



2016 Annual Report



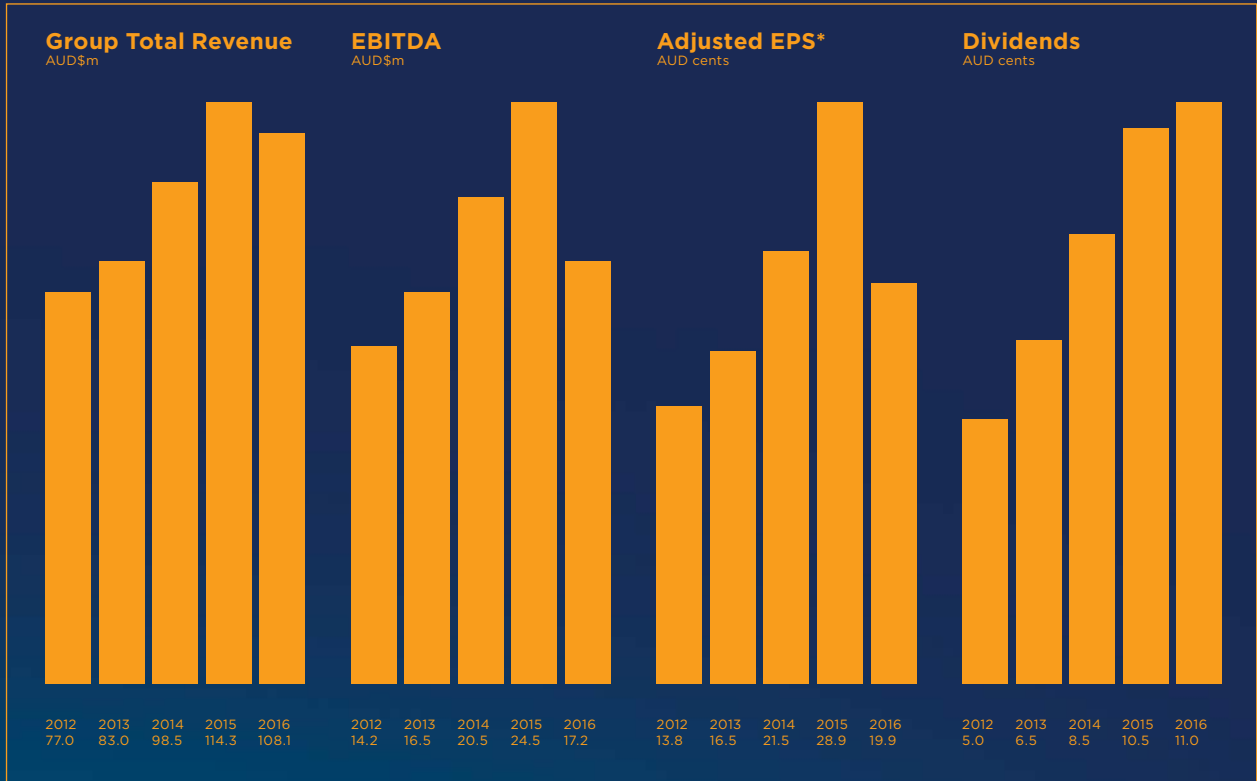
**GBST is a specialist financial technology company which provides administration and transaction processing solutions for retail wealth management organisations and global and regional investment banks.**

**Our software platforms support more than 7,000 investment options on a single wealth administration platform and connect capital markets in Australasia, Asia, Europe and North America.**

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GBST Holdings Limited will hold its Annual General Meeting at 3.00pm (Sydney time) on Monday 24 October 2016 at the office of McCullough Robertson Lawyers, Level 32, MLC Centre, 19 Martin Place, Sydney Australia.

# The Year in Review



New operating model focused on retail wealth and institutional markets

Strengthened management team with greater local expertise

Investment in products increased to 15% of revenue

Improved structure to manage growth

Record full year dividends of 11 cents

Following restructure GBST is a leaner, more streamlined organisation and well positioned for the future

\* Adjusted EPS is profit after income tax plus investment amortisation.

# GBST Snapshot

Established 1983	ASX listed 2005	About 530 employees	More than 60 clients worldwide
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In the coming year, GBST will report across two lines of business, GBST Retail Wealth and GBST Institutional.



## GBST Retail Wealth

Products:

GBST Composer		
GBST ComposerWeb	GBST FrontOffice	
GBST DCA	GBST BIR	GBST Shares

For life and pension companies, brokers, fund managers, platforms and banks

Customers in Australia, Asia, New Zealand, United Kingdom

## GBST Institutional

Products:

GBST Syn-	GBST Shares
GBST DCA	GBST BIR
GBST Quant	

For global and regional investment banks

Customers in Australia, Asia, Europe, North America



# Chairman's and Managing Director's Report

**Rob DeDominicis**  
Chief Executive Officer  
and Managing Director

**Allan Brackin**  
Chairman



## **We are delighted to address shareholders in our first annual report as Chairman and Managing Director of GBST.**

FY2016 has been a year of transition for GBST, during which substantial changes were made to position the company for the future. This includes changes to the composition of our Board as part of the company's ongoing Board renewal process.

We would like to recognise Dr Puttick who retired as Chairman in December 2015 for his great contribution to the financial technology industry and his vision as founder of GBST 31 years ago. We also recognise the contribution from Kim Sundell to the company's development since his appointment to the Board in 2001. Kim resigned in July 2016 as a Non-Executive Director after 15 years of service.

Deborah Page was appointed to GBST's Board in July 2016 as an Independent Non-Executive Director. Deborah Page is an experienced company director and Chartered Accountant. She has worked exclusively as a Non-Executive Director since 2001 across a range of industries including insurance, financial services, property and energy. She currently holds Board positions with BT Investment Management, Brickworks and Service Stream.

It is the Board's intention to appoint a new Director to complement and strengthen the skills of the Board, supporting the future growth of the company.

We have made changes to our organisational structure that align our products and services to focus on our clients. This has increased our opportunities to cross-sell in the regions in which we operate. The new model has a management focus by geographic

region, i.e. Europe, the Middle East and Africa (EMEA), Asia Pacific and North America. The management team has been strengthened with new recruits to ensure an increased emphasis on local market expertise, which broadens the market knowledge of our teams.

The regional structure will ensure our products and services are focused on local issues, and can respond quickly to changes in regulatory and market frameworks. This facilitates the development of a long-term roadmap for our products and more effective capital allocation.

The group's reorganisation has been very well received by our clients and as a result of these changes we are a leaner and more streamlined organisation.

### **Financial overview**

FY2016 had contrasting half on half results. Operating EBITDA for the first half was \$8.5m. Costs related to the decision to restructure the business and other non-operating expenses of \$2.8m were largely recognised in the first half. The second half was a significant improvement with operating EBITDA of \$11.5m. Operating EBITDA margins also improved compared to the first half. Had it not been impacted by a decline in the value of sterling compared to the Australian dollar caused by Brexit, on a constant currency basis, operating EBITDA for the second half would have been \$12.5m, in line with guidance.

Operating EBITDA for the full year was \$20.0m for FY2016, down 18% compared to \$24.5m in the previous year.

## Chairman's and Managing Director's Report (continued)

The group maintains a strong cash position with \$9.0m cash at 30 June 2016, and has no debt. Cash flow from operations (excluding interest and taxes) increased in the second half and was \$11.9m for the year, representing 75% conversion of EBITDA to cash flow.

Net profit was \$9.3m, down 39% compared to \$17.3m in the previous year.

Revenue was \$108.1m, down 5% compared to \$114.3m. International revenue was 53% of the total.

Second half earnings per share were 10.4 cents, up from 3.4 cents in the first half, and earnings per share for the full year were 13.8 cents.

### Dividends

The Directors are pleased to announce a final dividend of 5.5 cents per share, fully franked, consistent with the previous corresponding period. Dividends for the year were 11 cents, a record.

### Sales of GBST Shares and GBST Syn-

Following a stronger second half FY2016 revenue rose 3% to \$45.9m from \$44.7m in the previous year.

In Australia retail equity trading volumes increased and, despite a highly competitive market, revenue increased slightly to \$32.7m from \$32.3m. High-quality recurring license revenue from long-term contracts was approximately 80% of the total.

We progressed the migration of a leading global investment bank's back- and middle-office from GBST Shares to GBST Syn-. When complete, the project will represent an important milestone in the development of GBST Syn-.

International revenue was \$13.2m, up 7% from \$12.4m, comprising ongoing projects for clients in Asia and a second phase of development for a US client.

In Asia, we helped a multinational banking and financial services company extend its middle office and back office processing in Asia Pacific and Japan, and implemented a new back- and middle-office platform for Haitong International in just 12 weeks, later extending its GBST Syn- platform.

We also entered the second phase of a 12-year agreement with CLSA, which uses GBST Syn- as its main post-trade processing system in Singapore, London, New York and nine regional offices.

### Sales of GBST Composer

Revenue from service and license fees for GBST Composer and related products was \$61.7m, down 11% from \$69.1m largely due to a decrease in services revenue as a result of project deferrals. However, license revenue increased by \$3.5m over that time as our clients moved more business onto the Composer platform.

We are benefiting from UK industry consolidation, exemplified by GBST's client Aegon, which in 2016 acquired BlackRock's UK defined contribution pension platform and Legal & Generals' Cofunds business, which is the largest platform in the UK. This will make Aegon the largest UK Platform with £80bn in assets under administration. GBST and Aegon have executed a new 5-year agreement such that Aegon can consolidate all of its businesses onto Composer. This is expected to help Aegon achieve an estimated £60m in annual cost synergies. Along with other new client wins, this has increased GBST's market share to more than 40% of the UK platform market.

Legislation change to protect consumers that began with the 2012 Retail Distribution Review is continuing not only in the UK, but also in other markets such as South Africa and the USA. The most recent change in the UK, Pensions Freedom, which simplified tax rules to give consumers unrestricted access to their pensions, is still being absorbed by the market and has been a catalyst of new opportunities for our Composer platform.

Following the Brexit vote, we believe that initial concerns over market volatility have now stabilised in our industry and expect our clients and prospects to redirect investment towards digitisation, cost reduction and leveraging the market opportunity to reset business models.

In Australia we continued to work closely with our clients. Progress continued with major migrations for a large banking and wealth management group and an outsourced funds and pensions administration provider, and a second Australian client has begun the implementation of GBST ComposerWeb.

### Positioning GBST Composer for the future

We are continuing to invest in our software and development expenditure increasing it from 10% to approximately 15% of revenue.



This will accelerate the evolution of GBST Composer as the Wealth industry customers' expectations are changing as they seek an improved digital experience. Our market is growing. Global assets under management will increase to more than US\$100 trillion by the end of the decade, driven by increasing wealth accumulation and growth in retirement savings.

We delivered database support for Microsoft SQL Server which expands deployment of GBST Composer into international markets. We have focused on increasing scalability as the largest installation of GBST Composer is expected to increase to 3m investor accounts in the next three years.

Exciting new developments include digital experience enhancements, which our UK clients are already pursuing.

### Transforming retail wealth products

We are developing a new platform, GBST Catalyst, which integrates GBST's Front Office, GBST Business Intelligence Reporting and GBST MarginSuite products for the retail wealth market. When combined with software as a service (SaaS) delivery and GBST Syn-'s institutional processing capabilities this will provide a migration path for GBST Shares and DCA clients as market infrastructure evolves.

### Outlook

With our new structure, client focus, and leading products with unique strengths, we are well positioned to pursue opportunities in the regions we operate in.

Increased investment in software development to enhance our technology for our clients will help deliver future sales and build long-term relationships. GBST maintains a strong balance sheet and cash flow which we can exploit to leverage our growth into the future.

The dedication and hard work of our staff in all regions has underpinned our growth and achievements. We are grateful, and also thank our clients for supporting the changes we have implemented this year and the future road map of our products. We believe these changes will ensure that our shareholders will be rewarded for the long term and we thank them for their support and confidence in our strategy.

## 2016 Key Points

### Australia

- GBST Composer migration continues for major client
- New business process optimisation partnership announced with fund administrator
- GBST Shares and GBST Syn- revenue growth despite competitive market
- Two institutional clients went 'live' on GBST Syn-



### Europe

- GBST well positioned to benefit from industry consolidation
- Pensions Freedom and 'At Retirement' creating new opportunities
- Adverse Brexit impact to second half
- Major R&D investment in GBST Composer under way and progressing well



### Asia

- GBST Syn- 'live' at the top two brokers-dealers in Hong Kong
- GBST Syn-'s reputation enhanced with each new implementation
- Large GBST Syn- rollout at major global bank continues, building on initial successes



### USA

- New management team in place, based in Florida
- Foundation client using GBST Syn- to transact throughout US, Canada and Europe - phase 2 implementation under way
- Potential catalyst for growth from demand for international post-trade processing and pending regulatory changes such as Department of Labour (DOL) reform





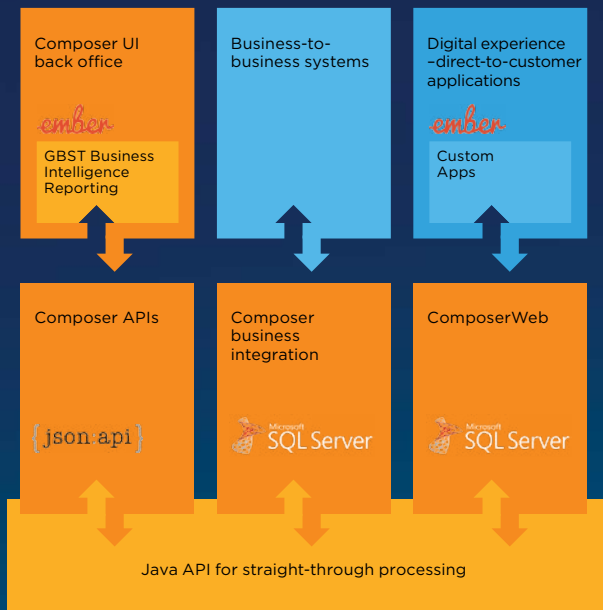
# GBST Product Suite

## GBST provides industry-leading retail wealth and institutional software products for the financial services sector.

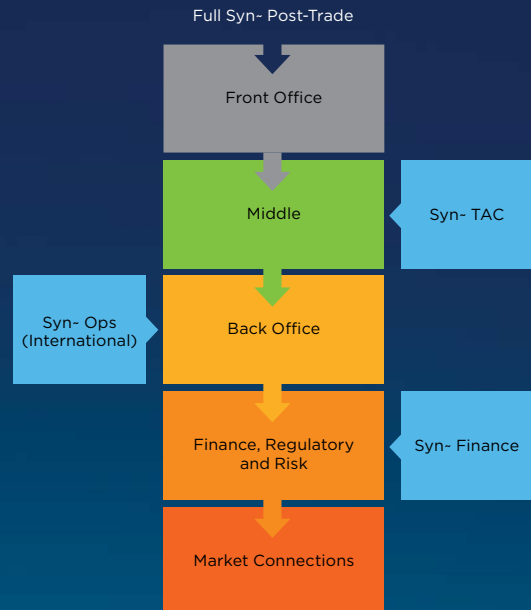
**GBST Composer** is the leading administration and registry platform for the wealth management industry, with the unique capability to support more than 7,000 investment options. In Australia, Composer supports wraps, corporate and personal superannuation, pensions, retail and wholesale unit trusts, life, risk, loans and cash management. In the UK, 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 by **GBST ComposerWeb**, which provides digital tools for investment platforms and superannuation.

The **GBST Shares** platform is the most scalable middle- and back-office equities system in Australia. It helps stockbrokers and third-party clearers to manage and execute transactions with the ASX's market operations and clearing systems. **GBST's Derivatives and Client Accounting system (DCA)** is a fully integrated client accounting system for derivatives trading. **GBST Catalyst** integrates **GBST FrontOffice**, **GBST Business Intelligence Reporting (BIR)** and **GBST MarginSuite** products for the retail wealth market. These products provide client relationship and portfolio management, client on-boarding and comprehensive reporting, and firm-wide risk management.

**GBST Syn-** is a new-generation technology platform that enables capital market participants to manage post-trade processing requirements across multiple asset classes, entities, markets and operational centres. It offers a regional middle- and back-office solution in Australia, Asia, Europe and the United States. **GBST Quant** provides data analytics and quantitative services for measuring portfolio performance including after-tax tools.



GBST Composer is evolving to provide an improved digital experience



GBST Syn- provides multi-country clearing from a single platform, offering broker-dealers greater efficiency and the opportunity to move from fixed to variable transaction pricing models

## GBST Executive Team



**Patrick Salis**  
*Chief Operating Officer and  
Chief Financial Officer*

Patrick has been with GBST since September 2007, first as Chief Financial Officer and then as Chief

Executive for GBST Capital Markets International Division starting in March 2010. Based in Sydney, he was appointed to the role of Group Chief Operating Officer in August 2012 and his current responsibilities also include those of Chief Financial Officer. Before joining the company Patrick held CFO roles in the financial services industry, including Virgin Money Australia Limited and prior to that JDV Limited. He has extensive experience working in wealth management, equities and derivatives broking, superannuation, mortgages, credit cards and unsecured lending. Patrick holds a Bachelor of Accounting and is a member of the Institute of Chartered Accountants in Australia.



**David Simpson**  
*Head of Europe, the Middle East  
and Africa*

David Simpson joined GBST as head of Europe, the Middle East and Africa in July 2016. He manages

client activity and drives the ongoing regional growth of the group's retail wealth platforms for wraps, life and pensions and banks, and for institutional capital markets. Previously, he was employed by SEI Investments Company as chief relationship officer for SEI Europe's Wealth Platform. Prior to joining SEI in 2010 as business development director, he held various roles at Barclays Wealth where he was employed for 22 years, including Managing Director of UK Asset Management and Retail Platforms from 2004 to 2010.



