




GBST Holdings Limited

# Annual Report 2010





GBST is a leading provider of securities transaction and fund administration software for the financial services industry. We are focused on earning recurring licence revenue in areas such as transactions processing, reporting, account management, books and records, data and content.

**GBST has three divisions:**

**GBST Broker Services**

is a leading provider of client accounting and securities transaction technology to capital markets. GBST's market solutions are used extensively across Asia, Europe and Australia. Through the Syn~ platform GBST provides next-generation technology to process equities, derivatives, fixed income and managed funds transactions.

**GBST Wealth Management**

is the leading provider of funds administration and registry software to the Australian Wealth Management industry. GBST's wealth management software, Composer, administers funds in Australia and the United Kingdom.

**GBST Financial Services**

is a wholesale provider of independent, market-leading financial product data and related services to financial advisers and institutions. It also provides web design, development and usability services.

Listed on the Australian Securities Exchange in June 2005, GBST has over 300 staff in offices in Brisbane, Sydney, Melbourne, Wollongong, Adelaide and London, and operations in Hong Kong, New York, Paris and Singapore.

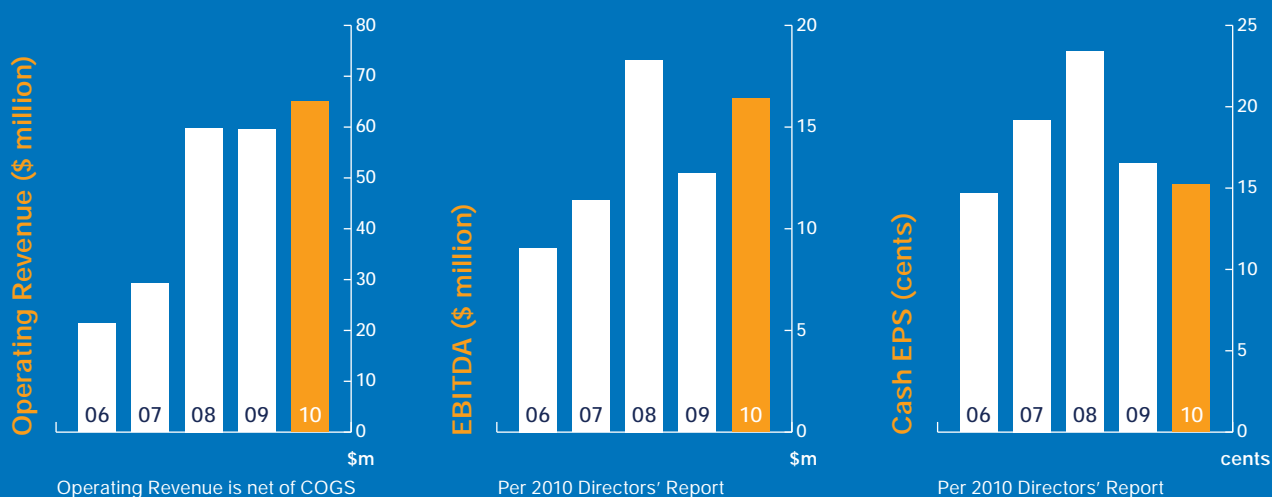
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**Notice of AGM**

GBST Holdings Limited (GBST) will hold its Annual General Meeting at 11.30 am (Brisbane Time) on the 21st of October 2010 at the office of McCullough Robertson, Level 11, Central Plaza Two, 66 Eagle Street, Brisbane.

# The year in review



- GBST regained momentum and earnings increased as the effects of the global financial crisis abated and confidence returned to the financial services industry
- Australian Broker Services revenues grew, supported by new client wins and strong interest in the introduction of the next-generation Syn~ platform to Australia and the new front office solutions
- While higher than expected research and development costs in the Global Broker Services division led to a small loss, clients are now 'live' using Syn~ to process trades in Europe and a rapidly growing number of Asian countries and a return to profitability is anticipated in FY2011
- The Wealth Management division won significant new clients in the United Kingdom, where regulatory reform is driving transformation of the financial services industry
- GBST's new retail front office solution, which enables the company to provide a more all-encompassing stockbroker platform, is now being rolled out to all retail broker clients
- Dividend payments resumed, and a fully franked dividend of two cents per share will be paid on 30 September 2010

# Chairman's and Managing Director's report



“ Our markets are evolving, driven by increased complexity and sophistication, global connectivity and regulatory change. Convergence has led to financial services firms re-evaluating their market strategies, creating opportunities for your company. ”

Mr John Puttick - Chairman

On behalf of the Directors of GBST, it gives us great pleasure to present GBST's fifth annual report to shareholders.

FY2010 was a year in which we re-established momentum and emerged from the global financial crisis well placed to take advantage of a growing financial services market.

GBST is a leader in financial technology, and our software and infrastructure platforms support major institutional banks and asset managers across Asia, Australia and Europe. We have three divisions: GBST Broker Services provides technology for global capital markets; GBST Wealth Management is a developer of fund management and registry software for the wealth management industry; and GBST Financial Services offers digital media and data services for financial institutions.

Our business model is to earn recurring revenue through participating in or having exposure to financial services transaction processing, asset administration and asset values.

After a difficult FY2009, confidence has returned to the financial sector and, we believe, the present market environment is conducive to GBST's continued growth. Our markets are evolving, driven by increased complexity and sophistication, global connectivity and regulatory change. Convergence has led to financial services firms re-evaluating their market strategies, creating opportunities for your company.

## Financial technology leadership

Developing robust platforms is one of GBST's strengths. Our focus on quality and innovation has ensured that, even in hard times, our clients were supported by products and a team they could trust. This strengthened GBST's reputation for technology leadership.

In Australia, the proportion of equities transactions cleared by the GBST Shares platform is expected to grow beyond the 47 per cent of ASX traded volume processed this year; and GBST's DCA platform processes over 70 per cent of derivatives volumes. In Australia and the UK, our wealth management platform, GBST Composer, administers more than \$250 billion in assets.

In FY2010, we maintained a consistent research and development expenditure of \$5.7 million. We were very pleased with the progress made in major projects:

- GBST clients are now processing trades using our next-generation back-office platform, Syn-, in a rapidly growing number of Asian countries and in Europe;
- Work to introduce the Syn- platform in Australia in FY2012 has encouraged new sales of Shares;
- Rollout of GBST's new front office solution to retail broker clients should be completed in FY2011;
- Composer's enhancement to provide tailored private banking and private wealth solutions;
- Development of a prototype portfolio administration solution using Composer and Shares to provide a retail broking platform.

“ We are excited by the opportunities arising from GBST’s new front office product, which offers our clients a consolidated client view and new reporting and data mining capabilities. This bolsters our offering and is expected to broaden the number of clients that access a full range of our services. ”

Mr Stephen Lake - Managing Director & Chief Executive Officer



This progress validates our decision to protect GBST’s high-quality skills base during the financial crisis. Our staff have substantial experience of financial markets, with the necessary domain knowledge and expertise to support our clients and continue to develop our products. Their skills ensure that we are always close to our clients, and that we understand their needs and opportunities.

### Financial overview

Operating revenue was up 9 per cent to \$67.7 million and operating EBITDA was up 26 per cent to \$16.9 million, compared to the prior year. This reflected stronger second half performance.

The company reduced debt significantly, with senior debt of \$20.4 million at 30 June 2010 compared to \$33.1 million at 30 June 2009, following capital raisings of \$5.0 million in August 2009 and repayments from cash flow. Debt facilities were renewed for three years to 2013. Long-term borrowings include a \$10.0 million loan which may be converted to equity.

Non-cash charges of \$6.7 million for amortisation and of \$5.7 million for impairment of intangible assets led to a net loss.

Your Directors are confident of GBST’s FY2011 prospects and, believing that shareholders should benefit from its strong cash flow, declared a final fully franked dividend of 2 cents per share.

### Impairment charge

The Syn~ platform’s functionality and products were not as advanced as GBST had been led to believe when Coexis was acquired and, as a result, research and development costs were higher than anticipated. This resulted in an impairment charge of \$5.5 million and the company is considering its legal options.

### Operations

#### Broker Services

GBST’s Australian Broker Services business grew market share during the year, reflecting higher levels of retail trading. While markets are yet to recover fully, activity remains above FY2009 levels.

Revenue increased 7 per cent to \$30.1 million, with more than 90 per cent of operating revenue comprising annuity income. Operating EBITDA was \$11.7 million, up 14 per cent. Better operational efficiency and tight control of discretionary spending contributed to an EBITDA margin improvement of 8 per cent to 38 per cent.

GBST Shares connects financial participants to an extensive network of financial products and services that manage equity transactions, third-party clearing and margin lending and supports a wide range of financial instruments.

Established clients’ renewal of long-term contracts reflects market enthusiasm for the anticipated introduction of the Syn~ platform to Australia. Its features for corporate actions, standard settlement instructions and multi-asset processing are well ahead of competing products, and initial purchase commitments have already been received.

# Chairman's and Managing Director's report continued

The third-party clearing market continues to consolidate as ASX regulatory changes have effectively increased in-house clearing costs. Here, GBST is well placed to offer potential clients the benefits of economies of scale.

While we have acknowledged technology leadership in stockbrokers' back- and middle-offices, our front-office services are less widespread. We are excited by the opportunities arising from GBST's new front office product, which offers our clients a consolidated client view and new reporting and data mining capabilities. This bolsters our offering and is expected to broaden the number of clients that access a full range of our services. Installation at clients will be mostly complete by the end of FY2011.

Another important innovation is our move to a common technology stack to unify and modernise the appearance of our products. This demonstrates the success of our 2008 acquisition of the GBST Financial Services division's web developer Emu Design, which contributed to the attractiveness of products.

## Global Broker Services

GBST's Global Broker Services division was founded in 2008 with the acquisition of Coaxis. This provided the technology platform, Syn-, that will underpin our future development.

While it was disappointing that higher than expected research and development costs led to a loss for the year, substantial progress was made to improve the product and the division is expected to return to profitability in FY2011.

A new management structure was implemented, and former Chief Financial Officer Patrick Salis took over leadership to introduce GBST's methodologies, attitudes and culture. The revenue model has been refocused from one-off licence sales revenue and consulting to a more annually-based product income. Research and development previously funded by clients is now being funded by GBST to accelerate product development. A greater proportion of annuity income is expected in future years as our client base expands.

The division maintains a strong pipeline of potential new business in Asia, where many investment banks are evaluating the benefits of new technology to transform their services. We are encouraged by the first commitments in Japan for Syn-, which recognises its potential as a pan-Asian solution.

Over the next few years we will focus on strengthening distribution networks to capitalise on opportunities in Asia and Europe more rapidly.

## Wealth Management

GBST Wealth Management performed well in Australia where it has an established market, achieving a near-20 per cent increase in both revenue and EBITDA. This improvement was attributable to new contracts and broader use of our flagship Composer platform. In Australia, more than 75 per cent of revenue is annuity income. Our UK business gained good momentum, winning two new clients and establishing prospects.

Revenue for the year was \$22.8 million, down 3 per cent, and operating EBITDA was \$5.5 million, up 49 per cent.

The UK savings industry is in the midst of structural change driven by the Financial Services Authority's 2006 Retail Distribution Review (RDR). Similar to Australia's Cooper Review, a key regulatory requirement is the move by independent financial advisers away from commission-based systems.

Under the RDR, it is estimated that assets and savings of up to £3 trillion will be transitioned from the old-world systems of traditional life companies to new-world systems such as wrap platforms, which are expected to play a significant role in the long-term savings and investment industry. However, so far only £100 billion has moved.

Retail investment platforms, such as those developed by our clients using Composer, provide a central hub for investors to access a range of investment products, and allow for consolidation of client information and asset reporting.

Our UK commercial prospects are significant, and two major new implementations are scheduled to 'go live' in FY2011. Strong revenue growth is expected from new business in this market.

In addition, initial marketing in Asia has achieved promising levels of interest.

The majority of research and development for Composer is complete, and enhancements are being developed for specialised products. One example is Composer Life, which helps clients to administer insurance records and adapt for changes in commission structures. Also, work is continuing on a portfolio administration solution combining Composer and Shares.

#### Financial Services

We are pleased to report that GBST Financial Services achieved a maiden profit after two years. Operating revenue was \$2.6 million, up more than 100 per cent, and operating EBITDA was \$0.03 million.

The division develops specialised tools and data products for the financial services industry. Thirty-eight financial institutions now use its financial calculators and its data content contributes to GBST's new front office solutions.

The division's web developer Emu Design has successfully developed a new user interface for all GBST front office products. The redevelopment of the Syn~ user interface is expected to be complete in FY2011.

The division's earnings include two month's contribution from an index data and performance attribution business. These products enable calculation of after-tax performance of portfolios and index benchmarking for more than 35 companies. It is a high-margin business with good prospects for growth.

#### Corporate and social responsibility

We value our staff and aim to provide a supportive environment which motivates and engages them. Ways we acknowledge their contribution to the community include matching the value of staff donations to tax deductible charities, and by donating cash to the charities of their choice in recognition of their voluntary work.

Through supporting organisations such as Youth Off the Streets, Lifeline Australia, the Salvation Army, Australian Red Cross, Youngcare, Hear & Say Centre and Autism Queensland, GBST helped provide rehabilitation and comfort for people and their families with medical problems and disabilities, and contributed to long-term improvement in the lives of disadvantaged people.

Our performance is due to the efforts of all GBST's employees. We congratulate management and staff around the world for everything that we have achieved in FY2010.

#### Outlook

While markets remain patchy, GBST anticipates profitability and continued revenue growth in all divisions. Your directors are optimistic about the future, based on a strong pipeline of potential new business that is much more advanced than the previous year and greater confidence amongst our clients.

We look forward to addressing the challenges and opportunities for our business in FY2011 and beyond.



Dr John Puttick  
Chairman



Mr Stephen Lake  
Managing Director  
& Chief Executive Officer

# GBST Executive Team



## Stephen Lake

### Managing Director and Chief Executive Officer

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

## Chris Mallios

### Chief Financial Officer

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

Chris holds a Bachelor of Arts and Masters of Commerce from the University of New South Wales and is a member of CPA Australia.

## Patrick Salis

### Chief Executive, Global Broker Services

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

## Isabel Sanchez

### Chief Technology Officer

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

## Robert De Dominicis

### Chief Executive, GBST Wealth Management

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

## Denis Orrock

### Chief Executive, GBST Broker Services and GBST Financial Services

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



# GBST Board of Directors



## John Puttick

### Non-Executive Chairman

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

## Stephen Lake

### Managing Director and Chief Executive Officer

Mr Stephen Lake joined GBST in September 2001 after an extensive career in the capital markets industry in Australia, the United Kingdom and Asia. Stephen became a shareholder of GBST and was appointed Chief Executive Officer in 2001. Prior to joining GBST, he was Chief General Manager of Financial Markets at Adelaide Bank Limited.

