO and CFO to sign all statements required to be provided under the Guidelines and Corporations Act in relation to the Company's financial statements and risk management generally.

PRINCIPLE 8 – 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 from time to time calls a specific meeting of the Board as a Nominations and Remuneration Committee.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

Due to the importance of human capital within GBST's business all Board members considered they would have a contribution to make to the meeting and as a result the committee is not independent. The Board has restructured the committee to have an independent Director as Chairman. 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.

DIRECTORS' REPORT

The Directors of GBST Holdings Limited ('GBST' or the 'Company') submit herewith the consolidated financial report for the year ended 30 June 2011 and the audit report thereon.

DIRECTORS

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

Name	Period of Directorship
Non-executive	
Dr John F Puttick	January 1984
Mr David C Adams	April 2008
Mr Allan J Brackin	April 2005
Mr Joakim J Sundell	July 2001
Executive	
Mr Stephen M L Lake	September 2001

PRINCIPAL ACTIVITIES

The principal activities of GBST during the year, were:

- the provision of client accounting and securities transaction technology solutions for the finance, banking and securities industry in Australia, Asia, Europe and North America;
- provision of funds administration and registry software for the wealth management industry in Australia and Europe;
- provision of independent financial product data and related services to financial advisers and institutions in Australia; and
- the provision of website design and web services with a growing focus on financial services industry.

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

OPERATING RESULT AND DIVIDEND

- The consolidated profit after income tax for the financial year amounted to $1.38 million (2010: $2.41 million loss).
- EBITDAR (pre R&D expenses) is $22.42 million (2010: $22.58 million).
- Operating EBITDA is $15.15 million (2010: $16.86 million).
- Cash NPAT is $7.71 million (2010: $9.96 million).

The current year profit includes an amount of $599 thousand for previously unrecognised tax losses which are a deferred tax asset. The prior year loss included an amount of $5.53 million for the impairment of goodwill on business acquisitions.

Dividends paid during the year were as follows:

- 2010 fully franked ordinary dividend of 2 cents per share for the FY2010 financial year paid on 30 September 2010, as recommended in last year's report.
- 2011 interim fully franked ordinary dividend of 2 cents per share paid on 29 April 2011.

The Directors recommend a final dividend of 2.0 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 26 October 2011.

REVIEW OF OPERATIONS

GBST comprises four operating segments:

- GBST Australia Broker Services provides client accounting and securities transaction technology to capital market participants such as banks, custodians, fund managers, margin lenders, institutional and retail stockbrokers.
- GBST Global Broker Services through the Syn~ platform, provides next-generation technology to process equities, derivatives, fixed income and managed funds transactions to global capital markets in Asia, Europe and North America.
- GBST Wealth Management provides funds administration and registry software to the Wealth Management industry, both in Australia and the United Kingdom. It offers an integrated system for the administration of wrap platforms, master trusts, superannuation, pensions, risk and debt, with customers in Australia and the United Kingdom.
- GBST Financial Services is a wholesale provider of access to financial products and related data information transactions for financial advisors and institutions. It also provides web design, development and usability services through Emu Design.

GROUP RESULTS

	FULL YEAR TO 30 JUNE		
	2011 $000's	2010 $000's	% Change
Group operating revenue	**67,506**	67,648	–
EBITDAR*	**22,418**	22,576	(1)
R&D expenditure	**(7,272)**	(5,719)	(27)
Operating EBITDA	**15,146**	16,857	(10)
Non-operating expenses	**(1,453)**	(500)	
Reported EBITDA	**13,693**	16,357	(16)
Net finance costs	**(3,164)**	(3,527)	10
Depreciation	**(941)**	(1,046)	10
Amortisation	**(6,327)**	(6,702)	6
Impairment of assets	**-**	(5,658)	100
Net profit/(loss) before tax	**3,261**	(576)	666
Income tax benefit/(expense)	**(1,877)**	(1,829)	
Profit after tax	**1,384**	(2,405)	158
Basic EPS (cents) – refer Note 33	**2.08**	(3.68)	157
Diluted EPS (cents) – refer Note 33	**2.08**	(3.68)	157
Cash NPAT**	**7,711**	9,955	(23)
Cash EPS (cents)	**11.57**	15.23	(24)

* EBITDAR = profit before interest, tax, depreciation, amortisation, impairment, non-operating and research and development expenditure.
** CASH NPAT = profit after tax; after removing amortisation and impairment expenditure.

The consolidated profit before income tax for the financial year amounted to $3.26 million (2010: $576 thousand loss).

DIRECTORS' REPORT

CONTINUED

Revenue before interest and other income was $67.51 million (2010: $67.65 million).

During the current financial year, factors impacting the profitability of the Group were:

- Legal and other costs totaling $1.45 million.
- Recognition of previously unrecognised tax losses of $599 thousand.
- In the 2010 financial year the loss included an amount of $5.53 million for the impairment of goodwill on business acquisitions.

PROFITABILITY

REPORTED EBITDA

Reported EBITDA for the strategic business segments and the Group as a whole are derived from operational profit/loss before tax and profit/loss from financial activities (EBIT). This measure is additionally adjusted for depreciation, amortisation and impairment losses to calculate Reported EBITDA. It should be noted that GBST's definition of EBITDA may differ from that used by other companies. Reported EBITDA is an important indicator used by Key Management Personnel of GBST to manage the operating activities of the individual business segments and the Group as a whole.

OPERATING EBITDA

GBST defines operating EBITDA as profit/loss from operations before depreciation, amortisation and impairment losses and before the effect of any non-operational expenses. GBST uses operating EBITDA as an internal performance indicator for the management of its operational business segments; and to allow for better evaluation of business segment activities and comparison over reporting periods.

Record year for sales and new licences

Operating EBITDA was $15.15 million compared to $16.86 million in the prior year, reflecting the impact of substantial R&D and product investment, restructuring costs, delays with clients going 'live' and weak retail equities trading volumes in the Group's broking businesses.

Revenue across the group was flat at $67.51 million. Lower revenues from the Australian Broker Services and Global Broker Services divisions were offset by growth in the Wealth Management division as UK clients went 'live'; and substantial client growth.

In FY2011, GBST began implementation of new contracts in Asia, UK and Australia. The licences are for terms of five to ten years, and once 'live', are expected to contribute at least $70 million in new revenue over the life of the contract. The contracts will add more than $7 million to FY2012 revenue rising to $10 million in FY2013.

Significant R&D investment supports growth

The positive outcomes of GBST's ongoing R&D program included the launch of the Australian Broker Services' Front Office and reporting products and Global Broker Services' Syn~ 2.0. Australian Broker Services' improving technology, scalability and flexibility is driving a gap between the Company and its competition, facilitating new client wins.

The Wealth Management division's Composer platform has been enhanced with the ComposerWeb solution, and offers the only fully-integrated technology to support wrap platforms and individual tax wrapper administration in the UK.

Some reorganisation of resources was undertaken during the year, particularly in the Global Broker Services division, and restructuring and legal expenditure was $1.45 million.

GBST AUSTRALIAN BROKER SERVICES

	FY2011 $000's	FY2010 $000's	% Change
Revenue	**27,950**	30,153	(7)
Operating EBITDA	**9,926**	11,511	(14)
Non-operating expenses	**(121)**	(52)	
Reported EBITDA	**9,805**	11,459	(14)
Segment result*	**8,701**	10,137	(14)

* Segment result = Reported EBITDA less depreciation, amortisation and impairment expenses.

GBST AUSTRALIAN BROKER SERVICES

Division revenue was impacted by reduced retail trading volumes despite the positive impact on trading of the QR National float and an increase in market share. Lower volumes were offset partially by growth through GBST's third party clearing clients such as Penson Financial Services; and increased use by smaller investment management firms of institutional clearing services provided by GBST clients. Trading volumes experienced high volatility throughout the year.

EBITDA was lower, reflecting substantial investment to develop the Australian Syn~ next-generation technology platform.

The investment in scalability for GBST Shares has proven worthwhile, with large brokers processing peak volumes in excess of 400,000 trades per day.

FRONT OFFICE LAUNCHED

GBST Front Office was successfully introduced to the industry at the 2011 Stockbrokers Association of Australia Conference. This new product will assist GBST to prepare clients for the introduction of Syn~ to Australia.

Highlights of the year included Commonwealth Bank of Australia's selection of GBST Shares to replace the existing back office system of its Institutional Equities business, with 'go live' in August 2011. An important milestone was the division's contract to sign the first Australian client for Syn~. Implementation has commenced and is expected to begin toward the end of 2011 and expected to 'go live' in July 2012.

Development of the Australian Syn~ platform made significant progress throughout the financial year. Several major institutional clients have committed to move from GBST Shares to Syn~ from mid-2012. This technology offers GBST significant opportunities to expand its clients in Australia and advance discussions to provide regional solutions across Asia. GBST has allocated significant resources to the project, and the Australian Broker Services and Global Broker Services divisions collaborated to assist integration of the new release Syn~ 2.0.

GBST GLOBAL BROKER SERVICES

	FY2011 $000's	FY2010 $000's	% Change
Revenue	**9,060**	12,142	(25)
Operating EBITDA	**(2,099)**	(240)	(775)
Non-operating expenses	**(32)**	(97)	
Reported EBITDA	**(2,131)**	(337)	(532)
Segment result*	**(4,745)**	(8,744)	46

* Segment result = Reported EBITDA less depreciation, amortisation and impairment expenses.

GBST GLOBAL BROKER SERVICES

Divisional revenue declined due to reduced client-sponsored work in FY2011, and the impact of foreign exchange movements of $1.29 million as the value of the US dollar and UK sterling weakened against the Australian dollar.

Operating EBITDA was impacted by R&D investment of $2.32 million relating to developing Syn~ 2.0. Net foreign exchange movements improved operating EBITDA by $66 thousand. The prior year loss included an amount of $5.53 million for the impairment of goodwill on business acquisitions.

SYN~ 2.0 LAUNCH CREATES NEW SALES OPPORTUNITIES

A significant milestone was accomplished with the launch of Syn~ 2.0 in June 2011 and significantly higher sales and marketing activity strengthened the Company's profile, increasing sales opportunities.

The division secured a major new client in Asia with ANZ Global Markets selecting GBST's Syn~. Other activities included:

- Macquarie migrated its Asian back office systems to Syn~, and is also using Syn globally as a general ledger;
- Two clients went live in France using Syn~, supported by GBST's systems Integration partner Atos Worldline;
- Following the successful European rollout of Syn~, Investment Technology Group (ITG) is set to commence the roll out of Syn~ in Hong Kong and Australia;
- CLSA went 'live' in June with their Australian business on Syn~ and plans to move all Asian market operations from Nova to the Syn~ platform, beginning with Japan;
- Another global investment bank is due to go live using Syn~ in early 2012;
- ANZ Global Markets will use GBST's Syn~ platform as a complete post trade, middle and back office solution.

Product development of Syn~ is progressing according to plan and integration of modules into the core product is now complete. Further development is taking place to improve efficiency.

RESTRUCTURING

During the year, the division restructured to align its business model to GBST's consolidated development methodology. A new management structure was introduced to improve operations and appointments included a head of sales for Europe, a new head of development, and a new head of project management. Significant changes included establishment of a more structured testing practice and the hire of a testing manager and restructure of the support team to add more skilled development resources.

This included the move to new office premises in Croxley to allow room for growth and a fit for purpose professional working environment.

GBST WEALTH MANAGEMENT

	FY2011 $000's	FY2010 $000's	% Change
Revenue	**27,133**	22,772	19
Operating EBITDA	**6,923**	5,530	25
Non-operating expenses	**(7)**	(13)	
Reported EBITDA	**6,916**	5,517	25
Segment result*	**3,398**	1,925	77

* Segment result = Reported EBITDA less depreciation, amortisation and impairment expenses.

GBST WEALTH MANAGEMENT

The division reported substantial revenue and EBITDA growth as UK client installations were completed and `live' operations commenced. Division revenue was $27.1 million, up 19% despite the adverse impact of currency movements of $450 thousand. Operating EBITDA rose $1.42 million to $6.92 million, an increase of 25%. Net foreign exchange movements improved operating EBITDA by $20 thousand.

NEW WINS AND STRONG PIPELINE DRIVE UK GROWTH PROSPECTS

During the year the division secured a contract with AEGON, an international provider of pensions, investments and protection, and subsequently reported a significant contract extension to launch two new platforms focused on the independent financial adviser (IFA) and employer sponsored markets. The installation is expected to 'go live' towards the end of 2011.

The division also successfully completed the implementation of Composer into AJ Bell, one of the UK's largest self invested pensions administration companies. This project was delivered on budget and on schedule, and its completion opens up a significant new market for Composer.

Sales momentum continues to increase, driven by the UK Financial Services Authority's Retail Distribution Review (RDR) which has given rise to increased activity.

AUSTRALIAN MARKET GROWTH

The division has also leveraged its Unison client base to expand sales, with one new client secured and a strong pipeline.

DIRECTORS' REPORT

CONTINUED

GBST FINANCIAL SERVICES

	FY2011 $000's	FY2010 $000's	% Change
Revenue	**3,363**	2,581	30
Operating EBITDA	**396**	56	607
Non-operating expenses	**(43)**	(25)	
Reported EBITDA	**353**	31	1,039
Segment result*	**321**	(54)	694

* Segment result = Reported EBITDA less depreciation, amortisation and impairment expenses.

GBST FINANCIAL SERVICES REVENUE UP 30%

Division revenue increased with the first full year contribution of the quantitative data services business.

Emu Design performed consistently during the year, securing new business including a major development contract with a GBST wealth management client; work with leading international bank RBS, and a contract to develop an e-learning platform for a new client.

GBST's web design expertise has made a substantial contribution to development of the Syn~ platform. Key Emu staff relocated to the UK to work closely with the Syn~ development team during the year, and will explore opportunities to expand business with GBST clients in the region.

FINANCIAL POSITION

The Group has a net current asset deficiency at 30 June 2011 of $12.17 million (30 June 2010: $9.19 million). $9.26 million of the current liabilities balance represents payments received in advance and invoices issued in advance to clients and as such do not represent future cash outflows other than salary and wage related costs in line with budgeted expenditure.

The senior debt is provided by the National Australia Bank and the current facility has a three year term maturing on 30 June 2014. At the balance sheet date all banking covenants have been met. The total operating leverage is below 2 to 1, interest cover is above 2.25 to 1 and equity ratio is above 50%. Based on the Group's current forecast and business plan, the Group anticipates that it will continue to meet its covenants.

The Directors are of the opinion that the improved operating cash flows achieved in the 12 months ended 30 June 2011 will continue to provide sufficient cash flows to support the consolidated entity. The earnings outlook of the business is strong and continues to improve as all the divisions have received new clients and each has a strong sales pipeline. The Directors are therefore confident the consolidated entity will be able to meet its debts as they fall due and accordingly, the Directors believe that the use of going concern assumption is appropriate in preparing these financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

GBST has increased its lending facility with its current senior lender NAB whereby it has borrowed a further $10 million that has been used to repay its loan to its subordinated lender Crown Financial Pty Ltd ("Crown Financial"). The Crown Financial debt was due to be repaid in February 2012.

The Crown Financial debt was connected to 10,526,316 options granted by the Company in favour of Crown Financial. The repayment of the Crown Financial debt has the simultaneous effect of extinguishing the options. GBST now has on issue:

- 66,395,929 ordinary shares
- 600,000 Executive Deferred Options
- 513 ZEPOs.

The banking facilities were renewed with the National Australia Bank on 30 June 2011. The AUD senior bank facility of $20.65 million and GBP senior bank facility of £2.21 million GBP expire on 30 June 2014, with quarterly principal repayments of $1.50 million off either facility as determined by Management. The Company may elect to repay early.

During the year 28,204 employee options were exercised and the Company issued 334,936 shares in relation to the deferred consideration for the acquisition of Coexis.

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

SUBSEQUENT EVENTS

Other than for the impact (if any) of the prospects referred to in the commentary above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect operations of GBST, the results of those operations, or the state of affairs of GBST in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

GBST plans to reduce time to market and increase scale through sourcing technology skills in Eastern Europe and evaluating a technology development centre in Asia. GBST's Eastern European operations will support the Global Broker Services and Wealth Management divisions' product development and expansion in Europe, In Asia, the development centre will support growth of the Global Broker Services division's Asian market; contribute resources to exploit convergence of the stockbroking and wealth management industries, and help grow the Australian Broker Services division's market share.