**Denis Orrock**  
*Head of Asia Pacific*

Denis joined GBST in May 2008 and was appointed Chief Executive Officer for Capital Markets in August 2012. He is now GBST Retail Wealth's

Head of Asia Pacific. Previously, he managed the company's Australian Broker Services and Financial Services divisions. Prior to joining GBST, Denis was General Manager of Infochoice and has also held advisory and trading positions with UBS, Grange Securities and Taylor Collison. Having worked within the Australian financial services industry for over 15 years, Denis has a broad understanding of domestic wholesale and retail markets.



**Dr Justin O'Sullivan**  
*Head of Technology, Institutional*

Justin was appointed as a Head of Technology in February 2015. Having joined GBST in 2008, he has over 20 years engineering management

experience and previously held roles at Suncorp and RSA Security (EMC). He holds Bachelor and Master of Applied Science (Computing) degrees and a Doctorate in Philosophy from Queensland University of Technology.



**Isabel Sanchez**  
*Head of Technology, Retail Wealth*

Isabel was appointed as Chief Technology Officer in March 2008. She has over 20 years experience in software development and has

been a member of GBST's Retail Wealth 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.

## GBST Board of Directors



**Allan Brackin**  
*Independent Director & Chair*

Allan Brackin was appointed Chair of GBST in December 2015. Allan joined the Board in 2005 just before listing and has seen the company evolve

into a global business.

Allan has been involved in the technology industry for over 30 years at both executive and non-executive level.

At executive level he was Group CEO of ASX listed Volante Limited (ASX:VGL), from 2000-2004. Volante was one of Australia's largest IT services companies. From 1986-2000 Allan cofounded a number of IT companies. These companies all became part of the Volante Group.

At non-executive level, Allan is also Chairman of ASX listed mining software company Runge Pincock Minarco (ASX:RUL), Chairman of telecommunications software company Emagine Pty Ltd and is a Director of telecommunications carrier Opticomm Pty Ltd. He is also a member of the advisory board for several IT Companies and mentors a number of technology entrepreneurs.

Allan is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

Allan has a Bachelor of Applied Science from the Queensland University of Technology and has attended the Owner President Management Program at Harvard University.



**Rob DeDominicis**  
*Managing Director and Chief Executive Officer*

Robert was appointed as Managing Director and Chief Executive Officer in December 2015. He 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 and has a business and technical software background, having been part of the Wealth Management Division's development and professional services teams.



**David Adams**  
*Independent Director*

Mr David Adams was appointed to the Board in April 2008. David has had 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 as 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 the Chair of the Nominations and Remuneration Committee and the Audit and Risk Management Committee.



**Christine Bartlett**  
*Independent Director & Deputy Chair*

Christine Bartlett was appointed to the Board in June 2015 and is Deputy Chair of GBST.

Christine Bartlett was appointed to the Board in June 2015 and is Deputy Chair of GBST.

Christine is an experienced CEO and senior executive with extensive line management experience gained through roles with IBM, Jones Lang LaSalle and National Australia Bank Limited. Her executive career has included Australian, regional and global responsibilities based in Australia, the USA and Japan. Christine brings a commercial perspective especially in the areas of financial discipline, identifying risk, complex project management, execution of strategy, fostering innovation and taking advantage of new emerging technologies.

Christine is currently an Independent Non-Executive Director of the Mirvac Group (ASX:MGR), Sigma Pharmaceuticals Limited (ASX:SIP), and Clayton Utz. Christine is the Chairman of The Smith Family,

a national, independent children's charity. She is a member of Chief Executive Women, the Australian Institute of Company Directors and the UNSW Australian School of Business Advisory Board.

Christine holds a Bachelor of Science from the University of Sydney and has completed senior executive management programs at INSEAD.

Christine is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.



**Dr Ian Thomas**  
*Independent Director*

Dr Ian Thomas was appointed to the Board in December 2011. He is Chairman and CEO of Thomas Global Ventures, a strategic advisory and investment firm. He brings thirty years of global experience to GBST, having held many senior positions in the aerospace and defense industry, including President of Boeing China, President of Boeing Australia and South Pacific, President of Boeing India. Prior to joining Boeing in 2001, Ian served in a variety of staff and policy roles as a political appointee in the U.S. Department of Defense. In 2013, he received the Royal Aeronautical Society's Sir Charles Kingsford Smith Medal for outstanding contributions to aviation.

Ian holds an MPhil in international relations and a PhD in history from the University of Cambridge, a graduate degree in social sciences from the University of Stockholm, and a Bachelor's degree cum laude in history from Amherst College.

Life and a joint venture with IBM). She currently holds Board positions with BT Investment Management Limited (ASX:BTT), Brickworks Limited (ASX:BKM) and Service Stream Limited (ASX:SSM). She was Chairman of Investa Listed Funds Management Limited, the responsible entity of Investa Office Fund (ASX:IOF) until April 2016 and was also a Director of Australian Renewable Fuels Limited (ASX:ARW) until her retirement in October 2015.

Deborah holds a Bachelor of Economics from The University of Sydney, is a Fellow of the Institute of Chartered Accountants, Fellow of the Australian Institute of Company Directors and was honoured in 2016 as a Member in the General Division of the Order of Australia for services to Public Health, Business and the Accounting Profession.

Deborah will be the Chair of the Audit and Risk Management Committee from 1 September 2016.



**Deborah Page AM**  
*Independent Director*

Deborah Page AM was appointed to the Board in July 2016.

Deborah is an experienced company director and Chartered Accountant.

She has worked exclusively as a Non-Executive Director since 2001 across a range of industries including insurance, financial services, property and energy. Prior to that she held senior executive positions with Commonwealth Bank, Allen, Allen and Hemsley and the Lend Lease Group (including MLC

# Directors' Report

for the year ended 30 June 2016

The Directors of GBST Holdings Limited ('GBST' or the 'Company') submit their report together with the consolidated financial report of the Group, comprising the Company and its controlled entities for the year ended 30 June 2016 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
<b>Non-Executive</b>	
	Appointed
Allan Brackin (Chairperson)	27 April 2005
Christine Bartlett (Deputy Chairperson)	Appointed 24 June 2015
	Appointed
David Adams	1 April 2008
	Appointed
Dr Ian Thomas	8 December 2011
Joakim Sundell	Resigned 27 July 2016
Deborah Page AM	Appointed 1 July 2016
	Resigned
Dr John Puttick	31 December 2015
<b>Executive</b>	
Robert DeDominicis (Managing Director and Chief Executive Officer)	Appointed 15 December 2015
	Resigned
Stephen Lake	6 November 2015

## Principal activities

The principal activities of GBST during the year ended 30 June 2016 were:

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

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

## Key Financial Results

- Total revenue decreased by 5% to \$108.1m (2015: \$114.3m).
- Operating EBITDA decreased by 18% to \$20.0m (2015: \$24.5m).
- Restructure and other non-operating expenses of \$2.8m related to legal and organisational restructuring expenses, new CEO recruitment costs and statutory entitlement expenses incurred following the departure of the former CEO.
- EBITDA decreased by 30% to \$17.2m (2015: \$24.5m).
- Profit before income tax (PBT) decreased by 48% to \$9.1m (2015: \$17.3m).
- Net profit after income tax (NPAT) decreased by 39% to \$9.3m (2015: \$15.3m).
- Adjusted net profit after income tax (Adjusted NPAT) decreased by 31% to \$13.4m (2015: \$19.2m).
- Net cash position of \$9.0m (2015: \$7.5m).
- Dividend payout ratio of 55% on adjusted NPAT increased from 36% in 2015.

## GBST comprised two divisions during the year:

- **GBST Wealth Management**, through the GBST Composer platform provides end to end funds administration and management software to the wealth management industry, both in Australia and the United Kingdom. It offers an integrated system for the administration of wrap platforms, including individual savings accounts (ISA's), pensions, self-invested personal pension (SIPP) and superannuation; as well as master trusts, unit trusts, risk and debt; and other investment assets. Other GBST products provide technology hub solutions, and data analytics and quantitative services for the measurement of portfolio performance.
- **GBST Capital Markets**, through the GBST Syn-platform, provides new-generation technology to process equities, derivatives, fixed income and managed funds transactions for global capital markets. In Australia, GBST also offers the GBST Shares and DCA (derivatives) platforms which are the country's most widely used middle-office and back-office equities and derivatives systems. Other GBST products provide fully integrated solutions for trading, clearing and settlement of multi-instruments, currencies and markets.

# Directors' Report

for the year ended 30 June 2016 continued

## DIVIDENDS

A final fully franked ordinary dividend of 5.5 cents per share for the 2015 financial year was paid on 14 October 2015, as declared in the financial report for the year ended 30 June 2015.

An interim fully franked ordinary dividend of 5.5 cents per share was paid on 21 April 2016.

### Dividends declared after the end of the year:

The Directors have declared a final dividend of 5.5 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 14 October 2016.

## Group results

	FULL YEAR TO 30 JUNE		
	2016 \$'000	2015 \$'000	% Change
<b>Total revenue and other income</b>	<b>108,143</b>	114,250	(5)
<b>Operating EBITDA</b>	<b>19,997</b>	24,468	(18)
Restructure and other non-operating expenses	(2,802)	-	
<b>EBITDA</b>	<b>17,195</b>	24,468	(30)
Net finance costs	(776)	3	
Depreciation & Operating Amortisation	(3,273)	(3,191)	(3)
Investment Amortisation	(4,089)	(3,957)	(3)
<b>Profit before income tax</b>	<b>9,057</b>	17,323	(48)
Income tax credit/(expense)	213	(2,053)	
<b>Profit after income tax</b>	<b>9,270</b>	15,270	(39)
<b>Adjusted NPAT</b>	<b>13,359</b>	19,227	(31)
<b>Basic EPS (cents)</b>	<b>13.82</b>	22.94	(39)
<b>Adjusted EPS (cents)</b>	<b>19.92</b>	28.89	(31)

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

## Measures of profitability and basis of preparation

GBST defines Operating EBITDA as profit before net finance costs, tax, depreciation, amortisation, and other unallocated expenses. Operating Amortisation

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

Restructure and other non-operating expenses are costs associated with organisation restructuring following the departure of the former CEO. These costs are not associated with any business segment and therefore are not allocated to a segment. This treatment is in accordance with Management's internal measurement of segment performance and the segment disclosures in Note 25 to the financial report. Restructure and other non-operating expenses are reported to allow for reconciliation between the Group and segment reports.

## Group performance

### Restructuring for growth

FY2016 has been a year of transition for GBST, during which substantial changes were made to position the Company for the future.

These include Board renewal, with Stephen Lake stepping down as Managing Director and Chief Executive officer in October, and Dr John Puttick retiring as Chairman in December. Since the end of the financial year Joakim Sundell has also retired from the Board. We recognise Dr Puttick for his great contribution to the financial technology industry and his vision as founder of GBST 31 years ago.

We now have a refreshed Board. Allan Brackin succeeded Dr Puttick as non-executive Chairman in December, and Deborah Page AM joined as an independent non-executive Director on 1 July 2016. Importantly, following a global search, we appointed a new Managing Director and CEO, Robert DeDominicis. He co-developed our flagship product, GBST Composer, and his leadership helped establish and drive its sales in Australia and the United Kingdom.

We are today a leaner and more streamlined organisation and well positioned for the future.

The FY2016 year had a difficult start, impacted by project delays and deferred client spending in the UK, Australia and Asia.



We introduced a new operating model to focus more effectively on our clients. This recognised that our clients are grouped into two distinct markets – retail wealth and institutional. We have aligned our capabilities with their needs in a way that differentiates our products and embeds them deeply in our clients' infrastructure.

The management team has been strengthened with increased emphasis on local market expertise, broadening the skills of our team and adding greater depth of enterprise experience.

Recognising the convergence of capital markets and wealth management globally, our accounts and sales teams now support multiple products. This allows us to provide a holistic service for clients across our product capabilities. Another benefit is that we can differentiate between regulatory frameworks in national (retail) and global (institutional) markets. Distinguishing between retail wealth and institutional markets has facilitated development of a long-term roadmap for our products, and more effective capital allocation.

The Group's reorganisation has been very well received by our clients.

This decisive action resulted in GBST recognising restructuring and other non-operating expenses of \$2.8m in our FY2016 accounts.

We are also taking steps to create a performance culture among our staff, introducing a performance framework to support our strategy, skills and talent.

### Positioning GBST Composer for the future

We are continuing to invest in our software for retail and institutional markets and development expenditure increased from 10% to approximately 15% of revenue.

Approximately half of these funds are driving the further evolution of GBST Composer for the digital age. While the transition will take two to three years, wealth industry customers' expectations are changing as they seek an improved digital experience. The market is growing and it is anticipated that global assets under management will increase to more than US\$100 trillion by the end of the decade, driven by increasing wealth accumulation, growth in retirement savings and the dynamics of ageing populations.

In a major step forward, we have already introduced multiple database support, including Microsoft SQL Server. This showcased our ability to manage important development projects in low-impact upgrades. GBST Composer is 'functionally rich' software and very flexible, allowing features to be tailored for clients' platforms.

Another benefit of multiple database support is that it facilitates deployment of GBST Composer into international markets.

Scalability has also increased. While the largest installation of GBST Composer currently manages 800,000 investor accounts, we anticipate that our platform will be able to manage 3m accounts in the next two to three years.

As enterprise technology increasingly moves to the cloud, GBST Composer requires more flexible architecture. This helps clients managing rapid legislation change and serving new market segments, enabling them to offer an improved digital experience.

The next phase of Composer's development will improve user experience, workflow and business process management, adding multilingual capability. The ComposerWeb online platform will transition to an architectural style known as REST (representational state transfer) which uses less bandwidth. This enables faster development and reduces demands for data in a cloud-based environment. Clients benefit from higher productivity.

A key to our approach is the care taken to minimise possible impacts for our clients. Technology change can be challenging for its users and every client has a different upgrade path. We are actively discussing the most suitable processes. We want these upgrades to be largely invisible, like an engine change under the bonnet, and improvements will be offered in phases to ensure continuity. An integrated 'help' ensures new users can come up to speed quickly, reducing training costs.

Exciting developments include digital experience enhancements through direct-to-customer applications. These will be powered by an open-source JavaScript web framework, responsive to all types of screens whether desktop, tablet or mobile. This enables client customisation and UK clients are already requesting our templates and business intelligence for their web development.

Also, while UK releases currently precede upgrades in Australia and New Zealand, our regional product lines are merging, and in two to three years we expect to release a single GBST Composer for all markets.

### Transforming retail wealth products

We are developing a new platform, GBST Catalyst, which integrates GBST's Front Office, GBST Business Intelligence Reporting and GBST MarginSuite products for the retail wealth market. These products provide client relationship and portfolio management for financial services advisors, client on-boarding and cross-product reporting, and firm-wide risk



# Directors' Report

for the year ended 30 June 2016 continued

management through a fully integrated product set. The new name recognises the evolution of the front office product which now has broader capability.

The platform is founded on a common database and integration layer and our plan, over the next two to three years, is to integrate it with GBST Composer through a common technology stack capable of being deployed through a software-as-a-service (SaaS) model, enabling GBST Catalyst to serve retail customers directly. The platform's technology stack will catalyse convergence of GBST Composer's UK and Australian capabilities, expediting introduction of advanced portfolio management and related features for the Australian market.

The GBST Catalyst platform, when combined with SaaS delivery and GBST Syn~'s institutional processing capabilities, will provide a migration path for GBST Shares and DCA clients as market infrastructure evolves. This software is also the linchpin which will facilitate integration with GBST Composer, assisting our clients who use several GBST products. As the securities and derivatives processing capabilities of GBST Shares and GBST DCA evolve, GBST Catalyst will bring these products into a unified technology stack which is consistent with GBST Composer.

We aim to unify our products and create a holistic financial services securities transactions and wealth administration platform, also extending our market into new financial services technology sectors including funds administration and private banking. The development path will include integration with the ASX's CHES which records equity holdings and manages the settlement of securities transactions.

The importance of this software transition is demonstrated by the increasing financial services industry spend on mobility, cloud, big data and analytics. Financial services sector spend on these technologies was estimated at US\$114bn in 2015, a quarter of the total worldwide financial services IT spend of US\$455bn<sup>1</sup>.

GBST Catalyst, therefore, also represents a milestone on the path for creating a unified product set for the retail wealth market. It will facilitate transaction processing for equity securities, derivatives, managed funds and other asset classes, both in Australia and offshore. It will also be applicable to wealth administration and registry services for unit registries, portfolio administration and performance reporting, investor access, individually managed accounts (IMAs), portfolio modelling and rebalancing, tax optimisation and life insurance.

<sup>1</sup> IDC Financial Insights

## Financial overview

FY2016 was a tale of two halves. Operating EBITDA for the first half was \$8.5m. The second half was a significant improvement with Operating EBITDA of \$11.5m. Operating EBITDA margins also improved compared to the first half. Had it not been impacted by a decline in the value of sterling compared to the Australian dollar caused by Brexit, on a constant currency basis, Operating EBITDA for the second half would have been \$12.5m, in line with guidance.

Operating EBITDA for the full year was \$20.0m for FY2016, down 18% compared to \$24.5m in the previous year. Full year margins were 18% (FY2015: 21%) reflecting costs related to anticipated new implementations which were delayed, and restructuring.

The Group maintains a strong cash position with \$9.0m cash at 30 June 2016, and has no debt. Cash flow from operations (excluding interest and taxes) increased in the second half and was \$11.9m for the year, representing 75% conversion of EBITDA to cash flow.