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

## Allan Brackin

### Independent Non-Executive Director

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

## Joakim Sundell

### Non-Executive Director

Mr Joakim Sundell was appointed to the Board in 2001.

Joakim has an extensive career in private equity finance, merchant banking, and management both in Sydney and London. He is Managing Director of Crown Financial Pty Ltd, a private investment Company. He was a Director of Infochoice Limited (from 13 December 2006 until 5 February 2008). Joakim is a Member of the Nominations and Remuneration Committee.

## David Adams

### Independent Non-Executive Director

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

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

# Corporate Governance Statement

## Introduction

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations' 2nd Edition ('Guidelines') applying to listed entities was released in August 2007 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. The board has made an assessment of the company against the Guidelines. The Board has made decisions in relation to its operations and the operations of the company that mean that it does not fully comply with all of the Guidelines but are in place to provide better performance. The Board outlines its assessment against the Guidelines below. This statement on corporate governance reflects our charter, policies and procedures on 1 September 2010.

## Scope of Responsibility of Board

- a. Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of GBST's shareholders with a view to building sustainable value for them and the interests of employees and other stakeholders.
- b. The Board's broad function is to:
  - i. chart strategy and set financial targets for the Company
  - ii. monitor the implementation and execution of strategy and performance against financial targets and
  - iii. oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.
- c. Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:
  - i. composition of the Board itself including the appointment and removal of Directors and the making of recommendations to shareholders concerning the appointment and removal of Directors
  - ii. oversight of the Company including its control and accountability system
  - iii. appointment and removal of the Chief Executive Officer and the Company Secretary
  - iv. reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance
  - v. monitoring senior management's performance and implementation of strategy; and
  - vi. approving and monitoring financial and other reporting and the operation of committees.

d. Senior management roles are given authorities and responsibilities pursuant to both corporate policies and through directions issued from time to time. The CEO's performance is reviewed by the Chairman in consultation with the board and the CEO takes responsibility for the review of other executives' performance. Formal reviews are conducted at least annually.

## Composition of Board

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

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

## Board Charter and Policy

- a. The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:
  - i. a detailed definition of 'independence'
  - ii. a framework for the identification of candidates for appointment to the Board and their selection
  - iii. a framework for individual performance review and evaluation
  - iv. proper training to be made available to Directors both at the time of their appointment and on an on-going basis
  - v. basic procedures for meetings of the Board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive Directors
  - vi. ethical standards and values – formalised in a detailed code of ethics and values
  - vii. dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates and
  - viii. communications with shareholders and the market.
- b. These initiatives, together with the other matters provided for in the Board's charter, are designed to 'institutionalise' good corporate governance and to build a culture of best practice in GBST's own internal practices and in its dealings with others. The Board's charter is included within the company's corporate governance charter, which is available from the company's web site.

### Audit and Risk Management Committee

- a. The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. Its members are:
  - i. Mr Allan Brackin, Chairman
  - ii. Dr John Puttick
  - iii. Mr David Adams
- b. The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:
  - i. Board and committee structure to facilitate a proper review function by the Board
  - ii. internal control framework including management information systems
  - iii. corporate risk assessment and compliance with internal controls
  - iv. internal audit function and management processes supporting external reporting
  - v. review of financial statements and other financial information distributed externally
  - vi. review of the effectiveness of the audit function
  - vii. review of the performance and independence of the external auditors
  - viii. review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls
  - ix. assessing the adequacy of external reporting for the needs of shareholders and
  - x. monitoring compliance with the Company's code of ethics.
- c. Meetings are held at least four times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

### Nominations and Remuneration Committee

- a. The purpose of this committee with regard to remuneration is to review and approve the remuneration of senior executives, the remuneration policies for the group and the structure of equity based remuneration programmes.
- b. The purpose of this committee with regard to nominations is to consider the structure and membership of the board, to review the performance of the board, to set desirable criteria for future board members and to assess candidates against those criteria.

- c. Due to the importance of people to the business of the group each Director is a member of the committee. Committee meetings are held from time to time as required by the Board. While no committee meeting has been called during the last financial year the Board engaged in discussions which led to the restructure of the committee's schedule so that the committee would be called to meet at least at set times each year. As part of that restructure it was determined that David Adams, a Non-Executive Director would chair the committee. Relevant discussions on nominations and remuneration have been considered by the Board at various board meetings as specific items of business and in general business. In particular, the Board did conduct a review of its own performance with the chair discussing performance with each director individually and then collectively with the Board.

### Best Practice Commitment

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

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

- a. *Independent professional advice*

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

The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.
- c. *Code of conduct for transactions in securities*

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.
- d. *Charter*

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted and is available for review on the Company's web site.
- e. *Substantial compliance with ASX corporate governance guidelines and best practice recommendations.*

## **GBST Board Assessment against the Guidelines**

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

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

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

Together the Directors have a broad range of experience, skills, qualifications and contacts relevant to the business of the Company. The majority of the current Board is not independent. In particular, the Chairman is not independent in terms of the Guidelines. There are at least two independent Directors, namely Mr Allan Brackin and Mr David Adams. GBST believes that the current Board of five Directors has been appropriate for a company of GBST's size and the current Directors have been the best people to act in the interests of stakeholders and for this reason does not presently fully comply with the recommendations. The Board will consider increasing its size should suitable candidates be identified. The number of independent Directors may be increased as a result of the additional appointments. The Board calls specific meetings of the board as a Nominations and Remuneration Committee.

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

The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities as referred to above. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities. The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

### **Principle 4 – Safeguard integrity in financial reporting**

The Audit and Risk Committee has its own Charter. The Committee comprises three Directors, the majority of which are independent. All the members of the Audit Committee are financially literate.

### **Principle 5 – Make timely and balanced disclosure**

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

### **Principle 6 – Respect the rights of shareholders**

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

### **Principle 7 – Recognise and manage risks**

The Board, together with management, has constantly sought to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible improved. The company uses its quality management system and project management methodologies to identify, assess and manage risk. With the acquisition of new subsidiaries the company initiated a program of integration which involved an assessment of the adequacies of risk management in the subsidiaries to ensure they were of a sufficient standard in light of the Board's requirements in this area. The whole issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will continue to be kept under regular review. Review takes place at both committee level (Audit and Risk Management Committee), with meetings at least four times each year, and at Board level. The board requires the CEO and CFO to sign all statements required to be provided under the Guidelines and Corporations Act in relation to the Company's Financial Statements and risk management generally.

### **Principle 8 – Remunerate fairly and responsibly**

Remuneration of Directors and executives will be fully disclosed in the annual report and any changes with respect to key executives announced in accordance with continuous disclosure principles. The Board from time to time calls a specific meeting of the board as a Nominations and Remuneration Committee. Due to the importance of people within GBST's business all board members considered they would have a contribution to make to the meeting and as a result the committee is not independent. The Board has restructured the committee to have an independent director as Chairman. The Chairman will lead a review of the Directors and the independent Directors will lead a review of the Chairman. No individual will be directly involved in deciding his or her remuneration.

# Directors' Report

The Directors of GBST Holdings Limited ('GBST') submit herewith the consolidated financial report for the year ended 30 June 2010 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	Date of Appointment
Dr John F Puttick	January 1984
Mr David C Adams	April 2008
Mr Allan J Brackin	April 2005
Mr Stephen M L Lake	September 2001
Mr Joakim J Sundell	July 2001

## Principal Activities

The principal activities of GBST during the year, were:

- the provision of client accounting and securities transaction technology solutions for the finance, banking and securities industry in Australia, Asia, Europe and North America;
- provision of funds administration and registry software for the wealth management industry in Australia and the United Kingdom; and
- provision of independent market-leading financial product data and related services to financial advisers and institutions in Australia.

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

## Operating Result and Dividend

The consolidated loss after income tax for the financial year amounted to \$2.41 million (2009: \$2.13 million profit). The current year loss includes an amount of \$5.53 million for the impairment of goodwill on business acquisitions. A full explanation of the impairment is included in the notes to the financial statements.

There were no dividends paid during the year.

The directors have recommended a final dividend of 2.0 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked at 30% corporate tax rate and will be paid on 30 September 2010.

## Review of Operations

The consolidated Group operates in the following four business segments:

- **GBST Australia Broker Services** provides client accounting and securities transaction technology. Capital market participants such as banks, clearing houses,

custodians, fund managers, margin lenders, institutional and retail stockbrokers use GBST's specialist market access and transaction solutions to process over 50% of ASX volume trade.

- **GBST Global Broker Services** through the Syn- platform, provides next-generation technology to process equities, derivatives, fixed income and managed funds transactions to global capital markets in Asia, Europe and North America.
- **GBST Wealth Management** provides funds administration and registry software to the Wealth Management industry, both in Australia and the United Kingdom. It offers an integrated system for the administration of wrap platforms, master trusts, superannuation, pensions, risk and debt, with customers in Australia and the United Kingdom.
- **GBST Financial Services** is a wholesale provider of independent, market-leading financial product data and related services to financial advisers and institutions. It also provides web design, development and usability services through Emu Design.

## Profitability

### Reported EBITDA

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

### Operating EBITDA

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

## Group Results

	FULL YEAR TO 30 JUNE		
	2010 \$'000	2009 \$'000	% Change
Group operating revenue	67,648	61,924	9
EBITDAR*	22,576	18,910	19
R&D expenditure	5,719	5,539	3
Operating EBITDA	16,857	13,371	26
Non-operating expenses	(500)	(680)	
<b>Reported EBITDA</b>	<b>16,357</b>	<b>12,691</b>	<b>29</b>
Net finance costs	(3,527)	(2,711)	30
Depreciation	(1,046)	(1,071)	(2)
Amortisation	(6,702)	(5,745)	17
Impairment of assets	(5,658)	(1,138)	397
<b>NET (LOSS)/PROFIT BEFORE TAX</b>	<b>(576)</b>	<b>2,026</b>	<b>(128)</b>
Income tax (expense)/benefit	(1,829)	103	
<b>PROFIT AFTER TAX</b>	<b>(2,405)</b>	<b>2,129</b>	<b>(213)</b>
<b>BASIC EPS (CENTS)</b>	<b>(3.68)</b>	<b>3.90</b>	<b>(194)</b>
<b>CASH NPAT**</b>	<b>9,955</b>	<b>9,012</b>	<b>10</b>
<b>CASH EPS (CENTS)</b>	<b>15.23</b>	<b>16.52</b>	<b>(8)</b>

\* EBITDAR = profit before interest, tax, depreciation, amortisation, impairment and research and development expenditure.

\*\* CASH NPAT = profit after tax; after removing amortisation and impairment expenditure.

The consolidated loss before income tax for the financial year amounted to \$576 thousand (2009: \$2.03 million profit). Revenue before interest and other income was \$67.65 million (2009: \$61.92 million).

The consolidated entity generated cash flows from operations of \$8.43 million (2009: \$18.62 million) after the payment of income taxes of \$1.77 million (2009: \$1.58 million).

During the financial year, factors impacting the profitability of the consolidated entity were:

- Impairment testing of cash generating units (CGU) determined that the carrying amount of the Global Broker Services CGU was higher than its recoverable amount and an impairment loss of \$5.50 million was recognised against goodwill attributed to that CGU.
- Decline in the value of the 15.43% shareholding in Razor Risk Technologies Limited (ASX Code: RZR) (formerly IT&e Limited) has been taken into account, in accordance with AASB 139. At 30 June 2010 the fair value of the investment shareholding in Razor Risk Technologies resulted in an impairment of the asset of \$525 thousand of which \$131 thousand is recorded in profit and loss and the remaining \$394 thousand reduced the Financial Asset Reserve in equity. The current carrying value of the investment is \$1.10 million.

## GBST Australian Broker Services

	FY2010 \$000's	FY2009 \$000's	% Change
Revenue	30,153	28,276	7
Operating EBITDA	11,726	10,293	14
Non-operating expenses	(365)	(341)	
<b>Reported EBITDA</b>	<b>11,361</b>	<b>9,952</b>	<b>14</b>

Australian Broker Services' solid revenue growth was underpinned by new client wins and increased trading activity. A significant driver has been the rising cost to stockbrokers of ASX regulatory capital changes. These have increased the attractiveness of GBST's third-party clearing services, particularly to new market entrants, as GBST has a dominant market share.

GBST's new Front Office solution commenced user acceptance testing in June, and installation is scheduled to be largely complete by the end of FY2011. The introduction of the Syn~ platform to Australia has underpinned new sales of GBST Shares, with very strong interest from new and existing clients. The first commitments to purchase Syn~ in Australia have been received and rollout of the new platform is expected to begin in FY2012.

GBST Shares' improved scalability enabled management of 350,000 trades per day per client in April 2010, and this has increased since then to one million trades. A new reporting framework will improve the attractiveness of GBST Shares for customers and is scheduled for implementation in FY2011.

#### GBST Global Broker Services

	FY2010 \$000's	FY2009* \$000's	% Change
Revenue	12,142	8,912	36
Operating EBITDA	(403)	98	(511)
Non-operating expenses	(97)	-	
Reported EBITDA	(500)	98	(610)

\* FY2009 includes six months' results only, as the business was purchased in December 2008.

Revenue remains reliant on new implementations, and professional services contributed 62% of divisional income during the year. The proportion of recurring fixed licence and support fees (38%) is expected to increase as the business matures.

Post-acquisition R&D costs for the core Syn- platform were higher than expected, and led to a loss for the division. During the year, Global Broker Services' first full-European client went 'live' and Asian clients are now using Syn- to execute and process trades in twelve Asian countries. The division is expected to return to profitability in FY2011.

#### GBST Wealth Management

	FY2010 \$000's	FY2009 \$000's	% Change
Revenue	22,772	23,485	(3)
Operating EBITDA	5,503	3,696	49
Non-operating expenses	(13)	(267)	
Reported EBITDA	5,490	3,429	60

Wealth Management recorded lower revenue in the year due to the loss of a client in the prior comparative year (HY2010 \$10.65 million; pcp HY2009 \$14.50 million), but recorded significantly improved performance in the second half of the year.

In Australia, the Wealth Management division implemented Composer for two new clients in FY2010, replacing competitors' products. The division's membership management product, Unison, signed two new clients and is undergoing development to improve its useability. A portfolio administration solution prototype has been developed using GBST Composer and GBST Shares' technology to provide a solution for retail broking and private banking.

In the UK, implementation commenced for two major clients in FY2010 and these platforms are expected to go 'live' in Q3 FY2011. UK regulatory change continued to drive sales.

Marketing of Wealth Management products has begun in Asia and has received promising levels of interest from potential clients.