These developments, together with the current business strategies within GBST's segments, are expected to assist in the achievement of GBST's long term goals. Disclosure of further information regarding future developments and financial results is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL ISSUES

There are no significant environmental regulations applying to the Group.

INFORMATION ON DIRECTORS

JOHN PUTTICK NON-EXECUTIVE CHAIRMAN

Dr John Puttick is the founder and Chairman of GBST and has forty years' experience in the IT industry, twenty five of which were in developing financial services solutions at GBST. John serves as a member of the QUT Council and on University of Queensland and Queensland University of Technology Faculty Advisory Committees. He is currently Adjunct Professor at the School of Information Technology and Electrical Engineering University of Queensland. John is a member of GBST's Audit and Risk Management Committee and is a member of the Nominations and Remuneration Committee.

Interest in Shares and Options

6,401,175 Ordinary Shares of GBST Holdings Limited are held by Dr Puttick and associated entities.

STEPHEN LAKE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Stephen Lake joined GBST in September 2001 after an extensive career in the capital markets industry in Australia, the United Kingdom and Asia. Stephen 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. Stephen was Managing Director of BZW's Capital Market's Division Australia and also Managing Director of the Fixed Interest Division at BZW (Asia) Ltd, and was a member of the global management committee. Prior to BZW Stephen commenced work in a treasury role and later became a partner of a stockbroking firm. Stephen is a Member of the Nominations and Remuneration Committee.

Interest in Shares and Options

4,370,544 Ordinary Shares of GBST Holdings Limited are held by Mr Lake.

ALLAN BRACKIN INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Allan Brackin was appointed to the Board in April 2005. He has detailed knowledge of the IT sector having served as Director and Chief Executive Officer of Volante Group Limited, one of Australia's largest IT services companies from November 2000 to October 2004. Prior to this Allan co-founded a number of IT companies including Applied Micro Systems (Australia) Pty Ltd, Prion Pty Ltd and Netbridge Pty Ltd, all national organisations operating under the Group Company of AAG Technology Services Pty Ltd. Allan currently serves as Chairman of IT software company Emagine Pty Ltd and is a member of the advisory board for Madison Technologies Pty Ltd and Huon IT Pty Ltd. Allan is Chairman of GBST's Audit and Risk Management Committee and is a member of the Nominations and Remuneration Committee.

Interest in Shares and Options

311,943 Ordinary Shares of GBST Holdings Limited are held by Mr Brackin's associated entities.

JOAKIM SUNDELL NON-EXECUTIVE DIRECTOR

Mr Joakim Sundell was appointed to the Board in 2001. Joakim 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. He was a Director of Infochoice Limited (from 13 December 2006 until 5 February 2008). Joakim is a Member of the Nominations and Remuneration Committee.

Interest in Shares and Options

12,631,610 Ordinary Shares of GBST Holdings Limited are held by Mr Sundell's associated entities.

DAVID ADAMS INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr David Adams was appointed to the Board on 1 April 2008. David has an extensive career in the funds management industry including the establishment of Australia's first cash management trust at Hill Samuel Australia in 1980 and Group Head of the Funds Management Group for Macquarie Bank. He was a Director at Macquarie Bank from 1983 until 2001.

David was Chairman of the Investment and Financial Services Association in 2000 and 2001. He was a Visiting Fellow (Management of Financial Institutions) at Macquarie University and holds a Bachelor of Science from the University of Sydney and a Masters in Business Administration from the University of New South Wales. David is a member of the Audit and Risk Management Committee and the Chair of Nominations and Remuneration Committee.

Interests in Shares and Options

Nil.

COMPANY SECRETARY

Mr David M Doyle joined GBST in 1997 as an in house legal advisor and was appointed to the position of Company Secretary on 18 April 2005. Mr Doyle holds Bachelor degrees in Law and Business (Computing) from Queensland University of Technology.

DIRECTORS' MEETINGS

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

	DIRECTORS' MEETINGS		AUDIT AND RISK COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
J Puttick	11	11	4	4	3	3
D Adams	11	10	4	4	3	3
A Brackin	11	11	4	4	3	3
S Lake	11	11	–	4	3	3
J Sundell	11	8	–	–	3	1

* At the request of the Audit and Risk Committee Mr S Lake (CEO) attends the Audit and Risk Committee meetings even though not a member of the committee.

DIRECTORS' REPORT

CONTINUED

REMUNERATION REPORT

The information provided in the remuneration report relates to the Group for the year ended 30 June 2011 and has been audited as required by section 308(3C) of the *Corporations Act (2001)*.

The remuneration report is set out under the following main headings:

(a) Remuneration Policies and Practices
(b) Group Performance and Remuneration
(c) Service Agreements
(d) Details of Remuneration

(A) REMUNERATION POLICIES AND PRACTICES

Remuneration Principles

Key Management Personnel comprise the Directors and Senior Executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

The principles for determining the nature and amount of remuneration of Directors and specified Executives are as follows:

- The Group will use competitive remuneration packages to attract, motivate and retain talented Executives as determined by the Nomination and Remuneration Committee.
- The employees will be rewarded for sustained and sustainable improvement in the performance of the Group.
- Directors and Senior Executives are encouraged to make investments in the Group in accordance with the Group's share trading guidelines.
- Senior Executive agreements will not allow for significant termination payments if an employment agreement has to be terminated for cause.
- The Group will make full disclosure of Director and Executive remuneration.
- The Group's practices will be legal, ethical and consistent with being a good corporate citizen. It will comply with remuneration disclosures required by law and will seek to maintain the highest standards of clarity and transparency in communications with shareholders.

The Board recognises the significant role played by remuneration in attracting and retaining staff with the aim to benchmark against other similar roles situated in other similar companies listed on the Australian Stock exchange within similar industry sectors.

Remuneration paid to Directors and Executives is valued at the cost to the Group and expensed.

Remuneration Structure – Non-Executive Directors

Remuneration of non-executive Directors is determined by the Board with reference to market rates for comparable companies and reflective of the responsibilities and commitment required of the Director. The remuneration of Directors is voted on annually at the Company's Annual General Meeting. The current shareholder approved limit is $500 thousand.

Non-executive Directors are paid fixed annual remuneration as set out in letters of appointment. Reviews of each individual Director and Directors as a whole occur annually. The current fees are $95 thousand for the Chairman and $60 thousand for non-executive Directors. There are currently no additional fees paid for membership of Board committees. Non-executive Directors may make investments in the Company in accordance with the Company's share trading guidelines but they did not participate in the existing Employee Share Ownership Plan. GBST does not operate a scheme for retirement benefits to Directors.

Remuneration Structure – Senior Executives

The Group's remuneration structure for Senior Executives has three components.

- Fixed remuneration of salary and superannuation.
- Bonus payments based upon Group performance and the meeting of corporate objectives - Short Term Incentive (STI).
- Long Term Incentive (LTI) – alternatives under investigation.

A combination of these comprises the Executive's remuneration.

Executive remuneration packages are aligned with the market and properly reflect the person's duties, responsibilities and performance. Executive remuneration packages are reviewed annually by reference to the Group's economic performance, Executive performance and comparative information from industry sectors. The performance of Executives is considered annually against agreed performance objectives relating to both individual performance goals and contribution to the achievement of broader Group objectives.

Fixed Annual Remuneration

The fixed remuneration consists of cash salary (base) and superannuation contributions. The fixed remuneration is reviewed annually based on individual performance, salary survey data and comparisons with data from companies operating in a similar industry. The Executives responsibilities, changes in responsibility, experience and the geographic location for the performance of the work are taken into account during the review process.

Short Term Incentive Remuneration (STI)

The Group operates a short term bonus scheme to provide competitive performance based remuneration incentives to both Executives and staff. Its objectives are to:

- Promote continuous improvement in annual performance outcomes;
- Align the interests of the Executives and staff with those of shareholders;
- Provide participants with the opportunity to be rewarded with at risk remuneration where superior performance outcomes are achieved over the measurement period;
- Reflect a strong commitment towards attracting and retaining high performing Executives and staff who are committed to the ongoing success of the Group; and
- Develop a culture where achievement of financial objectives is seen as a key measure of success.

Key Performance Indicators (KPI's) for Executives were agreed with each Executive at the beginning of the 2011 financial year. Each Executive had specific agreed goals for determination of Short Term Performance Incentives. These goals were both financial and non-financial. The Board reviewed Executive performance against these goals, and determined any Short Term Performance Incentive payments to be made to each Executive. The Board, where appropriate, also exercised its discretion to award an additional bonus in recognition of exceptional contribution to the Group's strategy.

The Board's Nomination and Remuneration Committee has introduced more formalised arrangements for the 2012 year. These new arrangements align the KPI's for Executives more clearly with the Group's strategic plan. These KPI's include measures of Group performance and individual performance against financial, non-financial and strategic goals. Achievement of performance objectives may entitle an Executive to a cash bonus. The Board, through its Nomination and Remuneration Committee, supervises all calculations of performance against the KPI's to ensure fairness for the Executives and the Group.

Generally, bonus arrangements are capped at a maximum of 50% of base remuneration, however when exceptional outcomes are delivered, or where warranted by special circumstances, a bonus may exceed this amount. The payment of a performance bonus is subject to a consideration of whether or not the overall performance of the Group warrants the payment of a bonus.

Long Term Incentive Remuneration (LTI)

The Company has previously used options as a feature of its equity based remuneration, but this practice has ceased and alternative remuneration arrangements are under investigation. The Group will consider long term incentive schemes with the objective of promoting sustained delivery of long term shareholder value.

Despite no longer offering share ownership plans, the Company has a pre-existing employee share ownership plan. The issue of options under the equity based deferred option plan has financial performance criteria that will be unlikely to be achieved. If the performance measure is not achieved, the options will lapse. No compensation is payable in respect of the lapsing options.

On 17 May 2010, 600,000 options were issued to select Executive employees. The exercise price for each option is $1.05.

These deferred options may be exercised after nineteen months and lapse if unexercised in forty-three months. On cessation of employment all unvested options lapse.

Performance Criteria for Deferred Options Scheme

The performance criteria associated with the grant of share options outstanding made under the Deferred Options Scheme is summarised below:

Grant Date	Continued Employment until	Financial Performance hurdle
17 May 2010	15 December 2011	If Group EBITDA for FY11 is: • 50% above Group EBITDA on FY 09 adjusted for the number of shares on issue

The fair value of the options granted on the 17 May 2010 date has been determined by the Board based on the external valuation advice.

(B) GROUP PERFORMANCE AND REMUNERATION

The table below shows the financial performance of the Group over the last four years. GBST's remuneration practices seek to align Executive remuneration with growth in profitability and shareholder value, amongst other things.

	2007	2008	2009	2010	2011
EBITDA	$11.4m	$18.3m	$12.7m	$16.4m	**$13.7m**
Year on Year Growth	26%	60%	(34%)	29%	**(16)%**
Net profit/(loss) before tax	$11.4m	$9.8m	$2.0m	$.6m	**$3.3m**
Year on Year Growth	31%	(14%)	(80%)	(70%)	**666%**
Net profit/(loss) after tax	$8.0m	$6.1m	$2.1m	$(2.4)m	**$1.4m**
Year on Year Growth	31%	(24%)	(66%)	(214%)	**158%**
Closing share price	$4.00	$1.89	$0.67	$0.98	**$0.80**
Dividends paid (cents per share)	9.0	11.5	5.5	-	**4**

DIRECTORS' REPORT

CONTINUED

(C) 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, performance-related bonus and any other benefits. The Group is an international organisation and when Executives are seconded to other countries their packages are reviewed in line with normal employment expectations for those countries. This may involve adjustments for cost of living and the provision of benefits customary in the country of employment. The amounts of the benefits are set out in the table in section (d) below as Short-Term Benefits Other. The agreements also contain normal provisions relating to the protection of confidential information and intellectual property rights as well as post-employment restraints.

Service agreements with executives are currently open ended. Mr Lake's service agreement is able to be terminated by either party giving not less than six months' notice. Other executive's agreements require not less than three months' notice. No other termination payments are applicable.

(D) DETAILS OF REMUNERATION

The remuneration for each Director and Executive Officer (Key Management Personnel) of the Group paid and accrued for the respective financial years was as follows:

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	SHARE-BASED PAYMENT			SHORT-TERM BENEFITS	
2011	Base Salary & Fees $	Bonus 2010 $	Other $	Super-annuation $	Leave Entitlement $	Equity Options $	Total Remuneration Paid $	Options Based %(ii)	Bonus 2011 $	Performance Related 2011 %(ii)
Directors										
J Puttick	95,000	–	–	–	–	–	95,000	–	–	–
D Adams	55,046	–	–	4,954	–	–	60,000	–	–	–
A Brackin	60,000	–	–	–	–	–	60,000	–	–	–
S Lake	590,000	150,000(i)	–	66,600	14,952	–	821,552	–	75,000(i)	10.0
J Sundell	60,000	–	–	–	–	–	60,000	–	–	–
Total Directors	860,046	150,000	–	71,554	14,952	–	1,096,552		75,000	
Executives										
R De Dominicis	407,397	–	189,705	–	–	12,262	609,364	1.9	20,000	5.1
C Mallios (appointed 30/08/10)	231,538	–	977	20,838	4,485	–	257,838	–	–	–
D Orrock	280,000	–	–	25,200	3,411	12,262	320,873	3.6	20,000	9.5
P Salis	284,512	–	78,389	3,635	664	18,393	385,593	4.8	–	4.8
I Sanchez	280,000	–	–	25,200	5,385	30,655	341,240	7.4	75,000	25.4
Total Executives	1,483,447	–	269,071	74,873	13,945	73,572	1,914,908		115,000	
GROUP TOTAL	2,343,493	150,000	269,071	146,427	28,897	73,572	3,011,460		190,000	

(i) The bonus of $150,000 for Stephen Lake, the CEO, was attributable to FY'2010 and paid in FY'2011. The Group had a practice previously where the short term incentives for all Executives were determined after the audited financials were lodged. The bonus of $75,000 for the CEO was attributable to the FY'2011 year and will be paid in FY'2012.

(ii) The 2011 bonus and options as a percentage of total remuneration for 2011 are calculated using the 2011 remuneration, including the 2011 bonus and excluding the 2010 related bonus.

2010	SHORT-TERM BENEFITS Base Salary & Fees $	Bonus 2009 $	Other $	POST-EMPLOYMENT BENEFITS Super-annuation $	TERMINATION BENEFITS $	OTHER LONG-TERM BENEFITS Leave Entitlement $	SHARE-BASED PAYMENT Equity Options $	Total $	Performance Related %	Options Based %
Directors										
J Puttick	95,000	–	–	–	–	–	–	95,000	–	–
D Adams	55,046	–	–	4,954	–	–	–	60,000	–	–
A Brackin	60,000	–	–	–	–	–	–	60,000	–	–
S Lake	590,000	100,000	–	61,896	–	14,750	–	766,646	13	–
J Sundell	60,000	–	–	–	–	–	–	60,000	–	–
Total Directors	860,046	100,000	–	66,850	–	14,750	–	1,041,646		
Executives										
R De Dominicis	392,959	–	133,085	11,502	–	2,485	2,044	542,075	0.4	0.4
D Orrock	253,077	–	–	22,777	–	3,572	2,044	281,470	0.7	0.7
P Salis	297,308	35,000	–	29,908	–	5,769	3,065	371,050	10.3	0.8
I Sanchez	253,846	–	–	22,846	–	5,385	5,109	287,186	1.8	1.8
S Shah (Executive until 9/03/10)	223,201	–	–	22,320	–	–	–	245,521	–	–
Total Executives	1,420,391	35,000	133,085	109,353	–	17,211	12,262	1,727,302		
GROUP TOTAL	2,280,437	135,000	133,085	176,203	–	31,961	12,262	2,768,948		

SHAREHOLDINGS

The number of shares in the Company held (directly, indirectly or beneficially) during the financial years by Key Management Personnel, including their related parties, are set out below.