Finance costs related to foreign exchange movements were \$0.8m, compared to nil in the previous year.

One-off restructure and other non-operating expenses were \$2.8m. Depreciation and operating amortisation charges were \$3.3m, consistent with the previous year. Investment amortisation charges were \$4.1m, up 3% from the previous year due to the impact of foreign exchange movements on the valuation of underlying assets.

Research and development related tax concessions and a \$2m UK income tax refund relating to prior period credit offset tax paid during the year enabled a tax credit of \$0.2m, compared to a tax expense of \$2.1m in the previous year.

Net profit was \$9.3m, down 39% compared to \$17.3m in the previous year.

Revenue was \$108.1m, down 5% compared to \$114.3m. This reflected delayed project starts, including a major retail wealth project now expected to begin in August 2016, and reduced services revenue. International revenue was 53% of the total. Australian revenues were lower, reflecting non-recurring wealth management services projects completed in the prior year.

The Company has a reduced cost base and an improved structure to manage growth. There were approximately 530 staff at June 2016, including about 125 people in GBST's Ho Chi Minh City, Vietnam-based technology development centre.

Second half earnings per share were 10.4 cents, up from 3.4 cents in the first half, and earnings per share for the full year were 13.8 cents.

## Dividends

The Directors are pleased to announce a final dividend of 5.5 cents per share, fully franked, consistent with the previous corresponding period. Dividends for the year were 11 cents, a record. This represents a payout ratio of 55% of adjusted NPAT.

## GBST Wealth Management

	2016 \$'000	2015 \$'000	% Change
Revenue – Australia	17,805	18,952	(6)
Revenue – International	43,906	50,094	(12)
Revenue – Total	61,711	69,046	(11)
Operating EBITDA – Australia	4,580	7,362	(38)
Operating EBITDA – International	8,709	11,454	(24)
Operating EBITDA – Total	13,289	18,816	(29)

Operating EBITDA for GBST Wealth Management was \$13.3m for FY2016, down 29% compared to \$18.8m in the previous year. Revenue from service and license fees for GBST Composer, GBST ComposerWeb, GBST Unison and related products was \$61.7m, down 11% from \$69.1m.

## UK industry consolidation benefiting GBST

Operating EBITDA for UK operations was \$8.7m, following deferred projects and foreign exchange movements attributable to Brexit, but on a constant currency basis second half operating EBITDA would have increased from \$3.5m to \$4.7m and operating EBITDA for the year would have been \$9.9m, \$1.3m higher.

UK revenue fell 12% to \$43.9m due to the impact of project deferrals, adverse foreign exchange movements and delays from industry consolidation, which also creates long-term opportunities for GBST. Projects underway include ongoing implementations for new customers, and major upgrades of systems for all UK clients.

Assets under administration on UK platforms are growing rapidly, increasing from £200bn at 31 December 2013 to £392bn at 31 March 2016, and including £262bn on advised platforms. This continues to create medium- and long-term opportunities for GBST.

As the scalability of GBST Composer increases other markets also provide significant opportunity for GBST. UK funds under management reached a record high of £871bn at the end of 2015, compared with £835bn a year earlier. On the latest available information £1.9 trillion was held in life company assets at 31 December 2014, which may be disrupted by platforms.

We are positioned to be a beneficiary of UK industry consolidation. This is exemplified by the growth of GBST client and life insurance, pensions and asset management company Aegon, which acquired BlackRock's UK defined contribution platform and administration business in May 2016 to bring total workplace savings assets under management to £30bn. Aegon then acquired Cofunds, the largest platform in the UK and third-largest European provider with £80bn assets under management, in August 2016, to become the leading UK platform business.

The Cofunds platform is being migrated to Aegon's platform which is powered by GBST Composer, and if all Cofunds' assets under management were migrated, GBST would become the leading wraps and platforms provider supporting 35% of the market. Moving funds administration to the GBST Composer platform is expected to help achieve an estimated £60m in annual cost synergies for Aegon through improved straight through processing and distribution.

Other GBST clients have grown by acquisition including Alliance Trust Savings which acquired Stocktrade, increasing its assets to £11.8bn and nearly doubling total customers to 105,000. As our clients' accounts under management grow, GBST Composer is able to provide economies of scale, benefiting GBST.

## Demand for digital engagement

Digital engagement is driving asset consolidation and growth, enabling companies with low-administration-cost digital platforms to capture more of the value chain. Consumers are demanding creative technologies with customised services, delivered through an intuitive, effortless and positive experience whenever they want.

These demands can be met only through technology. While the demand for good quality advice has never been higher, reliance on advisors is decreasing and consumers' primary relationships are starting to move to platforms. This has facilitated consolidation of assets, delivery of additional services and better outcomes for consumers.

# Directors' Report

for the year ended 30 June 2016 continued

## Brexit impacts legislation change

Legislation change to protect consumers that began with the 2012 Retail Distribution Review is continuing, and the most recent change, Pensions Freedom, which simplified tax rules to give consumers unrestricted access to their pensions, is still being absorbed by the market.

Pensions Freedom has accelerated the shift toward pensions and away from individual savings accounts (ISAs) and general investment accounts (GIAs). In the first quarter of 2016, 77% of net sales were directed to pension wrappers and ISA sales slowed, reflecting concerns about Brexit and that tax relief might be withdrawn.

Following the Brexit vote, we believe that concerns over market volatility and, under certain scenarios, possible recession, will lead the Financial Conduct Authority to slow the pace of regulatory change. This would lead businesses to redirect investment, which has been focused on meeting rapid regulatory change requirements, towards three key areas:

- Digitisation – refocusing on client service and engagement, including automated (robo) advice
- Cost reduction – driving technology enhancement and automation to maximise revenue as pressure on asset management margins drives consolidation
- Enhancing the value chain – leveraging the market opportunity to reset business models, such as annuity providers developing “at retirement” solutions.

Technology has helped our clients to capitalise on regulatory changes such as Pensions Freedom. One example was helping Retirement Advantage to develop its ‘Retirement Account’ which enables financial advisors to offer consumers a product that supports their on-going needs through retirement. GBST Composer’s flexibility enabled the advantages of annuity and drawdown to be provided in a single tax wrapper. This offered tax advantages, lower administrative overheads and reduced fees for investors. Our platform’s flexibility is the outcome of continued innovation, helping to maintain our clients’ industry leadership.

The ‘at retirement’ market represents a significant opportunity for GBST. As the population ages, more consumers are expected to move from an ‘accumulation phase’ to drawdown, and it is expected that direct contribution funds will shift to platforms.

## Flexible software creates opportunities to enter new markets

As GBST Composer develops multi-region capability, we are evaluating expansion opportunities in countries enacting similar legislation to the UK. These include South Africa, and the US where the Department of Labor (DOL) has proposed a rule that has the potential to reshape the financial advice industry. The DOL’s fiduciary rule would hold broker-dealers and investment advisors to the same fiduciary requirement on retirement advice, potentially triggering major changes. Public hearings have begun and, should the rule become law, it could change the economics of providing advice in a US\$2.4 trillion industry.

## Australia

Australian operating EBITDA for FY2016 was \$4.6m. Revenue declined 6% to \$17.8m, reflecting lower levels of service work to support migration projects.

In Australia we continued to work closely with our clients. Progress continued with a major migration for a large banking and wealth management group, and a second Australian client has begun the implementation of GBST ComposerWeb.

During the year, GBST Quant partnered with Warrakirri Asset Management and MSCI Inc. to provide after-tax calculations on the MSCI Global Index Series using GBST’s Tax Analyser. This enables superannuation funds to provide a clear picture of fund performance, helping to increase GBST’s market share. We also completed superannuation Gateway components enabling clients to consolidate multiple accounts onto GBST Composer.

## GBST Capital Markets

	FY2016 \$000's	FY2015 \$000's	% Change
Revenue – Australia	<b>32,675</b>	32,294	1
Revenue – International	<b>13,253</b>	12,412	7
Revenue – Total	<b>45,928</b>	44,706	3
EBITDA – Australia	<b>11,216</b>	8,976*	25
EBITDA – International	<b>(4,508)</b>	(3,324)	(36)
EBITDA – Total	<b>6,708</b>	5,652	19

\* FY2015 includes write-off of \$640k due to BBY administration.

FY2016 operating EBITDA was \$6.7m, up 19% from \$5.7m. Revenue rose 3% to \$45.9m from \$44.7m in the previous year.

## Australia

Increased revenue and tight control of costs improved operating EBITDA for Australia to \$11.2m, up 25% from \$9.0m. Retail equity trading volumes increased and, despite a highly competitive market, Australia-based revenue increased slightly to \$32.7m from \$32.3m. High-quality recurring license revenue from long-term contracts was approximately 80% of the total.

We progressed the migration of a leading global investment bank's back- and middle-office from GBST Shares to GBST Syn-. It is anticipated that the project will complete in late 2016, representing an important milestone in the development of GBST Syn- and facilitating its rollout as a pan-Oceania/Asia solution.

Another major institutional bank has migrated its clearing in Australia to a third-party solution provider using GBST Syn-. This system went 'live' in November 2015, allowing the bank to maintain its clearing participant role in the market and manage securities processing including trade bookings, trade confirmation and affirmation, trade enrichment, position keeping, stock borrowing and corporate actions. A US-headquartered independent broker has also begun using GBST Syn- for position keeping in Australia, with potential to expand usage and integrate with its global settlement operations.

GBST signed several contract renewals and maintained market share of about 62% in FY2016, although this is expected to decline slightly to 59.6% in FY2017. GBST has also prepared to launch a new retail fixed income product, which will extend its capability in Australia.

Building on our experience in Europe with T+2 settlement regimes, GBST was the first securities transaction software provider to confirm readiness for the ASX's introduction of T+2 in March. This has benefited stockbrokers through:

- reduced counterparty risk
- decreased clearing capital requirements
- reduced pro-cyclical margin and liquidity demands
- increased harmonisation across the industry.

Emu Design, which is the digital arm of GBST has developed a robo-advice platform, with sales potential in the UK.

## Blockchain

GBST has actively discussed with clients the disruptive potential of blockchain, which is a database comprised of secure blocks of data stored in a chronological chain, with each block drawing information from the

one before it. Its structure allows a single permanent record of data which can be synchronised and shared. Previous entries cannot be changed.

Blockchain has the potential to remove market infrastructure inefficiencies, such as the need to reconcile participants' books and records; the need for centralised providers to manage risk and facilitate communications; and the two-day delay between trade and settlement.

As the industry considers adopting distributed ledger technology we believe many scenarios are possible, ranging from gradual technology replacement to the complete rebuilding of capital markets infrastructure. However, industry challenges include the need for transparency and clear stock ownership at a time when high frequency trading and dark pool practices have raised concerns about market fairness; short selling and borrowing or lending stock would become uneconomic; and errors could not be reversed. Meanwhile, back offices would continue to support the distributed ledger. While blockchain has the potential to expedite investment transactions, its adoption will need significant market participant collaboration and massive infrastructure change, which is likely to take several years.

## International

Restructuring international operations led to a stronger second half; from an operating loss in the first half of \$3.6m, the second half operating loss was \$0.9m. Operating EBITDA for international operations was a loss of \$4.5m (FY2015: (\$3.3m)).

International revenue was \$13.2m, up 7% from \$12.4m, comprising ongoing projects for clients in Asia and commencement of a second phase of development for a US client.

In Asia, we helped a multinational banking and financial services company extend its middle office and back office processing in Asia Pacific and Japan. This firm has successfully leveraged GBST Syn- to provide outsourced services to regional stockbrokers and custodians, and further extension of the business model to manage global processing is anticipated. Ongoing development includes back- and middle-office extensions and corporate actions, with plans to extend processing for derivatives, fixed income and repurchase agreement processing (repos) over the medium term.

Another significant project was the implementation of a new automated back- and middle-office platform for Haitong International in just 12 weeks. A second phase of development has extended its GBST Syn- platform, and the Company has received positive feedback on its business value, productivity gains and client

## Directors' Report for the year ended 30 June 2016 continued

satisfaction. This has contributed to raising our profile and reputation as a proven technology business provider in the region.

We also entered the second phase of a 12-year agreement with CLSA, which uses GBST Syn- as its main post-trade processing system in Singapore, London, New York and nine regional offices.

We serve the two top broker-dealers in the Hong Kong market and have established a leading position for providing middle office solutions to investment banks in the Asian region.

The Shanghai-Hong Kong Stock Connect is also opening opportunities for GBST. While the region has been impacted by the slowdown in China's economy and trade volumes remain constrained, the Hong Kong Securities Exchange (HKEx) is upgrading its platform. This is expected to drive demand for new back-office systems, favouring new-generation platforms that can transact across multiple markets and provide stockbrokers and institutional banks same-day affirmation such as GBST Syn-. We are working closely with the HKEx and expect to participate in changes directly to help our clients.

Improvements to GBST Syn- during the year included increased support for Hong Kong market practices, business intelligence reporting, multi-language support and security. We also extended securities trade bookings and confirmation, enhanced order management system integration for Asian markets and significantly enhanced trading ledger capability.

We have reorganised our team in Asia, increasing the skills base of our sales and account management people. We employ native Cantonese, Mandarin and English speaking staff, and divide technology roles between retail wealth and institutional responsibilities.

In the US, we relocated to Florida to be close to our client Raymond James, a North American regional broker-dealer with 6,700 financial advisors serving over 2.7m client accounts in more than 2,700 locations throughout the US, Canada and Europe. Its total client assets are approximately \$500bn. Following a successful implementation of GBST Syn- which automated the Company's middle office, greatly reducing manual processing, development has moved into a second stage.

The US securities industry has not kept pace with change, providing opportunities for GBST. Many broker-dealers still use mainframe-based platforms that use manual, end of day batch processing. While we have a significant opportunity in this market, we are focused on selling our existing capability before investing in new infrastructure.

The Depository Trust & Clearing Corporation's move to support shorter settlement cycles including same-day is expected to benefit products such as GBST Syn- which provide a real-time processing platform.

Broker-dealers would benefit from new-generation platforms such as GBST Syn-, with its rules-based engine that increases automation, supports multiple regions, entities and asset classes, and processes international trades on a single platform. GBST Syn- enables a consolidated audit trail, providing a catalyst for business improvement and big data analytics.

During the year, GBST was ranked for the third consecutive time in American Banker's and BAI's Global Top 100 FinTech Forward rankings, which recognises top technology providers to US banks.

### Financial position

Net assets have decreased by \$0.6m to \$65.9m (June 2015: \$66.5m).

Factors impacting this result are:

- lower than expected earnings due to project delays and high cost base that impacted the first half;
- increase in cost base from one off restructure and non-operating expenses;
- deterioration of the Great British Pound (GBP) to the Australian Dollar for contracts denominated in GBP;
- \$7.4m of dividends payments made during the year (June 2015: \$6.3m).

GBST's senior debt was nil and the net cash position was \$9.0m at 30 June 2016.

### Significant changes in state of affairs

During the year, the Company issued 861,817 shares for performance rights that vested after meeting performance criteria from the 8 November 2012 issue of performance rights to selected employees issued under the GBST Performance Rights and Option Plan. The remainder of performance rights issued on 8 November 2012 had been forfeited at the vesting date. A further 303,508 (Jun 2015: 547,415) performance rights were issued during the period to selected employees under the GBST Performance Rights and Option Plan which under the GBST Performance Rights and Option Plan are subject to performance criteria, which were not achieved and accordingly these rights were forfeited.

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



## Subsequent events

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

## Future developments, prospects and business opportunities

Information regarding the Company's future developments, prospects and business opportunities is included in the report above. Overall, GBST will continue to:

- Enhance and develop its products and services;
- Expand services to clients geographically; and
- Focus on increasing revenue and market share in the markets in which it operates.

## Environmental issues

There are no significant environmental regulations applying to the Group.

## Information on Directors

### Allan Brackin Independent Director & Chair

Allan Brackin was appointed Chair of GBST in December 2015. Allan joined the Board in 2005 just before listing and has seen the company evolve into a global business.

Allan has been involved in the technology industry for over 30 years at both executive and non-executive level.

At executive level he was Group CEO of ASX listed Volante Limited (ASX:VGL), from 2000-2004. Volante was one of Australia's largest IT services companies. From 1986-2000 Allan cofounded a number of IT companies. These companies all became part of the Volante Group.

At non-executive level, Allan is also Chairman of ASX listed mining software company Runge Pincock Minarco (ASX:RUL), Chairman of telecommunications software company Emagine Pty Ltd and is a Director of telecommunications carrier Opticomm Pty Ltd. He is also a member of the advisory board for several IT Companies and mentors a number of technology entrepreneurs.

Allan is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

Allan has a Bachelor of Applied Science from the Queensland University of Technology and has attended the Owner President Management Program at Harvard University.

### Interest in Shares and Options

140,000 Ordinary Shares in GBST Holdings Limited were held by Mr Brackin's associated entities at 30 June 2016.

### Robert DeDominicis – Managing Director and Chief Executive Officer

Robert was appointed as Managing Director and Chief Executive Officer in December 2015. He 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 and has a business and technical software background, having been part of the Wealth Management Division's development and professional services teams.

### Interest in Shares and Options

609,055 Ordinary Shares and 50,243 Performance Rights in GBST Holdings Limited were held by Mr DeDominicis at 30 June 2016.

### Christine Bartlett – Independent Director & Deputy Chair

Christine Bartlett was appointed to the Board in June 2015 and is Deputy Chair of GBST.