#### GBST Financial Services

	FY2010 \$000's	FY2009 \$000's	% Change
Revenue	2,581	1,251	106
Operating EBITDA	31	(716)	104
Non-operating expenses	(25)	(72)	
Reported EBITDA	6	(788)	101

The Financial Services division achieved profitability in FY2010, two years after commencement in May 2008. Revenue has increased as customer numbers for GBST's calculators grow. The division's in-house web design firm, Emu Design, which has developed the new user interface across GBST's products, benefitted from access to GBST clients, and was awarded two first prizes for major retail client websites during the year.

The division's performance includes two months' contribution from GBST's index data and performance attribution business which serves over thirty funds management and investment advisory organisations in Australia. This is a high-margin business with strong growth prospects.

#### Financial Position

The net assets of the Group increased by \$562 thousand during the year to \$44.21 million at 30 June 2010 as a result of improved operating performance of the Group and cash proceeds from shares issues raising \$4.58 million. Net borrowing repayments of \$9.75 million on Senior Debt occurred, reducing Senior Debt to \$20.43 million from \$33.10 million in 2009.

The Group has a net current asset deficiency at 30 June 2010 of \$9.19 million (30 June 2009: \$20.77 million). \$5.37 million in current liabilities represents payments received in advance from clients for work to be completed pursuant to client agreements in future periods and as such does not represent a future cash outflow. Current senior loan repayments of \$6.00 million are payable in fixed quarterly instalments over the next twelve months. \$7.39 million (AUD facility) of the non-current senior loan repayments are payable in fixed quarterly instalments and \$7.04 million (GBP facility) is payable by 30 June 2013. The repayments

will be funded by earnings generated over that period. The Group is in a position to pay its debts as and when they become payable.

The Senior Debt is provided by the National Australia Bank and the current facility was renewed for a three year term maturing on 30 June 2013. At the balance sheet date the Total Operating Leverage is below 2.25 to 1, Interest Cover is above 2.25 to 1 and Equity Ratio is above 50%, and all banking covenants have been met for the period.

The operating business performance has improved significantly over the last twelve months and the debt serviceability and debt cover ratios are improving consistently. All divisions within GBST have secured new clients and each has a strong sales pipeline. The earnings outlook of the business is strong and continues to improve.

## Significant Changes in State of Affairs

During the year financing activities included:

- the issue of 8,212,936 new shares (a); and
  - the issue of 10,526,316 new options to Crown Financial Pty Ltd (b).
- a. The Company successfully completed a capital raising in August 2009 and raised \$4.58 million cash that was used to repay Senior debt.
- b. The \$10.00 million subordinated debt facility provided by Crown Financial Pty Ltd has been extended to February 2012 with an option to convert to equity. Crown Financial Pty Ltd is an entity related to Mr J Sundell who is a Company Director and Crown Financial Pty Ltd is a major shareholder. Interest is payable at a rate of 10% p.a. The Company entered into an agreement with Crown Financial Pty Ltd on 26 August 2009, to issue Crown with 10,526,316 options over ordinary shares in GBST at an exercise price of 95 cents per option (Placement Options). Each Placement Option may be converted at any time until the expiry date. The Placement Options will lapse upon repayment of the loan.
- c. The Company renewed the banking facilities with the National Australia Bank on 25 June 2010, where the AUD senior bank facility of \$13.39 million and GBP senior bank facility of £4.00 million GBP expire on 30 June 2013, with quarterly principal repayments of \$1.50 million for the AUD facility and interest only payments for the GBP facility. The Company may elect to repay early.

During the year the Company issued 600,000 new executive options (refer Note 33) and 18,770 employee options were exercised.

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

## Subsequent Events

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

## Future Developments, Prospects and Business Strategies

GBST anticipates continued EBITDA and revenue growth in all divisions in 2011. The Group is well positioned to increase market share internationally, particularly in the UK where its Wealth Management products have strong prospects, and in Asia where the Global Services division has good opportunities. The Company is actively pursuing opportunities to expand its sources of revenue from the delivery of technology to the financial services industry and will continue to invest in the internal research and development of software products and the acquisition of businesses that expand its client base and range of software products and services. Whilst the Company looks for possible strategic and synergistic acquisitions, no significant acquisitions are anticipated.

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

## Environmental Issues

There are no significant environmental regulations applying to the Group.

## Information on Directors

### John Puttick Non-Executive Chairman

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



John is a member of GBST's Audit and Risk Management Committee and is Chairman of the Nominations and Remuneration Committee.

#### Interest in Shares and Options

7,057,760 Ordinary Shares of GBST Holdings Limited are held by Dr Puttick and associated entities.

#### Stephen Lake Managing Director and Chief Executive Officer

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

#### Interest in Shares and Options

4,309,116 Ordinary Shares of GBST Holdings Limited are held by Mr Lake.

#### Allan Brackin Independent Non-Executive Director

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

#### Interest in Shares and Options

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

#### Joakim Sundell Non-Executive Director

Mr Joakim Sundell was appointed to the Board in 2001. Joakim has an extensive career in private equity finance, merchant banking, and management both in Sydney and London. He is Managing Director of Crown Financial Pty Ltd, a private investment Company. He was a Director of Infochoice Limited (from 13 December 2006 until 5 February 2008).

Joakim is a Member of the Nominations and Remuneration Committee.

#### Interest in Shares and Options

17,306,610 Ordinary Shares and 10,526,316 Options of GBST Holdings Limited are held by Mr Sundell's associated entities.

#### David Adams Independent Non-Executive Director

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

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

#### Interests in Shares and Options

Nil.

#### Company Secretary

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

#### Directors' Meetings

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

Directors' Names	DIRECTORS' MEETINGS		AUDIT AND RISK COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Puttick	15	15	4	4
D Adams	15	14	4	4
A Brackin	15	15	4	4
S Lake	15	14	–	2*
J Sundell	15	14	–	–

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

## Remuneration Report

The information provided in the remuneration report relates to the Group for the year ended 30 June 2010 and has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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

- a. Remuneration Policies and Practices
- b. Company Performance and Remuneration
- c. Service Agreements
- d. Details of Remuneration

### a. Remuneration Policies and Practices

The policy for determining the nature and amount of remuneration of Directors and specified Executives is as follows:

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

Executive remuneration packages are aligned with the market and properly reflect the person's duties, responsibilities and performance.

The current remuneration structure has three components: annual fixed remuneration, short term incentives and long term incentives. Executives are offered longer term incentives through an Employee Share Option Plan which seeks to align the Executives' performance with the interests of shareholders.

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

Remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. The Company operates an Employee Option Scheme, comprising of two sub-schemes, being an Exempt Options Scheme for staff generally and a Deferred Options Scheme for select staff and eligible Directors. Options are valued using a Black-Scholes model and Trinomial Lattice option pricing models which includes variables such as time, volatility, risk and

return. The value of equity based remuneration under the Deferred Option Scheme is recognised as an employee benefits expense.

### Remuneration Principles

- The Company will use competitive remuneration packages to attract, motivate and retain talented Executives.
- The employees will be rewarded for sustained and sustainable improvement in the performance of the Company.
- Directors and Senior Executives are encouraged to make investments in the Company in accordance with the Company'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 Company will make full disclosure of Director and Executive remuneration.

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

### Remuneration Structure – Non-Executive Directors

Non-executive Directors are paid fixed annual remuneration as set out in letters of appointment. Reviews of each individual Director and Directors as a whole occur annually. 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 Employee Share Ownership Plan. GBST does not operate a scheme for retirement benefits to Directors.

### Remuneration Structure – Senior Executives

Three elements make up the Company's remuneration structure for Senior Executives.

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

### Fixed Annual Remuneration

The fixed remuneration consists of cash salary (BASE) and superannuation contributions, reviewed annually based on performance and market data, responsibility, experience and geographic location.

### Short Term Incentive Remuneration (STI)

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

- 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; and
- Reflect a strong commitment towards attracting and retaining high performing Executives and staff who are committed to the ongoing success of the Company.

Performance objectives are established for all Executives and structured to reflect each Executive's potential impact on and contribution to the business. The performance objectives comprise elements of total Company performance and individual performance and contain measures of financial, non-financial and strategic outcomes. Achievement of performance objectives may entitle an Executive to a cash bonus.

Generally, bonus arrangements are capped at a maximum of 50% of Base, however when exceptional outcomes are delivered, or where warranted by special circumstances, it may exceed this amount.

All Executive bonus amounts are determined based on the recommendation of the Managing Director, having regard to actual performance against the performance objectives.

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

Executive performance is reviewed annually with bonuses being awarded based on an assessment of performance against agreed criteria. The payment of performance bonuses is subject to a consideration of whether or not the overall performance of the Company warrants the payment of a bonus.

### Long Term Incentive Remuneration (LTI)

The Company has an employee share ownership plan. The plan involves the use of options 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 Company and the interests of shareholders. Executives are also required to meet continued service conditions in order to exercise the options.

The objective of the LTI plan is to reward Executives in a manner that aligns remuneration with the creation of shareholders wealth. As such, LTI grants are only made to Executives 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.

LTI grants to Executives are delivered in the form of share options under the Employee Share Options Plan. The share options generally vest over a period of three years subject to meeting performance hurdles. Executives are able to exercise the share option for up to two years after vesting before the options lapse.

The Company uses Shareholder Return as a performance hurdle for the LTI plan, measured by growth in earnings per share. Details of the plan are shown in Note 33 of the Financial Statements.

On 24 October 2007, 100,000 options were issued to select Executive employees. The exercise price for each option is \$3.92.

These deferred options are divided into three tranches. The first tranche of 20% vest and may be exercised after twelve months and lapse if unexercised in thirty-six months. The second tranche of 30% vest and may be exercised after twenty-four months and lapse if unexercised in forty-eight months. The third tranche of 50% vest and may be exercised after thirty-six months and lapse if unexercised after sixty months. On cessation of employment all unvested options lapse.

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

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

# Directors' Report **continued**

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

## PERFORMANCE CRITERIA

Grant Date	Continued Employment until	Financial Performance hurdle
24 October 2007 Tranche 1 (20%)*	24 October 2008	If normalised EPS CAGR for 2008 compared to 2007 is: <ul style="list-style-type: none"> <li>• Less than 10%: no options vest</li> <li>• Equal to 10%: 33.33% of options vest</li> <li>• Greater than 10% but less than 20%: pro rated vesting between 33.33% and 100%</li> <li>• Equal to or greater than 20%: 100% vesting.</li> </ul>
Tranche 2 (30%)*	24 October 2009	If normalised EPS CAGR for the combined 2008 and 2009, compared to 2007 is: <ul style="list-style-type: none"> <li>• Less than 10%: no options vest</li> <li>• Equal to 10%: 33.33% of options vest</li> <li>• Greater than 10% but less than 20%: pro rated vesting between 33.33% and 100%</li> <li>• Equal to or greater than 20%: 100% vesting.</li> </ul>
Tranche 3 (50%)*	24 October 2010	If normalised EPS CAGR for the combined 2008, 2009 and 2010, compared to 2007 is: <ul style="list-style-type: none"> <li>• Less than 10%: no options vest</li> <li>• Equal to 10%: 33.33% of options vest</li> <li>• Greater than 10% but less than 20%: pro rated vesting between 33.33% and 100%</li> <li>• Equal to or greater than 20%: 100% vesting.</li> </ul>
17 May 2010	15 December 2011	If Group EBITDA for FY11 is: <ul style="list-style-type: none"> <li>• 50% above Group EBITDA on FY 09 adjusted for the number of shares on issue</li> </ul>

\* If the performance condition for Tranche 1 is not met at the first exercise date, then 50% of those options lapse and 50% are rolled into Tranche 2. If the performance condition for Tranche 2 is not met at the first exercise date for Tranche 2, then 50% of those options lapse and 50% are rolled into Tranche 3. If the performance condition for Tranche 3 is not met at the first exercise date for Tranche 3, then all remaining options will lapse.

EPS – Earnings per share

CAGR – Compound average growth rate

## b. Company Performance and Remuneration

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

	2007	2008	2009	2010
EBITDA	\$11.4m	\$18.3m	\$12.7m	\$16.4m
Year on Year Growth	26%	60%	(34%)	29%
Net profit/(loss) before tax	\$11.4m	\$ 9.8m	\$2.0m	\$.6m
Year on Year Growth	31%	(14%)	(80%)	(70%)
Closing share price	\$4.00	\$1.89	\$0.67	\$0.98
Dividends paid (cents)	9.0	11.5	5.5	–

### 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 and performance-related bonus. The agreements also contain normal provisions relating to the protection of confidential information and intellectual property rights as well as post employment restraints.

Apart from Mr Lake's service agreement, the agreement is expressed to be an open ended appointment but may generally be terminated by three months notice by either party or earlier in the event of certain breaches of terms and conditions. The contracts do allow the Company to make a payment in lieu of notice. No other termination payments are applicable.

Mr Lake's service agreement has a minimum term of two years ending in August 2011 and is able to be terminated at that time or after it by either party giving the other not less than six month's notice.