2011	Balance at 01/07/10	Received as Compensation	Options Exercised	Net Change Other(i)	Balance at 30/06/11
Directors					
J Puttick	7,057,760	–	–	(656,585)	**6,401,175**
D Adams	–	–	–	–	**–**
A Brackin	311,943	–	–	–	**311,943**
S Lake	4,309,116	–	–	61,428	**4,370,544**
J Sundell	17,306,610	–	–	(4,675,000)	**12,631,610**
Total Directors	28,985,429	–	–	(5,270,157)	**23,715,272**
Executives					
R De Dominicis	2,011,765	–	–	–	**2,011,765**
C Mallios	–	–	–	–	**–**
D Orrock	–	–	–	–	**–**
P Salis	16,135	–	–	–	**16,135**
I Sanchez	–	–	–	–	**–**
Total Executives	2,027,900	–	–	–	**2,027,900**
GROUP TOTAL	31,013,329	–	–	(5,270,157)	**25,743,172**

(i) Shares purchased or sold, consideration for shareholdings purchased by Group, or excluded from disclosure due to resignation.

DIRECTORS' REPORT

CONTINUED

2010	Balance at 01/07/09	Received as Compensation	Options Exercised	Net Change Other[(i)]	Balance at 30/06/10
Directors					
J Puttick	7,307,760	–	–	(250,000)	7,057,760
D Adams	–	–	–	–	–
A Brackin	311,943	–	–	–	311,943
S Lake	3,751,423	–	–	557,693	4,309,116
J Sundell	15,768,148	–	–	1,538,462	17,306,610
Total Directors	27,139,274	–	–	1,846,155	28,985,429
Executives					
R De Dominicis	1,780,996	–	–	230,769	2,011,765
D Orrock	–	–	–	–	–
P Salis	–	–	–	16,135	16,135
I Sanchez	–	–	–	–	–
S Shah	523,596	–	–	(523,596)	–
Total Executives	2,304,592	–	–	(276,692)	2,027,900
GROUP TOTAL	29,443,866	–	–	1,569,463	31,013,329

(i) Shares purchased or sold, consideration for shareholdings purchased by Group, or excluded from disclosure due to resignation.

GROUP AND COMPANY KEY MANAGEMENT PERSONNEL

Names and positions held of Group and Company Key Management Personnel in office at any time during the financial year were:

Key Management Personnel	Position
J Puttick	Director (Non-executive Chairman)
D Adams	Director (Independent)
A Brackin	Director (Independent)
S Lake	Director (Managing Director and Chief Executive Officer)
J Sundell	Director (Non-executive)
R De Dominicis	Chief Executive Wealth Management
C Mallios	Chief Financial Officer (appointed 30 August 2010)
D Orrock	Chief Executive Broker Services
P Salis	Chief Executive Global Broker Services
I Sanchez	Chief Technology Officer

OPTION HOLDINGS

Options granted as part of Remuneration for the Year Ended 30 June 2011

There were no options granted as remuneration to Key Management Personnel in the 30 June 2011 financial year.

The cost of equity options is reported in accordance with accounting standard AASB 2 Share-based Payments, which has the effect of reporting the cost of the options over the period between the grant date and vesting date.

Shares issued on exercise of compensation options

There were no options exercised during the 30 June 2011 financial year that were granted as compensation in previous financial years as remuneration to Key Management Personnel.

Options issued as part of Remuneration for the Year Ended 30 June 2010

The cost of equity options is reported in accordance with accounting standard AASB 2 *Share-based Payments*, which has the effect of reporting the cost of the options over the period between the grant date and vesting date.

	Granted Number #	Options Granted as Part of Remuneration $	Total Remuneration Represented by Options %	Options Exercised and Sold $	Options Lapsed/ Forfeited $	Total $
Directors						
J Puttick	–	–	–	–	–	–
D Adams	–	–	–	–	–	–
A Brackin	–	–	–	–	–	–
S Lake	–	–	–	–	–	–
J Sundell	–	–	–	–	–	–
Total Directors	–	–	–	–	–	–
Executives						
R De Dominicis	100,000	2,044	0.5	–	–	2,044
D Orrock	100,000	2,044	0.7	–	–	2,044
P Salis	150,000	3,065	0.8	–	–	3,065
I Sanchez	250,000	5,109	1.8	–	–	5,109
S Shah	–	–	–	–	–	–
Total Executives	600,000	12,262	–	–	–	12,262
GROUP TOTAL	600,000	12,262	–	–	–	12,262

Options granted as remuneration to Key Management Personnel in the Year Ended 30 June 2010

	Vested Number #	Granted Number[(i)] #	Grant Date	Average Value per Option at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
J Puttick	–	–	–	–	–	–	
D Adams	–	–	–	–	–	–	
A Brackin	–	–	–	–	–	–	
S Lake	–	–	–	–	–	–	
J Sundell	–	–	–	–	–	–	
Total Directors	–	–					
Executives							
R De Dominicis	–	100,000	17.05.10	0.39	1.05	15.12.11	15.12.13
D Orrock	–	100,000	17.05.10	0.39	1.05	15.12.11	15.12.13
P Salis	–	150,000	17.05.10	0.39	1.05	15.12.11	15.12.13
I Sanchez	–	250,000	17.05.10	0.39	1.05	15.12.11	15.12.13
S Shah	–	–	–	–	–	–	–
Total Executives	–	600,000					
GROUP TOTAL	–	600,000					

Details of the total holdings of options granted as remuneration in previous financial years are set out in Note 30 in the financial statement. Details of these options are set out in Note 32 in the financial statements.

(i) Options granted in the year ended 30 June 2010.

DIRECTORS' REPORT

CONTINUED

The numbers of options in the Company held (directly, indirectly or beneficially) during the financial year by Key Management Personnel, including their related parties, are set out below.

2011	Balance 01/07/10	Granted as Compensation	Options Exercised or Sold	Other	Options Cancelled/ Forfeited	Balance 30/06/11	Total Vested at 30/06/11	Total Vested and Exercisable at 30/06/11	Total Vested and Unexercisable at 30/06/11
Directors									
J Puttick	–	–	–	–	–	–	–	–	–
D Adams	–	–	–	–	–	–	–	–	–
A Brackin	–	–	–	–	–	–	–	–	–
S Lake	–	–	–	–	–	–	–	–	–
J Sundell	10,526,316	–	–	–	(10,526,316)	–	–	–	–
Total Directors	10,526,316	–	–	–	(10,526,316)	–	–	–	–
Executives									
R De Dominicis	100,000	–	–	–	–	100,000	–	–	100,000
C Mallios	–	–	–	–	–	–	–	–	–
D Orrock	100,000	–	–	–	–	100,000	–	–	100,000
P Salis	250,000	–	–	–	(100,000)	150,000	–	–	150,000
I Sanchez	250,000	–	–	–	–	250,000	–	–	250,000
Total Executives	700,000	–	–	–	(100,000)	600,000	–	–	600,000
GROUP TOTAL	11,226,316	–	–	–	(10,626,316)	600,000	–	–	600,000

A loan held previously with Crown Financial Pty Ltd, of which Mr Sundell is a Director was extinguished 30 June 2011. The Crown Financial debt was connected to 10,526,316 options granted by the Company in favour of Crown Financial. The repayment of the Crown Financial debt has the simultaneous effect of extinguishing the options.

Financial performance hurdles were not met for 100,000 (40%) of the executive options for P Salis which were subsequently cancelled. No options vested in the year.

The numbers of options in the Company held (directly, indirectly or beneficially) during the financial year by Key Management Personnel, including their related parties, are set out below.

2010	Balance 01/07/09	Granted as Compensation	Options Exercised or Sold	Other	Options Cancelled/ Forfeited	Balance 30/06/10	Total Vested 30/06/10	Total Exercisable 30/06/10	Total Unexercisable 30/06/10
Directors									
J Puttick	–	–	–	–	–	–	–	–	–
D Adams	–	–	–	–	–	–	–	–	–
A Brackin	–	–	–	–	–	–	–	–	–
S Lake	500,000	–	–	–	(500,000)	–	–	–	–
J Sundell	–	–	–	10,526,316	–	–	10,526,316	10,526,316	–
Total Directors	500,000	–	–	10,526,316	(500,000)	10,526,316	10,526,316	10,526,316	–
Executives									
R De Dominicis	–	100,000	–	–	–	100,000	–	–	100,000
D Orrock	–	100,000	–	–	–	100,000	–	–	100,000
P Salis	100,000	150,000	–	–	–	250,000	–	–	250,000
I Sanchez	–	250,000	–	–	–	250,000	–	–	250,000
Total Executives	100,000	600,000	–	–	–	700,000	–	–	700,000
GROUP TOTAL	600,000	600,000	–	10,526,316	(500,000)	11,226,316	10,526,316	10,526,316	700,000

OPTIONS

The Company established the GBST Employee Option Plan on 9 March 2005. The Company has previously used options as a feature of its equity based remuneration, but its practice has ceased and alternative remuneration arrangements are being investigated to assist in the attraction, retention and motivation of employees.

The number of options over ordinary shares outstanding at 30 June 2011 are as follows:

Grant Date	Exercise Date	Exercise Price	Number
25.07.07	24.07.10	$0.00	513
17.05.10	15.12.11	$1.05	600,000
			600,513

In addition 28,204 new shares were issued to meet the exercise of employee options (no amounts are unpaid on any of the shares).

Grant Date	Number
25.07.07	28,204

No further employee shares or options have been issued since 30 June 2011.

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

INDEMNIFYING DIRECTORS AND OFFICERS

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

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

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

PROCEEDINGS ON BEHALF OF COMPANY

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

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the *Corporations Act (2001)*.

Refer to Note 23 in the financial report for details of non-audit service fees.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's independence declaration can be found on the page following this Directors' report and forms part of the Directors' report for the year ended 30 June 2011.

ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Dr J F Puttick
Chairman

Mr S M L Lake
Managing Director and Chief Executive Officer

Dated at Brisbane this 19th day of August 2011

AUDITOR'S INDEPENDENCE DECLARATION

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

To: the directors of GBST Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Chris Hollis
Partner

Sydney

19 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	30 Jun 2011 $'000	30 Jun 2010 $'000
Revenue from license and service sales		**45,331**	43,238
Revenue from sponsored work		**20,018**	20,807
Revenue from sale of third party product		**2,157**	3,603
Other income		**929**	755
Total revenue		**68,435**	68,403
Product delivery and support expenses		**(39,350)**	(40,880)
Property and equipment expenses		**(6,942)**	(7,136)
Corporate and administrative expenses		**(8,446)**	(6,190)
Other expenses - impairment of goodwill	4	**–**	(5,527)
Results from Operating Activities before Research and Development Expenses		**13,697**	8,670
Research and development expenses		**(7,272)**	(5,719)
RESULTS FROM OPERATING ACTIVITIES		**6,425**	2,951
Finance costs	4 (d)	**(3,165)**	(3,542)
Finance income	4 (e)	**1**	15
Net finance costs		**(3,164)**	(3,527)
PROFIT/(LOSS) BEFORE INCOME TAX		**3,261**	(576)
Income tax expense	5	**(1,877)**	(1,829)
PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**1,384**	(2,405)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(3,818)**	(4,492)
Effect of hedge of net investment in foreign operations		**969**	1,992
Net change in fair value of other financial assets		**(570)**	(394)
Other comprehensive loss for the year, net of income tax		**(3,419)**	(2,894)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(2,035)**	(5,299)
Earnings per share			
Basic earnings/(loss) per share (cents)	33	**2.08**	(3.68)
Diluted earnings/(loss) per share (cents)	33	**2.08**	(3.68)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	30 Jun 2011 $'000	30 Jun 2010 $'000
CURRENT ASSETS			
Cash at bank and on hand	7	**5,116**	1,707
Trade and other receivables	8	**11,122**	12,845
Inventories	9	**227**	712
Other assets	13	**989**	892
Total Current Assets		**17,454**	16,156
NON-CURRENT ASSETS			
Investment	10	**526**	1,096
Plant and equipment	11	**3,664**	2,949
Intangible assets	12	**68,129**	77,069
Deferred tax assets	16	**3,542**	3,709
Other assets	13	**8**	22
Total Non-Current Assets		**75,869**	84,845
TOTAL ASSETS		**93,323**	101,001
CURRENT LIABILITIES			
Trade and other payables	14	**5,504**	3,962
Loans from related parties	15	**–**	82
Financial liabilities	15	**10,842**	9,593
Current tax liabilities	16	**435**	1,821
Provisions	17	**3,404**	3,043
Unearned income	18	**9,262**	5,373
Liabilities on business acquisition	19	**176**	1,474
Total Current Liabilities		**29,623**	25,348
NON-CURRENT LIABILITIES			
Trade and other payables	14	**–**	136
Loans from related parties	15	**–**	9,628
Financial liabilities	15	**18,550**	14,987
Deferred tax liabilities	16	**3,878**	5,267
Provisions	17	**1,375**	1,398
Unearned income	18	**–**	30
Total Non-Current Liabilities		**23,803**	31,446
TOTAL LIABILITIES		**53,426**	56,794
NET ASSETS		**39,897**	44,207
EQUITY			
Issued capital	20	**37,516**	37,102
Reserves	21	**(7,492)**	(3,472)
Retained earnings		**9,873**	10,577
TOTAL EQUITY		**39,897**	44,207

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital $'000	Retained Earnings $'000	Foreign Currency Translation[(a)] $'000	Financial Asset Reserve[(b)] $'000	Equity Remuneration Reserve[(c)] $'000	Loan Conversion Reserve[(d)] $'000	Total $'000
Balance at 1 July 2009	31,819	12,982	(1,661)	394	111	–	43,645
Total comprehensive income for the year							
Loss for the year	–	(2,405)	–	–	–	–	(2,405)
Other comprehensive income							
Exchange differences arising on translation of foreign operations	–	–	(4,492)	–	–	–	(4,492)
Effect of hedge of net investment in foreign operation	–	–	1,992	–	–	–	1,992
Net change in fair value of other financial assets	–	–	–	(394)	–	–	(394)
Total other comprehensive loss	–	–	(2,500)	(394)	–	–	(2,894)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	–	(2,405)	(2,500)	(394)	–	–	(5,299)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share based payments- exempt shares	–	–	–	–	25	–	25
Share based payments- options	–	–	–	–	60	–	60
Share Issues (net of costs)	5,215	–	–	–	–	–	5,215
Fair value conversion option	–	–	–	–	–	561	561
Transfer to/(from) ordinary capital	68	–	–	–	(68)	–	–
Total contributions by owners	5,283	–	–	–	17	561	5,861
Total transactions with owners	5,283	–	–	–	17	561	5,861
BALANCE AT 30 JUNE 2010	37,102	10,577	(4,161)	–	128	561	44,207

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

The hedge instrument is GBP denominated debt drawn under the Company's bank debt facility. The objective of drawing GBP debt under the Company's bank debt facility is to use it as a 'natural hedge' to offset changes to the fair value of the net tangible assets (NTA) of this foreign subsidiary due to fluctuations in the AUD/GBP spot rate.

(b) The financial assets reserve records the revaluation of financial assets, classified as fair value through other comprehensive income (previously classified as available-for-sale).

(c) The equity remuneration reserve records items recognised as expenses on valuation of employee share/options granted. When options are exercised, the amount in the reserve relating to those options is transferred to issued capital.

(d) The loan conversion reserve contains the equity impacts from the issue of options. The balance of the reserve was transferred to retained earnings during the current year as the options have been extinguished.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital $'000	Retained Earnings $'000	Foreign Currency Translation[a] $'000	Financial Asset Reserve[b] $'000	Equity Remuneration Reserve[c] $'000	Loan Conversion Reserve[d] $'000	Total $'000
Balance at 1 July 2010	37,102	10,577	(4,161)	–	128	561	44,207
Total comprehensive income for the year							
Profit for the year	–	1,384	–	–	–	–	1,384
Other comprehensive income							
Exchange differences arising on translation of foreign operations	–	–	(3,818)	–	–	–	(3,818)
Effect of hedge of net investment in foreign operation	–	–	969	–	–	–	969
Net change in fair value of other financial assets	–	–	–	(570)	–	–	(570)
Total other comprehensive loss	–	–	(2,849)	(570)	–	–	(3,419)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	–	1,384	(2,849)	(570)	–	–	(2,035)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid (Note 6)	–	(2,649)	–	–	–	–	(2,649)
Share based payments- exempt shares	–	–	–	–	2	–	2
Share based payments- options	–	–	–	–	68	–	68
Share Issues (net of costs, for non-cash consideration)	304	–	–	–	–	–	304
Transfer loan conversion reserve to retained earnings	–	561	–	–	–	(561)	–
Transfer to/(from) ordinary capital	110	–	–	–	(110)	–	–
Total contributions by and distributions to owners	414	(2,088)	–	–	(40)	(561)	(2,275)
Total transactions with owners	414	(2,088)	–	–	(40)	(561)	(2,275)
BALANCE AT 30 JUNE 2011	**37,516**	**9,873**	**(7,010)**	**(570)**	**88**	**–**	**39,897**

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

The hedge instrument is GBP denominated debt drawn under the Company's bank debt facility. The objective of drawing GBP debt under the Company's bank debt facility is to use it as a 'natural hedge' to offset changes to the fair value of the net tangible assets (NTA) of this foreign subsidiary due to fluctuations in the AUD/GBP spot rate.