Christine is an experienced CEO and senior executive with extensive line management experience gained through roles with IBM, Jones Lang LaSalle and National Australia Bank Limited. Her executive career has included Australian, regional and global responsibilities based in Australia, the USA and Japan. Christine brings a commercial perspective especially in the areas of financial discipline, identifying risk, complex project management, execution of strategy, fostering innovation and taking advantage of new emerging technologies.

Christine is currently an Independent Non-Executive Director of the Mirvac Group (ASX:MGR), Sigma Pharmaceuticals Limited (ASX:SIP), and Clayton Utz. Christine is the Chairman of The Smith Family, a national, independent children's charity. She is a member of Chief Executive Women, the Australian Institute of Company Directors and the UNSW Australian School of Business Advisory Board.

Christine holds a Bachelor of Science from the University of Sydney and has completed senior executive management programs at INSEAD.

# Directors' Report

for the year ended 30 June 2016 continued

Christine is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

### **Interest in Shares and Options**

1,750 Ordinary Shares in GBST Holdings Limited were held by Ms Bartlett at 30 June 2016.

### **David Adams - Independent Director**

Mr David Adams was appointed to the Board in April 2008. David has had 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 as 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 the Chair of the Nominations and Remuneration Committee and the Audit and Risk Management Committee.

### **Interests in Shares and Options**

Nil

### **Dr Ian Thomas - Independent Director**

Dr Ian Thomas was appointed to the Board in December 2011. He is Chairman and CEO of Thomas Global Ventures, a strategic advisory and investment firm. He brings thirty years of global experience to GBST, having held many senior positions in the aerospace and defense industry, including President of Boeing China, President of Boeing Australia and South Pacific, President of Boeing India. Prior to joining Boeing in 2001, Ian served in a variety of staff and policy roles as a political appointee in the U.S. Department of Defense. In 2013, he received the Royal Aeronautical Society's Sir Charles Kingsford Smith Medal for outstanding contributions to aviation.

Ian holds an MPhil in international relations and a PhD in history from the University of Cambridge, a graduate degree in social sciences from the University of Stockholm, and a Bachelor's degree cum laude in history from Amherst College.

### **Interests in Shares and Options**

Nil

### **Deborah Page AM - Independent Director**

Deborah Page AM was appointed to the Board in July 2016.

Deborah is an experienced company director and Chartered Accountant. She has worked exclusively as a Non-Executive Director since 2001 across a range of industries including insurance, financial services, property and energy. Prior to that she held senior executive positions with Commonwealth Bank, Allen, Allen and Hemsley and the Lend Lease Group (including MLC Life and a joint venture with IBM). She currently holds Board positions with BT Investment Management Limited (ASX:BTT), Brickworks Limited (ASX:BKM) and Service Stream Limited (ASX:SSM). She was Chairman of Investa Listed Funds Management Limited, the responsible entity of Investa Office Fund (ASX:IOF) until April 2016 and was also a Director of Australian Renewable Fuels Limited (ASX:ARW) until her retirement in October 2015.

Deborah holds a Bachelor of Economics from The University of Sydney, is a Fellow of the Institute of Chartered Accountants, Fellow of the Australian Institute of Company Directors and was honoured in 2016 as a Member in the General Division of the Order of Australia for services to Public Health, Business and the Accounting Profession.

Deborah will be the Chair of the Audit and Risk Management Committee from 1 September 2016.

### **Interests in Shares and Options**

Nil

### **Joakim Sundell - Non-Executive Director**

Mr Joakim Sundell was appointed to the Board in 2001. Joakim has had 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 Sundell resigned as a Non-Executive Director on the 27th July 2016.

### **Interest in Shares and Options**

2,253,969 Ordinary Shares in GBST Holdings Limited were held by Mr Sundell's associated entities at 30 June 2016.



## Retired Members from GBST's Board during 2015-16

### Dr John Puttick – Former Non-Executive Chair

Dr John Puttick was the founder of GBST and Chairman of GBST until December 2015. He holds a Doctor of the University from Queensland University of Technology and chartered accounting qualifications from Auckland University of Technology. He has over forty years' experience in building commercial systems with information technology, over thirty of which have been in developing financial services solutions at GBST. John has provided the vision for GBST's development over these years.

Dr Puttick has numerous external appointments. John is a member of the Council of the Queensland University of Technology, as well as adjunct Professor, School of Information Technology and Electrical Engineering at the University of Queensland. He has participated in various Ministerial appointments and overseas missions.

He has also had extensive involvement in the community as Past President of the Rotary Club of Brisbane; founding Chair of Vision Queensland; and founding member of Software Queensland. John's contribution to the Australian technology industry has been acknowledged by his peers naming him as a Member of the Hall of Fame of the Pearcey Foundation and as a Fellow of the Australian Computer Society. John was inaugural Chair of Southbank Institute of Technology.

John was a member of the Audit and Risk Management Committee and Nominations and Remuneration Committee.

Dr Puttick resigned on the 31st December 2015.

### Stephen Lake – Former 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 Lake resigned on the 6th November 2015.

### Company Secretary

Patrick Salis was appointed as interim Company Secretary on 26 February 2016 and is currently the Chief Operating Officer and Chief Financial Officer for the GBST Group.

Before joining the Company in 2007, Patrick held CFO roles in the financial services industry, including Virgin Money Australia Limited and prior to that JDV Limited. He has extensive experience working in wealth management, equities and derivatives broking, superannuation, mortgages, credit cards and unsecured lending. Patrick holds a Bachelor of Accounting and is a member of the Institute of Chartered Accountants in Australia.

Patrick Salis resigned as interim Company Secretary and Jillian Bannan was appointed as Company Secretary on 18 July 2016.

# Directors' Report

for the year ended 30 June 2016 continued

## 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	BOARD MEETINGS		AUDIT AND RISK MANAGEMENT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE		DISCLOSURE COMMITTEE**	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
A Brackin	13	13	4	4	1	1	4	4
C Bartlett	13	13	2	2	1	1	1	1
D Adams	13	13	4	4	1	1	1	-
I Thomas	13	12	-	-	-	-	1	1
J Sundell	13	12	-	-	-	-	1	1
R DeDominicis <sup>1</sup>	7	7	-	3*	-	1*	1	1*
J Puttick <sup>2</sup>	7	7	2	2	-	-	3	3
S Lake <sup>3</sup>	4	3	-	1*	-	-	-	2*

<sup>1</sup> Appointed 15 December 2015

<sup>2</sup> Resigned 31 December 2015

<sup>3</sup> Resigned 6 November 2015

\* Mr R DeDominicis and Mr S Lake attended Committee meetings by invitation

\*\* The Disclosure Committee holds meetings as and when required

## Remuneration report – audited

The information provided in the remuneration report relates to the Group for the year ended 30 June 2016 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:

- Remuneration Policies and Practices
- Group Performance and Remuneration
- Service Agreements
- Details of Remuneration

### (a) Remuneration Policies and Practices

#### Remuneration Principles

Key Management Personnel (KMP) 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 Key Management Personnel 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.
- Key Management Personnel (KMP) 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 Securities exchange within similar industry sectors.

Remuneration paid to Directors and Executives is valued at the cost to the Group, except for share based payments which are valued at fair value.

### Remuneration Structure – Non-Executive Directors

Remuneration of Non-Executive Directors is determined by the Board with reference to market rates for comparable companies and reflective of the responsibilities and commitment required of the Director. The remuneration of Directors is voted on annually as part of the acceptance of the Remuneration Report at the Company's Annual General Meeting. The current shareholder approved limit is \$750,000.

Non-Executive Directors are paid a fixed annual remuneration (inclusive of superannuation where relevant). Reviews of each individual Director and the Board as a whole occur annually. The annual fees paid in 2016 are \$135,000 (inclusive of superannuation) for the Chair, \$90,000 (inclusive of superannuation) for the Deputy Chair and Committee Chairs and \$80,000 (inclusive of superannuation) for Non-Executive Directors. Non-Executive Directors may make investments in the Company in accordance with the Company's share trading guidelines but they do not participate in the existing GBST Performance Rights and Option 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).
- Equity based remuneration – Long Term Incentive (LTI).

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.

The Board, through its Nomination and Remuneration Committee, supervises all calculations of short term incentive remuneration 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)

Performance rights are issued under the GBST Performance Rights and Options Plan approved at the Company's 2012 Annual General Meeting. Under this scheme selected staff are made individual offers of specific numbers of share performance rights at the discretion of the Board. The Board may determine the number of share performance rights, vesting conditions, vesting period, exercise price and expiry date. Share performance rights may be granted at any time, subject to the Corporations Act and ASX Listing Rules.

The scheme involves the use of performance rights to acquire shares. The plan is designed to reward Executives in a manner which aligns this element of remuneration with the financial performance of the

# Directors' Report

for the year ended 30 June 2016 continued

Company and the interests of shareholders. As such, LTI grants are only made to Executives and selected employees who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long term performance hurdle. Executives are also required to meet continued service conditions in order to exercise the performance rights.

The Company uses Earnings per Share (EPS) as a performance hurdle for the LTI plan, measured by growth in earnings per share. EPS was selected to align employee and shareholder interests.

## FY13 issue

On 8 November 2015, 861,817 performance rights issued on 8 November 2012 vested. The 365,177 performance rights issued to former Managing Director Mr Stephen Lake lapsed on resignation from GBST on the 6th November 2015 and the remainder of performance rights 87,642 issued on 8 November 2012 lapsed prior to the vesting date and have been cancelled.

During the reporting period, the following ordinary shares were issued for a nil exercise price, on the exercise of performance rights previously granted as compensation:

Key Management Personnel	No. of Shares issued
R DeDominicis	182,588
D Orrock	182,588
A Ritter	116,857
P Salis	146,071
I Sanchez	146,071
	<b>774,175</b>

## FY14 issue

No performance rights were issued to Key Management Personnel. For issues to non-Executive Personnel refer to Note 29.

## FY15 issue

On 5 August 2014 and 2 March 2015, the Group issued 190,923 and 43,682 performance rights to select Executive employees. There is a nil exercise price and the share performance rights vest in thirty-six months after the date of grant or the date of release of GBST's financial results for the 2017 financial year, whichever is later. The share performance rights expire thirty days after the vesting date. The share performance rights are conditional on the employees meeting continuous service conditions and the Group meeting certain financial performance measures. The 43,682

performance rights issued on 2 March 2015 lapsed on resignation of the Executive employees from GBST during the financial year.

On 16 October 2014 following shareholder approval at the Company's AGM, the Group issued 100,486 performance rights to Mr Stephen Lake, former Managing Director. The terms and conditions relating to the issue to Mr Lake are the same as the issue dated 5 August 2014 and 2 March 2015. These performance rights lapsed on resignation from GBST on the 6th November 2015.

The performance criteria associated with the FY15 grants of share performance rights to Executive employees outstanding under the GBST Performance Rights and Option Plan is as follows:

### 1. Cumulative Earnings Per Share (EPS) Target

Vesting of the performance rights granted will be subject to GBST achieving three year (2015 - 2017 financial years) cumulative EPS targets of 45 cents, 50 cents, and 60 cents for 25%, 50% and 100% vesting respectively (interpolated). There is also a vesting requirement that a minimum EPS of 10 cents is achieved in each year; and,

### 2. Service Condition

Continuous employment with GBST Holdings Limited from grant date for three years.

## FY16 issue

On 5 October 2015 and 19 April 2016, the Group issued 263,881 and 30,303 performance rights to selected employees. There is a nil exercise price and the share performance rights vest in thirty-six months after the date of grant or the date of release of GBST's financial results for the 2018 financial year, whichever is later. The share performance rights expire thirty days after the vesting date. The share performance rights are conditional on the employees meeting continuous service conditions and the Group meeting certain financial performance measures. These performance rights were forfeited due to failure to meet the financial performance targets for the 2016 financial year.

### 1. Cumulative Earnings Per Share (EPS) Target

Vesting of the performance rights granted will be subject to GBST achieving three year (2015 - 2017 financial years) cumulative EPS targets of 72 cents, 77 cents, and 82 cents for 25%, 50% and 100% vesting respectively (interpolated). There is also a vesting requirement that a minimum EPS of 15 cents is achieved in each year; and,

### 2. Service Condition

Continuous employment with GBST Holdings Limited from grant date for three years.

For issues to non-Executive Personnel refer to Note 29.

### (b) Group Performance and Remuneration

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

	2012	2013	2014	2015	2016
EBITDA	\$14.2m	\$16.5m	\$20.5m	\$24.5m	<b>\$17.2m</b>
Year on Year Growth	4%	16%	24%	20%	<b>(30)%</b>
Net profit/(loss) before tax	\$4.5m	\$7.8m	\$12.0m	\$17.3m	<b>\$9.1m</b>
Year on Year Growth	37%	76%	53%	44%	<b>(48)%</b>
Net profit/(loss) after tax	\$3.3m	\$6.0m	\$10.0m	\$15.3m	<b>\$9.3m</b>
Year on Year Growth	135%	86%	66%	52%	<b>(39)%</b>
Basic EPS (cents)	4.87	9.06	15.07	22.94	<b>13.82</b>
Year on Year Growth	134%	86%	66%	52%	<b>(39)%</b>
Closing share price	\$0.81	\$1.70	\$3.15	\$5.73	<b>\$4.14</b>
Dividends paid (cents per share)	4.5	5.5	7.5	9.5	<b>11</b>

### (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 (e) 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 which require up to six months' notice. No other termination payments are applicable.

Mr DeDominicis's service agreement is a rolling annual contract which requires six months' notice. No other termination payments are applicable.

### (d) Services from Remuneration Consultants

The Nomination and Remuneration Committee engaged Crichton and Associates to provide professional services in respect of Long-term incentive plans and supply associated documentation and valuation reports.

In addition, Crichton and Associates provided the following other services to the Company throughout the year:

- CEO remuneration benchmark data
- Commentary on the structure of short-term and long-term components for Executive remuneration

Crichton and Associates was paid \$17,741 for consulting services in relation to the share based payments valuation report for performances rights granted throughout the year under the GBST performance Rights and Option Plan including invitation documentation, review of rules and the trust deed; vesting of rights issued November 2012 including an outline of the vesting, exercise and sale process.

The Board is satisfied that the remuneration recommendations were made by Crichton and Associates free from undue influence by members of the Key Management Personnel about whom the recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedures followed by Crichton and Associates during the course of its assignment and is satisfied that its remuneration recommendations were made free from undue influence.

# Directors' Report

for the year ended 30 June 2016 continued

## (e) Details of Remuneration

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

2016	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		TERMINATION BENEFITS	OTHER LONG-TERM BENEFITS		SHARE-BASED PAYMENT		Performance Related	
	Base Salary and Fees	Bonus	Other \$ <sup>2</sup>	Superannuation	Leave Entitlement		Leave Entitlement	Share-based Expense	Performance Rights FY16	Total Remuneration	Equity Based %	Performance Related %
<b>Directors</b>												
A Brackin	112,500	-	20,000	-	-	-	-	-	-	132,500	-	-
C Bartlett	77,626	-	-	7,374	-	-	-	-	-	85,000	-	-
D Adams	82,192	-	-	7,808	-	-	-	-	-	90,000	-	-
I Thomas	80,000	-	-	-	-	-	-	-	-	80,000	-	-
J Sundell	80,000	-	-	-	-	-	-	-	-	80,000	-	-
R DeDominicis	533,614	114,975	63,052	-	-	-	7,373	71,498	-	790,512	9.0	23.6
J Puttick (resigned 31/12/15)	67,500	-	-	-	-	-	-	-	-	67,500	-	-
S Lake (resigned 6/11/15)	226,016	-	128,954	898	-	-	4,917	(346,784)	-	14,001	(2,477.1)	(2,477.1)
<b>TOTAL DIRECTORS</b>	<b>1,259,448</b>	<b>114,975</b>	<b>212,006</b>	<b>16,080</b>	<b>-</b>	<b>-</b>	<b>12,290</b>	<b>(275,286)</b>	<b>-</b>	<b>1,339,513</b>		
<b>Executives</b>												
D Orrock	338,333	40,000	32,955	35,942	-	-	6,506	71,498	-	525,234	13.6	21.2
J O'Sullivan (KMP from 1/10/15)	198,750	20,000	-	20,781	-	-	3,822	27,653	-	271,006	10.2	17.6
B Raskin (resigned 6/11/15)	126,638	-	-	4,789	142,643	-	6,983	(15,982)	-	265,071	(6.0)	(6.0)
A Ritter (resigned 30/11/15)	101,667	-	-	10,765	-	-	(5,094)	11,385	-	118,723	9.6	9.6
P Sallis	329,167	50,000	-	36,021	-	-	6,330	60,779	-	482,297	12.6	23.0
I Sanchez	338,333	30,000	-	34,992	-	-	6,506	64,359	-	474,190	13.6	19.9
<b>TOTAL EXECUTIVES</b>	<b>1,432,888</b>	<b>140,000</b>	<b>32,955</b>	<b>143,290</b>	<b>142,643</b>	<b>-</b>	<b>25,053</b>	<b>219,692</b>	<b>-</b>	<b>2,136,521</b>		
<b>GROUP TOTAL</b>	<b>2,692,336</b>	<b>254,975</b>	<b>244,961</b>	<b>159,370</b>	<b>142,643</b>	<b>-</b>	<b>37,343</b>	<b>(55,594)</b>	<b>-</b>	<b>3,476,034</b>		

1. Bonus amounts for the financial year represent the amount that vested in the financial year against specific performance criteria. No amounts vest in future financial years in respect of bonus schemes for the current financial year.

2. Other amounts are short-term benefits that do not constitute base salary, fees and bonus and include cost of living adjustments for Executives on secondment and fringe benefits tax.