### d. Details of Remuneration

The remuneration for each Director and Executive Officer (Key Management Personnel) of the consolidated entity receiving the highest remuneration during the respective financial year was as follows:

2010	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS	TERMINATION BENEFITS	OTHER LONG-TERM BENEFITS	SHARE -BASED PAYMENT	Performance Total \$	Performance Related %	Options Based %
	Base salary & fees \$	Bonus \$	Other \$	Super annuation \$	\$	Leave entitlement \$	Equity options \$			
<b>Directors</b>										
J Puttick	95,000	-	-	-	-	-	-	95,000	-	-
D Adams	55,046	-	-	4,954	-	-	-	60,000	-	-
A Brackin	60,000	-	-	-	-	-	-	60,000	-	-
S Lake	590,000	100,000	-	61,896	-	-	-	751,896	13.3	-
J Sundell	60,000	-	-	-	-	-	-	60,000	-	-
<b>TOTAL DIRECTORS</b>	<b>860,046</b>	<b>100,000</b>	<b>-</b>	<b>66,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,026,896</b>	<b>-</b>	<b>-</b>
<b>Executives</b>										
R De Dominicis	392,959	-	18,917	11,502	-	-	2,044	425,422	0.5	0.5
D Orrock	253,077	-	-	22,777	-	-	2,044	277,898	0.7	0.7
P Salis	297,308	35,000	-	29,908	-	-	3,065	365,280	10.4	0.8
I Sanchez	253,846	-	-	22,846	-	-	5,109	281,801	1.8	1.8
S Shah (Executive until 29/03/10)	223,201	-	-	22,320	-	-	-	245,522	-	-
<b>TOTAL EXECUTIVES</b>	<b>1,420,391</b>	<b>35,000</b>	<b>18,917</b>	<b>109,353</b>	<b>-</b>	<b>-</b>	<b>12,262</b>	<b>1,595,923</b>	<b>-</b>	<b>-</b>
<b>GROUP TOTAL</b>	<b>2,280,437</b>	<b>135,000</b>	<b>18,917</b>	<b>176,203</b>	<b>-</b>	<b>-</b>	<b>12,262</b>	<b>2,622,819</b>	<b>-</b>	<b>-</b>
<b>2009</b>										
<b>Directors</b>										
J Puttick	95,000	-	-	-	-	-	-	95,000	-	-
D Adams	55,046	-	-	4,954	-	-	-	60,000	-	-
A Brackin	60,000	-	-	-	-	-	-	60,000	-	-
S Lake	590,000	-	-	53,100	-	-	-	643,100	-	-
J Sundell	60,000	-	-	-	-	-	-	60,000	-	-
<b>TOTAL DIRECTORS</b>	<b>860,046</b>	<b>-</b>	<b>-</b>	<b>58,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>918,100</b>	<b>-</b>	<b>-</b>

# Directors' Report **continued**

2009	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS	TERMINATION BENEFITS	OTHER LONG-TERM BENEFITS	SHARE -BASED PAYMENT	Performance Total \$	Options Related %	Options Based %
	Base salary & fees \$	Bonus \$	Other \$	Super annuation \$	\$	Leave entitlement \$	Equity options \$			
<b>Executives</b>										
R De Dominicis	383,394	-	-	34,505	-	-	-	417,899	-	-
D Orrock	230,000	-	-	20,700	-	-	-	250,700	-	-
P Salis	264,904	-	-	23,841	-	-	-	288,745	-	-
I Sanchez	230,000	-	-	22,477	-	-	-	252,477	-	-
S Shah (appointed 09/12/08)	197,269	-	-	19,727	-	-	-	216,996	-	-
K Sprott (resigned 06/02/09)	31,293	-	-	3,553	53,846	1,765	-	90,457	-	-
<b>TOTAL EXECUTIVES</b>	<b>1,336,860</b>	<b>-</b>	<b>-</b>	<b>124,803</b>	<b>53,846</b>	<b>1,765</b>	<b>-</b>	<b>1,517,274</b>	<b>-</b>	<b>-</b>
<b>GROUP TOTAL</b>	<b>2,196,906</b>	<b>-</b>	<b>-</b>	<b>182,857</b>	<b>53,846</b>	<b>1,765</b>	<b>-</b>	<b>2,435,374</b>	<b>-</b>	<b>-</b>

## Shareholdings

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

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

2009	Balance at 01/07/08	Received as Compensation	Options exercised	Net Change Other <sup>(i)</sup>	Balance at 30/06/09
<b>Directors</b>					
J Puttick	7,667,760	-	-	(360,000)	7,307,760
D Adams	-	-	-	-	-
A Brackin	231,943	-	-	80,000	311,943
S Lake	3,651,423	-	-	100,000	3,751,423
J Sundell	15,417,605	-	-	350,543	15,768,148
<b>TOTAL DIRECTORS</b>	<b>26,968,731</b>	<b>-</b>	<b>-</b>	<b>170,543</b>	<b>27,139,274</b>
<b>Executives</b>					
R De Dominicis	1,780,996	-	-	-	1,780,996
D Orrock	-	-	-	-	-
P Salis	-	-	-	-	-
I Sanchez	-	-	-	-	-
S Shah	-	-	-	523,596	523,596
K Sprott	-	-	-	-	-
<b>TOTAL EXECUTIVES</b>	<b>1,780,996</b>	<b>-</b>	<b>-</b>	<b>523,596</b>	<b>2,304,592</b>
<b>GROUP TOTAL</b>	<b>28,749,727</b>	<b>-</b>	<b>-</b>	<b>694,139</b>	<b>29,443,866</b>

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

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

Key Management Personnel	Position
J Puttick	Director (Non-executive Chairman)
D Adams	Director (Independent)
A Brackin	Director (Independent)
S Lake	Director (Managing Director and Chief Executive Officer)
J Sundell	Director (Non-executive)
R De Dominicis	Chief Executive Wealth Management
D Orrock	Chief Executive Broker and Financial Services
P Salis	Chief Financial Officer
I Sanchez	Chief Technology Officer
S Shah	Chief Executive Global Broker Services (Position held until 29 March 2010)

### Option Holdings

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

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

# Directors' Report **continued**

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

Options granted as remuneration to Key Management Personnel in the year ended 30 June 2010:

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

i Options granted in current year.

Details of the total holdings of options granted as remuneration in previous financial years are set out in Note 31 in the financial statements. Details of these options are set out in Note 33 in the financial statements.

## Shares issued on exercise of compensation options

There were no options exercised during the 30 June 2010 financial year that were granted as compensation in previous financial years as remuneration to Key Management Personnel.



## Option Holdings

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

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

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

2009	Balance 01/07/08	Granted as Compensation	Options Exercised or Sold	Other	Options Cancelled/ Forfeited	Balance 30/06/09	Total Vested 30/06/09	Total Exercisable 30/06/09	Total Unexercisable 30/06/09
<b>Directors</b>									
J Puttick	-	-	-	-	-	-	-	-	-
D Adams	-	-	-	-	-	-	-	-	-
A Brackin	-	-	-	-	-	-	-	-	-
S Lake	500,000	-	-	-	-	500,000	-	-	500,000
J Sundell	-	-	-	-	-	-	-	-	-
<b>TOTAL DIRECTORS</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>
<b>Executives</b>									
R De Dominicis	-	-	-	-	-	-	-	-	-
D Orrock	-	-	-	-	-	-	-	-	-
P Salis	100,000	-	-	-	-	100,000	-	-	100,000
I Sanchez	-	-	-	-	-	-	-	-	-
S Shah	-	-	-	-	-	-	-	-	-
K Sprott	100,000	-	-	-	(100,000)	-	-	-	-
<b>TOTAL EXECUTIVES</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>
<b>GROUP TOTAL</b>	<b>700,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>600,000</b>	<b>-</b>	<b>-</b>	<b>600,000</b>

## Indemnifying Directors and Officers

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

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

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

## Options

The Company established the GBST Employee Option Plan on 9 March 2005.

The \$10 million subordinated debt facility provided by Crown Financial Pty Ltd has been extended to February 2012 with an option to convert to equity. The Company entered into an agreement with Crown Financial Pty Ltd, to issue Crown with 10,526,316 options over ordinary shares in GBST at an exercise price of 95 cents per option (Placement Options). Each Placement Option may be converted at any time until the expiry date. The Placement Options will lapse upon repayment of the loan.

The number of options over ordinary shares outstanding at 30 June 2010 are as follows:

Grant Date	Exercise Date	Exercise Price	Number
25.07.07	24.07.10	\$0.00	29,358
24.10.07	23.10.10	\$3.92	100,000
26.08.09	26.08.09	\$0.95	10,526,316
17.05.10	15.12.11	\$1.05	600,000
			11,255,674

In addition 18,770 new shares were issued to meet the exercise of employee options (no amounts are unpaid on any of the shares).

Grant Date	Number
09.03.05	1,332
25.07.07	17,438
	18,770

No further employee shares or options have been issued since 30 June 2010.

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

## Proceedings on behalf of Company

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

## Non-audit Services

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

Refer to Note 24 in the financial report for details of non-audit service fees.

## Lead Auditor's Independence Declaration

The lead Auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on the page following this Directors' report, and forms part of the Directors' report.

## Rounding

The Company is an entity to which ASIC Class Order 98/100 dated 10 July 1998 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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



Dr J F Puttick  
Chairman



Mr S M L Lake  
Managing Director and Chief Executive Officer

Dated at Brisbane this 27th day of August 2010

# Auditor's Independence Declaration



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

To: the directors of GBST Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

A handwritten signature in black ink, appearing to read 'Chris Hollis'.

KPMG

A handwritten signature in black ink, appearing to read 'Chris Hollis'.

Chris Hollis  
*Partner*

Sydney

27 August 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	Note	GBST GROUP	
		30 Jun 2010 \$'000	30 Jun 2009 \$'000
Revenue	4	67,648	61,924
Other income	4	755	720
Product delivery and support expenses		(44,017)	(42,486)
Cost of third party product sold	5	(2,582)	(2,402)
Property and equipment expenses		(7,136)	(6,993)
Corporate and administrative expenses	5	(6,190)	(5,438)
Other expenses - impairment of goodwill	5	(5,527)	-
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>2,951</b>	<b>5,325</b>
Finance costs	5	(3,542)	(3,408)
Finance income	5	15	109
<b>Net finance costs</b>		<b>(3,527)</b>	<b>(3,299)</b>
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>		<b>(576)</b>	<b>2,026</b>
Income tax (expense)/benefit	6	(1,829)	103
<b>(LOSS)/PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(2,405)</b>	<b>2,129</b>
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		(4,492)	(3,487)
Net gain on hedge of net investment in foreign operations		1,992	1,770
Net change in fair value of available-for-sale financial assets		(394)	394
<b>OTHER COMPREHENSIVE (LOSS) FOR THE PERIOD, NET OF INCOME TAX</b>		<b>(2,894)</b>	<b>(1,323)</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<b>(5,299)</b>	<b>806</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	34	(3.68)	3.90
Diluted earnings per share (cents)	34	(3.68)	3.90

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

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2010

	Note	GBST GROUP	
		30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,707	2,314
Trade and other receivables	9	12,845	9,498
Inventories	10	712	370
Other assets	14	892	1,389
<b>TOTAL CURRENT ASSETS</b>		<b>16,156</b>	<b>13,571</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	11	1,096	1,622
Plant and equipment	12	2,949	3,102
Intangible assets	13	77,069	93,443
Deferred tax assets	17	3,709	3,335
Other assets	14	22	180
<b>TOTAL NON-CURRENT ASSETS</b>		<b>84,845</b>	<b>101,682</b>
<b>TOTAL ASSETS</b>		<b>101,001</b>	<b>115,253</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	3,962	4,625
Loans from related parties	16	82	10,000
Financial liabilities	16	9,593	7,946
Current tax liabilities	17	1,821	486
Provisions	18	3,043	2,343
Unearned income	19	5,373	4,927
Liabilities on business acquisition	20	1,474	4,009
<b>TOTAL CURRENT LIABILITIES</b>		<b>25,348</b>	<b>34,336</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	15	136	457
Loans from related parties	16	9,628	-
Financial liabilities	16	14,987	27,516
Deferred tax liabilities	17	5,267	7,056
Provisions	18	1,398	1,552
Unearned income	19	30	111
Liabilities on business acquisition	20	-	580
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>31,446</b>	<b>37,272</b>
<b>TOTAL LIABILITIES</b>		<b>56,794</b>	<b>71,608</b>
<b>NET ASSETS</b>		<b>44,207</b>	<b>43,645</b>
<b>EQUITY</b>			
Issued capital	21	37,102	31,819
Reserves	22	(3,472)	(1,156)
Retained earnings		10,577	12,982
<b>TOTAL EQUITY</b>		<b>44,207</b>	<b>43,645</b>

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

# Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

GBST Group	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation <sup>(a)</sup> \$'000	Financial Asset Reserve <sup>(b)</sup> \$'000	Equity Remuneration Reserve <sup>(c)</sup> \$'000	Loan Conversion Reserve <sup>(d)</sup> \$'000	Total \$'000
Balance at 1 July 2008	25,499	13,733	56	–	80	–	39,368
Total comprehensive income for the period							
Profit for the year	–	2,129	–	–	–	–	2,129
Other comprehensive income							
Translation of foreign controlled subsidiary	–	–	(3,487)	–	–	–	(3,487)
Effect of hedge of net investment in foreign operation	–	–	1,770	–	–	–	1,770
Net change in fair value of available-for-sale financial assets, net of tax	–	–	–	394	–	–	394
TOTAL OTHER COMPREHENSIVE LOSS	–	–	(1,717)	394	–	–	(1,323)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	2,129	(1,717)	394	–	–	806
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid (Note 7)	–	(2,880)	–	–	–	–	(2,880)
Share based payments—exempt shares	–	–	–	–	36	–	36
Share based payments—options	–	–	–	–	49	–	49
Share Issues (net of costs)	6,266	–	–	–	–	–	6,266
Transfer to/from ordinary capital	54	–	–	–	(54)	–	–
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS	6,320	(2,880)	–	–	31	–	3,471
TOTAL TRANSACTIONS WITH OWNERS	6,320	(2,880)	–	–	31	–	3,471
BALANCE AT 30 JUNE 2009	31,819	12,982	(1,661)	394	111	–	43,645

GBST Group	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation <sup>(a)</sup> \$'000	Financial Asset Reserve <sup>(b)</sup> \$'000	Equity Remuneration Reserve <sup>(c)</sup> \$'000	Loan Conversion Reserve <sup>(d)</sup> \$'000	Total \$'000
Balance at 1 July 2009	31,819	12,982	(1,661)	394	111	–	43,645
<b>Total comprehensive income for the period</b>							
Loss for the year	–	(2,405)	–	–	–	–	(2,405)
<b>Other comprehensive income</b>							
Translation of foreign controlled subsidiary	–	–	(4,492)	–	–	–	(4,492)
Effect of hedge of net investment in foreign operation	–	–	1,992	–	–	–	1,992
Net change in fair value of available-for-sale financial assets, net of tax	–	–	–	(394)	–	–	(394)
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>	–	–	(2,500)	(394)	–	–	(2,894)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	–	(2,405)	(2,500)	(394)	–	–	(5,299)
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends paid (Note 7)	–	–	–	–	–	–	–
Share based payments–exempt shares	–	–	–	–	25	–	25
Share based payments–options	–	–	–	–	60	–	60
Share Issues (net of costs)	5,215	–	–	–	–	–	5,215
Fair value conversion option	–	–	–	–	–	561	561
Transfer to/from ordinary capital	68	–	–	–	(68)	–	–
<b>TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS</b>	5,283	–	–	–	17	561	5,861
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	5,283	–	–	–	17	561	5,861
<b>BALANCE AT 30 JUNE 2010</b>	37,102	10,577	(4,161)	–	128	561	44,207

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

The hedge instrument is GBP denominated debt drawn under the Group's bank debt facility. The objective of drawing GBP debt under the Group's bank debt facility, is to use it as a 'natural hedge' to offset changes to the fair value of the net tangible assets (NTA) of this foreign subsidiary due to fluctuations in the AUD/GBP spot rate. Assessment of the hedge effectiveness is achieved by confirming that the GBP denominated net asset carrying amount exceeds the face value of the debt. For the period ending 30 June 2010 the hedge is effective.

b. The financial assets reserve records the revaluation of financial assets, classified as available for sale.