(b) The financial assets reserve records the revaluation of financial assets, classified as fair value through other comprehensive income (previously classified as available-for-sale).

(c) The equity remuneration reserve records items recognised as expenses on valuation of employee share/options granted. When options are exercised, the amount in the reserve relating to those options is transferred to issued capital.

(d) The loan conversion reserve contains the equity impacts from the issue of options. The balance of the reserve was transferred to retained earnings during the current year as the options have been extinguished.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	30 Jun 2011 $'000	30 Jun 2010 $'000
Cash Flows from Operating Activities			
Receipts from customers		81,946	71,210
Payments to suppliers and employees		(62,269)	(58,822)
Interest income		1	15
Sundry income		929	755
Finance costs paid		(2,572)	(2,820)
Income tax paid		(3,892)	(1,770)
Net cash provided by operating activities	26 (a)	14,143	8,568
Cash Flows from Investing Activities			
Proceeds from sale of plant and equipment		3	–
Purchase of plant and equipment		(2,031)	(1,105)
Purchase of software intangibles		(1,591)	(1,471)
Deferred consideration payment for acquisitions		–	(1,817)
Net cash used in investing activities		(3,619)	(4,393)
Cash Flows from Financing Activities			
Repayment of finance leases		(273)	(179)
Proceeds from issue of ordinary shares		–	4,578
Costs of share issue		–	(336)
Proceeds from borrowings		11,178	8,748
Repayment of borrowings		(16,378)	(18,498)
Dividends paid	6	(2,649)	–
Net cash used in financing activities		(8,122)	(5,687)
Net increase/(decrease) in Cash and Cash Equivalents		2,402	(1,512)
Effect of exchange rate fluctuations on cash held		(246)	(135)
Cash and cash equivalents at 1 July		(1,176)	471
Cash and cash equivalents at end of financial year	26 (b)	980	(1,176)

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: REPORTING ENTITY

GBST Holdings Limited ("GBST" or the "Company") is the Group's parent Company. The Company is a public Company limited by shares, incorporated and domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2011 comprises the Company and its controlled entities (together referred to as the "Group" and individually as the "Group entities").

NOTE 2: BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act (2001)*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

This consolidated financial report was authorised for issue in accordance with a resolution of Directors on 19 August 2011.

BASIS OF MEASUREMENT

The consolidated financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

FUNCTIONAL AND PRESENTATION CURRENCY

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

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

COMPARATIVE FIGURES

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

USE OF ESTIMATES AND JUDGMENTS

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- treatment of software development costs and whether these are to be capitalised (Note 12);

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- impairment testing of the consolidated entity's cash-generating units containing goodwill (Note 12);
- utilisation of tax losses (Note 16).

FINANCIAL POSITION

The Group has a net current asset deficiency at 30 June 2011 of $12.17 million (30 June 2010: $9.19 million). $9.26 million of the current liabilities balance represents payments received in advance and invoices issued in advance to clients and as such do not represent future cash outflows other than salary and wage related costs in line with budgeted expenditure.

The senior debt is provided by the National Australia Bank and the current facility has a three year term maturing on 30 June 2014. At the balance sheet date all banking covenants have been met. The total operating leverage is below 2 to 1, interest cover is above 2.25 to 1 and equity ratio is above 50%. Based on the Group's current forecast and business plan, the Group anticipates that it will continue to meet its covenants.

The Directors are of the opinion that the improved operating cash flows achieved in the 12 months ended 30 June 2011 will continue to provide sufficient cash flows to support the consolidated entity. The earnings outlook of the business is strong and continues to improve as all the divisions have received new clients and each has a strong sales pipeline. The Directors are therefore confident the consolidated entity will be able to meet its debts as they fall due and accordingly, the Directors believe that the use of going concern assumption is appropriate in preparing these financial statements.

CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 3 below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities, except for the following areas where the Group has changed its accounting policies following the early adoption of AASB 9 Financial Instruments (2009):

- Classification and measurement of financial assets; and
- Impairment of financial assets.

NOTE 3: SIGNIFICATION ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

A controlled entity is any entity over which the Group has the power to control the financial and operating policies, so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 24 of the financial statements. All controlled entities have a 30 June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year ended on that date. Where controlled entities have entered/(left) the consolidated Group during the year, their operating results have been included/(excluded) from the date control was obtained/(ceased).

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 July 2009

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquire and equity issued by the acquirer. Acquisition-related costs are expensed as incurred unless associated with issue of debt or equity securities incurred in connection with business combination.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in profit or loss unless it is classified as equity. If the contingent consideration is classified as equity, it shall not be remeasured and settlement is accounted for within equity.

Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Acquisitions before 1 July 2009

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

INCOME TAX

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also arise from unused tax losses. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted as at reporting date. Their measurement also reflects the manner in which Management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 3: SIGNIFICATION ACCOUNTING POLICIES (CONTINUED)

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated Group. As a consequence, all members of the tax-consolidated Group are taxed as a single entity. The head entity within the tax-consolidated Group is GBST Holdings Limited. The implementation date of the tax-consolidation Group was 1 July 2003.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Work in progress is stated at the aggregate of project development contract costs incurred to date plus recognised profits less any recognised losses and progress billings.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's activities in general.

PLANT AND EQUIPMENT

Plant and equipment are carried at cost, less any accumulated depreciation and where applicable, impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate	Basis
Owned plant, equipment	5-40%	Straight-Line
Owned plant, equipment	13.3-67%	Diminishing Value

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

ASSET RETIREMENT OBLIGATIONS

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

LEASES

Leases where the Group assumes substantially all the risks and rewards incidental of the ownership are classified as finance leases. All other leases are operating leases and are not recognised on the Group's statement of financial position.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

INTANGIBLE ASSETS

The Group's major intangible assets are software systems, customer contracts and goodwill.

Acquired in a business combination and or separately

Software systems and customer contracts acquired outside a business combination are recognised at cost. Intangible assets acquired in a business combination are recognised separately from goodwill and capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed and the asset is amortised over its useful life on a straight-line basis, ranging from one to ten years.

Intangible assets with finite useful lives are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Internally developed (research and development)

Development costs are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The cost capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Once development is completed, capitalised development costs are amortised over their useful life as determined by Management on a straight-line basis.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are expensed in the year in which they are incurred when future economic benefits are uncertain or the future economic benefits cannot be measured reliably.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

GOODWILL

Goodwill is initially recorded at the amount by which the purchase consideration for a business combination exceeds the fair value attributed to its net assets at date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash generating units for the purpose of impairment testing.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the entity incurs in connection with the borrowing of funds.

FINANCIAL INSTRUMENTS

(i) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial liabilities and assets are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

The early adoption of AASB 9 did not impact the Group's accounting policy for financial liabilities.

(ii) Non-derivative financial assets

Change in accounting policy in respect of non-derivative financial assets

The Group has elected to early adopt AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Standards arising from AASB 9*. As allowed by the transitional provisions of AASB 9, the Group has chosen the date of initial application of AASB 9 (the date on which the Group has assessed its existing financial assets) as 1 July 2010 and the Group has chosen not to apply the standard retrospectively.

AASB 9 requires that an entity classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Previous accounting policy

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group no longer recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories of financial assets as specified under AASB 139 Financial Instruments: Recognition and Measurement. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented within equity in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available-for-sale financial assets comprise equity securities.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 3: SIGNIFICATION ACCOUNTING POLICIES (CONTINUED)

New accounting policy – applicable from 1 July 2010

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either fair value or amortised cost.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if: the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets measured at fair value

Financial assets other than those subsequently measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

However, for investments in equity instruments not held for trading, the Group may elect at initial recognition to recognise gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss and no impairments are recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Impact of change in accounting policy

Refer to Note 28.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purposes of statement of cash flows.

IMPAIRMENT OF ASSETS

Financial assets

Financial assets at amortised cost

A financial asset at amortised cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset at amortised cost is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that these financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The early adoption of AASB 9 did not impact the Group's accounting policy for impairment in relation to financial assets measured at amortised cost.

Previous accounting policy in respect of available-for-sale equity securities

Available-for-sale equity securities are assessed at each reporting date to determine whether there is objective evidence that they are impaired. These assets are considered impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that these financial assets are impaired can include disappearance of an active market for a security and a significant or prolonged decline in fair value below cost. Impairment losses on available-for-sale equity securities that were disposed prior to 1 July 2010 are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

New accounting policy in respect of equity securities at fair value

Impairment assessment is not required to be carried out for equity securities at fair value when the requirements of AASB 9 are applied as all changes in fair value are recognised in other comprehensive income.

Impact of change in accounting policy

Refer to Note 28.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

EMPLOYEE BENEFITS

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting period end. Employee benefits expected to be settled within 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. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

EQUITY-SETTLED COMPENSATION

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes option pricing model or a Trinomial Lattice option pricing model which incorporate all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue. The major business activities recognised revenue as follows:

Software license fee revenue

A software licensing arrangement is considered to be a sale if the following conditions are satisfied:

- The rights to the software license are assigned to the licensee in return for a fixed fee or a non-refundable guarantee;
- The contract is non-cancellable;
- The licensee if able to exploit its rights to the license freely; and
- The consolidated entity has no remaining obligations to perform.

For such arrangements, software license fee revenue is recognised on the transfer of the rights to the licensee. In other arrangements, revenue is recognised over the license term on a straight line basis.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 3: SIGNIFICATION ACCOUNTING POLICIES (CONTINUED)

Maintenance/support revenue for licensed software

Unearned income is recognised upon receipt of payment for maintenance/support contracts. Revenue is brought to account over time as it is earned.

However, to the extent that GBST has fulfilled all its obligations under the contract, the income is recognised as being earned at the time when all GBST's obligations under the contract have been fulfilled.

Implementation and consulting services revenue

Revenue from a contract to provide implementation and consulting services is recognised by reference to the percentage of completion of the contract. The percentage of completion of the contract is determined by reference to the proportion of work performed (costs incurred to date) to estimated total work performed (total contract costs). When the percentage of completion cannot be estimated reliably, contract revenue is recognised only to the extent of the contract costs incurred that are likely to be recovered. An expected loss on a contract is recognised immediately in the Statement of Comprehensive Income at inception.

Project services revenue

Revenue received in advance for long-term project development contracts is deferred. This revenue is recognised over the period in which expenditure is incurred in relation to the development of the project. When the outcome of a long-term service contract can be estimated reliably, contract revenue and expenses are recognised in the profit and loss account by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is assessed by reference to the completion of a physical proportion of the contract work to date for each contract. When the outcome of a long-term service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on a contract is recognised immediately in the Statement of Comprehensive Income at inception.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

All revenue is stated net of the amount of goods and services tax (GST).

Interest revenue

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

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

GRANTS

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

GOODS AND SERVICES TAX (GST)

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

Cash flows are presented in the Statement of Cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, Directors and related parties (refer to Note 33).

SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions and balances

Foreign currency transactions are translated into a Group entities' functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

(a) Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
(b) Income and expenses are translated at average exchange rates for the period; and
(c) Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and presented in the Group's foreign currency translation reserve in equity. These differences are recognised in profit or loss in the period in which the operation is disposed.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

HEDGE OF NET INVESTMENT IN FOREIGN OPERATION

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income and presented in equity, in the foreign currency translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

SHARE CAPITAL

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied preparing this financial report:

- AASB 9 *Financial Instruments* (December 2010) was added to AASB 9 Financial Instruments in 2010 and relates to the classification and measurement of financial liabilities. The requirements that were added are generally consistent with the equivalent requirements of AASB 139 *Financial Instruments: Recognition and Measurement* except in respect of the fair value option and certain derivatives linked to unquoted equity instruments. The requirements of AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9 were also added. AASB 9 (2010) will become mandatory for the Group's 30 June 2014 financial statements. Early adoption is permitted and entities may elect whether to apply AASB 9 (December 2010) or AASB 9 (December 2009). GBST has elected to early adopt AASB 9 (December 2009) for its 2011 financial statements and has elected that the prior periods are not to be restated. GBST does not intend early adopting AASB 9 (2010).
- IFRS 10 *Consolidated Financial Statements* introduces a new approach to determining which investees should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is required when there is a change in the control conclusion. Early application is only available if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 21 (2011) are applied at the same time. The Group has not yet determined the potential impact of the standard.
- IAS 27 *Separate Financial Statements* (2011) carries forward the existing accounting and disclosure requirements for separate financial statements with some minor clarifications. Retrospective application is generally applicable. Early application is only available if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are applied at the same time. The Group has not yet determined the potential impact of the standard.
- IFRS 12 *Disclosures of Interests in Other Entities* contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associated and/or unconsolidated structured entities. IFRS 12 will become mandatory for the Group's 30 June 2014 financial statements. Early application is available only if IFRS 10 and IFRS 11 are applied at the same time. The Group has not yet determined the potential impact of the standard.
- IFRS 13 *Fair Value Measurement* explains how to measure fair value when required to by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value that currently exist in certain standards. IFRS 13 becomes mandatory for the Group's 30 June 2014 financial statements with prospective application required. The Group has not yet determined the potential effect of the standard.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 3: SIGNIFICATION ACCOUNTING POLICIES (CONTINUED)

- Amended IAS 19 *Employee Benefits* focuses mainly on, but are not limited to, the accounting for defined benefit plans. In addition, it changes the definition of short-term and other long-term employee benefits and some disclosure requirements. The amendments will become mandatory for the Group's 30 June 2014 financial statements with retrospective application required. The Group has not yet determined the potential effect of the amendment.
- Amendments to IAS 1 *Presentation of Financial Statements* – Presentation of Items of Other Comprehensive Income makes a number of changes to the presentation of Other Comprehensive Income including presenting separately those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items. The amendments will become mandatory for the Group's 30 June 2013 financial statements with retrospective application required. The Group has not yet determined the potential effect of the amendment.
- AASB 1054 Australian Added Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced disclosure requirements – these standards remove many of the additional domestic disclosures previously required under standards to align the requirements of accounting standards for publically accountable for-profit entities in Australia and New Zealand. These standards become applicable for the Group's 30 June 2012 financial statements and retrospective application is applicable. The Group has not yet determined the potential impact of the standards.
- AASB 2016 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* – the amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The standard is applicable for the Group's 30 June 2012 financial statements and retrospective application is applicable. The Group has not yet determined the potential impact of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party. The amendments which will become mandatory for the Group's 30 June 2012 financial statements are not expected to have a significant impact on the financial statements.

NOTE 4: PROFIT FOR THE YEAR

Profit before income tax expense includes the following items of revenue and expense:

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
(a) Other expenses:		
Cost of third party product sold	1,483	2,582
Operating lease rentals	2,136	2,409
(b) Depreciation & amortisation:		
Depreciation of owned plant & equipment	941	1,046
Amortisation of tangible & intangible leased assets	174	98
Amortisation of intangibles (excluding leased assets)	6,153	6,604
	7,268	7,748
(c) Employee benefits expense:		
Monetary based expense (includes contributions to defined contribution plans $2.65 million (2010: $2.51 million))	35,888	33,667
Share based payments expense	70	85
	35,958	33,752
(d) Finance costs:		
Foreign currency losses	221	62
Interest paid to external entities	1,385	1,209
Interest paid to director related entities	1,000	1,026
Finance lease charges	36	28
Facility fees	523	1,217
	3,165	3,542
(e) Finance income:		
Bank interest	1	15
	1	15
(f) Significant items:		
The following significant expense items are relevant in explaining the financial performance:		
Impairment charge on investment in listed shares	–	131
Impairment of goodwill	–	5,527
Termination payments to employees	203	187
	203	5,845

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 5: INCOME TAX EXPENSE

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
(a) The components of tax expense comprise:		
Current tax	2,712	3,342
Deferred tax (Note 16 (c) (i))	(426)	(1,315)
Recognition of previously unrecognised tax losses	(599)	(93)
Over/(under) provision in respect of prior years	190	(105)
	1,877	1,829
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit/(Loss) before tax	3,261	(576)
Prima facie tax payable/(receivable) at 30%	978	(173)
Adjust for tax effect of:		
Amortisation of customer contracts	465	465
Impairment charge on investment in listed shares[iii]	–	54
Impairment charge to goodwill for business acquisitions[iv]	–	1,650
Research & development expenditure claim[ii]	(1,110)	(333)
Recoupment of temporary differences not previously taken up	210	–
Capital Investment Allowance	–	(8)
Over provision in respect of prior years	(51)	(105)
Recognition of previously unrecognised tax losses[i]	(599)	(93)
Tax losses carried back	(12)	–
Current year losses for which no deferred tax asset was recognised[v]	1,383	584
Other non-allowable items (net)	584	142
Reduction in tax rate - opening balances	31	–
Reduction in tax rate - current year	(10)	–
UK share based payment treatment	7	(380)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1	26
Income tax expense attributable to entity	1,877	1,829
Weighted average effective tax rates:	58%	(318%)

The weighted average effective consolidated tax rate at 30 June 2011 is 58% (2010: (318%)) due to current year losses for which no deferred tax asset is being recognised and other non-allowable items.