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

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

2015	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS				OTHER LONG-TERM BENEFITS		SHARE-BASED PAYMENT		Total	
	Base Salary and Fees \$	Bonus \$ <sup>1</sup>	Other \$ <sup>2</sup>	Super-annuation \$	Leave Entitlement \$	Performance Rights \$	Performance Rights \$	Performance Rights \$	Equity Based %	Equity Performance Related %	Remuneration \$		
<b>Directors</b>													
J Puttick	135,000	-	-	-	-	-	-	-	-	-	135,000	-	
D Adams	82,192	-	-	7,808	-	-	-	-	-	-	90,000	-	
C Bartlett (appointed June 2015)	1,405	-	-	133	-	-	-	-	-	-	1,538	-	
A Brackin	90,000	-	-	-	-	-	-	-	-	-	90,000	-	
S Lake	640,946	155,000	297,510	2,154	14,750	249,577	1,359,937	18.4	29.7				
J Sundell	80,000	-	-	-	-	-	80,000	-	-				
I Thomas	80,000	-	-	-	-	-	80,000	-	-				
<b>TOTAL DIRECTORS</b>	<b>1,109,543</b>	<b>155,000</b>	<b>297,510</b>	<b>10,095</b>	<b>14,750</b>	<b>249,577</b>	<b>1,836,475</b>						
<b>Executives</b>													
R DeDominicis	438,795	130,000	121,205	-	7,373	122,211	819,584	14.9	30.8				
D Orrrock	338,288	54,795	115,440	19,587	6,154	122,211	656,475	18.6	27.0				
B Raskin	111,833	-	-	2,237	-	15,982	130,052	12.3	12.3				
A Ritter	240,000	9,132	-	22,791	4,615	43,059	319,597	13.5	16.3				
P Sallis	320,000	45,662	-	34,738	6,154	101,432	507,986	20.0	29.0				
I Sanchez	318,333	82,192	-	38,050	6,154	105,094	549,823	19.1	34.1				
<b>TOTAL EXECUTIVES</b>	<b>1,767,249</b>	<b>321,781</b>	<b>236,645</b>	<b>117,403</b>	<b>30,450</b>	<b>509,989</b>	<b>2,983,517</b>						
<b>GROUP TOTAL</b>	<b>2,876,792</b>	<b>476,781</b>	<b>534,155</b>	<b>127,498</b>	<b>45,200</b>	<b>759,566</b>	<b>4,819,992</b>						

1. Bonus amounts for the financial year represent the amount that vested in the financial year against specific performance criteria. No amounts vest in future financial years in respect of bonus schemes for the current financial year.

2. Other amounts are short-term benefits that do not constitute base salary, fees and bonus and include cost of living adjustments for Executives on secondment and fringe benefits tax.

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



# Directors' Report

for the year ended 30 June 2016 continued

## 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
A Brackin	Director (Non-executive Chair) (Independent)
C Bartlett	Director (Non-executive Deputy Chair) (Independent)
D Adams	Director (Independent)
I Thomas	Director (Independent)
J Sundell	Director (Non-executive)
R DeDominicis	Director (Managing Director and Chief Executive Officer)
J Puttick	Director (Former Non-executive Chair) (resigned 31 December 2015)
S Lake	Director (Former Managing Director and Chief Executive Officer) (resigned 6 November 2015)
D Orrock	Head of Asia Pacific
J O'Sullivan	Head of Technology Institutional (appointed to KMP 1 October 2015)
B Raskin	Chief Executive Capital Markets North America (resigned 6 November 2015)
A Ritter	Chief Financial Officer and Company Secretary (resigned 30 November 2015)
P Salis	Chief Operating Officer and Chief Financial Officer
I Sanchez	Head of Technology Retail Wealth

## Performance Right Holdings for Key Management Personnel

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

2016	Balance 01/07/15	Granted as Compen- sation	Performance rights Exercised or Sold	Performance rights Cancelled/ Forfeited/ Lapsed	Balance 30/06/16	Total Vested at 30/06/16	Total Unvested and Unexercisable at 30/06/16
<b>Directors</b>							
S Lake <sup>(ii)</sup>	465,663	-	-	(465,663)	-	-	-
R DeDominicis <sup>(i)</sup>	232,831	37,296	(182,588)	(37,296)	50,243	-	50,243
<b>TOTAL DIRECTORS</b>	<b>698,494</b>	<b>37,296</b>	<b>(182,588)</b>	<b>(502,959)</b>	<b>50,243</b>	<b>-</b>	<b>50,243</b>
<b>Executives</b>							
D Orrock <sup>(i)</sup>	232,831	16,784	(182,588)	(16,784)	50,243	-	50,243
J O'Sullivan <sup>(i) (iii)</sup>	39,785	7,459	-	(7,459)	39,785	-	39,785
B Raskin <sup>(ii)</sup>	43,682	-	-	(43,682)	-	-	-
A Ritter <sup>(ii)</sup>	116,857	7,459	(116,857)	(7,459)	-	-	-
P Salis <sup>(i)</sup>	189,615	24,709	(146,071)	(24,709)	43,544	-	43,544
I Sanchez <sup>(i)</sup>	192,964	16,784	(146,071)	(16,784)	46,893	-	46,893
<b>TOTAL EXECUTIVES</b>	<b>815,734</b>	<b>73,195</b>	<b>(591,587)</b>	<b>(116,877)</b>	<b>180,465</b>	<b>-</b>	<b>180,465</b>
<b>GROUP TOTAL</b>	<b>1,514,228</b>	<b>110,491</b>	<b>(774,175)</b>	<b>(619,836)</b>	<b>230,708</b>	<b>-</b>	<b>230,708</b>

(i) Financial Performance hurdles were not met for the performance rights which were subsequently cancelled.

(ii) Service period conditions were not met for the performance rights which were subsequently cancelled.

(iii) Performance rights issued prior to 1 October 2015 when J O'Sullivan was appointed as a KMP.

### Performance Right Holdings for Key Management Personnel (continued)

Details of Performance rights held by Key Management Personnel affecting current and future remuneration

	Vested Number #	Granted Number #	Grant Date	Average Value per Performance right at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
<b>Directors</b>							
R DeDominicis	-	50,243	05.08.14	3.2800	-	31.08.17	30.09.17
<b>TOTAL DIRECTORS</b>	<b>-</b>	<b>50,243</b>					
<b>Executives</b>							
D Orrock	-	50,243	05.08.14	3.2800	-	31.08.17	30.09.17
J O'Sullivan	-	26,387	24.09.13	2.5425	-	16.09.16	16.10.16
J O'Sullivan	-	13,398	05.08.14	3.2800	-	31.08.17	30.09.17
P Salis	-	43,544	05.08.14	3.2800	-	31.08.17	30.09.17
I Sanchez	-	46,893	05.08.14	3.2800	-	31.08.17	30.09.17
<b>TOTAL EXECUTIVES</b>	<b>-</b>	<b>180,465</b>					
<b>GROUP TOTAL</b>	<b>-</b>	<b>230,708</b>					

Details of these performance rights are set out in Note 29 in the financial statements.

# Directors' Report

for the year ended 30 June 2016 continued

## 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.

2016	Balance at 01/07/15	Received as Compensation	Performance Rights & Options Exercised	Net Change Other <sup>(i)</sup>	Balance on Resignation	Balance at 30/06/16
<b>Directors</b>						
A Brackin	191,943	-	-	(51,943)	-	140,000
C Bartlett	1,750	-	-	-	-	1,750
D Adams	-	-	-	-	-	-
I Thomas	-	-	-	-	-	-
J Sundell	5,781,610	-	-	(3,527,641)	-	2,253,969
J Puttick	4,559,356	-	-	-	(4,559,356)	n/a
R DeDominicis	426,467	-	182,588	-	-	609,055
S Lake	5,146,109	-	-	(2,421,123)	(2,724,986)	n/a
<b>TOTAL DIRECTORS</b>	<b>16,107,235</b>	<b>-</b>	<b>182,588</b>	<b>(6,000,707)</b>	<b>(7,284,342)</b>	<b>3,004,774</b>
<b>Executives</b>						
D Orrock	-	-	182,588	(182,588)	-	-
J O'Sullivan	-	-	-	-	-	-
B Raskin	-	-	-	-	-	-
A Ritter	-	-	116,857	(116,857)	-	n/a
P Salis	16,135	-	146,071	(57,570)	-	104,636
I Sanchez	-	-	146,071	(56,860)	-	89,211
<b>TOTAL EXECUTIVES</b>	<b>16,135</b>	<b>-</b>	<b>591,587</b>	<b>(413,875)</b>	<b>-</b>	<b>193,847</b>
<b>GROUP TOTAL</b>	<b>16,123,370</b>	<b>-</b>	<b>774,175</b>	<b>(6,414,582)</b>	<b>(7,284,342)</b>	<b>3,198,621</b>

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

## Indemnifying Directors and Officers

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

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

During the year, GBST advanced \$277k to a former director and executive, Mr Stephen Lake, in accordance with the terms of the Deed of Access, Indemnity and Insurance ("the Deed") with Mr Lake. The advances were paid to cover legal costs incurred in defending proceedings brought against Mr Lake in the Supreme Court of Queensland by Mr Malcolm Murdoch, a former director and shareholder of GBST. The proceedings relate to a dispute surrounding the terms on which earlier proceedings pursued by Mr Murdoch in 2003 were settled in 2004. All amounts advanced by GBST under the Deed are repayable if, upon the final adjudication of the proceedings, Mr Lake is not entitled to be indemnified by GBST. To date, GBST has advanced a total of \$873k to Mr Lake to cover legal costs incurred in defending these proceedings since he first claimed under his Indemnity since 2012.

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

## Performance rights

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

The number of performance rights over ordinary shares outstanding at 30 June 2016 are as follows:

Grant Date	Exercise Date	Exercise Price	Number
24.09.13	16.09.16	\$0.00	435,376
05.08.14	31.08.17	\$0.00	288,062

In addition 861,817 new shares were issued to meet the exercise of employee performance rights (no amounts are unpaid on any of the shares). The remainder of performance rights issued on 8 November 2012 lapsed prior to the vesting date and have cancelled.

No further shares or employee performance rights have been issued up to the date of this report.

## Proceedings on behalf of Company

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

## Non-audit services

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

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for non-audit services provided during the year are set out below:

Taxation services	\$286,512
Accounting & Corporate advice	\$146,715
	<b>\$433,227</b>

## 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 2016.

## Rounding

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

Signed in accordance with a resolution of the Directors:



**Mr A J Brackin**  
Chairman



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

Dated at Sydney this 22nd day of August 2016

# Auditor's Independence Declaration

for the year ended  
30 June 2016



## *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 2016 there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Stephen Board'.

Stephen Board  
Partner

Brisbane  
22 August 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Note	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Revenue from license and support sales		69,471	64,871
Revenue from sponsored work		36,301	46,292
Revenue from sale of third party product		1,867	2,589
<b>Total revenue</b>		<b>107,639</b>	113,752
Other income		504	498
<b>Total revenue and other income</b>		<b>108,143</b>	114,250
Product delivery and support expenses		(87,044)	(84,760)
Sales and marketing expenses		(5,133)	(5,345)
General and administrative expenses		(6,133)	(6,825)
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>9,833</b>	17,320
Finance costs	4 (d)	(817)	(14)
Finance income	4 (e)	41	17
Net finance costs		(776)	3
<b>PROFIT BEFORE INCOME TAX</b>		<b>9,057</b>	17,323
Income tax credit/(expense)	5	213	(2,053)
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>9,270</b>	15,270
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign operations - foreign currency translation differences		(2,374)	2,746
Total items that may be reclassified subsequently to profit or loss		(2,374)	2,746
<b>Other comprehensive (loss)/income for the year, net of income tax</b>		<b>(2,374)</b>	2,746
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>6,896</b>	18,016
<b>Earnings per share</b>			
Basic earnings per share (cents)	30	13.82	22.94
Diluted earnings per share (cents)	30	13.73	22.50

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

# Consolidated Statement of Financial Position

as at 30 June 2016

	Note	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	9,011	7,785
Trade and other receivables	8	13,817	15,627
Work in progress	9	3,396	3,080
Current tax receivable		2,265	2,818
Other assets	12	2,374	2,262
<b>Total Current Assets</b>		<b>30,863</b>	31,572
<b>NON-CURRENT ASSETS</b>			
Work in progress	9	84	-
Plant and equipment	10	8,116	8,225
Intangible assets	11	48,889	54,320
Deferred tax assets	15	6,306	6,304
Other assets	12	112	79
<b>Total Non-Current Assets</b>		<b>63,507</b>	68,928
<b>TOTAL ASSETS</b>		<b>94,370</b>	100,500
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	6,919	9,319
Loans and borrowings	14	100	217
Current tax liabilities		131	1,043
Provisions	16	5,567	5,756
Unearned income	17	9,588	10,413
<b>Total Current Liabilities</b>		<b>22,305</b>	26,748
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	2,426	2,698
Loans and borrowings	14	76	62
Deferred tax liabilities	15	1,458	2,086
Provisions	16	2,217	2,451
<b>Total Non-Current Liabilities</b>		<b>6,177</b>	7,297
<b>TOTAL LIABILITIES</b>		<b>28,482</b>	34,045
<b>NET ASSETS</b>		<b>65,888</b>	66,455
<b>EQUITY</b>			
Issued capital	18	38,366	37,664
Reserves	19	(1,299)	1,871
Retained earnings		28,821	26,920
<b>TOTAL EQUITY</b>		<b>65,888</b>	66,455

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



# Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve <sup>(a)</sup> \$'000	Equity Remune- ration Reserve <sup>(b)</sup> \$'000	Total \$'000
<b>Balance at 1 July 2014</b>	37,664	17,973	(3,284)	928	<b>53,281</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	15,270	-	-	<b>15,270</b>
<b>Other comprehensive income</b>					
Foreign operations - foreign currency translation differences	-	-	2,746	-	<b>2,746</b>
<b>Total other comprehensive loss</b>	-	-	2,746	-	<b>2,746</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	15,270	2,746	-	<b>18,016</b>
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends paid (Note 6)	-	(6,323)	-	-	<b>(6,323)</b>
Share based payments - performance rights	-	-	-	1,481	<b>1,481</b>
<b>Total contributions by and distribution to owners</b>	-	(6,323)	-	1,481	<b>(4,842)</b>
<b>Total transactions with owners</b>	-	(6,323)	-	1,481	<b>(4,842)</b>
<b>BALANCE AT 30 JUNE 2015</b>	37,664	26,920	(538)	2,409	<b>66,455</b>

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

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

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

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve <sup>(a)</sup> \$'000	Equity Remune- ration Reserve <sup>(b)</sup> \$'000	Total \$'000
<b>Balance at 1 July 2015</b>	<b>37,664</b>	<b>26,920</b>	<b>(538)</b>	<b>2,409</b>	<b>66,455</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	9,270	-	-	9,270
<b>Other comprehensive income</b>					
Foreign operations – foreign currency translation differences	-	-	(2,374)	-	(2,374)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2,374)</b>	<b>-</b>	<b>(2,374)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>9,270</b>	<b>(2,374)</b>	<b>-</b>	<b>6,896</b>
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends paid (Note 6)	-	(7,369)	-	-	(7,369)
Issuing of ordinary shares – vesting of performance rights	702	-	-	(702)	-
Share based payments – performance rights	-	-	-	(94)	(94)
<b>Total contributions by and distributions to owners</b>	<b>702</b>	<b>(7,369)</b>	<b>-</b>	<b>(796)</b>	<b>(7,463)</b>
<b>Total transactions with owners</b>	<b>702</b>	<b>(7,369)</b>	<b>-</b>	<b>(796)</b>	<b>(7,463)</b>
<b>BALANCE AT 30 JUNE 2016</b>	<b>38,366</b>	<b>28,821</b>	<b>(2,912)</b>	<b>1,613</b>	<b>65,888</b>

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

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

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

# Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	30 Jun 2016	30 Jun 2015
	Note	\$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers		122,510
Payments to suppliers and employees		(97,553)
Interest income		17
Sundry income		497
Finance costs paid		(164)
Income tax paid		(4,864)
<b>Net cash provided by operating activities</b>	24 (a)	<b>20,443</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of plant and equipment		1
Purchase of plant and equipment		(2,947)
Purchase of software intangibles		(652)
<b>Net cash used in investing activities</b>		<b>(3,598)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of finance leases		(650)
Repayment of borrowings		(5,037)
Dividends paid	6	(6,323)
<b>Net cash used in financing activities</b>		<b>(12,010)</b>
<b>Net decrease in Cash and Cash Equivalents</b>		<b>4,835</b>
Effect of exchange rate fluctuations on cash held		611
Cash and cash equivalents at 1 July		2,339
<b>Cash and cash equivalents at 30 June</b>	24 (b)	<b>7,785</b>

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 2016

### Note 1: Reporting Entity

GBST Holdings Limited ("GBST" or the "Company") is the Group's parent Company. The Company is a public for profit 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 2016 comprises the Company and its controlled entities (together referred to as the "Group" and individually as the "Group entities").

The address of the Company's registered office is c/- McCullough Robertson, Level 11, Central Plaza Two, 66 Eagle Street, Brisbane, Queensland and the principal place of business is Level 4, West Tower, 410 Ann Street, Brisbane, Queensland.

The Telephone number of the principal place of business is +61 7 3331 5555.

### 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 22 August 2016.

#### Basis of measurement

The consolidated financial report has been prepared on an accruals basis and is based on historical costs.

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

#### Comparative figures

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

#### Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires Management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 Note 3:

- recognition of revenue;
- treatment of software development costs and whether these are to be capitalised.