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

d. The conversion reserve contains the equity impacts of the Crown renegotiation explained in Note 16.

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

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2010

	Note	GBST GROUP	
		30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		71,075	74,695
Payments to suppliers and employees		(58,822)	(51,906)
Interest income		15	109
Sundry income		755	681
Finance costs paid		(2,820)	(3,382)
Income tax paid		(1,770)	(1,577)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	27(a)	<b>8,433</b>	<b>18,620</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of plant & equipment		-	40
Purchase of plant & equipment		(1,105)	(1,103)
Purchase of software intangibles		(1,471)	(1,184)
Deferred consideration payment for acquisitions		(1,817)	-
Acquisition of businesses (net of cash acquired)	27(d)	-	(39,032)
Proceeds from other entity receivables		-	17
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(4,393)</b>	<b>(41,262)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of finance leases		(179)	(153)
Proceeds from issue of ordinary shares		4,578	-
Costs of share issue		(336)	-
Proceeds from borrowings		8,748	53,497
Repayment of borrowings		(18,498)	(27,480)
Dividends paid		-	(2,880)
<b>NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES</b>		<b>(5,687)</b>	<b>22,984</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,647)</b>	<b>342</b>
Cash and cash equivalents at beginning of the financial year		471	129
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	27(b)	<b>(1,176)</b>	<b>471</b>

The balance for the purpose of the statement comprises cash and cash equivalents as well as bank overdrafts (see Note 16).

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 2010

## Note 1. Reporting Entity

GBST Holdings Limited (the "Company") is the Group's parent Company. The Company is a public company limited by shares, incorporated and domiciled in Australia. The financial report covers the consolidated entity of GBST Holdings Limited and its controlled entities (together referred to as the "Group" and individually as the "Group entities").

## Note 2. Basis of Preparation

### Statement of compliance

The financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASBs), including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

### Basis of measurement

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

### Functional and presentation currency

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

### Comparative figures

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

### Use of estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. The key estimates and judgements made in this financial report concern:

- classification of financial liabilities;
- fair valuing convertible note instrument (Note 16);
- revenue recognition;
- capitalisation of internally generated assets (Note 13);
- impairment testing of the consolidated entity's cash-generating units containing goodwill (Note 13);
- share based payments (Note 33) and
- utilisation of tax losses (Note 17).

### Current ratio

The net assets of the Group increased by \$562 thousand during the year to \$44.21 million at 30 June 2010 as a result of improved operating performance of the Group and cash proceeds from shares issues raising \$4.58 million. Net borrowing repayments of \$9.75 million on Senior Debt occurred, reducing Senior Debt to \$20.43 million from \$33.10 million in 2009.

The Group has a net current asset deficiency at 30 June 2010 of \$9.19 million (30 June 2009: \$20.77 million). \$5.37 million in current liabilities represents payments received in advance from clients for work to be completed pursuant to client agreements in future periods and as such does not represent a future cash outflow. Current senior loan repayments of \$6.00 million are payable in fixed quarterly instalments over the next twelve months. \$7.39 million (AUD facility) of the non-current senior loan repayments are payable in fixed quarterly instalments and \$7.04 million (GBP facility) is payable by 30 June 2013. The repayments will be funded by earnings generated over that period. The Group is in a position to pay its debts as and when they become payable.

The Senior Debt is provided by the National Australia Bank and the current facility was renewed for a three year term maturing on 30 June 2013. At the balance sheet date the Total Operating Leverage is below 2.25 to 1, Interest Cover is above 2.25 to 1 and Equity Ratio is above 50%, and all banking covenants have been met for the period.

The operating business performance has improved significantly over the last twelve months and the debt serviceability and debt cover ratios are improving consistently. All divisions within GBST have secured new clients and each has a strong sales pipeline. The earnings outlook of the business is strong and continues to improve.

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

## Note 2. Basis of Preparation continued

### Changes in accounting policies

Starting as of 1 July 2009, due to changes in accounting standards the Group has adopted the new pronouncements within its accounting policies in the following areas:

- accounting for business combinations;
- accounting for borrowing costs;
- determination and presentation of operating segments;
- presentation of financial statements.

## Note 3. Significant Accounting Policies

### Basis of consolidation

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

A list of controlled entities is contained in Note 25 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. 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 consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

This consolidated financial report was authorised for issue in accordance with a resolution of Directors on 27 August 2010.

### Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in either in profit or loss or in other comprehensive income as applicable. If the contingent consideration is classified as equity, it shall not be remeasured.

### 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 result where amounts have been fully expensed but future tax deductions are available. 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, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference cannot be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### Tax consolidation

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

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a 'stand-alone taxpayer' approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's statement of financial position and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax-consolidated group are recognised in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution

to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated Group to the extent that it is probable that future taxable profits of the tax-consolidated Group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

The members of the tax-consolidated Group have entered into a Tax Funding Arrangement which sets out the funding obligations of members of the tax-consolidated Group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity. The members of the tax-consolidated Group have also entered into a valid Tax Sharing Agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated Group.

#### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities on the statement of financial position.

#### Inventories

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

Work in progress is stated at the aggregate of long term 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 consolidated entity's activities in general.

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 3. Significant Accounting Policies continued

### Plant and equipment

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

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	10–67%	Straight-Line
Leased plant, equipment	10–40%	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 Company has a number of lease agreements over office premises which include an obligation to make good the premises at the conclusion of the lease term. The Company 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 premises lease.

### Leases and hire purchase

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated entity, are classified as finance leases.

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

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

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

### Intangible assets

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

#### Acquired from a business combination and or separately

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

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

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

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. Capitalised development costs are amortised over their useful life and are measured at cost less accumulated amortisation.

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.

#### Externally acquired

Software systems externally acquired are recognised at cost of acquisition. Software systems have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Software systems are amortised over their useful life on a straight-line basis, ranging from one to ten years.

#### Goodwill

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

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

#### Borrowing costs

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

#### Impairment of assets

##### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value or market prices (if actively traded).

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk profiles.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

##### Non-financial assets

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

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

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 3. Significant Accounting Policies continued

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.

### Financial instruments

**Recognition, initial measurement and derecognition**  
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

Financial instruments are classified and measured as set out below:

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

### Available-for-sale financial assets

Available-for-sale financial assets (investments) are reflected at fair value. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Fair value is determined with reference to market prices. Unrealised gains and losses arising from changes in fair value are taken directly to equity other than for impairment (see below).

### Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

### Fair value

Fair value is determined based on current bid prices for all quoted investments.

### Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

### 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.

### 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 cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

#### Equity-settled compensation

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

#### Revenue and other income

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

##### Software license fee revenue

Revenue received in advance for software usage rental is recognised over the period of the usage. However, to the extent that GBST has fulfilled all its obligations under the contract, the license income is recognised as being earned at the time when all GBST's obligations under the contract have been fulfilled.

##### Maintenance/support revenue for licensed software

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

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

##### Implementation and consulting services revenue

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

##### Project services revenue

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

##### Sale of goods

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

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

##### Interest revenue

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

##### Dividend revenue

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

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 3. Significant Accounting Policies continued

### 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 balance sheet are shown inclusive of GST.

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

### Earnings per share

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

### Segment reporting

The Group has applied AASB 8 'Operating Segments' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 8' with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segment and to assess its performance. Application of AASB 8 has not resulted in a change to the Group's reportable segments.

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

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

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

### Foreign currency transactions and balances

#### Transactions and balances

Foreign currency transactions are translated into 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:

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



Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

#### Hedge of net investment in foreign operation

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

#### Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 4. Revenue

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>a. Sales revenue:</b>		
Revenue from licence and service sales	64,045	58,414
Revenue from sale of third party product	3,603	3,510
	<b>67,648</b>	<b>61,924</b>
<b>b. Other income:</b>		
Net profit on sale of plant & equipment	–	19
Other revenue	755	701
	<b>755</b>	<b>720</b>

## Note 5. Profit for the Year

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

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>a. Other expenses:</b>		
Cost of third party product sold	2,582	2,402
Operating lease rentals	2,409	2,512
Research & developments costs	5,719	5,539
<b>b. Depreciation &amp; amortisation:</b>		
Depreciation of plant & equipment	1,046	1,071
Amortisation of tangible & intangible leased assets	98	83
Amortisation of intangibles (excluding leased assets)	6,604	5,662
	<b>7,748</b>	<b>6,816</b>
<b>c. Employee benefits expense:</b>		
Monetary based expense	33,667	32,289
Share based payments expense	85	85
	<b>33,752</b>	<b>32,374</b>
<b>d. Finance costs:</b>		
Foreign currency losses	62	273
Interest paid to external entities	1,209	1,542
Interest paid to director related entities	1,026	600
Finance lease charges	28	33
Facility fees	1,217	960
	<b>3,542</b>	<b>3,408</b>
<b>e. Finance income</b>		
Other entities	15	109
	<b>15</b>	<b>109</b>

## Note 5. Profit for the Year continued

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>f. Significant items:</b>		
The following significant expense items are relevant in explaining the financial performance:		
Impairment charge on investment in listed shares	131	394
Impairment of goodwill	5,527	–
Impairment of intangible assets	–	492
Impairment charge on customer contract intangible	–	252
Termination payments to employees	187	680
	<b>5,845</b>	<b>1,818</b>

## Note 6. Income Tax Expense

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Current tax	3,342	1,606
Deferred tax (Note 17 (c) (i))	(1,315)	(1,180)
Over provision in respect of prior years	(198)	(529)
	<b>1,829</b>	<b>(103)</b>

### b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:

(Loss)/profit before tax	(576)	2,026
Prima facie tax (receivable)/payable at 30%	(173)	608
<b>Adjust for tax effect of:</b>		
Amortisation of customer contracts	465	551
Impairment charge on investment in listed shares (i)	54	118
Impairment charge to goodwill for business acquisitions (ii)	1,650	–
Research & development expenditure claim	(333)	(452)
Capital Investment Allowance	(8)	(47)
Over provision in respect of prior years	(105)	(509)
Recognition of previously unrecognised tax losses	(93)	–
Tax losses carried back (Note 17)	–	(1,003)
Current year losses for which no deferred tax asset was recognised (Note 17)	584	655
Other non-allowable items (net)	142	(54)
UK share based payment treatment	(380)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	26	30
Income tax expense/(benefit) attributable to entity	<b>1,829</b>	<b>(103)</b>
Weighted average effective tax rates:	<b>(318%)</b>	<b>(5%)</b>

The 313% increase compared to 2009 in the weighted average effective consolidated tax rate has resulted primarily from the non-allowable impairment on investments and that in 2009 tax losses were carried back from an acquired subsidiary \$1.00 million.

- The consolidated group have not brought to account a deferred tax asset relating to the tax benefit on the impairment of the investment in listed shares due to the uncertainty of realisation of this capital loss.
- The consolidated group have not brought to account a deferred tax asset relating to the tax benefit on the impairment of goodwill on business acquisitions due to the uncertainty of realisation of this capital loss.

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

## Note 7. Dividends

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Provision for dividend on ordinary shares	-	-
<b>Dividend paid in the period:</b>		
Nil interim fully franked ordinary dividend (2009: 1.5 cents)	-	867
Nil 2009 final fully franked ordinary dividend (2008: 4 cents)	-	2,013
<b>NET DIVIDEND PAID</b>	<b>-</b>	<b>2,880</b>
<b>Dividend franking account:</b>		
30% franking credits available to shareholders of GBST Holdings Limited for subsequent financial years	10,680	8,027

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

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

## Note 8. Cash and Cash Equivalents

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Cash at bank and on hand	1,707	2,314
Bank overdraft used for cash management purposes	(2,883)	(1,843)
<b>CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS</b>	<b>(1,176)</b>	<b>471</b>

## Note 9. Trade and Other Receivables

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Current</b>		
Trade receivables	12,671	9,358
Other amounts receivable	174	140
	<b>12,845</b>	<b>9,498</b>

## Note 10. Inventories

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Current - at cost</b>		
Inventory on hand	17	15
Work in progress	695	355
	<b>712</b>	<b>370</b>

## Note 11. Financial Assets

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Non-Current</b>		
Investment in listed shares at fair value (a)	1,096	1,622
	<b>1,096</b>	<b>1,622</b>

a. At 30 June 2010 the fair value of the investment shareholding in Razor Risk Technologies (formerly IT&e Limited) resulted in an impairment of the asset of \$525 thousand of which \$131 thousand is recorded in profit and loss and the remaining \$394 thousand reduced the Financial Asset Reserve in equity. The current carrying value of the investment is \$1.10 million.

## Note 12. Plant and Equipment

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Owned plant and equipment at cost	9,807	9,668
Provision for depreciation	(7,207)	(6,804)
<b>NET CARRYING VALUE</b>	<b>2,600</b>	<b>2,864</b>
Leased plant and equipment at cost	506	313
Provision for amortisation	(157)	(75)
<b>NET CARRYING VALUE</b>	<b>349</b>	<b>238</b>
<b>TOTAL PLANT AND EQUIPMENT</b>	<b>2,949</b>	<b>3,102</b>

### a. Movement in Plant and Equipment

GBST Group	Owned \$'000	Leased \$'000	Total \$'000
<b>Year ended 30 June 2009</b>			
Balance at 1 July 2008	2,357	161	2,518
Additions	1,103	145	1,248
Additions through the acquisition of controlled entities	533	–	533
Disposals	(20)	–	(20)
Depreciation expense	(1,071)	(68)	(1,139)
Effect of movements in exchange rates	(38)	–	(38)
<b>Balance at 30 June 2009</b>	<b>2,864</b>	<b>238</b>	<b>3,102</b>
<b>Year ended 30 June 2010</b>			
Balance at 1 July 2009	2,864	238	3,102
Additions	912	193	1,105
Disposals	(38)	–	(38)
Depreciation expense	(1,046)	(82)	(1,128)
Effect of movements in exchange rates	(92)	–	(92)
<b>Balance at 30 June 2010</b>	<b>2,600</b>	<b>349</b>	<b>2,949</b>

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 13. Intangible Assets

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>At Cost</b>		
Software systems	37,310	39,321
Accumulated amortisation	(9,867)	(6,915)
<b>NET CARRYING VALUE</b>	<b>27,443</b>	<b>32,406</b>
Customer contracts	12,681	13,487
Accumulated amortisation	(5,997)	(3,570)
<b>NET CARRYING VALUE</b>	<b>6,684</b>	<b>9,917</b>
Goodwill	42,937	51,098
<b>NET CARRYING VALUE</b>	<b>42,937</b>	<b>51,098</b>
Leased software at cost	39	39
Accumulated amortisation	(34)	(17)
<b>NET CARRYING VALUE</b>	<b>5</b>	<b>22</b>
<b>TOTAL INTANGIBLES</b>	<b>77,069</b>	<b>93,443</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 2009</b>					
Balance at 1 July 2008	15,433	6,750	31,588	37	53,808
Additions	1,184	-	-	-	1,184
Additions through the acquisition of controlled entities	21,394	6,168	25,949	-	53,511
Remeasurement of contingent consideration	-	-	(4,695)	-	(4,695)
Disposals	-	-	-	-	-
Write down	(492)	(252)	-	-	(744)
Amortisation charge	(3,382)	(2,280)	-	(15)	(5,677)
Effect of movements in exchange rates	(1,731)	(469)	(1,744)	-	(3,944)
<b>Balance at 30 June 2009</b>	<b>32,406</b>	<b>9,917</b>	<b>51,098</b>	<b>22</b>	<b>93,443</b>
<b>Year ended 30 June 2010</b>					
Balance at 1 July 2009	32,406	9,917	51,098	22	93,443
Additions	656	-	-	-	656
Additions through internal development	1,053	-	-	-	1,053
Disposals	-	-	-	(1)	(1)
Write down	-	-	(5,500)	-	(5,500)
Amortisation charge	(4,066)	(2,538)	-	(16)	(6,620)
Effect of movements in exchange rates	(2,606)	(695)	(2,661)	-	(5,962)
<b>Balance at 30 June 2010</b>	<b>27,443</b>	<b>6,684</b>	<b>42,937</b>	<b>5</b>	<b>77,069</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 Comprehensive Income. Goodwill has an infinite life.