(i) In the prior financial year the consolidated Group had not brought to account deferred tax assets relating to the losses in the GBST Wealth Management Ltd (UK) and GBST Ltd (Coexis) due to uncertainty around future profits to support such recognition. Due to an improved business outlook of probable future profits for the GBST Wealth Management (UK) business, the Group has elected to recognise previously unrecognised tax losses of $599 thousand in the current year.
(ii) UK R&D corporation tax relief now incorporated in addition to the Australian R&D relief.
(iii) In the prior financial year the Group had not brought to account a deferred tax asset relating to the tax benefit on the impairment of the investment in listed shares due to the uncertainty of realisation of this capital loss.
(iv) In the prior financial year the Group had not brought to account a deferred tax asset relating to the tax benefit on the impairment of goodwill on business acquisitions due to the uncertainty of realisation of this capital loss.
(v) For GBST Ltd (Coexis) deferred tax assets have not been recognised in relation to operating losses due to uncertainty that future taxable profit will be available against which the Group can utilise the benefits there from.
(vi) There is no tax recognised in other comprehensive income within the current year or prior year.

NOTE 6: DIVIDENDS

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Dividends on ordinary shares	–	–
Dividend paid in the period:		
Interim fully franked (at 30%) dividend paid of 2.0 cents per share (2010: nil)	1,328	–
2010 final fully franked (at 30%) dividend paid of 2.0 cents per share (2009: nil)	1,321	–
Net Dividend paid	2,649	–

After the reporting date the Directors recommended a final dividend of 2.0 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 26 October 2011. The dividend has not been provided and there are no income tax consequences.

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Dividend franking account:		
Balance of franking account at year-end	12,007	9,497
30% franking credits available to shareholders of GBST Holdings Limited for subsequent financial years post final dividend payment.	11,857	10,680

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated Group at the year end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

NOTE 7: CASH AND CASH EQUIVALENTS

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Cash at bank and on hand	5,116	1,707
Bank overdraft used for cash management purposes (Note 15)	(4,136)	(2,883)
Cash and cash equivalents in the Statement of Cash flows	980	(1,176)

NOTE 8: TRADE AND OTHER RECEIVABLES

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Current		
Trade receivables	10,305	11,625
Accrued revenue	662	1,046
Other amounts receivable	155	174
	11,122	12,845

(a) An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 9: INVENTORIES

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Current – at cost		
Inventory on hand	**61**	17
Work in progress	**166**	695
	227	712

NOTE 10: INVESTMENT

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Non-Current		
Investment in listed shares at fair value[(a)]	**526**	1,096
	526	1,096

(a) Upon early adoption of AASB 9 Financial Instruments on 1 July 2010, these investments were classified as fair value through other comprehensive income. In the previous year, these investments were classified as available-for-sale. Refer Note 28 for further details.

NOTE 11: PLANT AND EQUIPMENT

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Owned plant and equipment at cost	**10,792**	9,807
Provision for depreciation	**(7,778)**	(7,207)
Net carrying value	**3,014**	2,600
Leased plant and equipment at cost	**867**	506
Provision for amortisation	**(217)**	(157)
Net carrying value	**650**	349
Total plant and equipment	**3,664**	2,949

(A) MOVEMENT IN PLANT AND EQUIPMENT

GBST Group	Owned $'000	Leased $'000	Total $'000
Year ended 30 June 2010			
Balance at 1 July 2009	2,864	238	3,102
Additions	912	193	1,105
Disposals	(38)	–	(38)
Depreciation expense	(1,046)	(82)	(1,128)
Effect of movements in exchange rates	(92)	–	(92)
Balance at 30 June 2010	2,600	349	2,949

NOTE 11: PLANT AND EQUIPMENT (CONTINUED)

(A) MOVEMENT IN PLANT AND EQUIPMENT (CONTINUED)

GBST Group	Owned $'000	Leased $'000	Total $'000
Year ended 30 June 2011			
Balance at 1 July 2010	2,600	349	2,949
Additions	1,628	506	2,134
Disposals	(175)	–	(175)
Depreciation expense	(941)	(165)	(1,106)
Reclassification to owned assets – cost	148	(148)	–
Reclassification to owned assets – accumulated depreciation	(111)	111	–
Effect of movements in exchange rates	(135)	(3)	(138)
Balance at 30 June 2011	3,014	650	3,664

NOTE 12: INTANGIBLE ASSETS

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
At Cost		
Software systems	36,668	37,310
Accumulated amortisation	(13,133)	(9,867)
Net carrying value	23,535	27,443
Customer contracts	12,001	12,681
Accumulated amortisation	(8,166)	(5,997)
Net carrying value	3,835	6,684
Goodwill	45,433	48,437
Accumulated impairment losses	(4,725)	(5,500)
Net carrying value	40,708	42,937
Leased software at cost	55	39
Accumulated amortisation	(4)	(34)
Net carrying value	51	5
Total intangibles	68,129	77,069

(A) MOVEMENT IN INTANGIBLES

GBST Group	Software Systems $'000	Customer Contracts $'000	Goodwill $'000	Leased Software $'000	Total $'000
Year ended 30 June 2010					
Balance at 1 July 2009	32,406	9,917	51,098	22	93,443
Additions	656	–	–	–	656
Additions through internal development	1,053	–	–	–	1,053
Disposals	–	–	–	(1)	(1)
Impairment	–	–	(5,500)	–	(5,500)
Amortisation charge	(4,066)	(2,538)	–	(16)	(6,620)
Effect of movements in exchange rates	(2,606)	(695)	(2,661)	–	(5,962)
Balance at 30 June 2010	27,443	6,684	42,937	5	77,069

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 12: INTANGIBLE ASSETS (CONTINUED)

(A) MOVEMENT IN INTANGIBLES (CONTINUED)

GBST Group	Software Systems $'000	Customer Contracts $'000	Goodwill $'000	Leased Software $'000	Total $'000
Year ended 30 June 2011					
Balance at 1 July 2010	27,443	6,684	42,937	5	77,069
Additions	313	–	–	55	368
Additions through internal development	1,548	–	–	–	1,548
Disposals	(130)	–	–	–	(130)
Amortisation charge	(3,716)	(2,437)	–	(9)	(6,162)
Reclassification to owned assets – cost	39	–	–	(39)	–
Reclassification to owned assets – accumulated amortisation	(39)	–	–	39	–
Effect of movements in exchange rates	(1,923)	(412)	(2,229)	–	(4,564)
Balance at 30 June 2011	23,535	3,835	40,708	51	68,129

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included within the Product Delivery and Support expense line in the Statement of Comprehensive Income. Goodwill has an infinite life.

The effect of movements in exchange rates represent the period to period foreign currency translation of assets denominated in Great British Pounds.

IMPAIRMENT DISCLOSURES

Intangible assets are reviewed for impairment where there are indicators that the carrying amount may not be recoverable.

Goodwill is allocated to each Cash Generating Unit (CGU) based on the Group's reporting segments presented below:

	30 Jun 2011 $'000	30 Jun 2010 $'000
Australian Broker Services segment	3,350	3,350
Wealth Management segment	28,238	28,238
Global Broker Services (GBS) (Coexis)	8,234	10,463
Financial Services segment (Emu)	886	886
Total Goodwill	40,708	42,937

The recoverable amount of goodwill has been assessed using value-in-use calculations for each CGU using discounted cash flow projections based on actual operating results, business unit budgets and five-year strategic plans provided by the respective CEO of the CGU and updated where appropriate.

For the financial year ended 2011, Management has used the 2012 financial budget approved by the Board. Current strategic business plans have been used for a further four financial years. The assumptions are generally consistent with past performance or are based upon the Group's view of future market activity. The key assumptions used for value-in-use calculations consider growth and discount rates. Growth rates used are determined by considering factors such as industry and sector expectations, the markets in which the CGU operates, the size of the business, and past performance. A summary of key assumptions is presented below:

2011	GBS Value-in-use	InfoComp Value-in-use	Palion Value-in-use	EMU Value-in-use
Calculation Method				
Revenue Growth Rates	9%-29%	8%-18%	5%	7.5%
Cost Growth Rates	(3%)-5%	7%-19%	5%	5%
Long Term Growth Rates	3%	3%	3%	3%
Post-Tax Discount Rate	14.43%	14.43%	10.66%	10.66%
Impairment Loss Recognised	–	–	–	–

NOTE 12: INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT DISCLOSURES (CONTINUED)

2010	GBS Value-in-use	InfoComp Value-in-use	Palion Value-in-use	EMU Value-in-use
Calculation Method				
Revenue Growth Rates	6%-11%	7.5%-21%	(6)%-5%	5%-12%
Cost Growth Rates	(9%)-5%	5%-15%	(26%)-5%	1%-5%
Long Term Growth Rates	3%	3%	3%	3%
Post-Tax Discount Rate	14.53%	10.67%	10.67%	10.67%
Impairment Loss Recognised	$5.50 million	–	–	–

Future anticipated cash flows for all CGU's indicate that the carrying value of the intangible assets will not be required to be impaired in 2011. In 2010, a $5.50 million impairment loss was recognised relating to the intangible assets of Global Broker Services (GBS).

Based on sensitivity analysis, Management believe that any reasonable change in the respective key assumptions would not have a material impact on the recoverable amount of the Group's CGU's.

NOTE 13: OTHER ASSETS

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Current		
Prepaid expenditure	**989**	892
	989	892
Non-Current		
Prepaid expenditure	**8**	22
	8	22

NOTE 14: TRADE AND OTHER PAYABLES

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Current (unsecured)		
Trade payables & accruals	**5,504**	3,962
	5,504	3,962
Non-Current (unsecured)		
Trade payables & accruals	**–**	136
	–	136

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 15: FINANCIAL LIABILITIES

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Loan from Related Parties		
Current		
Accrued interest on loan from Director related entity (secured)	–	82
	–	82
Other Financial Liabilities		
Current		
Bank overdraft (secured)[(b)]	**4,136**	2,883
Senior bank facility (secured)[(b)]	**2,654**	6,000
Senior bank facility GBP (secured)[(b)]	**3,346**	–
Commercial loan facility (secured)[(b)]	**495**	495
Finance lease liability (Note 22)	**211**	215
	10,842	9,593
Loan from Related Parties		
Non-Current		
Loan from Director related entity (secured)[(a)]	–	9,628
	–	9,628
Other Financial Liabilities		
Non-Current		
Senior bank facility (secured)[(b)]	**17,996**	7,394
Senior bank facility GBP (secured)[(b)]	–	7,040
Commercial loan facility (secured)[(b)]	**79**	383
Finance lease liability (Note 22)	**475**	170
	18,550	14,987
Total secured liabilities	**28,706**	33,823

(a) GBST has increased its lending facility with its current senior lender NAB whereby it has borrowed a further $10 million that has been used to repay its loan to its subordinated lender Crown Financial Pty Ltd ("Crown Financial"). The Crown financial debt was due to be repaid in February 2012.

The Crown Financial debt was connected to 10,526,316 options granted by the Company in favour of Crown Financial. The repayment of the Crown Financial debt has the simultaneous effect of extinguishing the options.

(b) The bank overdraft, senior bank facility, senior bank facility GBP and commercial loan facility are provided by National Australia Bank Limited. The facilities are secured by fixed and floating charges over the operating companies within the Group. The senior bank facility and senior bank facility GBP expire on 30 June 2014, with quarterly principal repayments of $1.50 million off either facility as determined by Management. The figures presented assume the repayment of the GBP facility prior to the AUD facility. Additional payments may be made against facilities without incurring penalties. Interest rates under the facility are variable. At 30 June the interest rate for the senior bank facility was 8.03% p.a. and for the senior bank facility GBP was 4.68% p.a.

The covenants within the National Australia Bank borrowings require that at 30 June 2011 the total operating leverage is below 2 to 1, interest cover is above 2.25 to 1 and equity ratio is above 50%. Based on the Group's current forecast and business plan, the Group anticipates that it will continue to meet its covenants. In respect of the senior bank facility and senior bank facility GBP, totalling $24 million at 30 June 2011, the Group met all covenant requirements.

The carrying amount of the Group's assets secured is $95.63 million.

NOTE 16: TAX

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
(a) Liabilities		
Current		
Income tax	**435**	1,821
Non-Current		
Deferred tax liability comprises:		
Tax allowances relating to plant and equipment	**65**	38
Tax allowances relating to intangibles	**3,813**	5,229
	3,878	5,267
(b) Assets		
Non-Current		
Deferred tax assets comprise:		
Unused tax losses	**844**	504
Provisions and prepaid income	**2,609**	3,001
Other items	**29**	124
Transaction costs on equity issue	**60**	80
	3,542	3,709
(c) Reconciliations		
(i) Net Movement		
The overall movement in the net deferred tax account is as follows:		
Opening balance	**(1,558)**	(3,721)
Recoupment of temporary differences not previously taken up	**285**	(83)
Tax rate change	**(60)**	–
Additions through capital raising	**–**	101
Charged to income statement	**426**	1,315
Foreign currency translation	**591**	849
Charge to equity	**(20)**	(19)
Closing balance	**(336)**	(1,558)
(ii) Deferred Tax Liability		
(a) The movement in deferred tax liability for each temporary difference during the year is as follows:		
Tax allowances relating to plant and equipment and intangibles		
Opening balance	**5,267**	7,056
Recoupment of temporary differences not previously taken up	**82**	18
Tax rate change	**(2)**	–
Charged to income statement	**(730)**	(839)
Foreign currency translation	**(739)**	(968)
Closing balance	**3,878**	5,267

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 16: TAX (CONTINUED)

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
(iii) Deferred Tax Assets		
(a) The movement in deferred tax asset for each temporary difference during the year is as follows:		
Provisions and prepaid income		
Opening balance	**3,001**	2,463
Recoupment of temporary differences not previously taken up	**(166)**	(40)
Tax rate change	**(24)**	–
Charged to income statement	**(140)**	578
Foreign currency translation	**(62)**	–
Closing balance	**2,609**	3,001
Other Items		
Opening balance	**124**	284
Recoupment of temporary differences not previously taken up	**3**	(23)
Tax rate change	**(7)**	–
Charged to income statement	**(76)**	(102)
Foreign currency translation	**(15)**	(35)
Closing balance	**29**	124
Transaction costs on equity issue		
Opening balance	**80**	–
Recoupment of temporary differences not previously taken up	**–**	(2)
Additions through capital raising	**–**	101
Charged directly to equity	**(20)**	(19)
Closing balance	**60**	80
Unused tax losses		
Opening balance	**504**	588
Recoupment of temporary differences not previously taken up	**530**	–
Tax rate change	**(31)**	–
Charged to income statement	**(88)**	–
Foreign currency translation	**(71)**	(84)
Closing balance	**844**	504
(b) Total deferred tax assets not brought to account as at reporting period end:		
– tax losses: operating losses	**2,299**	1,239
– tax losses: capital losses	**2,942**	2,166

Deferred tax assets have not been recognised in relation to operating losses where it's not considered possible that future taxable profit will be available against which the Group can utilise the benefits there from.