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:

- recognition of revenue (Note 3);
- impairment testing of the consolidated entity's cash-generating units containing goodwill (Note 3 and 11);
- utilisation of tax losses (Note 15).

#### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established framework with respect to the measurement of fair values, whereby significant fair value measurements determined by Management, including Level 3 fair values (refer below), are reported to the Group's Audit & Risk Committee. If third party information is used to measure fair values, then evidence obtained from the third parties to support the conclusion is assessed such that valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which valuations should be classified.

When measuring fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

### Changes in accounting policies

For the year ended 30 June 2016, there has been no significant change in accounting policies since the previous year for the Group.

### Note 3: Significant 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.

### Basis of Consolidation

A controlled entity is any entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in Note 22 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.

### 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 as 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.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

# Notes

to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

## Note 3: Significant 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-consolidated Group was 1 July 2003.

### Work in Progress

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
Leased plant, equipment	25%-33%	Straight-Line

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 asset 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.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.



## Intangible Assets

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

The amortisation rates used for each class of assets acquired outside a business combination are:

Class of Fixed Asset	Amortisation	
	Rate	Basis
Owned software	25%	Straight-Line
Leased software	25%	Straight-Line

### 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.

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

### 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.

## 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.

### (ii) Non-derivative financial assets

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.

# Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

## Note 3: Significant Accounting Policies (continued)

### Accounting policy

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.

#### **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.

#### **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.

### 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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 corporate 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 an equity-settled employee Performance Rights and Option Plan. 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 the share performance rights is determined using the Binomial Approximation Option Valuation Model. The number of performance rights 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 is 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.

#### Maintenance/support service 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.

#### Sponsored implementation and consulting 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

# Notes

to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

## Note 3: Significant Accounting Policies (continued)

to be recovered. An expected loss on a contract is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income at inception.

### Sponsored project 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 Profit or Loss and Other Comprehensive Income.

### Sale of third party product

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) or Value added Tax (VAT).

### 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.

### 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 of performance rights granted to employees.

### 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 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.

## 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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these consolidated financial statements. The effect of these on the consolidated financial statements of the Group is still to be assessed.

## Notes to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

### Note 3: Significant Accounting Policies (continued)

The Group has not applied the following amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
<i>AASB Financial Instruments</i>	AASB 9, published in July 2014, replaces the existing guidance in <i>AASB 139 Financial Instruments: Recognition and Measurement</i> . AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9
<i>AASB 15 Revenue from Contracts with Customers</i>	AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including <i>AASB 18 Revenue</i> , <i>AASB 111 Construction contracts</i> , and <i>AASB Interpretation 13 Customer Loyalty Programs</i> .  AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15
<i>AASB 16 Leases</i>	AASB 16 removes the lease classification test for lessees and requires all leases (including those classified as operating leases) to be brought onto the balance sheet. There is new guidance on when an arrangement would meet the definition of a lease.  AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted, where AASB 15 is adopted at the same time.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9, 15 and 16, including the potential impact of the various transition provisions available to the group. On a high level basis, if the Group was to adopt AASB 16 as at 30 June 2016, the present value of the future minimum lease payments for non-cancellable operating leases as noted in Note 20 would be recognised as a financial liability in the statement of financial position, and under one of the transition provisions available to the Group, it would recognise a corresponding amount as a Right-of-Use asset.



## Note 4: Profit for the Year

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

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>(a) Other expenses:</b>		
Cost of third party product and services sold	4,090	5,633
Operating lease rentals	3,203	2,977
Research & developments costs	18,139	11,722
<b>(b) Depreciation &amp; amortisation:</b>		
Depreciation of plant & equipment	2,556	2,019
Amortisation of tangible & intangible leased assets	140	595
Amortisation of acquired intangibles (excluding leased assets)	4,666	4,534
	<b>7,362</b>	<b>7,148</b>
<b>(c) Employee benefits expense:</b>		
Monetary based expense (includes contributions for superannuation & other retirement benefits of \$4.09m (2014: \$3.88m))	55,537	54,233
Share based payments	(94)	1,481
	<b>55,443</b>	<b>55,714</b>
<b>(d) Finance costs:</b>		
Foreign currency (gains)/losses	667	(150)
Interest paid to external entities	1	(2)
Finance lease charges	45	39
Facility fees	104	127
	<b>817</b>	<b>14</b>
<b>(e) Finance income:</b>		
Bank interest	41	17
	<b>41</b>	<b>17</b>

# Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

## Note 5: Income Tax Expense

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>(a) The components of tax expense comprise:</b>		
Current tax	619	1,510
Deferred tax (Note 15 (c) <sup>(i)</sup> )	(594)	(121)
(Over)/under provision in respect of prior years	(238)	664
	<b>(213)</b>	<b>2,053</b>
<b>(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:</b>		
Profit before tax	9,057	17,323
Prima facie tax payable/(receivable) at 30%	2,717	5,197
Adjust for tax effect of:		
Research & development expenditure claim	(1,991)	(2,969)
Contributions to Employees Share and Option Plan	(1,023)	-
UK R&D tax credit – current & prior years <sup>(i)</sup>	(616)	(1,330)
Under/(Over) provision in respect of prior years	(238)	664
Current year losses for which no deferred tax asset was recognised	1,201	228
Other (deductible) / non-allowable items	376	657
Reduction in tax rate on deferred tax balances	60	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(699)	(394)
<b>Income tax (credit)/expense attributable to entity</b>	<b>(213)</b>	<b>2,053</b>
Weighted average effective tax rates:	<b>(2%)</b>	12%

(i) The UK permits the surrender of research and development enhanced tax losses in exchange for a refundable tax credit. The above figure includes the credit arising as a result of surrendering previously unrecognised tax losses as well as a claim in relation to the year ended 30 June 2016.

## Note 6: Dividends

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Dividend paid in the period:</b>		
2015 final fully franked (at 30%) dividend paid of 5.5 cents per share (2014: 4.5)	3,661	2,995
2016 Interim fully franked (at 30%) dividend paid of 5.5 cents per share (2015: 5.0)	3,708	3,328
<b>Net Dividend paid</b>	<b>7,369</b>	6,323

After the reporting date the Directors recommended a final dividend of 5.5 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 14 October 2016. The dividend has not been provided and there are no income tax consequences.

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Dividend franking account:</b>		
Balance of franking account at year-end	16,231	16,828
30% franking credits available to shareholders of GBST Holdings Limited for subsequent financial years post final dividend payment.	13,486	16,147

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 2016 \$'000	30 Jun 2015 \$'000
Cash at bank and on hand	9,011	7,785
<b>Cash and cash equivalents in the Statement of Cash flows</b>	<b>9,011</b>	7,785

## Note 8: Trade and Other Receivables

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Current</b>		
Trade receivables	12,981	14,552
Accrued revenue	343	467
Other amounts receivable	493	608
	<b>13,817</b>	15,627

An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired, including factors such as the amount of time a receivable has been outstanding and the solvency of the counterparty. The movement in allowance for impairment during the year was an impairment loss recognised of \$330k (2015: \$879k), amounts written off \$12k (2015: \$14k).

## Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

### Note 9: Work in Progress

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Current - at cost</b>		
Work in progress	3,396	3,080
	<b>3,396</b>	<b>3,080</b>
<b>Non-Current - at cost</b>		
Work in progress	84	-
	<b>84</b>	<b>-</b>

### Note 10: Plant and Equipment

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2016 \$'000
Owned plant and equipment at cost	21,136	20,036
Accumulated depreciation	(13,050)	(11,897)
<b>Net carrying value</b>	<b>8,086</b>	<b>8,139</b>
Leased plant and equipment at cost	1,205	1,243
Accumulated amortisation	(1,175)	(1,157)
Net carrying value	30	86
<b>Total plant and equipment</b>	<b>8,116</b>	<b>8,225</b>

#### (a) Movement in Plant and Equipment

GBST Group	Owned \$'000	Leased \$'000	Total \$'000
<b>Year ended 30 June 2015</b>			
Balance at 1 July 2014	6,771	320	7,091
Additions	3,205	-	3,205
Depreciation expense	(2,019)	(234)	(2,253)
Effect of movements in exchange rates	182	-	182
<b>Balance at 30 June 2015</b>	<b>8,139</b>	<b>86</b>	<b>8,225</b>
<b>Year ended 30 June 2016</b>			
Balance at 1 July 2015	8,139	86	8,225
Additions	2,682	-	2,682
Disposals	(75)	-	(75)
Depreciation expense	(2,556)	(57)	(2,613)
Effect of movements in exchange rates	(104)	1	(103)
<b>Balance at 30 June 2016</b>	<b>8,086</b>	<b>30</b>	<b>8,116</b>

Plant and equipment was impairment tested in conjunction with intangible assets, refer Note 11.

## Note 11: Intangible Assets

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
At Cost		
Software systems	43,642	45,338
Accumulated amortisation	(35,333)	(32,577)
<b>Net carrying value</b>	<b>8,309</b>	<b>12,761</b>
Customer contracts	13,069	13,069
Accumulated amortisation	(13,069)	(13,069)
<b>Net carrying value</b>	<b>-</b>	<b>-</b>
Goodwill	45,988	47,823
Accumulated impairment losses	(5,638)	(6,403)
<b>Net carrying value</b>	<b>40,350</b>	<b>41,420</b>
Leased software at cost	626	451
Accumulated amortisation	(396)	(312)
<b>Net carrying value</b>	<b>230</b>	<b>139</b>
<b>Total intangibles</b>	<b>48,889</b>	<b>54,320</b>

### (a) Movement in Intangibles

GBST Group	Software Systems \$'000	Customer Contracts \$'000	Goodwill \$'000	Leased Software \$'000	Total \$'000
<b>Year ended 30 June 2015</b>					
Balance at 1 July 2014	15,669	-	40,379	500	56,548
Additions	700	-	-	-	700
Amortisation charge	(4,534)	-	-	(361)	(4,895)
Effect of movements in exchange rates	926	-	1,041	-	1,967
<b>Balance at 30 June 2015</b>	<b>12,761</b>	<b>-</b>	<b>41,420</b>	<b>139</b>	<b>54,320</b>
<b>Year ended 30 June 2016</b>					
Balance at 1 July 2015	12,761	-	41,420	139	54,320
Additions	873	-	-	174	1,047
Amortisation charge	(4,666)	-	-	(83)	(4,749)
Effect of movements in exchange rates	(659)	-	(1,070)	-	(1,729)
<b>Balance at 30 June 2016</b>	<b>8,309</b>	<b>-</b>	<b>40,350</b>	<b>230</b>	<b>48,889</b>

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

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

## Notes to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

### Note 11: Intangible Assets (continued)

#### 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) as below:

	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Capital Markets Australia (Palion)	3,350	3,350
Wealth Management Australia (InfoComp)	28,238	28,238
Capital Markets International (Coexis)	7,876	8,946
Financial Services (Emu)	886	886
<b>Total Goodwill</b>	<b>40,350</b>	<b>41,420</b>

#### InfoComp, Palion and Emu CGUs

The recoverable amount of goodwill for each CGU was based on value in use, estimated using discounted cash flow projections. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The first year cash flow projections are based on 2017 Board approved budgets, while cash flows projection for years two to five are based on Management assumptions set out below.

The key assumptions used for value-in-use calculations consider growth and discount rates and are generally consistent with past performance or are based upon the Group's view of future market activity. Discount rates are based on a weighted average cost of capital calculation for the relevant markets and in the same currency as the cash flows, and adjusted for a risk premium to reflect both the increase in risk of investing in equities and the risk specific to the CGU. Terminal growth rates have been determined by Management based on their assessment of long term annual growth expected to be achieved in the countries in which each CGU operates.

#### Coexis CGU

The fair value of the Coexis CGU was determined by an external, independent valuer, having appropriate recognised professional qualifications and experience. The recoverable amount was determined using a fair value less costs of disposal method, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value, based on the inputs in the valuation technique used (refer to Note 2).

The cash flow projections included specific estimates for four years and a terminal growth rate thereafter. The first and subsequent year's cash flow projections are based on 2016 Normalised Actual results and use growth rates in line with historical and future expected performance along with an assessment of costs if Coexis was operating on a standalone basis.

The key assumptions used for fair value less costs of disposal are outlined below together with sensitivity analysis for those assumptions. Discount rates are based on a weighted average cost of capital calculation for the relevant markets and in the same currency as the cash flows, and adjusted for a risk premium to reflect both the increase in risk of investing in equities and the risk specific to the CGU. Terminal growth rates are based on forecast real GDP growth and CPI in the UK and forecast growth in the industry.



A summary of key assumptions for Coexis and other CGU's is presented below:

2015	Coexis Fair value less cost to disposal	InfoComp Value-in-use	Palion Value-in-use	EMU Value-in-use
<b>Calculation Method</b>				
Revenue growth rates	3-6%	7.5%	0%	7.5%
Cost growth rates	3-5%	4%	4%	4%
Long term growth rates	2%	3%	3%	3%
Post-tax discount rate	13.3%	9.6%	12.3%	12.3%

2016	Coexis Fair value less cost to sell	InfoComp Value-in-use	Palion Value-in-use	EMU Value-in-use
<b>Calculation Method</b>				
Revenue growth rates	3-6%	7.5%	0%	7.5%
Cost growth rates	3-5%	4%	4%	4%
Long term growth rates	2.5%	3%	3%	3%
Post-tax discount rate	14.1%	9.6%	12.3%	12.3%

Future anticipated cash flows for all CGU's indicate that the carrying value of the intangible assets were not required to be impaired in 2016.

For the Coexis fair value, Management has identified that a reasonably possible change in the following assumptions would cause the carrying amount to exceed the recoverable amount:

Decrease of annual revenue against forecast by	1.7% (June 2015: 10.8%)
Increase of annual costs above forecast by	2.3% (June 2015: 14.7%)
Increase of post-tax discount rate by	1.4% (June 2015: 11.4%)

## Note 12: Other Assets

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Current</b>		
Prepaid expenditure	2,374	2,262
	2,374	2,262
<b>Non-Current</b>		
Prepaid expenditure	112	79
	112	79

## Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

### Note 13: Trade and other Payables

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Current (unsecured)</b>		
Trade payables & accruals	6,631	9,048
Leasehold liability	288	271
	<b>6,919</b>	<b>9,319</b>
<b>Non-Current (unsecured)</b>		
Trade payables & accruals	932	913
Leasehold liability	1,494	1,785
	<b>2,426</b>	<b>2,698</b>

### Note 14: Loans and Borrowings

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Current</b>		
Commercial loan facility (secured)	21	8
Finance lease liability (Note 20)	79	209
	<b>100</b>	<b>217</b>
<b>Non-Current</b>		
Senior bank facility (secured)	-	21
Finance lease liability (Note 20)	76	41
	<b>76</b>	<b>62</b>
	<b>176</b>	<b>279</b>

**Note 15: Tax**

	<b>GBST GROUP</b>	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>(a) Deferred tax liabilities</b>		
<i>Deferred tax liability comprises:</i>		
Tax allowances relating to plant and equipment	180	65
Tax allowances relating to intangibles	1,253	2,008
Other items	25	13
	<b>1,458</b>	<b>2,086</b>
<b>(b) Deferred tax assets</b>		
<i>Deferred tax assets comprise:</i>		
Provisions	2,134	4,221
Tax allowances relating to plant and equipment	356	347
Tax allowances relating to intangibles	2,592	196
Recognised tax losses	1,224	1,540
	<b>6,306</b>	<b>6,304</b>
<b>(c) Reconciliations</b>		
<b>(i) Net Movement</b>		
<i>The overall movement in the net deferred tax account is as follows:</i>		
Opening balance	4,218	4,150
Credited/(charged) to the income statement	594	121
Foreign currency translation	(137)	205
Charge to equity	173	(258)
<b>Closing balance</b>	<b>4,848</b>	<b>4,218</b>
<b>(b) Total deferred tax assets not brought to account as at reporting period end:</b>		
- tax losses: operating losses	6,618	6,674
- tax losses: capital losses	1,147	1,147

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

## Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

### Note 16: Provisions

	GBST GROUP		
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	
<b>Current</b>			
Employee benefits	5,567	5,756	
	<b>5,567</b>	<b>5,756</b>	
<b>Non-Current</b>			
Employee benefits	1,079	1,351	
Make Good <sup>(a)</sup>	1,138	1,100	
	<b>2,217</b>	<b>2,451</b>	
	Employee benefits \$'000	Make Good \$'000	Total \$'000
GBST Group			
Balance at the beginning of the year	7,107	1,100	8,207
Additional provisions	3,877	243	4,120
Amounts used	(4,097)	(7)	(4,104)
Unused amounts reversed	(241)	(198)	(439)
<b>Balance at 30 June 2016</b>	<b>6,646</b>	<b>1,138</b>	<b>7,784</b>

(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 2018 to 2026.

### Note 17: Unearned Income

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Current</b>		
Revenue received in advance for software usage and support services	9,588	10,413
	<b>9,588</b>	<b>10,413</b>

## Note 18: Issued Capital

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Fully paid ordinary shares	37,664	37,664
Issuing of ordinary shares - vesting of performance rights	702	-
	<b>38,366</b>	37,664
Ordinary shares	No.	No.
Opening Balance	66,561,725	66,561,725
Issuing of ordinary shares - vesting of performance rights	861,817	-
	<b>67,423,542</b>	66,561,725

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

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

### Options and Performance Rights

For details on employee and placement options and performance rights over ordinary shares, see Note 29.