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

### Note 13. 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) based on the group's reporting segments presented below:

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Australian Broker Services segment	3,350	3,350
Wealth Management segment	28,238	28,238
Global Broker Services (Coexis) - see Note 27(d)	10,463	18,624
Financial Services segment (Emu) - see Note 27(d)	886	886
<b>Total Goodwill</b>	<b>42,937</b>	<b>51,098</b>

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

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

The Global Broker Services CGU segment recorded a loss for the year ended 30 June 2010 indicating that the carrying amounts of the intangible assets may have been impaired. Accordingly the subsidiary entity has recognised a provision for impairment of \$5.50 million (2009: nil) in relation to the CGU. The recoverable amount of the CGU was determined using the value-in-use calculations based on the present value of cash flow projections of Global Broker Services over five years. In preparing the projections, Management used the 2011 budgets and a growth rate thereafter of 11% per annum for revenue, 5% per annum for costs, long term growth rate of 3% and a post-tax discount rate of 14.53% (pre-tax discount rate of 20%). Based on sensitivity analysis conducted on key cash flow drivers a 1% movement of these key variables increases the impairment ranging by \$1.5 million to \$2.5 million.

All other CGU's were tested for impairment based upon a similar approach outlined above. Revenue growth rates of 5% were used for the Australian Broker Services and Financial Services CGUs, whilst a range of revenue growth rates were used for the rapidly expanding Wealth Management CGU ranging from 5% to 100% depending on the CGU service offering. Costs growth rates of 5% per annum, long term growth rates of 3% per annum and a post-tax discount rate of 10.67% (pre-tax discount rate of 14%) were applied to all of these CGU's. Based on sensitivity analysis Management believe that any reasonable possible change in the respective key assumptions would not have a material impact on the recoverable amount of the carrying value of the CGU's.

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 14. Other Assets

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Current</b>		
Prepaid expenditure	892	1,389
<b>Non-Current</b>		
Prepaid expenditure	22	180
	22	180

## Note 15. Trade and Other Payables

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Current (unsecured)</b>		
Trade payables & accruals	3,962	4,625
	3,962	4,625
<b>Non-Current (unsecured)</b>		
Trade payables & accruals	136	457
	136	457



## Note 16. Financial Liabilities

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Loan from Related Parties</b>		
<b>Current</b>		
Accrued interest on loan from Director related entity (secured)	82	–
Loan from Director related entity (secured) <sup>(a)</sup>	–	10,000
	<b>82</b>	<b>10,000</b>
<b>Other Financial Liabilities</b>		
<b>Current</b>		
Bank overdraft (secured) <sup>(b)</sup>	2,883	1,843
Senior bank facility (secured) <sup>(b)</sup>	6,000	2,700
Senior bank facility GBP (secured) <sup>(b)</sup>	–	3,080
Commercial loan facility (secured) <sup>(b)</sup>	495	147
Finance lease liability (Note 23)	215	176
	<b>9,593</b>	<b>7,946</b>
<b>Loan from Related Parties</b>		
<b>Non-Current</b>		
Loan from Director related entity (secured) <sup>(a)</sup>	9,628	–
	<b>9,628</b>	<b>–</b>
<b>Other Financial Liabilities</b>		
<b>Non-Current</b>		
Senior bank facility (secured) <sup>(b)</sup>	7,394	15,000
Senior bank facility GBP (secured) <sup>(b)</sup>	7,040	12,320
Commercial loan facility (secured) <sup>(b)</sup>	383	–
Finance lease liability (Note 23)	170	196
	<b>14,987</b>	<b>27,516</b>
<b>TOTAL SECURED LIABILITIES</b>	<b>33,823</b>	<b>45,090</b>

a. The loan from a Director related entity and a major shareholder is sub-ordinated debt provided by Crown Financial Pty Ltd ("Crown"). Interest is payable at a rate of 10% p.a. The Company entered into an agreement with Crown Financial Pty Ltd on 26 August 2009, to issue Crown with 10,526,316 options over ordinary shares in GBST at an exercise price of 95 cents per option (Placement Options).

The effective consideration for the issue of the Placement Options has been Crown agreeing to extend the expiry date of its current \$10.00 million loan facility from 1 January 2010 to February 2012. Each Placement Option may be converted at any time until the expiry date. The Placement Options will lapse upon repayment of the loan.

This equity conversion feature effectively transforms the loan into a convertible note. Under Australian Accounting Standards this is regarded as a significant modification which is accounted for as an extinguishment of the old loan and recognition of the new convertible note.

The excess of the fair value of the 'convertible note' instrument over the carrying value of the original loan is recorded in equity because Crown is deemed to act in their capacity as shareholder. The equity component of the convertible note is also recorded in equity, giving a net impact on reserves of \$561 thousand, being the difference between the original loan at carrying value and the new debt component (loan) fair valued using a comparable rate charged for similar loans, which was determined to be 13.5%. The new loan is therefore recorded at a value below its principal amount but will unwind this discount over the term as interest expense.

b. The bank overdraft, senior bank facility, senior bank facility GBP and commercial loan facility are provided by National Australia Bank Limited. The facilities are secured by fixed and floating charges over the operating companies within the Group. The company renewed the banking facilities on 25 June 2010, where the senior bank facility and senior bank facility GBP expire on 30 June 2013, with quarterly principal repayments of \$1.50 million for the senior bank facility and interest only payments for the GBP facility. Additional payments may be made against facilities without incurring penalties. Interest rates under the facility are variable. At 30 June the interest rate for the senior bank facility was 7.65% p.a. and for the senior bank facility GBP 4.33% p.a.

In respect of the bank facilities, totalling \$24.82 million at 30 June 2010, the company met all covenant requirements. The carrying amount of group non-current assets secured is \$84.85 million.

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 17. Tax

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>a. Liabilities</b>		
Current		
Income tax	1,821	486
Non-Current		
Deferred tax liability comprises:		
Tax allowances relating to plant and equipment	38	61
Tax allowances relating to intangibles	5,229	6,995
	5,267	7,056
<b>b. Assets</b>		
Non-Current		
Deferred tax assets comprise:		
Unused tax losses	504	588
Provisions and prepaid income	3,001	2,463
Other items	124	284
Transaction costs on equity issue	80	–
	3,709	3,335
<b>c. Reconciliations</b>		
<b>i. Net Movement</b>		
The overall movement in the net deferred tax account is as follows:		
Opening balance	(3,721)	2,660
Recoupment of temporary differences not previously taken up	(83)	–
Additions through capital raising	101	–
Additions through the acquisition of controlled entities	–	(8,251)
Charged to income statement	1,315	1,180
Foreign currency translation	849	737
Charge to equity	(19)	(47)
<b>CLOSING BALANCE</b>	<b>(1,558)</b>	<b>(3,721)</b>
<b>ii. Deferred Tax Liability</b>		
a. The movement in deferred tax liability for each temporary difference during the year is as follows:		
<i>Tax allowances relating to plant and equipment and intangibles</i>		
Opening balance	7,056	176
Recoupment of temporary differences not previously taken up	18	–
Additions through the acquisition of controlled entities	–	8,251
Charged to income statement	(839)	(633)
Foreign currency translation	(968)	(737)
<b>CLOSING BALANCE</b>	<b>5,267</b>	<b>7,056</b>

## Note 17. Tax continued

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>iii. Deferred Tax Assets</b>		
a. The movement in deferred tax asset for each temporary difference during the year is as follows:		
<i>Provisions and prepaid income</i>		
Opening balance	2,463	2,140
Recoupment of temporary differences not previously taken up	(40)	–
Charged to income statement	578	323
<b>CLOSING BALANCE</b>	<b>3,001</b>	<b>2,463</b>
<i>Other Items</i>		
Opening balance	284	60
Recoupment of temporary differences not previously taken up	(23)	–
Charged to income statement	(102)	224
Foreign currency translation	(35)	–
<b>CLOSING BALANCE</b>	<b>124</b>	<b>284</b>
<i>Transaction costs on equity issue</i>		
Opening balance	–	47
Recoupment of temporary differences not previously taken up	(2)	–
Additions through capital raising	101	–
Charged directly to equity	(19)	(47)
<b>CLOSING BALANCE</b>	<b>80</b>	<b>–</b>
<i>Unused tax losses</i>		
Opening balance	588	588
Charged to income statement	–	–
Translation	(84)	–
<b>CLOSING BALANCE</b>	<b>504</b>	<b>588</b>
b. Total deferred tax assets not brought to account as at reporting period end:		
– tax losses: operating losses	1,239	655
– tax losses: capital losses	2,166	461

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 18. Provisions

	GBST GROUP		
	30 Jun 2010 \$'000	30 Jun 2009 \$'000	
<b>Current</b>			
Employee benefits	2,997	2,343	
Make Good <sup>(a)</sup>	46	–	
	3,043	2,343	
<b>Non-Current</b>			
Employee benefits	869	974	
Make Good <sup>(a)</sup>	529	578	
	1,398	1,552	
	<b>Employee benefits</b>	<b>Make Good</b>	<b>Total</b>
GBST Group	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the year	3,317	578	3,895
Additional provisions	3,007	29	3,036
Amounts used	(2,389)	–	(2,389)
Unused amounts reversed	(69)	(32)	(101)
<b>BALANCE AT 30 JUNE 2010</b>	<b>3,866</b>	<b>575</b>	<b>4,441</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 2010 to 2015.

## Note 19. Unearned Income

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Current</b>		
Revenue received in advance for software usage and support services	5,373	4,927
	5,373	4,927
<b>Non-Current</b>		
Revenue received in advance for software usage and support services	30	111
	30	111

## Note 20. Liabilities On Business Acquisition

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Current</b>		
Amount owing to vendors in respect of acquisition	1,474	4,009
	1,474	4,009
<b>Non-Current</b>		
Amount owing to vendors in respect of acquisition	–	580
	–	580

## Note 21. Issued Capital

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
66,032,789 (2009: 57,819,853) fully paid ordinary shares	37,102	31,819
	37,102	31,819
<b>Movements in issued capital:</b>		
Opening balance	31,819	25,499
*Various dates Employee zero exercise options scheme		
<b>Share issues during the year:</b>	68	54
1 October 2008 Acquisition of Emu	–	250
9 December 2008 Acquisition of Coexis	–	6,016
7 August 2009 Share Purchase Plan Share Issue	814	–
28 August 2009 Placement Share Issue	3,764	–
28 August 2009 Deferred consideration – InfoComp	450	–
August 2009 Transaction Costs	(336)	–
Recognition of Deferred Tax on Capital Raising Expenses	100	–
9 December 2009 Deferred consideration – Coexis	423	–
	37,102	31,819
<b>Ordinary Shares</b>	<b>No.</b>	<b>No.</b>
<b>Opening balance</b>	<b>57,819,853</b>	<b>50,296,733</b>
<b>Share issues during the year:</b>		
1 October 2008 Acquisition of Emu	–	171,939
9 December 2008 Acquisition of Coexis	–	7,336,007
7 August 2009 Share Purchase Plan Share Issue	1,251,641	–
28 August 2009 Placement Share Issue	6,190,195	–
28 August 2009 Deferred consideration – InfoComp	292,500	–
9 December 2009 Deferred consideration – Coexis	459,830	–
*Various dates Employee zero exercise options scheme	17,438	13,842
*Various dates Employee exempt options scheme	1,332	1,332
	66,032,789	57,819,853

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

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

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

### Options

For details on employee and placement options over ordinary shares, see Note 33 and Note 16(a) respectively.

### Capital Management

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

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

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 21. Issued Capital continued

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. During the 2010 year, the group paid no dividends (2009: \$2.88 million). The entity currently has a target dividend payout ratio of up to 50%. This is subject to regular review depending on the current circumstances of the entity.

The current gearing ratio (net debt/total debt and equity) of 43% (2009: 50%) is within the target range of between 30% and 50%. The gearing ratios for the year ended 30 June 2010 and 30 June 2009 are as follows:

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Total borrowings	34,662	45,462
Less: cash and cash equivalents	1,707	2,314
Net debt	32,955	43,148
Total equity	44,207	43,645
<b>TOTAL DEBT AND EQUITY</b>	<b>77,162</b>	<b>86,793</b>
Gearing ratio	43%	50%

The group is not subject to any externally imposed capital requirements, other than the facility covenants set out in Note 16.