NOTE 17: PROVISIONS

	GBST GROUP 30 Jun 2011 $'000	GBST GROUP 30 Jun 2010 $'000
Current		
Employee benefits	**3,338**	2,997
Make Good[(a)]	**66**	46
	3,404	3,043
Non-Current		
Employee benefits	**831**	869
Make Good[(a)]	**544**	529
	1,375	1,398

GBST Group	Employee benefits $'000	Make Good $'000	Total $'000
Balance at the beginning of the year	3,866	575	4,441
Additional provisions	2,491	97	2,588
Amounts used	(2,135)	(62)	(2,197)
Unused amounts reversed	(53)	–	(53)
Balance at 30 June 2011	**4,169**	**610**	**4,779**

(a) In accordance with rental premises lease agreements across the Group, GBST must restore the leased premises to its original condition at the end of the lease terms. Expiration dates range from 2012 to 2021.

NOTE 18: UNEARNED INCOME

	GBST GROUP 30 Jun 2011 $'000	GBST GROUP 30 Jun 2010 $'000
Current		
Revenue received in advance for software usage and support services	**9,262**	5,373
	9,262	5,373
Non-Current		
Revenue received in advance for software usage and support services	**–**	30
	–	30

NOTE 19: LIABILITIES ON BUSINESS ACQUISITION

	GBST GROUP 30 Jun 2011 $'000	GBST GROUP 30 Jun 2010 $'000
Current		
Amount owing to vendors in respect of acquisition	**176**	1,474
	176	1,474

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 20: ISSUED CAPITAL

		GBST GROUP 30 Jun 2011 $'000	GBST GROUP 30 Jun 2010 $'000
66,395,929 (2010: 66,032,789) fully paid ordinary shares		**37,516**	37,102
		37,516	37,102
Movements in issued capital:			
Opening balance		**37,102**	31,819
Transfer from options reserve			
*Various dates	Employee zero exercise options scheme	**110**	68
Share issues during the year:			
7 August 2009	Share Purchase Plan Share Issue	–	814
28 August 2009	Placement Share Issue	–	3,764
28 August 2009	Deferred consideration - InfoComp	–	450
August 2009	Transaction Costs	–	(336)
Recognition of Deferred Tax on Capital Raising Expenses		–	100
9 December 2010	Deferred consideration – Coexis	**304**	423
		37,516	37,102

Ordinary Shares		No.	No.
Opening balance		**66,032,789**	57,819,853
Share issues during the year:			
7 August 2009	Share Purchase Plan Share Issue	–	1,251,641
28 August 2009	Placement Share Issue	–	6,190,195
28 August 2009	Deferred consideration – InfoComp	–	292,500
9 December 2010	Deferred consideration – Coexis	**334,936**	459,830
*Various dates	Employee zero exercise options scheme	**28,204**	17,438
*Various dates	Employee exempt options scheme	–	1,332
		66,395,929	66,032,789

* There were numerous share issues during the year as employees exercised their respective options during the year.

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

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

OPTIONS

For details on employee and placement options over ordinary shares, see Note 32 and Note 15 (a) respectively.

CAPITAL MANAGEMENT

The Board and Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern as well as provide the shareholders with optimal returns. The Group also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The Board's policy is to build and maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the capital mix, share price, as well as the return on capital.

The Group's capital includes ordinary share capital, reserves and retained earnings, bank facilities, other financial liabilities; supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. During the 2011 year, the Group paid dividends of $2.65 million (2010: Nil). The entity currently has a target dividend payout ratio of up to 50%. This is subject to regular review depending on the current circumstances of the Group.

The current gearing ratio (net debt / total debt and equity) of 38% (2010: 43%) is within the internally determined target range of between 30% and 50%. The gearing ratios for the year ended 30 June 2011 and 30 June 2010 are as follows:

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Total borrowings	**29,392**	34,662
Less: cash and cash equivalents	**5,116**	1,707
Net debt	**24,276**	32,955
Total equity	**39,897**	44,207
Total debt and equity	**64,173**	77,162
Gearing ratio	**38%**	43%

The Group is not subject to any externally imposed capital requirements, other than the facility covenants set out in Note 15 (b).

NOTE 21: RESERVES

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Equity remuneration reserve	**88**	128
Foreign currency translation reserve	**(7,010)**	(4,161)
Financial asset reserve	**(570)**	–
Loan conversion reserve	**–**	561
	(7,492)	(3,472)

NOTE 22: CAPITAL, LEASING AND OTHER COMMITMENTS

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
(a) Finance Leasing Commitments		
Payable on leases:		
Not later than one year	**259**	238
Later than one year but not later than five years	**530**	191
	789	429
Less future finance charges	**(103)**	(44)
Total liability	**686**	385
Lease liabilities are included in the Statement of Financial Position as:		
Current (Note 15)	**211**	215
Non-current (Note 15)	**475**	170
	686	385

Finance leases relate to items of plant and equipment and have options to acquire the items on termination.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 22: CAPITAL, LEASING AND OTHER COMMITMENTS (CONTINUED)

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
(b) Non-cancellable Operating Leases		
Lease amounts are payable:		
Not later than one year	**2,027**	2,177
Later than one year but not later than five years	**4,190**	4,942
Later than five years	**818**	–
	7,035	7,119

Non-cancellable leases include rental premises with original lease terms up to ten years. The lease agreements require that the minimum lease payments shall be increased by incremental contingent rentals based on market or CPI. Certain leases contain options to renew at the end of their term.

(c) Capital and Other Expenditure Commitments		
Contracted for:		
Capital purchases	**90**	542
Other operating purchases	**6**	7
	96	549
Payable		
Not later than one year	**96**	549
	96	549

NOTE 23: AUDITORS' REMUNERATION

	GBST GROUP	
	30 Jun 2011 $	30 Jun 2010 $
Audit Services		
KPMG Australia		
Audit & review of financial reports	**253,162**	263,862
Overseas KPMG firms		
Audit & review of financial reports	**41,432**	53,046
Other Auditors		
Audit & review of financial reports	**36,825**	24,663
	331,419	341,571
Other Services		
KPMG Australia		
Other assurance services	**24,972**	41,028
Taxation services	**130,992**	121,891
Overseas KPMG firms		
Taxation services	**134,777**	15,215
Other Auditors		
Other assurance services	**56,411**	3,636
Taxation services	**14,970**	22,443
	362,122	204,213

NOTE 24: OTHER GROUP ENTITIES

(A) CONTROLLED ENTITIES CONSOLIDATED

Group Entity	Country of Incorporation	Percentage Owned
GBST Pty Ltd*	Australia	100% (June 2010: 100%)
Emu Design (Qld) Pty Ltd*	Australia	100% (June 2010: 100%)
GBST ESOP Pty Ltd*	Australia	100% (June 2010: 100%)
GBST Ltd	United Kingdom	100% (June 2010: 100%)
GBST Australia Pty Ltd*	Australia	100% (June 2010: 100%)
Subsidiaries of GBST Ltd:		
Coexis Inc	United States of America	100% (June 2010: 100%)
Coexis Software Ltd(b)	United Kingdom	Nil (June 2010: 100%)
Subsidiaries of GBST Australia Pty Ltd:		
GBST Hong Kong Limited	Hong Kong	100% (June 2010: 100%)
GBST Registry Solutions Pty Ltd*	Australia	100% (June 2010: 100%)
GBST Wealth Management Pty Ltd*	Australia	100% (June 2010: 100%)
Subsidiaries of GBST Wealth Management Pty Ltd:		
InfoComp UK Limited(b)	United Kingdom	Nil (June 2010: 95.9%)
GBST UK Holdings Limited	United Kingdom	100% (June 2010: 100%)
Subsidiaries of GBST UK Holdings Ltd:		
GBST Hosting Limited	United Kingdom	100% (June 2010: 100%)
GBST Wealth Management Limited	United Kingdom	100% (June 2010: 100%)

(B) CONTROLLED ENTITIES WHICH DISSOLVED

InfoComp UK Limited, a dormant subsidiary of GBST Wealth Management Pty Ltd was dissolved on 7 June 2011. Coexis Software Ltd, a subsidiary of GBST Ltd was dissolved on 5 April 2011.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 24: OTHER GROUP ENTITIES (CONTINUED)

(C) DEED OF CROSS GUARANTEE

* Pursuant to ASIC Class Order 98/1418 these wholly-owned controlled entities are relieved from the *Corporations Act (2001)* requirements for preparation, audit and lodgement of financial reports and Directors' Report.

It is a condition of the class order that the Company and each of the controlled entities enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the controlled entities under certain provisions of the *Corporations Act (2001)*. If a winding up occurs under other provisions of the *Corporations Act (2001)*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 30 June 2011 is set out as follows:

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Financial information in relation to:		
i. Summarised Statement of Comprehensive Income		
Revenue from license and service sales	**41,099**	38,583
Revenue from sponsored work	**11,981**	10,489
Revenue from sale of third party product	**1,132**	2,605
Other income	**49**	71
Results from Operating Activities	**8,174**	4,668
Finance costs	**(3,087)**	(3,492)
Finance income	**1**	14
Net finance costs	**(3,086)**	(3,478)
Profit before income tax	**5,087**	1,190
Income tax expense	**(2,111)**	(2,232)
Profit/(Loss) after income tax	**2,976**	(1,042)
Profit/(Loss) Attributable to Members of the Parent Entity	**2,976**	(1,042)
Other comprehensive loss	**(571)**	(394)
Total Comprehensive Profit/(Loss) for the Year	**2,405**	(1,436)
ii. Retained Earnings		
Retained profits at the beginning of the year	**10,499**	11,541
Transfer loan conversion reserve to retained earnings	**561**	–
Profit/(Loss) after income tax	**2,976**	(1,042)
Dividends provided for or paid	**(2,649)**	–
Retained Earnings at End of the Year	**11,387**	10,499

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2011 $'000	30 Jun 2010 $'000
iii. Statement of Financial Position		
Current Assets		
Cash and cash equivalents	64	292
Trade and other receivables	7,737	7,734
Inventories	222	708
Other assets	703	533
Total Current Assets	8,726	9,267
Non-Current Assets		
Trade and other receivables	15,339	10,109
Financial assets	526	1,096
Property, plant and equipment	2,506	2,210
Intangible assets	46,704	48,252
Investment	21,274	28,553
Deferred tax assets	2,269	2,654
Other assets	8	22
Total Non-Current Assets	88,626	92,896
TOTAL ASSETS	97,352	102,163
Current Liabilities		
Trade and other payables	2,987	1,937
Loans from related parties	–	82
Financial liabilities	10,825	9,593
Current tax liabilities	418	1,749
Provisions	3,301	3,043
Unearned income	7,683	4,677
Liabilities on business acquisition	176	1,474
Total Current Liabilities	25,390	22,555
Non-Current Liabilities		
Trade and other payables	–	136
Loans from related parties	–	9,628
Financial liabilities	18,524	14,987
Deferred tax liabilities	3,793	5,230
Provisions	1,226	1,307
Unearned income	–	30
Total Non-Current Liabilities	23,543	31,318
TOTAL LIABILITIES	48,933	53,873
NET ASSETS	48,419	48,290
Equity		
Issued capital	37,516	37,102
Reserves	(484)	689
Retained earnings	11,387	10,499
TOTAL EQUITY	48,419	48,290

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 25: FINANCING ARRANGEMENTS

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Financing facilities[a]	**30,646**	37,134
Amount utilised	**(29,952)**	(35,340)
Unused credit facility	**694**	1,794

(a) This amount comprises bank loans and a multi-option facility. The bank loans and multi-option facility are secured by a registered charge over the assets of the Group and interest rates under the facility are variable. Additional payments may be made against facilities without incurring penalties. The bank loans comprise of a senior bank facility and senior bank facility Great British Pounds (GBP) with quarterly principal repayments of $1.50 million on either facility as determined by management and commercial loan facility which has monthly principal repayments. The multi-option facility includes an overdraft, bill facility, letter of credit, bank guarantees, purchasing card and revolving lease limit. The multi-option facility is subject to annual review and has a number of other commercial terms and conditions. The revolving lease limit is a "revolving asset finance facility" to enable equipment financing, required for business operations. Each draw on the lease facility creates a rental agreement for a 36 to 48 month period. There are no conditions/covenants in place and drawdown is subject to the bank's acceptance of assets proposed for financing under the facility.

NOTE 26: CASH FLOW INFORMATION

	GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000
(a) Reconciliation of Net Cash provided by Operating Activities to Profit after Income Tax		
Profit/(Loss) after income tax	**1,384**	(2,405)
Non-cash flows in operating profit:		
Depreciation and amortisation	**7,268**	7,748
Write down of intangible assets	**–**	5,527
Write down on investments	**–**	131
Loss on sale of plant & equipment	**111**	3
Share based payments expensed	**70**	85
Impact of foreign currency movements on foreign operations	**1,893**	4,683
Changes in assets and liabilities:		
Change in receivables	**1,723**	(3,347)
Change in other assets	**(83)**	655
Change in intangibles (internal costs)	**(324)**	(238)
Change in unearned income	**3,859**	365
Change in inventories	**486**	(342)
Change in deferred tax balances	**(1,222)**	(2,163)
Change in tax provision	**(1,386)**	1,335
Change in trade and other payables	**25**	(4,015)
Change in provisions	**339**	546
Cash flow from operations	**14,143**	8,568
(b) Reconciliation of Cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash at bank (Note 7)	**5,116**	1,707
Bank overdraft (Note 15)	**(4,136)**	(2,883)
	980	(1,176)

	Number	Issue Price
(c) Non-cash Financing Activities		
During the year the following ordinary shares were issued as non-cash consideration:		
Employee zero exercise options scheme	28,204	$3.9000

These items are not reflected in the Statement of Cash Flows.

NOTE 27: OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Australian Broker Services supports and provides software solutions to stockbrokers and banks in connection with share trading, margin lending and option trading in Australia, Hong Kong and New Zealand.

Wealth Management provides funds administration and registry software for the wealth management industry in Australia and the United Kingdom. Major product lines of the division include: Composer, Unison and ASP Access. Wealth Management also provides a Union membership management system for use in Australia and New Zealand.

Financial Services is a wholesale provider of independent, market-leading financial product data and related services to financial advisors and institutions. It also provides web design, development and usability services through the Emu Design business.

Global Broker Services through the Syn~ platform, provides next-generation technology to process equities, derivatives, fixed income and managed funds transactions to global capital markets in Asia, Europe, Middle East and North America.

REPORTABLE SEGMENTS

	AUSTRALIAN BROKER SERVICES		WEALTH MANAGEMENT		FINANCIAL SERVICES		GLOBAL BROKER SERVICES		ELIMINATIONS		GBST GROUP	
	30 Jun 2011 $'000	30 Jun 2010 $'000	30 Jun 2011 $'000	30 Jun 2010 $'000	30 Jun 2011 $'000	30 Jun 2010 $'000	30 Jun 2011 $'000	30 Jun 2010 $'000	30 Jun 2011 $'000	30 Jun 2010 $'000	30 Jun 2011 $'000	30 Jun 2010 $'000
Revenue												
Sales to external customers	**27,950**	30,153	**27,133**	22,772	**3,363**	2,581	**9,060**	12,142	**–**	–	**67,506**	67,648
Other income from external customers	**7**	2	**267**	109	**2**	–	**653**	644	**–**	–	**929**	755
Inter-segment revenues	**16**	–	**–**	–	**954**	258	**786**	–	**(1,756)**	(258)	**–**	–
Total segment revenue	**27,973**	30,155	**27,400**	22,881	**4,319**	2,839	**10,499**	12,786	**(1,756)**	(258)	**68,435**	68,403
Segment result	**8,701**	10,137	**3,398**	1,925	**321**	(54)	**(4,745)**	(8,744)	**–**	–	**7,675**	3,264
Unallocated expenses											**(1,250)**	(313)
Net finance costs											**(3,164)**	(3,527)
Profit before income tax											**3,261**	(576)
Income tax expense											**(1,877)**	(1,829)
Profit after income tax											**1,384**	(2,405)
Other material non-cash items:												
Depreciation and amortisation of segment assets	**1,104**	1,191	**3,518**	3,592	**32**	58	**2,614**	2,907	**–**	–	**7,268**	7,748
Impairment of goodwill	**–**	–	**–**	–	**–**	27	**–**	5,500	**–**	–	**–**	5,527
Capital expenditure	**2,845**	1,891	**200**	513	**158**	24	**752**	386	**–**	–	**3,955**	2,814
Segment total assets	**16,182**	14,189	**51,885**	52,771	**166**	532	**25,090**	33,509	**–**	–	**93,323**	101,001
Segment total liabilities	**12,544**	7,902	**15,317**	19,028	**608**	239	**24,957**	29,625	**–**	–	**53,426**	56,794

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 27: OPERATING SEGMENTS (CONTINUED)

	SEGMENT REVENUES FROM EXTERNAL CUSTOMERS		CARRYING AMOUNT OF SEGMENT NON-CURRENT ASSETS	
	30 Jun 2011 $'000	30 Jun 2010 $'000	30 Jun 2011 $'000	30 Jun 2010 $'000
Geographical Location:				
Australia	**47,059**	50,204	**49,532**	51,133
Europe and Middle East	**15,747**	10,966	**22,268**	28,907
Asia	**4,700**	6,478	**–**	–
	67,506	67,648	**71,800**	80,040

INFORMATION ABOUT GEOGRAPHICAL AREAS

The consolidated Group's operating segments are managed in Australia. Australia Broker Services and Financial Services have operations and customers in Australia, Wealth Management has operations and customers in Australia and Europe, and Global Broker Services has operations and customers in Europe, Middle East and Asia. Australian Broker Services also has a customer in New Zealand and customers in Asia from sales to Australian entities.