## Note 19: Reserves

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Equity remuneration reserve	1,613	2,409
Foreign currency translation reserve	(2,912)	(538)
	<b>(1,299)</b>	1,871

## Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

### Note 20: Capital, Leasing and Other Commitments

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>(a) Finance Leasing Commitments</b>		
<b>Payable on leases:</b>		
Not later than one year	82	218
Later than one year but not later than five years	80	43
	<b>162</b>	<b>261</b>
Less future finance charges	(7)	(11)
<b>Total liability</b>	<b>155</b>	<b>250</b>

#### Lease liabilities are included in the Statement of Financial Position as:

Current (Note 14)	79	209
Non-current (Note 14)	76	41
	<b>155</b>	<b>250</b>

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

#### (b) Non-cancellable Operating Leases

##### Lease amounts are payable:

Not later than one year	3,388	3,799
Later than one year but not later than five years	13,015	13,495
Later than five years	4,868	6,555
	<b>21,271</b>	<b>23,849</b>

Non-cancellable leases include rental premises with original lease terms up to ten years. The lease agreements require that the minimum lease payments shall be increased by incremental contingent rentals based on market or CPI.

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

#### (c) Capital and Other Expenditure Commitments

##### Contracted for:

Capital purchases	63	259
Other operating purchases	107	132
	<b>170</b>	<b>391</b>

##### Payable

Not later than one year	170	391
	<b>170</b>	<b>391</b>



**Note 21: Auditors' Remuneration**

	<b>GBST GROUP</b>	
	30 Jun 2016	30 Jun 2015
	\$	\$
<b>Audit Services</b>		
KPMG Australia		
Audit & review of financial reports	340,587	199,100
Overseas KPMG firms		
Audit & review of financial reports	55,827	116,146
	<b>396,414</b>	<b>315,246</b>
<b>Other Services</b>		
KPMG Australia		
Taxation services	255,437	77,410
Other services	146,715	17,000
Overseas KPMG firms		
Taxation services	31,075	-
	<b>433,227</b>	<b>94,410</b>

# Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

## Note 22: Other Group Entities

### (a) Controlled Entities Consolidated

Group Entity	Principal place of Business	Percentage Owned
GBST Pty Ltd*	Australia	100% (June 2015: 100%)
Emu Design (Qld) Pty Ltd*	Australia	100% (June 2015: 100%)
GBST ESOP Pty Ltd*	Australia	100% (June 2015: 100%)
GBST Ltd	United Kingdom	100% (June 2015: 100%)
GBST (Australia) Pty Ltd*	Australia	100% (June 2015: 100%)
<i>Subsidiaries of GBST Ltd:</i>		
GBST Inc	United States of America	100% (June 2015: 100%)
GBST Singapore Pte Limited	Singapore	100% (June 2015: 100%)
<i>Subsidiaries of GBST Australia Pty Ltd:</i>		
GBST Hong Kong Limited	Hong Kong	100% (June 2015: 100%)
GBST Registry Solutions Pty Ltd*	Australia	100% (June 2015: 100%)
GBST Wealth Management Pty Ltd*	Australia	100% (June 2015: 100%)
<i>Subsidiaries of GBST Wealth Management Pty Ltd:</i>		
GBST UK Holdings Limited	United Kingdom	100% (June 2015: 100%)
<i>Subsidiaries of GBST UK Holdings Ltd:</i>		
GBST Hosting Limited	United Kingdom	100% (June 2015: 100%)
GBST Wealth Management Limited	United Kingdom	100% (June 2015: 100%)

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

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 30 June 2016 is set out as follows:

	<b>CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE</b>	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<i>Financial information in relation to:</i>		
<b>i. Summarised Statement of Profit or Loss and Other Comprehensive Income</b>		
Revenue from license and service sales	56,971	54,055
Revenue from sponsored work	17,029	27,271
Revenue from sale of third party product	1,597	1,933
Other income	120	25
<b>Results from Operating Activities</b>	<b>8,532</b>	14,124
Finance costs	(1,119)	(100)
Finance income	40	17
<b>Net finance costs</b>	<b>(1,079)</b>	(83)
Profit before income tax	7,453	14,041
Income tax benefit/(expense)	514	(3,555)
Profit after income tax	7,967	10,486
<b>Profit Attributable to Members of the Parent Entity</b>	<b>7,967</b>	10,486
<b>Other Comprehensive Income</b>	<b>-</b>	-
<b>Total Comprehensive Income for the Year</b>	<b>7,967</b>	10,486
<b>ii. Retained Earnings</b>		
Retained profits at the beginning of the year	22,543	26,039
Transfer financial asset reserve to retained earnings	(650)	(7,659)
Profit after income tax	7,967	10,486
Dividends provided for or paid	(7,369)	(6,323)
<b>Retained Earnings at End of the Year</b>	<b>22,491</b>	22,543

# Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

## Note 22: Other Group Entities (continued)

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>iii. Statement of Financial Position</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,893	3,046
Trade and other receivables	12,646	11,378
Work in progress	1,955	2,566
Current tax receivable	1,156	-
Other assets	1,837	1,513
<b>Total Current Assets</b>	<b>21,487</b>	<b>18,503</b>
<b>Non-Current Assets</b>		
Work in progress	84	-
Property, plant and equipment	6,667	6,042
Intangible assets	35,458	37,759
Investment	12,055	15,639
Deferred tax assets	5,045	4,688
Other assets	77	78
<b>Total Non-Current Assets</b>	<b>59,386</b>	<b>64,206</b>
<b>TOTAL ASSETS</b>	<b>80,873</b>	<b>82,709</b>
<b>Current Liabilities</b>		
Trade and other payables	3,769	3,550
Loans and borrowings	100	213
Current tax liabilities	-	888
Provisions	5,499	5,602
Unearned income	6,777	6,754
<b>Total Current Liabilities</b>	<b>16,145</b>	<b>17,007</b>
<b>Non-Current Liabilities</b>		
Trade and other payables	2,300	2,655
Loans and borrowings	76	62
Deferred tax liabilities	1,254	2,008
Provisions	1,794	2,103
<b>Total Non-Current Liabilities</b>	<b>5,424</b>	<b>6,828</b>
<b>TOTAL LIABILITIES</b>	<b>21,569</b>	<b>23,835</b>
<b>NET ASSETS</b>	<b>59,304</b>	<b>58,874</b>
<b>Equity</b>		
Issued capital	38,366	37,664
Reserves	(1,553)	(1,333)
Retained earnings	22,491	22,543
<b>TOTAL EQUITY</b>	<b>59,304</b>	<b>58,874</b>

## Note 23: Financing Arrangements

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Financing facilities <sup>(a)</sup>	13,668	13,608
Amount utilised	(4,501)	(2,439)
<b>Unused credit facility</b>	<b>9,167</b>	<b>11,169</b>

(a) The balance as at 30 June 2016 primarily comprises of facilities for working capital, bank guarantees, equipment finance and corporate cards with Commonwealth Bank of Australia (CBA) and HSBC. The senior debt facility with the CBA was repaid in full during the financial year.

## Note 24: Cash Flow Information

	GBST GROUP	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>(a) Reconciliation of Net Cash provided by Operating Activities to Profit after Income Tax</b>		
Profit after income tax	9,270	15,270
<i>Non-cash flows in operating profit:</i>		
Depreciation and amortisation	7,362	7,148
Profit on sale of plant and equipment	(11)	-
Share based payments	(94)	1,481
<i>Changes in assets and liabilities:</i>		
Change in receivables	1,810	931
Change in other assets	(145)	(691)
Change in unearned income	(825)	(702)
Change in work in progress	(400)	(2,430)
Change in deferred tax balances	(630)	(68)
Change in tax provision	(359)	(2,995)
Change in trade and other payables	(3,615)	2,463
Change in provisions	(423)	1,036
<b>Cash flow from operations</b>	<b>11,940</b>	<b>20,443</b>

### (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)	9,011	7,785
	<b>9,011</b>	<b>7,785</b>

### (c) Non-cash Financing Activities

During the 2016 financial year the Group acquired software with an aggregate value of \$174k (2015: \$Nil) by means of finance leases.

## Note 25: Operating Segment

The Group has two primary strategic business units which are further segmented into Australia and International geographic segments, as described below. 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:

# Notes

to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

## Note 25: Operating Segment (continued)

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

*Capital Markets International* through the GBST Syn- platform, provides new-generation technology to process equities, derivatives, fixed income and managed funds transactions for global capital markets.

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

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

## Reportable segments

	CAPITAL MARKETS AUSTRALIA		CAPITAL MARKETS INTERNATIONAL		WEALTH MANAGEMENT AUSTRALIA		WEALTH MANAGEMENT INTERNATIONAL		ELIMINATIONS		GBST GROUP	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>												
Revenue from external customers	32,675	32,294	13,253	12,412	17,805	18,952	43,906	50,094	-	-	107,639	113,752
Other income from external customers	15	22	58	202	106	4	325	270	-	-	504	498
Inter-segment revenues*	188	87	-	-	7	-	-	-	(195)	(87)	-	-
<b>Total segment revenue</b>	<b>32,878</b>	<b>32,403</b>	<b>13,311</b>	<b>12,614</b>	<b>17,918</b>	<b>18,956</b>	<b>44,231</b>	<b>50,364</b>	<b>(195)</b>	<b>(87)</b>	<b>108,143</b>	<b>114,250</b>
<b>OPERATING EBITDA</b>	<b>11,216</b>	<b>8,976</b>	<b>(4,508)</b>	<b>(3,324)</b>	<b>4,580</b>	<b>7,362</b>	<b>8,709</b>	<b>11,454</b>	<b>-</b>	<b>-</b>	<b>19,997</b>	<b>24,468</b>
Depreciation and amortisation	(3,590)	(1,847)	(739)	(2,347)	(2,489)	(2,540)	(544)	(414)	-	-	(7,362)	(7,148)
<b>Segment result</b>	<b>7,626</b>	<b>7,129</b>	<b>(5,247)</b>	<b>(5,671)</b>	<b>2,091</b>	<b>4,822</b>	<b>8,165</b>	<b>11,040</b>	<b>-</b>	<b>-</b>	<b>12,635</b>	<b>17,320</b>
Unallocated revenue/(expenses)**											(2,802)	-
<b>Net finance income/(costs)</b>											(776)	3
<b>Profit before income tax</b>											9,057	17,323
<b>Income tax credit/(expense)</b>											213	(2,053)
<b>Profit after income tax</b>											9,270	15,270

\* Inter-segment revenue received by Capital Markets International (CMI) from Capital Markets Australia (CMA) of \$1.6m (2015: \$1.6m) for use of intangible assets is not included to align with reporting to CEO. In addition, margin to reflect arm's length transactions for re-charges for software development work charges and other costs between CMA and CMI of \$122k revenue (2015: \$374k expense) and by Wealth Management Australia and Wealth Management International of \$119k (2015: \$664k) are also not included. Inter-segment revenue with an associated direct external cost (typically direct labour costs) is included.

\*\* 2015 amount is net of a recovery of legal expenses previously expensed.

	SEGMENT REVENUES FROM EXTERNAL CUSTOMERS		CARRYING AMOUNT OF SEGMENT NON-CURRENT ASSETS	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Geographical Location:</b>				
Australia	50,431	51,246	51,134	45,681
Europe	46,258	52,417	11,572	22,634
Asia	8,224	8,834	783	594
North America	2,726	1,255	18	19
	<b>107,639</b>	113,752	<b>63,507</b>	68,928

### Information about Geographical Areas

The consolidated Group's operating segments are managed in Australia. Capital Markets Australia has operations and customers in Australia (as well as a customer in New Zealand and customers in Asia from sales to Australian entities). Capital Markets International has operations and customers in Europe, North America and Asia. Wealth Management Australia has operations and customers in Australia. Wealth Management International has operations and customers in the United Kingdom.

### Major Customer

Revenues from the top five customers of the Group represents \$43.1m (2015: \$55.3m) of the Group's total revenues.

### 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.

### 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.



## Notes to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

### Note 26: 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 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, the Group's policy that financial instruments held are not intended for trading purposes.

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.

##### Australian variable interest rate risk

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

	GBST GROUP	
	2016 \$'000	2015 \$'000
<b>Financial assets</b>		
Cash	478	1,339
	478	1,339

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.

**Foreign currency variable interest rate risk**

At reporting period, the Group had the following mix of foreign currency exposed to variable interest rate risk.

	GBST GROUP	
	2016 \$'000	2015 \$'000
<b>Financial assets – Cash</b>		
Great British Pounds	3,828	5,308
United States of America Dollars	4,475	546
Euros	11	11
Singapore Dollars	139	70
Hong Kong Dollars	80	511
	<b>8,533</b>	<b>6,446</b>

**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 seeks to utilise existing currency reserves and naturally hedge foreign currency purchase where possible.

At balance sheet date the Group had exposure to movements in the exchange rate as follows:

	2016		2015	
	Cash and Receivables \$'000	Payables \$'000	Cash and Receivables \$'000	Payables \$'000
Great British Pounds	10,987	2,939	13,887	5,308
United States of America Dollars	4,500	60	1,318	173
Euros	11	-	11	-
Singapore Dollars	139	112	70	126
Hong Kong Dollars	198	162	726	204
	<b>15,835</b>	<b>3,273</b>	<b>16,012</b>	<b>5,811</b>

**(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.

**(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, receivable 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.

## Notes to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

### Note 26: Financial Risk Management (continued)

In respect of the parent entity, credit risk also incorporates the exposure of GBST Holdings Limited to the liabilities of all Australian entities under the Deed of Cross Guarantee. Refer to Note 22 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 40% (2015: 49%) of the Group's revenue is derived from five customers providing financial services, who represent 47% of the gross trade debtor balance as at 30 June 2016. All Australian clients satisfy the minimum core capital requirements of the ASX (where applicable).

Trade debtor terms range between fourteen to thirty days. Included in the Group's trade receivable balance are debtors with a carrying amount of \$3.28m (2015: \$3.62m) 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 32 days (2015: 34 days).

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

	2016		2015	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	9,748	51	10,987	53
Past due 0-30 days	622	0	1,524	63
Past due 30-90 days	2,479	49	1,668	274
Past due more than 90 days	1,340	1,109	1,253	488
	<b>14,189</b>	<b>1,208</b>	<b>15,431</b>	<b>879</b>

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

	GBST GROUP CARRYING AMOUNT	
	2016 \$'000	2015 \$'000
Opening balance	879	-
Impairment loss recognised	341	893
Amounts written off	(12)	(14)
<b>Closing balance</b>	<b>1,208</b>	<b>879</b>

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

	GBST GROUP CARRYING AMOUNT	
	2016 \$'000	2015 \$'000
Cash and cash equivalents	9,011	7,785
Trade and other receivables	13,817	15,627
	<b>22,828</b>	<b>23,412</b>

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

	GBST GROUP CARRYING AMOUNT	
	2016 \$'000	2015 \$'000
Australia and New Zealand	6,515	6,061
Europe	5,039	6,499
Asia	2,237	2,296
North America	25	772
	<b>13,817</b>	<b>15,627</b>

### (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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
GBST Group												
<b>Financial Liabilities</b>												
Lease facilities <sup>(i)</sup>	103	227	80	44	-	21	-	-	183	292	176	279
Trade & other payables	6,919	9,319	546	545	1,511	1,308	369	845	9,345	12,017	9,345	12,017
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>7,022</b>	<b>9,546</b>	<b>626</b>	<b>589</b>	<b>1,511</b>	<b>1,329</b>	<b>369</b>	<b>845</b>	<b>9,528</b>	<b>12,309</b>	<b>9,521</b>	<b>12,296</b>

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

#### (ii) Net Fair Values

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 of 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.

For financial assets and liabilities of the Group, the carrying value is a reasonable approximation of the fair value.

#### (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.

## Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

### Note 26: Financial Risk Management (continued)

#### Foreign Currency Risk Sensitivity Analysis

At 30 June 2016, the effect on profit as a result of changes in the value of currencies relevant to GBST's operations not denominated in Australian dollars (with all other variables remaining constant) is as follows:

#### (i) Profit:

	GBST GROUP	
	2016 \$'000	2015 \$'000
<b>Increase/(Decrease) in Profit</b>		
Improvement in AUD to GBP by 10%	422	539
Decline in AUD to GBP by 10%	(422)	(539)
Improvement in AUD to USD by 10%	(301)	(81)
Decline in AUD to USD by 10%	301	81
Improvement in AUD to SGD by 10%	25	9
Decline in AUD to SGD by 10%	(25)	(9)
Improvement in AUD to HKD by 10%	6	11
Decline in AUD to HKD by 10%	(6)	(11)

#### (ii) Equity:

	GBST GROUP	
	2016 \$'000	2015 \$'000
<b>Change in Equity</b>		
Improvement in AUD to GBP by 10%	1,530	1,499
Decline in AUD to GBP by 10%	(1,530)	(1,499)
Improvement in AUD to USD by 10%	(968)	(712)
Decline in AUD to USD by 10%	968	712
Improvement in AUD to SGD by 10%	55	36
Decline in AUD to SGD by 10%	(55)	(36)
Improvement in AUD to HKD by 10%	62	69
Decline in AUD to HKD by 10%	(62)	(69)

#### Price Risk

At 30 June 2016 there no investments in listed shares.

## Note 27: Contingent Liabilities

During the year, GBST advanced \$277k to a former director and executive, Mr Stephen Lake, in accordance with the terms of the Deed of Access, Indemnity and Insurance (“the Deed”) with Mr Lake. The advances were paid to cover legal costs incurred in defending proceedings brought against Mr Lake in the Supreme Court of Queensland by Mr Malcolm Murdoch, a former director and shareholder of GBST. The proceedings relate to a dispute surrounding the terms on which earlier proceedings pursued by Mr Murdoch in 2003 were settled in 2004. All amounts advanced by GBST under the Deed are repayable if, upon the final adjudication of the proceedings, Mr Lake is not entitled to be indemnified by GBST. To date, GBST has advanced a total of \$873k to Mr Lake to cover legal costs incurred in defending these proceedings since he first claimed under his Indemnity since 2012.