## Note 22. Reserves

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Equity remuneration reserve	128	111
Foreign currency translation reserve	(4,161)	(1,661)
Financial asset reserve	-	394
Loan from director related entity conversion reserve	561	-
	<b>(3,472)</b>	<b>(1,156)</b>

## Note 23. Capital, Leasing And Other Commitments

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>a. Finance Leasing Commitments</b>		
Payable on leases:		
Not later than one year	238	202
Later than one year but not later than five years	191	205
Later than five years	-	-
	<b>429</b>	<b>407</b>
Less future finance charges	(44)	(35)
<b>TOTAL LIABILITY</b>	<b>385</b>	<b>372</b>
Lease liabilities are included in the Statement of Financial Position as:		
Current (Note 16)	215	176
Non-current (Note 16)	170	196
	<b>385</b>	<b>372</b>

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

## Note 23. Capital, Leasing And Other Commitments continued

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>b. Non-cancellable Operating Leases</b>		
Lease amounts are payable:		
Not later than one year	2,177	2,912
Later than one year but not later than five years	4,942	5,980
Later than five years	-	-
	<b>7,119</b>	<b>8,892</b>

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

### c. Capital and Other Expenditure Commitments

Contracted for:

Capital and other operating purchases	549	56
Payable		
Not later than one year	549	56
Later than one year but not later than five years	-	-
Later than five years	-	-
	<b>549</b>	<b>56</b>

## Note 24. Auditors' Remuneration

	GBST GROUP	
	30 Jun 2010 \$	30 Jun 2009 \$
<b>Audit Services</b>		
<b>KPMG Australia</b>		
Audit & review of financial reports	263,862	222,542
Other regulatory audit services	-	-
<b>Overseas KPMG firms</b>		
Audit & review of financial reports	53,046	52,091
<b>Other Auditors</b>		
Audit & review of financial reports	24,663	-
	<b>341,571</b>	<b>274,633</b>
<b>Other Services</b>		
<b>KPMG Australia</b>		
Other assurance services	41,028	24,500
Taxation services	121,891	82,620
<b>Overseas KPMG firms</b>		
Taxation services	15,215	-
<b>Other Auditors</b>		
Other assurance services	3,636	-
Taxation services	22,443	-
	<b>204,213</b>	<b>107,120</b>

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

## Note 25. Other Group Entities

### a. Controlled Entities Consolidated

Group Entity	Country of Incorporation	Percentage Owned
GBST Pty Ltd*	Australia	100% (June 2009: 100%)
Emu Design (Qld) Pty Ltd*	Australia	100% (June 2009: 100%)
GBST ESOP Pty Ltd*	Australia	100% (June 2009: 100%)
GBST Ltd	United Kingdom	100% (June 2009: 100%)
GBST Australia Pty Ltd*	Australia	100% (June 2009: 100%)
<b>Subsidiaries of GBST Ltd:</b>		
Coexis Inc	United States of America	100% (June 2009: 100%)
Coexis Software Ltd	United Kingdom	100% (June 2009: 100%)
<b>Subsidiaries of GBST Australia Pty Ltd:</b>		
GBST Hong Kong Limited	Hong Kong	100% (June 2009: 100%)
GBST Registry Solutions Pty Ltd*	Australia	100% (June 2009: 100%)
GBST Wealth Management Pty Ltd*	Australia	100% (June 2009: 100%)
<b>Subsidiaries of GBST Wealth Management Pty Ltd:</b>		
InfoComp UK Limited	United Kingdom	95.9% (June 2009: 95.9%)
GBST UK Holdings Limited	United Kingdom	100% (June 2009: 100%)
<b>Subsidiaries of GBST UK Holdings Ltd:</b>		
GBST Hosting Limited	United Kingdom	100% (June 2009: 100%)
GBST Wealth Management Limited	United Kingdom	100% (June 2009: 100%)

\* 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.

### b. Deed of Cross Guarantee

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

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 30 June 2010 is set out as follows:



## Note 25. Other Group Entities continued

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Financial information in relation to:</b>		
<b>i. Statement Of Comprehensive Income</b>		
Revenue	51,678	49,903
Other income	71	126
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>4,668</b>	<b>5,968</b>
Finance costs	(3,492)	(2,959)
Finance income	14	89
Net finance costs	(3,478)	(2,871)
Profit before income tax	1,190	3,098
Income tax expense	(2,232)	(773)
(Loss)/profit after income tax	(1,042)	2,325
<b>(LOSS)/PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>	<b>(1,042)</b>	<b>2,325</b>
Other comprehensive income	(394)	394
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(1,436)</b>	<b>2,719</b>
<b>ii Retained Earnings</b>		
Retained profits at the beginning of the year	11,541	12,096
Profit after income tax	(1,042)	2,325
Dividends provided for or paid	-	(2,880)
<b>RETAINED EARNINGS AT END OF THE YEAR</b>	<b>10,499</b>	<b>11,541</b>
<b>iii Statement Of Financial Position</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	292	1,535
Trade and other receivables	7,734	6,825
Inventories	708	270
Other assets	533	941
<b>TOTAL CURRENT ASSETS</b>	<b>9,267</b>	<b>9,571</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	10,109	3,009
Financial assets	1,096	1,622
Property, plant and equipment	2,210	2,466
Intangible assets	48,252	51,357
Investment	28,553	42,039
Deferred tax assets	2,654	2,502
Other assets	22	180
<b>TOTAL NON-CURRENT ASSETS</b>	<b>92,896</b>	<b>103,175</b>
<b>TOTAL ASSETS</b>	<b>102,163</b>	<b>112,746</b>

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

## Note 25. Other Group Entities continued

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,937	2,674
Loans from related parties	82	10,000
Financial liabilities	9,593	7,946
Current tax liabilities	1,749	294
Provisions	3,043	2,343
Unearned income	4,677	4,320
Liabilities on business acquisition	1,474	4,009
<b>TOTAL CURRENT LIABILITIES</b>	<b>22,555</b>	<b>31,586</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	136	457
Loans from related parties	9,628	–
Financial liabilities	14,987	27,516
Deferred tax liabilities	5,230	7,056
Provisions	1,307	1,491
Unearned income	30	111
Liabilities on business acquisition	–	580
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>31,318</b>	<b>37,211</b>
<b>TOTAL LIABILITIES</b>	<b>53,873</b>	<b>68,797</b>
<b>NET ASSETS</b>	<b>48,290</b>	<b>43,949</b>
<b>EQUITY</b>		
Issued capital	37,102	31,819
Reserves	689	589
Retained earnings	10,499	11,541
<b>TOTAL EQUITY</b>	<b>48,290</b>	<b>43,949</b>

## Note 26. Financing Arrangements

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Financing facilities <sup>(a)</sup>	37,134	50,011
Amount utilised	(35,340)	(44,016)
<b>UNUSED CREDIT FACILITIES</b>	<b>1,794</b>	<b>5,995</b>

a. This amount comprises bank loans, a multi-option facility and a fully utilised loan from related parties of \$10.00 million. The bank loans and multi-option facility are secured by a registered charge over the assets of the group and interest rates under the facility are variable. Additional payments may be made against facilities without incurring penalties. The bank loans comprise of a senior bank facility with quarterly principal repayments, an interest only senior bank facility Great British Pounds (GBP) and commercial loan facility which has monthly principal repayments. The multi-option facility includes an overdraft, bill facility, letter of credit, bank guarantees, purchasing card and revolving lease limit. The multi-option facility is subject to annual review and has a number of other commercial terms and conditions. The revolving lease limit is a "revolving asset finance facility" to enable equipment financing, required for business operations. Each draw on the lease facility creates a rental agreement for a 36 to 48 month period. There are no conditions/covenants in place and drawdown is subject to the bank's acceptance of assets proposed for financing under the facility.

The loan from related parties is sub-ordinated debt provided by Crown Financial Pty Ltd, an entity related to Mr J Sundell, a director of the Company. The loan facility expires February 2012. The terms of the loan including interest rates are on arm's length terms. Interest is payable at a rate of 10% p.a.

## Note 27. Cash Flow Information

### a. Reconciliation of Net Cash provided by Operating Activities to Profit after Income Tax

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
(Loss)/profit after income tax	(2,405)	2,129
Non-cash flows in operating profit:		
Depreciation and amortisation	7,748	6,816
Write down of intangible assets	5,527	252
Write down on investments	131	886
(Profit)/loss on sale of plant & equipment	3	(39)
Share based payments expensed	85	85
Changes in assets and liabilities:		
(Increase)/decrease in receivables	1,201	13,166
(Increase)/decrease in other assets	655	(255)
Change in intangibles (internal costs)	(238)	–
Increase/(decrease) in unearned income	365	203
(Increase)/decrease in inventories	(342)	372
(Increase)/decrease in deferred tax balances	(2,163)	(1,483)
Increase/(decrease) in tax provision	1,335	(1,969)
Increase/(decrease) in trade and other payables	(4,015)	(1,423)
Increase/(decrease) in provisions	546	(120)
<b>CASH FLOW FROM OPERATIONS</b>	<b>8,433</b>	<b>18,620</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 8)	1,707	2,314
Bank overdraft (Note 16)	(2,883)	(1,843)
	(1,176)	471

### c. Non-cash Financing Activities

During the 2010 financial year the group acquired plant and equipment and software with an aggregate value of \$193 thousand (2009: \$145 thousand) by means of finance leases; \$1.36 million (2009: \$294 thousand) by means of equipment loans.

During the year the following ordinary shares were issued as non-cash consideration:

	Number	Issue Price
– Employee zero exercise options scheme	17,438	\$3.9000
– Employee exempt options scheme	1,332	\$0.7505

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

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

## Note 27. Cash Flow Information continued

### d. Acquisition of business

In the prior comparative year the group acquired 'Coexis', a leading global provider of software for the securities industry, on 9 December 2008.

The purchase was allocated as follows:

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Purchase consideration	–	49,866
Transaction costs	–	1,200
<b>TOTAL PURCHASE CONSIDERATION</b>	<b>–</b>	<b>51,066</b>
<b>This was funded by:</b>		
7,336,007 ordinary shares <sup>(a)</sup>	–	6,016
Cash consideration	–	41,193
Consideration paid	–	47,209
Amounts yet to be paid <sup>(b)</sup>	–	2,698
1,414,000 ordinary shares to be issued <sup>(a)</sup>	–	1,159
	–	51,066

a. Market price at purchase date \$0.82

b. At acquisition date there were contingent consideration payments estimated at \$4.20 million which have been subsequently remeasured to zero, in year ended 30 June 2009.

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Assets and liabilities acquired at acquisition date:</b>		
Intellectual property – software systems	–	21,336
Intellectual property – customer contracts	–	6,168
Deferred tax liability on intangible property	–	(8,251)
Property, plant and equipment	–	494
Cash	–	2,943
Other assets	–	12,413
Payables and provisions	–	(4,405)
	–	30,698
Goodwill	–	20,368
<b>TOTAL</b>	<b>–</b>	<b>51,066</b>

The goodwill is attributable to the significant synergies expected to arise after the acquisition of software systems. The transaction will significantly increase GBST's global reach and expansion via Coexis' existing international customers, prospects and distribution channels.

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to their carrying value.

A loss of \$130 thousand is included in the consolidated statement of comprehensive income for the year 30 June 2009.

## Note 27. Cash Flow Information continued

In the prior comparative year the group acquired 'Emu Design (Old)', a specialist in a wide range of services including web development, graphic design, product design, corporate identity design and IT and software solutions, on 1 October 2008.

The purchase was allocated as follows:

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
Purchase consideration	–	1,173
Transaction costs	–	131
<b>TOTAL PURCHASE CONSIDERATION</b>	<b>–</b>	<b>1,304</b>
<b>This was funded by:</b>		
171,939 ordinary shares <sup>(a)</sup>	–	250
Cash consideration	–	888
Consideration paid	–	1,138
Amounts yet to be paid <sup>(b)</sup>	–	166
	–	1,304

a. Market price at purchase date \$1.45

b. At acquisition date there were contingent consideration payments estimated at \$500 thousand which have been subsequently remeasured to zero, in year ended 30 June 2009.

	GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Assets and liabilities acquired at acquisition date:</b>		
Property, plant and equipment	–	97
Cash	–	107
Trade and other receivables	–	789
Payables and provisions	–	(575)
	–	418
Goodwill	–	886
<b>TOTAL</b>	<b>–</b>	<b>1,304</b>

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business' workforce and the synergies expected to be achieved from integrating the Company into the Group's existing Financial Services business.

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to their carrying value.

A loss before tax amounting to \$422 thousand is included in the consolidated statement of comprehensive income for the year 30 June 2009.

Had the results of Emu and Coexis been consolidated for the full 2009 year, consolidated revenue would have been \$71.32 million and consolidated profit before tax \$2.61 million for the year 30 June 2009.

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 28. Operating Segments

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

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

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

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

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

### Reportable Segments

	AUSTRALIAN BROKER SERVICES		WEALTH MANAGEMENT		FINANCIAL SERVICES		GLOBAL BROKER SERVICES		ELIMINATIONS		GBST GROUP	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000	30 Jun 2010 \$'000	30 Jun 2009 \$'000	30 Jun 2010 \$'000	30 Jun 2009 \$'000	30 Jun 2010 \$'000	30 Jun 2009 \$'000	30 Jun 2010 \$'000	30 Jun 2009 \$'000	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Revenue</b>												
Sales to external customers	30,153	28,276	22,772	23,485	2,581	1,251	12,142	8,912	-	-	67,648	61,924
Other income from external customers	2	45	109	27	-	53	644	595	-	-	755	720
Inter-segment revenues	-	-	-	-	258	267	-	121	(258)	(388)	-	-
<b>TOTAL SEGMENT REVENUE</b>	<b>30,155</b>	<b>28,321</b>	<b>22,881</b>	<b>23,512</b>	<b>2,839</b>	<b>1,571</b>	<b>12,786</b>	<b>9,628</b>	<b>(258)</b>	<b>(388)</b>	<b>68,403</b>	<b>62,644</b>
<b>SEGMENT RESULT FROM OPERATING ACTIVITIES</b>	<b>9,824</b>	<b>8,044</b>	<b>1,925</b>	<b>(442)</b>	<b>(54)</b>	<b>(792)</b>	<b>(8,744)</b>	<b>(1,485)</b>	<b>-</b>	<b>-</b>	<b>2,951</b>	<b>5,325</b>
Net finance costs											(3,527)	(3,299)
(Loss)/profit before income tax											(576)	2,026
Income tax (expense)/benefit											(1,829)	103
<b>(LOSS)/PROFIT AFTER INCOME TAX</b>											<b>(2,405)</b>	<b>2,129</b>
<b>Other material non-cash items:</b>												
Depreciation and amortisation of segment assets	1,191	1,139	3,592	3,602	58	59	2,907	2,016	-	-	7,748	6,816
Other non-cash segment expenses	217	973	1	252	27	-	5,501	-	-	-	5,746	1,225
<b>CAPITAL EXPENDITURE</b>	<b>1,891</b>	<b>1,801</b>	<b>513</b>	<b>445</b>	<b>24</b>	<b>1,084</b>	<b>386</b>	<b>44,469</b>	<b>-</b>	<b>-</b>	<b>2,814</b>	<b>47,799</b>
<b>SEGMENT TOTAL ASSETS</b>	<b>14,189</b>	<b>13,363</b>	<b>52,771</b>	<b>55,016</b>	<b>532</b>	<b>690</b>	<b>33,509</b>	<b>46,184</b>	<b>-</b>	<b>-</b>	<b>101,001</b>	<b>115,253</b>
<b>SEGMENT TOTAL LIABILITIES</b>	<b>7,902</b>	<b>12,908</b>	<b>19,028</b>	<b>23,356</b>	<b>239</b>	<b>365</b>	<b>29,625</b>	<b>34,979</b>	<b>-</b>	<b>-</b>	<b>56,794</b>	<b>71,608</b>

## Note 28. Operating Segments continued

	SEGMENT REVENUES FROM EXTERNAL CUSTOMERS		CARRYING AMOUNT OF SEGMENT NON-CURRENT ASSETS	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>Geographical Location:</b>				
Australia	50,203	54,765	54,892	58,126
United Kingdom	17,445	7,159	29,953	43,556
	67,648	61,924	84,845	101,682

### Information about Geographical Areas

The consolidated group's business segments are located in Australia with Wealth Management and Global Broker Services having operations in the United Kingdom.