MAJOR CUSTOMER

Revenues from one customer of the Group represents $7.40 million (2010: $2.77 million) of the Group's total revenues.

RECONCILIATION OF CAPITAL EXPENDITURE

The $95 thousand difference between the segment capital expenditure disclosure and the acquisitions recorded in plant and equipment (Note 11) and intangibles (Note 12) relates to the make good increase and minor adjustments.

ACCOUNTING POLICIES

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do include deferred income taxes.

INTERSEGMENT TRANSFERS

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since the prior reporting period.

MOVEMENT IN NON-CURRENT ASSETS IN EUROPE AND MIDDLE EAST GEOGRAPHICAL SEGMENTS

The non-current assets decreased to the prior comparative period primarily due to the strengthening of the Australian Dollar which results in lower net assets of foreign operations.

NOTE 28: FINANCIAL RISK MANAGEMENT

(A) FINANCIAL RISK MANAGEMENT POLICIES

The Group's principal financial instruments comprise of accounts receivable and payable, bank accounts, loans and overdrafts, investments and finance leases.

The main purpose of these financial instruments is to provide operating finance to the Group.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group has exposure to the following risks from their use of financial instruments – credit risk, liquidity risk and market risk. This note presents information about the exposure to each of the above risks. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the risk management policies, and reports to the Board.

The risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Board of Directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of current economic conditions and forecasts.

The Executive Management Team's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

(B) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, share prices and interest rates will affect income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk

The exposure to market risk for the changes in interest rates relates primarily to borrowing obligations. The policy at present is to manage interest cost using variable rate debt.

Australian variable interest rate risk

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

	GBST GROUP	
	2011 $'000	2010 $'000
Financial assets		
Cash	**29**	279
	29	279
Financial liabilities		
Bank overdraft	**4,136**	2,882
Bank loan	**21,224**	14,273
	25,360	17,155

Lease liabilities have fixed rates, all other items are variable rate. The exposure to market interest rates relates primarily to long and short term debt obligations.

Great British Pound variable interest rate risk

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

	GBST GROUP	
	2011 $'000	2010 $'000
Financial assets		
Cash	**4,979**	1,264
	4,979	1,264
Financial liabilities		
Bank loan	**3,346**	7,040
	3,346	7,040

United States Dollar Variable Interest Rate Risk

At reporting period, the Group had cash of $108 thousand which is exposed to United States Dollar variable interest rate risk (2010: $159 thousand).

Euro Variable Interest Rate Risk

At reporting period, the Group had no financial assets or liabilities exposed to Euro variable interest rate risk (2010: cash of $5 thousand).

Foreign Currency Risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

The Group constantly monitors its foreign currency exposure, and consideration is given to alternative hedging positions.

At balance sheet date the Group had exposure to movements in the exchange rate for Great British Pounds in cash and receivables of $7.14 million (2010: $2.67 million) and payables and loans of $4.47 million (2010: $7.88 million).

At balance sheet date the Group had exposure to movements in the exchange rate for United States of America Dollars in cash and receivables of $1.01 million (2010: $1.70 million) and payables of $Nil (2010: $Nil).

At balance sheet date the Group had exposure to movements in the exchange rate for Euros in cash and receivables of $387 thousand (2010: $688 thousand) and payables of $Nil (2010: $Nil).

Share Price Risk

The Group have an investment in an ASX listed Company, Razor Risk Technologies Limited (formerly IT&e Limited), (see Note 10). This is a long term shareholding, however exposure exists to movements in the market price.

(C) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that there will always be sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and finance leases. Liquidity risk is managed by monitoring forecasted business performance including cash flows, the collection of trade receivables, payment of trade payables and maintaining adequate borrowing facilities. In addition, the Group forecasts bank covenant compliance and completes a compliance certificate to the National Australia Bank on a quarterly basis.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) CREDIT RISK

The maximum exposure of credit risk at balance date, excluding the value of any collateral or other security, to recognised financial assets is the carrying amount, net of any allowance for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Credit risk arises primarily from exposures to customers. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. In addition, receivables balances are monitored on an ongoing basis with the result that apart from the risks noted below, there are no other material credit risks to the Group.

In respect of the parent entity, credit risk also incorporates the exposure of GBST Holdings Limited to the liabilities of all members of the closed Group under the Deed of Cross Guarantee. Refer to Note 24 for further information.

Except for the following concentrations of credit risks, the Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into. Approximately 32% (2010: 27%) of the Group's revenue is derived from five customers providing financial services. All Australian clients satisfy the minimum core capital requirements of the ASX.

Trade debtor terms range between fourteen to thirty days. Included in the Group's trade receivable balance are debtors with a carrying amount of $853 thousand (2010: $3.84 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in the credit quality and the Group believes that the amounts are still considered recoverable. The weighted average age of these receivables is 18 days (2010: 68 days).

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

	2011		2010	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	**9,452**	**–**	7,784	–
Past due 0-30 days	**374**	**–**	1,217	–
Past due 30-120 days	**424**	**–**	2,549	–
Past due more than 121 days	**131**	**76**	110	35
	10,381	**76**	11,660	35

The carrying amount of the financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	GBST GROUP CARRYING AMOUNT	
	2011 $'000	2010 $'000
Cash and cash equivalents	**5,116**	1,707
Trade and other receivables	**11,122**	12,845
Investment	**526**	1,096
	16,764	15,648

The maximum exposure to credit risk for trade and other receivables at reporting date by geographic region was:

	GBST GROUP CARRYING AMOUNT	
	2011 $'000	2010 $'000
Australia	**6,983**	8,691
Europe	**3,120**	2,574
Asia	**964**	–
United States of America	**55**	1,580
	11,122	12,845

(E) FINANCIAL INSTRUMENTS

(i) Liquidity Risk:

The following table reflects the undiscounted contractual settlement terms for financial liabilities including interest payments:

	0-1 YEARS		1-2 YEARS		2-5 YEARS		OVER 5 YEARS		TOTAL		CARRYING AMOUNTS	
GBST Group	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial Liabilities												
Bank loan and overdraft(i)	**12,718**	10,925	**7,695**	7,554	**13,789**	9,710	**–**	–	**34,202**	28,189	**28,706**	24,195
Loan from Director related entity	**–**	11,000	**–**	–	**–**	–	**–**	–	**–**	11,000	**–**	9,710
Lease facilities(ii)	**260**	238	**232**	76	**297**	115	**–**	–	**789**	429	**686**	385
Liabilities on acquisition	**176**	1,474	**–**	–	**–**	–	**–**	–	**176**	1,474	**176**	1,474
Trade & other payables	**5,504**	3,962	**–**	136	**–**	–	**–**	–	**5,504**	4,098	**5,504**	4,098
TOTAL FINANCIAL LIABILITIES	**18,658**	27,599	**7,927**	7,766	**14,086**	9,825	**–**	–	**40,671**	45,190	**35,072**	39,862

(i) These items have variable interest rates.
(ii) These items have fixed interest rates. All other items are non-interest bearing.

(ii) Net Fair Values

The fair value of investments traded on active liquid markets are determined with reference to quoted market prices.

Term receivables and other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar items, to their present value. Other financial assets and financial liabilities net fair value approximates their carrying value. Loans payable are determined by discounting the cash flow at market interest rates of similar items, to their present value. No financial assets or financial liabilities are readily traded on organised markets in standardised form other than listed investments.

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

Aggregate net fair values and carrying amounts of Group financial assets and financial liabilities at balance date:

	2011		2010	
	Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets				
Cash and cash equivalents	**5,116**	**5,116**	1,707	1,707
Trade and other receivables	**11,122**	**11,122**	12,845	12,845
Investment	**526**	**526**	1,096	1,096
	16,764	**16,764**	15,648	15,648
Financial Liabilities				
Trade and other payables	**5,504**	**5,504**	4,098	4,098
Bank loans and overdrafts	**28,706**	**28,706**	33,905	33,905
Lease facilities	**686**	**686**	385	385
Liabilities on business acquisition	**176**	**176**	1,474	1,474
	35,072	**35,072**	39,862	39,862

Fair values are materially in line with carrying values. An average discount rate of 6.11% (2010: 7.33%) has been applied to all non-current borrowings to determine fair value.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

(E) FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2011				
Investment	**526**	**–**	**–**	**526**
2010				
Investment	1,096	–	–	1,096

(iii) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2011, the net effect on full year profit and equity as a result of changes in the interest rate on variable rate financial instruments, with all other variables remaining constant would be as follows:

	GBST GROUP	
	2011 $'000	2010 $'000
Increase/(Decrease) in Profit and Equity		
Increase in interest rate by 1%	**(281)**	(338)
Decrease in interest rate by 1%	**281**	338

Foreign Currency Risk Sensitivity Analysis

At 30 June 2011, the effect on profit and equity as a result of changes in the value of the Australian Dollar (AUD) to the Great British Pound (GBP), with all other variables remaining constant is as follows:

	GBST GROUP	
	2011 $'000	2010 $'000
Increase/(Decrease) in Profit		
Improvement in AUD to GBP by 10%	**8**	6
Decline in AUD to GBP by 10%	**(8)**	(6)
Change in Equity		
Improvement in AUD to GBP by 10%	**520**	211
Decline in AUD to GBP by 10%	**(520)**	(211)

At 30 June 2011, the effect on profit and equity as a result of changes in the value of the Australian Dollar (AUD) to the United States of America Dollar (USD), with all other variables remaining constant is as follows:

	GBST GROUP 2011 $'000	GBST GROUP 2010 $'000
Increase/(Decrease) in Profit		
Improvement in AUD to USD by 10%	117	197
Decline in AUD to USD by 10%	(95)	(161)
Change in Equity		
Improvement in AUD to USD by 10%	117	197
Decline in AUD to USD by 10%	(95)	(161)

At 30 June 2011, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Euro, with all other variables remaining constant is as follows:

	GBST GROUP 2011 $'000	GBST GROUP 2010 $'000
Increase/(Decrease) in Profit		
Improvement in AUD to EUR by 10%	43	76
Decline in AUD to EUR by 10%	(35)	(63)
Change in Equity		
Improvement in AUD to EUR by 10%	43	76
Decline in AUD to EUR by 10%	(35)	(63)

Price Risk

At 30 June 2011 the net effect on equity of a 0.10 cent (8%) change in share price in the Group's listed investment, with all other variables remaining constant is $44 thousand up/down (2010: $44 thousand up/down). Current share price of the Group's listed investment is 1.2 cents, resulting in a maximum exposure to the Group of $526 thousand.

Reclassification of Financial Assets at the Date of Initial Application of AASB 9

The following table shows the classification of the Group's financial assets on 1 July 2010 (the date the Group first applied AASB 9) as they were previously classified under AASB 139 and as they appear on initial application of AASB 9.

In thousands of AUD	Note	Original classification under AASB 139	New classification under AASB 9
Cash and cash equivalents		Loans and receivables	Amortised cost
Trade and other receivables		Loans and receivables	Amortised cost
Investments in listed shares	(a)	Available for sale	Fair value through other comprehensive income

The original carrying amount under AASB 139 and the new carrying amount under AASB 9 was the same for all of the aforementioned financial assets.

(a) The Group believes that classification as fair value through other comprehensive income is the most appropriate classification under AASB 9 for these shares.

Impact of Early Adoption of AASB 9

If AASB 9 had not been early adopted in the current year, the change in fair value of the listed shares during the current year amounting to $570 thousand would have been recognised in profit or loss instead of other comprehensive income. This would have resulted in a reduction in profit after tax by $570 thousand and a reduction in basic and diluted earnings per share by 0.86 cents and 0.86 cents respectively.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 29: CONTINGENT LIABILITIES

As at 30 June 2011, GBST has with its clients a variety of software supply agreements, each of which contain service and performance warranties and indemnities. These warranties and indemnities are of the standard type used in the industry and the liabilities are considered remote.

NOTE 30: KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) NAMES AND POSITIONS HELD OF GROUP KEY MANAGEMENT PERSONNEL IN OFFICE AT ANY TIME DURING THE FINANCIAL YEAR WERE:

Key Management Personnel	Position
J Puttick	Director (Non-executive Chairman)
D Adams	Director (Independent)
A Brackin	Director (Independent)
S Lake	Director (Managing Director and Chief Executive Officer)
J Sundell	Director (Non-executive)
R De Dominicis	Chief Executive Wealth Management
C Mallios	Chief Financial Officer (appointed 30 August 2010)
D Orrock	Chief Executive Broker Services
P Salis	Chief Executive Global Broker Services
I Sanchez	Chief Technology Officer

(B) KEY MANAGEMENT PERSONNEL COMPENSATION

	GBST GROUP	
	2011 $	2010 $
Short-term employee benefits	**2,952,564**	2,548,522
Post-employment benefits	**146,427**	176,203
Other long-term benefits	**28,897**	31,961
Share-based payments	**73,572**	12,262
	3,201,460	2,768,948

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

(C) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Details of the pre-existing options provided as compensation and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report section of the Directors' report.

(D) SHAREHOLDINGS

The numbers of shares in the Company held (directly, indirectly or beneficially) during the financial year by Key Management Personnel, including their related parties, are set out below.

2011	Balance 01/07/10	Received as Compensation	Options Exercised	Net Change Other[(i)]	Balance 30/06/11
Directors					
J Puttick	7,057,760	–	–	(656,585)	6,401,175
D Adams	–	–	–	–	–
A Brackin	311,943	–	–	–	311,943
S Lake	4,309,116	–	–	61,428	4,370,544
J Sundell	17,306,610	–	–	(4,675,000)	12,631,610
Total Directors	28,985,429	–	–	(5,270,157)	23,715,272
Executives					
R De Dominicis	2,011,765	–	–	–	2,011,765
C Mallios	–	–	–	–	–
D Orrock	–	–	–	–	–
P Salis	16,135	–	–	–	16,135
I Sanchez	–	–	–	–	–
Total Executives	2,027,900	–	–	–	2,027,900
GROUP TOTAL	31,013,329	–	–	(5,270,157)	25,743,172

2010	Balance 01/07/09	Received as Compensation	Options Exercised	Net Change Other[(i)]	Balance 30/06/10
Directors					
J Puttick	7,307,760	–	–	(250,000)	7,057,760
D Adams	–	–	–	–	–
A Brackin	311,943	–	–	–	311,943
S Lake	3,751,423	–	–	557,693	4,309,116
J Sundell	15,768,148	–	–	1,538,462	17,306,610
Total Directors	27,139,274	–	–	1,846,155	28,985,429
Executives					
R De Dominicis	1,780,996	–	–	230,769	2,011,765
D Orrock	–	–	–	–	–
P Salis	–	–	–	16,135	16,135
I Sanchez	–	–	–	–	–
S Shah	523,596	–	–	(523,596)	–
Total Executives	2,304,592	–	–	(276,692)	2,027,900
GROUP TOTAL	29,443,866	–	–	1,569,463	31,013,329

(i) Shares purchased or sold, consideration for shareholdings purchased by Group, or excluded from disclosure due to resignation.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 30: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(E) OPTION HOLDINGS

The numbers of options in the Company held (directly, indirectly or beneficially) during the financial year by Key Management Personnel, including their related parties, are set out below.