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

As previously disclosed to the ASX on 26 March 2016, the Company is involved in a dispute with its former Managing Director and CEO, Stephen Lake, regarding the termination of his employment. An amended claim and statement of claim was received by the Company on 31 May 2016. The Company intends to vigorously defend the claim. On the basis of present information, the Company has made no provision for any loss or damage in relation to this claim.

As at 30 June 2016, GBST has with its clients a variety of software supply agreements, each of which contain service and performance warranties and indemnities. These warranties and indemnities are of the standard type used in the industry and the likelihood of liabilities arising under these warranties and indemnities is considered remote.

## Note 28: Related Parties

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

### Key Management Personnel Compensation

	GBST GROUP	
	2016	2015
	\$	\$
Short-term employee benefits	3,192,272	3,887,728
Post-employment benefits	159,370	127,498
Other long-term benefits	37,343	45,200
Termination benefits	142,643	-
Share-based payments	(55,594)	759,566
	<b>3,476,034</b>	<b>4,819,992</b>

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

### Key Management Personnel Transactions

Mr J Sundell and Mr I Thomas are Directors and Shareholders of FinClear. FinClear transacted with GBST during the year (Aug15 to Mar16) in respect to the provision of secondment staff from GBST to FinClear. The total revenue related to the provision of staff to FinClear was \$111k. The amount owing at 30 June 2016 was \$nil. There were no doubtful debts provided for or expensed during the period with regard to these transactions. The terms and conditions of these transactions are no more favourable than those available, or which might be reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

## Notes to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

### Note 29: Share Based Payments

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

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

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

#### Options

There were no options issued during the period.

#### Share Performance Rights

In addition to the performance rights issued in 2012, 2013, 2014 and 2015 financial years disclosed in the consolidated annual report of the Group as at and for the year ended 30 June 2015, the Group has issued the following performance rights in the current period:

On 5 October 2015 and 19 April 2016, the Group issued 273,205 and 30,303 performance rights to selected employees. There is a nil exercise price and the share performance rights vest in thirty-six months after the date of grant or the date of release of GBST's financial results for the 2018 financial year, whichever is later. The share performance rights expire thirty days after the vesting date. The share performance rights are conditional on the employees meeting continuous service conditions and the Group meeting certain financial performance measures. These performance rights were forfeited due failure to meet the financial performance target for the 2016 financial year.

On 8 November 2015, 861,817 performance rights issued on 8 November 2012 vested. The 365,177 performance rights issued to former Managing Director Mr Stephen Lake lapsed on resignation from GBST on the 6th November 2015 and the remainder of performance rights 87,642 issued on 8 November 2012 lapsed prior to the vesting date and have been cancelled.

During the year the following movement in balances occurred:

	Opening Balance	Granted	Forfeited	Exercised	Expired	Closing Balance
8 November 2012	1,314,636	-	(452,819)	(861,817)	-	-
24 September 2013	451,208	-	(15,832)	-	-	435,376
5 August 2014	311,509	-	(23,447)	-	-	288,062
16 October 2014	100,486	-	(100,486)	-	-	-
2 March 2015	101,924	-	(101,924)	-	-	-
5 October 2015	-	273,205	(273,205)	-	-	-
19 April 2016	-	30,303	(30,303)	-	-	-
<b>Total</b>	<b>2,279,763</b>	<b>303,508</b>	<b>(998,016)</b>	<b>(861,817)</b>	<b>-</b>	<b>723,438</b>

As at reporting date a net \$94k benefit (2015: \$1,477k expense) was included in share based payment expense as a result of performance rights forfeited during the period due to failure to meet the financial performance target for the 2016 financial year and employees not meeting the employment service conditions.



## Movement in Share Performance Rights

The following table illustrates the number, weighted average exercise price (WAEP) and movement in share performance rights under the Share Performance Rights Scheme issued during the period.

	Jun 2016 Number	Jun 2016 WAEP	Jun 2015 Number	Jun 2015 WAEP
Outstanding at the beginning of the period	2,279,763	-	1,832,383	-
Granted during the period	303,508	-	547,415	-
Forfeited during the period	(998,016)	-	(100,035)	-
Exercised during the period	(861,817)	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	723,438	-	2,279,763	-
Exercisable at the end of the period	-	-	-	-

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

The share performance rights outstanding at 30 June 2016 had a weighted remaining contractual life of 8 months. Unless otherwise stated, all issues of performance rights under the plan have a nil exercise price and vest in thirty-six months after the date of grant or the date of release of GBST's audited financial results, whichever is later. The share performance rights expire thirty days after the vesting date, and are conditional on the employees meeting continuous service conditions and the group meeting certain financial performance measures.

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

Grant Date	Financial Performance hurdle
8 November 2012 <sup>(1)</sup>	<p><b>Cumulative Earnings Per Share (EPS) Target</b></p> <ul style="list-style-type: none"> <li>Subject to GBST achieving three year (2013 – 2015 financial years) cumulative EPS targets of 26 cents, 28 cents, and 32 cents for 25%, 50% and 100% vesting respectively (interpolated).</li> </ul> <p><b>Minimum EPS</b></p> <ul style="list-style-type: none"> <li>A minimum EPS of 5 cents is achieved in each year</li> </ul> <p><b>Service Condition</b></p> <ul style="list-style-type: none"> <li>Continuous employment with the Group from grant date for three years.</li> </ul>
24 September 2013 <sup>(2)</sup>	<p><b>Cumulative Earnings Per Share (EPS) Target</b></p> <ul style="list-style-type: none"> <li>Subject to GBST achieving three year (2014 – 2016 financial years) cumulative EPS targets of 32 cents, 36 cents, and 40 cents for 25%, 50% and 100% vesting respectively (interpolated).</li> </ul> <p><b>Minimum EPS</b></p> <ul style="list-style-type: none"> <li>A minimum EPS of 5 cents is achieved in each year</li> </ul> <p><b>Service Condition</b></p> <ul style="list-style-type: none"> <li>Continuous employment with the Group from grant date for three years.</li> </ul>

## Notes to and forming part of the Consolidated Financial Statements for the year ended 30 June 2016 continued

### Note 29: Share Based Payments (continued)

<p>5 August 2014<sup>(3)</sup> 345,005 performance rights</p>	<p><b>Cumulative Earnings Per Share (EPS) Target</b></p> <ul style="list-style-type: none"> <li>Subject to GBST achieving three year (2015 – 2017 financial years) cumulative EPS targets of 45 cents, 50 cents, and 60 cents for 25%, 50% and 100% vesting respectively (interpolated).</li> </ul> <p><b>Minimum EPS</b></p> <ul style="list-style-type: none"> <li>A minimum EPS of 10 cents is achieved in each year</li> </ul> <p><b>Service Condition</b></p> <ul style="list-style-type: none"> <li>Continuous employment with the Group from grant date for three years.</li> </ul>
<p>16 October 2014<sup>(4)</sup> 100,486 performance rights (forfeited – service target failed)</p>	<p><b>Cumulative Earnings Per Share (EPS) Target</b></p> <ul style="list-style-type: none"> <li>Subject to GBST achieving three year (2015 – 2017 financial years) cumulative EPS targets of 45 cents, 50 cents, and 60 cents for 25%, 50% and 100% vesting respectively (interpolated).</li> </ul> <p><b>Minimum EPS</b></p> <ul style="list-style-type: none"> <li>A minimum EPS of 10 cents is achieved in each year</li> </ul> <p><b>Service Condition</b></p> <ul style="list-style-type: none"> <li>Continuous employment with the Group from grant date for three years.</li> </ul>
<p>2 March 2015<sup>(4)</sup> 101,924 performance rights (forfeited – service target failed)</p>	<p><b>Cumulative Earnings Per Share (EPS) Target</b></p> <ul style="list-style-type: none"> <li>Subject to GBST achieving three year (2015 – 2017 financial years) cumulative EPS targets of 45 cents, 50 cents, and 60 cents for 25%, 50% and 100% vesting respectively (interpolated).</li> </ul> <p><b>Minimum EPS</b></p> <ul style="list-style-type: none"> <li>A minimum EPS of 10 cents is achieved in each year</li> </ul> <p><b>Service Condition</b></p> <ul style="list-style-type: none"> <li>Continuous employment with the Group from grant date for three years.</li> </ul>
<p>5 October 2015<sup>(5)</sup> 273,205 performance rights (forfeited – FY16 EPS target failed)</p>	<p><b>Cumulative Earnings Per Share (EPS) Target</b></p> <ul style="list-style-type: none"> <li>Subject to GBST achieving three year (2016 – 2018 financial years) cumulative EPS targets of 72 cents, 77 cents, and 82 cents for 25%, 50% and 100% vesting respectively (interpolated).</li> </ul> <p><b>Minimum EPS</b></p> <ul style="list-style-type: none"> <li>A minimum EPS of 15 cents is achieved in each year</li> </ul> <p><b>Service Condition</b></p> <ul style="list-style-type: none"> <li>Continuous employment with the Group from grant date for three years.</li> </ul>

19 April 2016<sup>(6)</sup>30,303 performance rights  
(forfeited – FY16 EPS target failed)**Cumulative Earnings Per Share (EPS) Target**

- Subject to GBST achieving three year (2016 – 2018 financial years) cumulative EPS targets of 72 cents, 77 cents, and 82 cents for 25%, 50% and 100% vesting respectively (interpolated).

**Minimum EPS**

- A minimum EPS of 15 cents is achieved in each year

**Service Condition**

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

- (1) The fair value of the share performance rights of \$0.82 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant \$0.96, expected volatility of 46.8 percent, expected dividends of 5.42 percent, a term of three years and a risk-free interest rate of 2.61 percent. The exercise price for the share performance rights is nil.
- (2) The fair value of the share performance rights of \$2.54 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant \$2.85, expected volatility of 40.02 percent, expected dividend yield of 3.80 percent, a term of three years and a risk-free interest rate of 2.81 percent. The exercise price for the share performance rights is nil.
- (3) The fair value of the share performance rights of \$3.28 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant \$3.52, expected volatility of 45 percent, expected dividend yield of 2.298 percent, a term of three years and a risk-free interest rate of 2.62 percent. The exercise price for the share performance rights is nil.
- (4) The fair value of the share performance rights of \$3.43 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant \$3.67, expected volatility of 45 percent, expected dividend yield of 2.312 percent, a term of three years and a risk-free interest rate of 2.46 percent. The exercise price for the share performance rights is nil.
- (5) The fair value of the share performance rights of \$5.01 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant \$5.18, expected volatility of 40 percent, expected dividend yield of 1.12 percent, a term of three years and a risk-free interest rate of 1.83 percent. The exercise price for the share performance rights is nil.
- (6) The fair value of the share performance rights of \$4.29 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant \$4.50, expected volatility of 40 percent, expected dividend yield of 1.95 percent, a term of three years and a risk-free interest rate of 2.01 percent. The exercise price for the share performance rights is nil.

**Note 30: Earnings Per Share**

	GBST GROUP	
	2016	2015
Basic earnings per share (cents)	13.82	22.94
Diluted earnings per share (cents)	13.73	22.50
<b>(a) Reconciliation of earnings to net profit</b>	\$'000	\$'000
Net Profit	9,270	15,270
Earnings used in the calculation of basic EPS and dilutive EPS	9,270	15,270

**(b) Weighted average number of ordinary shares**

Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	67,076,604	66,561,725
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	67,511,980	67,876,361

The weighted average number of performance rights that are due to vest (based on achievement of performance conditions) in the period immediately following the reporting date are included for the purposes of calculating the Group's dilutive EPS.

**Note 31: Subsequent Events**

The financial report was authorised for issue on 22 August 2016 by the Board of Directors.

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.

## Notes

to and forming part of the Consolidated Financial Statements  
for the year ended 30 June 2016 continued

### Note 32: Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2016 the parent company of the Group was GBST Holdings Limited.

	GBST HOLDINGS	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000
<b>Results of the Parent Entity</b>		
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>	<b>6,795</b>	4,170
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Total items that will not be reclassified to profit or loss</i>	-	-
<b>Total Comprehensive Income for the Year</b>	<b>6,795</b>	4,170
<b>Financial Position of the Parent Entity at Year End</b>		
Current Assets	7,781	10,355
<b>Total Assets</b>	<b>79,812</b>	80,163
Current Liabilities	9,044	11,159
<b>Total Liabilities</b>	<b>12,358</b>	15,034
<b>Total Equity of the Parent Entity Comprising of:</b>		
Issued capital	38,366	37,664
Equity remuneration reserve	1,613	2,409
Retained earnings	27,475	25,056
<b>Total Equity</b>	<b>67,454</b>	65,129

### Parent Entity Contingencies

The Directors are of the opinion that no provisions are required in respect of parent entity contingencies. On the basis of present information, the Company has made no provision for any loss or damage in relation to this claim. Refer to Note 27.

### 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 2016 \$'000	30 Jun 2015 \$'000
<b>Parent Entity Capital and Other Expenditure Commitments</b>		
<b>Contracted for:</b>		
Capital and other operating purchases	160	64
<b>Payable</b>		
Not later than one year	160	64
	<b>160</b>	<b>64</b>

### 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 22.

## Directors' Declaration for the year ended 30 June 2016

1. In the opinion of the Directors of GBST Holdings Limited ('the Company'):
  - a) the consolidated financial statements and Notes 1 to 32 and the Remuneration report in the Directors' report, set out on pages 22 to 30, 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 2016 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 22 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 2016.
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:



**Mr A J Brackin**  
Chairman



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

Dated at Sydney this 22nd day of August 2016

# Independent Auditor's Report for the year ended 30 June 2016



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

### Report on the financial report

We have audited the accompanying financial report of GBST Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *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 for the year ended 30 June 2016



## *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 2016 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 22 to 30 of the directors' report for the year ended 30 June 2016. 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 2016 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Stephen Board  
Partner

Brisbane  
22 August 2016

# Additional Information

for the year ended 30 June 2016

## Shareholder Information

### Distribution of shareholdings at 22 August 2016

Category (size of holding)	No. Holders
1 to 1,000	1,431
1,001 to 5,000	1,912
5,001 to 10,000	454
10,001 to 100,000	295
100,001 and over	38
<b>Total No. of Holders</b>	<b>4,130</b>

The number of shareholders holding less than a marketable parcel is 195

### Substantial shareholders at 22 August 2016

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

Name	No. Ordinary Shares	% of Voting Power
Perpetual Limited and subsidiaries	6,326,902	9.38%
John Francis Puttick	3,789,356	5.62%

### Voting rights

The Company has ordinary shares on issue. There are 67,423,542 ordinary shares on issue as at 22 August 2016.

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

No shares are the subject of voluntary escrow.

## Additional Information for the year ended 30 June 2016

### 20 Largest Shareholders at 22 August 2016- Ordinary Shares

Rank	Name	No. Ordinary Shares	% of Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,291,290	12.30
2	NATIONAL NOMINEES LIMITED	8,134,870	12.07
3	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	4,859,193	7.21
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,328,134	4.94
5	BNP PARIBAS NOMS PTY LTD	3,232,907	4.79
6	MR JOHN FRANCIS PUTTICK	2,747,215	4.07
7	CITICORP NOMINEES PTY LIMITED	2,656,006	3.94
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,504,404	3.71
9	STEPHEN MAURICE LINTON LAKE	2,343,096	3.48
10	MR JOAKIM SUNDELL & MRS SHARA SUNDELL	2,013,462	2.99
11	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,582,816	2.35
12	BNP PARIBAS NOMINEES PTY LTD	1,042,197	1.55
13	MIRRABOOKA INVESTMENTS LIMITED	919,493	1.36
14	THE TRUST COMPANY SUPERANNUATION LIMITED	809,500	1.20
15	BERISLAV BECAREVIC & IVANKA BECAREVIC	751,553	1.11
16	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	650,000	0.96
17	ROBERT DEDOMINICIS	609,055	0.90
18	BRAZIL FARMING PTY LTD	597,415	0.89
19	DEKACROFT PTY LTD	457,152	0.68
20	BRISPOT NOMINEES PTY LTD	453,406	0.67
<b>Total</b>		<b>47,983,164</b>	<b>71.17</b>

#### On-market buy-back

There is no current on-market buy-back

# Corporate Directory

for the year ended 30 June 2016

## Registered Office

c/- McCullough Robertson, Lawyers  
Level 11, Central Plaza Two  
66 Eagle Street  
Brisbane QLD 4000  
Ph +61 7 3233 8888  
Fax +61 7 3229 9949

## Principal Place of Business

Level 4, 410 Ann Street  
Brisbane QLD 4000  
Ph +61 7 3331 5555  
Fax +61 7 3839 7783  
[www.gbst.com](http://www.gbst.com)

## Postal Address

GPO Box 2221  
Brisbane QLD 4000

## Directors

Allan Brackin  
Robert DeDominicis  
Christine Bartlett  
David Adams  
Dr Ian Thomas  
Deborah Page AM

## Company Secretary

Jillian Bannan

## Share Registry

Link Market Services  
Level 19, 324 Queen Street  
Brisbane QLD 4000  
Ph +61 1300 554 474  
Fax +61 2 9287 0309

## Stock Exchange Listing

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

## Unquoted Securities

The Company has on issue 723,438 performance rights held by 32 holders as at 22 August 2016.

## Auditors

KPMG  
Level 16, 71 Eagle Street  
Brisbane QLD 4000  
Ph +61 7 3233 3111  
Fax +61 7 3233 3100