2011	Balance 01/07/10	Granted as Compensation	Options Exercised or Sold	Other	Options Cancelled/ Forfeited	Balance 30/06/11	Total Vested at 30/06/11	Total Vested and Exercisable at 30/06/11	Total Vested and Unexercisable at 30/06/11
Directors									
J Puttick	–	–	–	–	–	–	–	–	–
D Adams	–	–	–	–	–	–	–	–	–
A Brackin	–	–	–	–	–	–	–	–	–
S Lake	–	–	–	–	–	–	–	–	–
J Sundell	10,526,316	–	–	–	(10,526,316)	–	–	–	–
Total Directors	10,526,316	–	–	–	(10,526,316)	–	–	–	–
Executives									
R De Dominicis	100,000	–	–	–	–	100,000	–	–	100,000
C Mallios	–	–	–	–	–	–	–	–	–
D Orrock	100,000	–	–	–	–	100,000	–	–	100,000
P Salis	250,000	–	–	–	(100,000)	150,000	–	–	150,000
I Sanchez	250,000	–	–	–	–	250,000	–	–	250,000
Total Executives	700,000	–	–	–	(100,000)	600,000	–	–	600,000
GROUP TOTAL	11,226,316	–	–	–	(10,626,316)	600,000	–	–	600,000

A loan held previously with Crown Financial Pty Ltd, of which Mr Sundell is a Director was extinguished 30 June 2011. The Crown Financial debt was connected to 10,526,316 options granted by the Company in favour of Crown Financial. The repayment of the Crown Financial debt has the simultaneous effect of extinguishing the options.

Financial performance hurdles were not met for 100,000 of the executive options which were subsequently cancelled.

The numbers of options in the Company held (directly, indirectly or beneficially) during the financial year by Key Management Personnel, including their related parties, are set out below.

2010	Balance 01/07/09	Granted as Compensation	Options Exercised or Sold	Other	Options Cancelled/ Forfeited	Balance 30/06/10	Total Vested 30/06/10	Total Exercisable 30/06/10	Total Unexercisable 30/06/10
Directors									
J Puttick	–	–	–	–	–	–	–	–	–
D Adams	–	–	–	–	–	–	–	–	–
A Brackin	–	–	–	–	–	–	–	–	–
S Lake	500,000	–	–	–	(500,000)	–	–	–	–
J Sundell	–	–	–	10,526,316	–	–	10,526,316	10,526,316	–
Total Directors	500,000	–	–	10,526,316	(500,000)	10,526,316	10,526,316	10,526,316	–
Executives									
R De Dominicis	–	100,000	–	–	–	100,000	–	–	100,000
D Orrock	–	100,000	–	–	–	100,000	–	–	100,000
P Salis	100,000	150,000	–	–	–	250,000	–	–	250,000
I Sanchez	–	250,000	–	–	–	250,000	–	–	250,000
Total Executives	100,000	600,000	–	–	–	700,000	–	–	700,000
GROUP TOTAL	600,000	600,000	–	10,526,316	(500,000)	11,226,316	10,526,316	10,526,316	700,000

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 31: 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) TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

Compensation and equity interests are set out in Note 30 and the Remuneration Report.

	GBST GROUP	
	2011 $	2010 $
Consultancy fees paid to Mr A Brackin.	–	5,000
Consultancy fees paid to Mr J Puttick.	**7,000**	–
Occupancy fees paid to entities of which Mr R De Dominicis has a beneficial interest.	**293,562**	337,319
Deferred consideration was paid on InfoComp acquisition to Mr R De Dominicis and associates.	–	250,000
Interest paid on a loan to an entity of which Mr J Sundell is a Director.	**1,000,000**	1,026,035
67,693 ordinary shares were issued on 10 December 2009 as part of the deferred consideration payable on Coexis acquisition to Mr S Shah and associates.	–	62,278
Maximum deferred consideration payable on Coexis acquisition to Mr S Shah and associates, Nil ordinary shares to be issued.	–	62,848

(B) TRANSACTIONS WITH CONTROLLED ENTITIES

The transactions between GBST Holdings Limited (parent entity) and its controlled entities (as set out in Note 24) are on an arms' length basis. These transactions are eliminated on consolidation.

(C) A LOAN HELD PREVIOUSLY WITH CROWN FINANCIAL PTY LTD, OF WHICH MR SUNDELL IS A DIRECTOR WAS EXTINGUISHED 30 JUNE 2011

GBST has increased its lending facility with its current senior lender NAB whereby it has borrowed a further $10 million that has been used to repay its loan to its subordinated lender Crown Financial Pty Ltd ("Crown Financial"). The Crown Financial debt was due to be repaid in February 2012.

The Crown Financial debt was connected to 10,526,316 options granted by the Company in favour of Crown Financial. The repayment of the Crown Financial debt has the simultaneous effect of extinguishing the options.

Refer to further discussion at Note 15.

NOTE 32: SHARE BASED PAYMENTS

The Company has previously used options as a feature of its equity based remuneration, but this practice has ceased and alternative remuneration arrangements are being investigated to assist in the attraction, retention and motivation of employees.

The following share based payment plans in operation during the year or comparative year are:

- Zero Exercise Price Option Scheme
- Deferred Option Scheme

ZERO EXERCISE PRICE OPTION SCHEME

Under this scheme select staff were made individual offers of specific numbers of share options at the discretion of the Board. There is no price to be paid to exercise the options and convert the options into shares but the options cannot be exercised until continuity of employment tests have been passed.

85,894 Zero exercise price options (ZEPOs) were granted on 20 July 2007. At the beginning of the year there were a total of 29,358 options outstanding. The ZEPOs are divided into three tranches. The first tranche of 20% vest and may be exercised after twelve months and lapse if unexercised in thirty-six months. The second tranche of 30% vest and may be exercised after twenty-four months and lapse if unexercised in forty-eight months. The third tranche of 50% vest and may be exercised after thirty-six months and lapse if unexercised after sixty months. During the year 28,204 options were exercised, 641 options were forfeited and 513 options remain outstanding at balance date.

At the Company's 2007 Annual General Meeting the issue of these ZEPOs was ratified and the Zero Exercise Price Option Scheme was approved by shareholders.

NOTE 32: SHARE BASED PAYMENTS (CONTINUED)

DEFERRED OPTION SCHEME

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

On 17 May 2010, 600,000 options were issued to select Executive employees. The exercise price for each option was $1.05. The options vest in nineteen months after the date of grant. The options have a term of forty-three months from the date of grant. On cessation of employment all unvested options lapse.

In addition to continuity of employment, the vesting of options is conditional upon the Company meeting certain financial performance measures. Current year expense for these deferred options was $74 thousand included in share based payment expense.

PERFORMANCE CRITERIA FOR DEFERRED OPTIONS SCHEME

The performance criteria associated with the grant of share options outstanding made under the Deferred Options Scheme is summarised below:

Grant Date	Continued Employment until	Financial Performance hurdle
17 May 2010	15 December 2011	If Group EBITDA for FY11 is: • 50% above Group EBITDA on FY 09 adjusted for the number of shares on issue

The fair value of the options granted on the 17 May 2010 date has been determined by the Board and based on the external valuation advice. The valuation has been made using a Trinomial Lattice option pricing model using standard option pricing inputs such as the share price $0.90, the exercise price of $1.05, expected volatility of 80 percent, expected dividends of 5.55 percent, a term of nineteen months and a risk-free interest rate of 5.05 percent.

MOVEMENT IN SHARE OPTIONS

The following table illustrates the number, weighted average exercise price (WAEP) and movement in share options under these schemes issued during the period.

	Jun 2011 Number	Jun 2011 WAEP	Jun 2010 Number	Jun 2010 WAEP
Outstanding at the beginning of the period	**729,358**	**$1.40**	671,363	$3.45
Granted during the period	**-**	**-**	600,000	$1.05
Forfeited during the period	**100,641**	**$3.90**	1,923	$0.00
Exercised during the period	**28,204**	**$0.00**	18,770	$0.00
Expired during the period	**-**	**-**	521,312	$3.69
Outstanding at the end of the period	**600,513**	**$1.05**	729,358	$1.40
Exercisable at the end of the period	**513**	**$0.00**	1,795	$0.00

The Zero exercise price options outstanding at 30 June 2011 could be exercised. The exercise price for share options outstanding under the Zero Exercise Price Options Schemes was nil.

The options outstanding under the Deferred Options Scheme at 30 June 2011 had a weighted average exercise price of $1.05 and a weighted average remaining term of six months.

The expense recognised in profit or loss in relation to share-based payments is disclosed in Note 4.

Of the existing options 600,000 are unlikely to pass the financial performance hurdle and in due course will lapse.

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

NOTE 33: EARNINGS PER SHARE

	GBST GROUP	
	2011	2010
Basic earnings per share (cents)	2.08	(3.68)
Diluted earnings per share (cents)(i)	2.08	(3.68)
	$'000	$'000
(a) Reconciliation of earnings to net (loss) or profit		
Net Profit/(Loss)	1,384	(2,405)
Earnings used in the calculation of basic EPS	1,384	(2,405)
Add interest expense net of tax and transactions costs	687	646
Earnings used in the calculation of dilutive EPS(i)	2,071	(1,759)
(b) Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	66,663,437	65,371,747
Weighted average number of options outstanding or exercised during the year(i)	10,529,296	8,881,759
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	77,192,733	74,253,507

(i) At 30 June 2011, the weighted average number of 10,529,296 options (2010: 8,881,759) and their corresponding effect on earnings was excluded from the calculation of dilutive earnings per share as the effect of share options would not have been dilutive to basic earnings per share.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

NOTE 34: SUBSEQUENT EVENTS

The financial report was authorised for issue on 19 August 2011 by the Board of Directors.

Other than for the impact (if any) of the prospects referred to in the commentary above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect operations of GBST, the results of those operations, or the state of affairs of GBST in future financial years.

NOTE 35: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2011 the parent company of the Group was GBST Holdings Limited.

	GBST HOLDINGS	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Results of the Parent Entity		
Profit/(Loss) for the Year	8,851	(15,642)
Other comprehensive (loss)/income	(570)	(394)
Total Comprehensive Income for the Year	8,281	(16,036)
Financial Position of the Parent Entity at Year End		
Current Assets	5,364	4,676
Total Assets	142,705	132,477
Current Liabilities	17,192	18,323
Total Liabilities	96,205	91,982
Total Equity of the Parent Entity Comprising of:		
Issued capital	37,516	37,102
Equity remuneration reserve	87	128
Financial asset reserve	(570)	–
Loan from director related entity conversion reserve	–	561
Retained earnings	9,467	2,704
Total Equity	46,500	40,495

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 CONTINUED

PARENT ENTITY CONTINGENCIES

The Directors are of the opinion that no provisions are required in respect of parent entity contingencies.

CONTINGENT LIABILITIES NOT CONSIDERED REMOTE

The parent entity has guaranteed, to an unrelated party, the performance of a subsidiary in relation to a contract for the supply of software and services.

	GBST HOLDINGS	
	30 Jun 2011 $'000	30 Jun 2010 $'000
Parent Entity Capital and Other Expenditure Commitments		
Contracted for:		
Capital and other operating purchases	**96**	516
Payable		
Not later than one year	**96**	516
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
	96	516

GUARANTEES

Property Leases

In accordance with property lease requirements, the Company has provided bank guarantees to the lessors.

Lending Facilities

The Groups' lending facilities are supported by guarantees from its subsidiaries.

Performance Guarantees

The parent entity provides certain guarantees in relation to subsidiary performance of contract.

PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 24.

FINANCIAL POSITION OF THE PARENT ENTITY

The Company has a net current asset deficiency at 30 June 2011 of $11.83 million (30 June 2010: $13.65 million). The deficiency will be financed by future operating cash flows. The earnings outlook of the business is strong and continues to improve. Accordingly, the Directors believe that the Company is in a position to pay its debts as and when they become payable.

NOTE 36: COMPANY DETAILS

The registered office of the Company is:

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

The Group's principal places of business are:

5 Cribb Street
MILTON QLD 4064

Suite 1, Level 26
259 George Street
SYDNEY NSW 2000

Level 2
63 Market Street
WOLLONGONG NSW 2530

Building 5
Croxley Green Business Park
Hatters Lane, Watford
HERTFORDSHIRE WD18 8YE

DIRECTORS' DECLARATION

1. In the opinion of the Directors of GBST Holdings Limited ('the Company'):
   a) the consolidated financial statements and Notes 1 to 36 and the Remuneration report in the Directors' report, set out on pages 18 to 24, are in accordance with the *Corporations Act (2001)*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations (2001)*; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act (2001)* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.
4. The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dr J F Puttick
Chairman

Mr S M L Lake
Managing Director and Chief Executive Officer

Dated at Brisbane this 19th day of August 2011

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GBST HOLDINGS LIMITED

Independent auditor's report to the members of GBST Holdings Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising GBST Holdings Limited (the company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GBST HOLDINGS LIMITED CONTINUED

KPMG

Independence

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

Auditor's opinion

In our opinion:

a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 18 to 24 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of GBST Holdings Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Chris Hollis
Partner

Sydney
19 August 2011

ADDITIONAL INFORMATION

SHAREHOLDING INFORMATION AS AT 1 SEPTEMBER 2011

(A) DISTRIBUTION OF SHAREHOLDERS

Category (size of holding)	Number ordinary
1 to 1,000	224
1,001 to 5,000	262
5,001 to 10,000	155
10,001 to 100,0000	169
100,001 and over	44
Total	854

(B) THE NUMBER OF SHAREHOLDINGS IN LESS THAN MARKETABLE PARCELS IS 182

(C) THE NAMES OF THE SUBSTANTIAL SHAREHOLDERS LISTED IN THE COMPANY'S REGISTER ARE:

Shareholder	Number ordinary
Crown Financial Pty Ltd	13,252,610
Perpetual Limited	10,129,064
John Francis Puttick	7,056,760
National Nominees Ltd ACF Australian Ethical Smaller Companies Trust	6,248,527
Stephen Lake	4,350,544
Renaissance Smaller Companies Pty Ltd	4,348,237

(D) VOTING RIGHTS

The company only has ordinary shares on issue. There are 66,505,929 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. No shares are the subject of voluntary escrow.

(E) 20 LARGEST SHAREHOLDERS – ORDINARY SHARES

Rank	Name	Total Units	% IC
1	NATIONAL NOMINEES LIMITED	10598784	15.9%
2	CROWN FINANCIAL PTY LTD	9754464	14.7%
3	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	8477229	12.8%
4	MR JOHN FRANCIS PUTTICK	4609626	6.9%
5	STEPHEN MAURICE LINTON LAKE	3623856	5.5%
6	DEKACROFT PTY LTD	2463237	3.7%
7	CITICORP NOMINEES PTY LIMITED	2215000	3.3%
8	SMITH HAMILTON LIMITED	2048582	3.1%
9	MR JOAKIM SUNDELL & MRS SHARA SUNDELL	2013462	3.0%
10	J P MORGAN NOMINEES AUSTRALIA LIMITED	1078381	1.6%
11	COGENT NOMINEES PTY LIMITED	957585	1.4%
12	THREE CROWNS INVESTMENTS PTY LIMITED	863684	1.3%
13	BERISLAV BECAREVIC & IVANKA BECAREVIC	751553	1.1%
14	BARRY BECAREVIC	722408	1.1%
15	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	708164	1.1%
16	ROBERT DEDOMINICIS	707839	1.1%
17	RAYMOND TUBMAN	707839	1.1%
18	TIMENOW PTY LTD	703594	1.1%
19	WANGARUKA HOLDINGS PTY LTD	703594	1.1%
20	RJAE PTY LTD	590332	0.9%

CORPORATE DIRECTORY

REGISTERED OFFICE

C/- MCCULLOUGH ROBERTSON, LAWYERS

Level 11, 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 5555
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
Allan James Brackin
David Campbell Adams

COMPANY SECRETARY

David Michael Doyle

SHARE REGISTRY

LINK MARKET SERVICES

Level 19, 324 Queen Street
Brisbane QLD 4000

Ph 02 8280 7454

STOCK EXCHANGE LISTING

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

UNQUOTED SECURITIES

A total of 600,513 options are on issue to 5 employees under the GBST Holdings Limited Employee Option Plan.

AUDITORS

KPMG

10 Shelley St
SYDNEY NSW 2000

Ph 02 9335 7000
Fax 02 9335 7001

www.gbst.com