The Australian Broker Services division has a customer in New Zealand and customers in South East Asia from sales to Australian entities.

### Accounting Policies

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

### Intersegment Transfers

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

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

## Note 29. Financial Risk Management

### a. Financial Risk Management Policies

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

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

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

The Group have 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 have 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.

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

## Note 29. Financial Risk Management continued

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

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

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

### b. Market risk

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

#### Interest Rate Risk

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

#### Australian Variable Interest Rate Risk

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

	GBST GROUP	
	2010 \$'000	2009 \$'000
<b>Financial assets</b>		
Cash	279	1,533
	<b>279</b>	<b>1,533</b>
<b>Financial liabilities</b>		
Bank overdraft	2,883	1,280
Bank loan	14,273	17,847
	<b>17,156</b>	<b>19,127</b>

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

#### Great British Pound variable interest rate risk

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

	GBST GROUP	
	2010 \$'000	2009 \$'000
<b>Financial assets</b>		
Cash	1,264	779
	<b>1,264</b>	<b>779</b>
<b>Financial liabilities</b>		
Bank overdraft	-	563
Bank loan	7,040	15,400
	<b>7,040</b>	<b>15,963</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 consideration is given to alternative hedging positions.

At balance sheet date the Group had exposure to movements in the exchange rate for Great British Pounds in cash and receivables of \$2.67 million (2009: \$2.77 million) and payables and loans of \$7.88 million (2009: \$17.79 million).

At balance sheet date the Group had exposure to movements in the exchange rate for United States of America Dollars in cash and receivables of \$1.70 million (2009: \$638 thousand) and payables of \$Nil (2009: \$129 thousand).

At balance sheet date the Group had exposure to movements in the exchange rate for Euros in cash and receivables of \$688 thousand (2009: \$Nil) and payables of \$Nil (2009: \$Nil).

### Share Price Risk

The Group have an investment in an ASX listed Company, Razor Risk Technologies Limited (formerly IT&e Limited), (see Note 11). This is a long term shareholding, however exposure exists to movements in the market price.

### c. Liquidity Risk

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



## Note 29. Financial Risk Management continued

### c. Liquidity Risk continued

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

### 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 provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Credit risk arises primarily from exposures to customers. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. In addition,

receivables balances are monitored on an ongoing basis with the result that apart from the risks noted below, there are no other material credit risks to the Company.

In respect of the parent entity, credit risk also incorporates the exposure of GBST Holdings Limited to the liabilities of all members of the closed Group under the Deed of Cross Guarantee. Refer to Note 25 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 27% (2009: 29%) of the Group's revenue is derived from five customers providing financial services. All Australian clients satisfy the minimum core capital requirements of the ASX.

Trade debtor terms range between fourteen to thirty days. Included in the Group's trade receivable balance are debtors with a carrying amount of \$3.67 million (2009: \$3.09 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in the credit quality and the Group believes that the amounts are still considered recoverable. The weighted average age of these receivables is sixty-eight days (2009: eighty-five days).

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

	2010		2009	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	9,002	–	6,268	–
Past due 0–30 days	2,273	–	1,585	–
Past due 30–120 days	1,063	–	1,241	–
Past due more than 121 days	368	35	735	471
	12,706	35	9,829	471

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

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

	GBST GROUP CARRYING AMOUNT	
	2010 \$'000	2009 \$'000
Cash and cash equivalents	1,707	2,314
Trade and other receivables	12,845	9,498
Other financial assets	1,096	1,622
	15,648	13,434

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 29. Financial Risk Management continued

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

	GBST GROUP CARRYING AMOUNT	
	2010 \$'000	2009 \$'000
Australia	8,691	6,521
United Kingdom	2,574	2,352
United States of America	1,580	625
	<b>12,845</b>	<b>9,498</b>

### e. Financial Instruments

#### i. Financial Instrument Composition and Maturity Analysis:

The following table reflects the undiscounted contractual settlement terms for Group financial instruments of a fixed period of maturity, as well as Management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	0-1 YEARS		1-2 YEARS		2-5 YEARS		OVER 5 YEARS		TOTAL	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>GBST Group</b>										
<b>FINANCIAL ASSETS</b>										
Cash <sup>(i)</sup>	1,707	2,314	-	-	-	-	-	-	1,707	2,314
Trade and other receivables	12,845	9,498	-	-	-	-	-	-	12,845	9,498
Available for sale financial assets	1,096	1,622	-	-	-	-	-	-	1,096	1,622
<b>TOTAL FINANCIAL ASSETS</b>	<b>15,648</b>	<b>13,434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,648</b>	<b>13,434</b>
<b>FINANCIAL LIABILITIES</b>										
Bank loan and overdraft <sup>(i)</sup>	9,379	7,770	6,382	27,320	8,434	-	-	-	24,195	35,090
Loan from Director related entity	82	10,000	9,628	-	-	-	-	-	9,710	10,000
Lease facilities <sup>(ii)</sup>	238	202	76	184	115	21	-	-	429	407
Liabilities on acquisition	1,474	4,009	-	580	-	-	-	-	1,474	4,589
Trade & other payables	3,962	4,625	136	320	-	137	-	-	4,098	5,082
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15,135</b>	<b>26,606</b>	<b>16,222</b>	<b>28,404</b>	<b>8,549</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>39,906</b>	<b>55,168</b>

i. These items have variable interest rates.

ii. These items have fixed interest rates. All other items are non-interest bearing.

#### ii. Net Fair Values

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

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

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

## Note 29. Financial Risk Management continued

### e. Financial Instruments continued

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

	2010		2009	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	1,707	1,707	2,314	2,314
Trade and other receivables	12,845	12,845	9,498	9,498
Available-for-sale financial assets at fair value	1,096	1,096	1,622	1,622
	<b>15,648</b>	<b>15,648</b>	<b>13,434</b>	<b>13,434</b>
<b>Financial liabilities</b>				
Trade and other payables	4,098	4,098	5,082	5,082
Bank loans and overdrafts	33,905	33,842	45,090	44,684
Lease facilities	385	385	372	372
Liabilities on business acquisition	1,474	1,474	4,589	4,589
	<b>39,862</b>	<b>39,799</b>	<b>55,133</b>	<b>54,727</b>

Fair values are materially in line with carrying values. A discount rate of 7.33% (2009: 7.15%) has been applied to all non-current borrowings to determine fair value.

#### Fair Value Hierarchy

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2010</b>				
Available-for-sale financial assets	1,096	–	–	1,096
<b>2009</b>				
Available-for-sale financial assets	1,622	–	–	1,622

### 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 2010 **CONTINUED**

## Note 29. Financial Risk Management continued

### Interest rate sensitivity analysis

At 30 June 2010, the net effect on full year profit and equity as a result of changes in the interest rate on variable rate financial instruments, with all other variables remaining constant would be as follows:

	GBST GROUP	
	2010 \$'000	2009 \$'000
Increase/(decrease) in profit		
Increase in interest rate by 1%	(338)	(451)
Decrease in interest rate by 1%	338	451

### Foreign currency risk sensitivity analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the value of the Australian Dollar (AUD) to the Great British Pound (GBP), with all other variables remaining constant is as follows:

	GBST GROUP	
	2010 \$'000	2009 \$'000
Increase/(decrease) in profit		
Improvement in AUD to GBP by 10%	6	27
Decline in AUD to GBP by 10%	(6)	(27)
Change in equity		
Improvement in AUD to GBP by 10%	211	233
Decline in AUD to GBP by 10%	(211)	(233)

At 30 June 2010, the effect on profit and equity as a result of changes in the value of the Australian Dollar (AUD) to the United States of America Dollar (USD), with all other variables remaining constant is as follows:

	GBST GROUP	
	2010 \$'000	2009 \$'000
Increase/(decrease) in profit		
Improvement in AUD to USD by 10%	197	85
Decline in AUD to USD by 10%	(161)	(70)
Change in Equity		
Improvement in AUD to USD by 10%	197	85
Decline in AUD to USD by 10%	(161)	(70)

At 30 June 2010, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Euro, with all other variables remaining constant is as follows:

	GBST GROUP	
	2010 \$'000	2009 \$'000
Increase/(decrease) in profit		
Improvement in AUD to EUR by 10%	76	-
Decline in AUD to EUR by 10%	(63)	-
Change in Equity		
Improvement in AUD to EUR by 10%	76	-
Decline in AUD to EUR by 10%	(63)	-

## Note 29. Financial Risk Management continued

### Price risk

At 30 June 2010 the net effect on profit and equity of a 1 cent (40%) change in share price in the Group's listed investment, with all other variables remaining constant is \$438 thousand up/down (2009: \$438 thousand up/down). Current share price of the Group's listed investment is 2.5 cents, resulting in a maximum exposure to the Group of \$1.10 million.

## Note 30. Contingent Liabilities

As at 30 June 2010, GBST has with its clients a variety of software supply agreements, each of which contain service and performance warranties and indemnities. These warranties and indemnities are of the standard type used in the industry and the liabilities are considered remote.

## Note 31. Key Management Personnel Disclosures

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

Key Management Personnel	Position
J Puttick	Director (Non-executive Chairman)
D Adams	Director (Independent)
A Brackin	Director (Independent)
S Lake	Director (Managing Director and Chief Executive Officer)
J Sundell	Director (Non-executive)
R De Dominicis	Chief Executive Wealth Management
D Orrock	Chief Executive Broker and Financial Services
P Salis	Chief Financial Officer
I Sanchez	Chief Technology Officer
S Shah	Chief Executive Global Broker Services (Position held until 29 March 2010)

b. Key Management Personnel Compensation

	GBST GROUP	
	2010 \$	2009 \$
Short-term employee benefits	2,434,354	2,196,906
Post-employment benefits	176,203	182,857
Other long-term benefits	–	1,765
Termination benefits	–	53,846
Share-based payments	12,262	–
	<b>2,622,819</b>	<b>2,435,374</b>

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

c. Equity Instrument Disclosures Relating to Key Management Personnel

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

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 31. Key Management Personnel Disclosures continued

### d. Shareholdings

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

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

2009	Balance at 01/07/08	Received as Compensation	Options exercised	Net Change Other <sup>(i)</sup>	Balance at 30/06/09
<b>Directors</b>					
J Puttick	7,667,760	–	–	(360,000)	7,307,760
D Adams	–	–	–	–	–
A Brackin	231,943	–	–	80,000	311,943
S Lake	3,651,423	–	–	100,000	3,751,423
J Sundell	15,417,605	–	–	350,543	15,768,148
<b>TOTAL DIRECTORS</b>	<b>26,968,731</b>	<b>–</b>	<b>–</b>	<b>170,543</b>	<b>27,139,274</b>
<b>Executives</b>					
R De Dominicis	1,780,996	–	–	–	1,780,996
D Orrock	–	–	–	–	–
P Salis	–	–	–	–	–
I Sanchez	–	–	–	–	–
S Shah	–	–	–	523,596	523,596
K Sprott	–	–	–	–	–
<b>TOTAL EXECUTIVES</b>	<b>1,780,996</b>	<b>–</b>	<b>–</b>	<b>523,596</b>	<b>2,304,592</b>
<b>GROUP TOTAL</b>	<b>28,749,727</b>	<b>–</b>	<b>–</b>	<b>694,139</b>	<b>29,443,866</b>

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

## Note 31. Key Management Personnel Disclosures continued

### e. Option Holdings

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

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

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

2009	Balance 01/07/08	Granted as Compensation	Options Exercised or Sold	Other	Options Cancelled/ Forfeited	Balance 30/06/09	Total Vested 30/06/09	Total Exercisable 30/06/09	Total Unexercisable 30/06/09
<b>Directors</b>									
J Puttick	-	-	-	-	-	-	-	-	-
D Adams	-	-	-	-	-	-	-	-	-
A Brackin	-	-	-	-	-	-	-	-	-
S Lake	500,000	-	-	-	-	500,000	-	-	500,000
J Sundell	-	-	-	-	-	-	-	-	-
<b>TOTAL DIRECTORS</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>
<b>Executives</b>									
R De Dominicis	-	-	-	-	-	-	-	-	-
D Orrock	-	-	-	-	-	-	-	-	-
P Salis	100,000	-	-	-	-	100,000	-	-	100,000
I Sanchez	-	-	-	-	-	-	-	-	-
S Shah	-	-	-	-	-	-	-	-	-
K Sprott	100,000	-	-	-	(100,000)	-	-	-	-
<b>TOTAL EXECUTIVES</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>
<b>GROUP TOTAL</b>	<b>700,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>600,000</b>	<b>-</b>	<b>-</b>	<b>600,000</b>

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 32. Related Party Transactions

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

### a. Transactions with Directors and Key Management Personnel

Compensation and equity interests are set out in Note 31 and the Remuneration Report.

	GBST GROUP	
	2010 \$	2009 \$
Consultancy fees paid to Mr A Brackin.	5,000	–
Occupancy fees paid to entities of which Mr R De Dominicis has a beneficial interest.	337,319	285,216
Deferred consideration was paid on InfoComp acquisition to Mr R De Dominicis and associates.	250,000	–
Maximum deferred consideration payable on InfoComp acquisition to Mr R De Dominicis and associates.	–	250,000
Interest paid on a loan to an entity of which Mr J Sundell is a Director.	1,026,035	599,580
67,693 ordinary shares were issued on 10 December 2009 as part of the deferred consideration payable on Coexis acquisition to Mr S Shah and associates.	62,278	–
Maximum deferred consideration payable on Coexis acquisition to Mr S Shah and associates. Nil ordinary shares to be issued (2009: 255,861).	62,848	350,715

### b. Transactions with Controlled Entities

Details of transactions & balances with controlled entities are set out in Note 25.

### c. A loan existed at 30 June 2010 with Crown Financial Pty Ltd, of which Mr Sundell is a Director

The Company entered into an agreement with Crown Financial Pty Ltd on 29 June 2009, to extend the term of the \$10.00 million loan facility from January 2010 to February 2012, subject to shareholder approval. This approval was received from the shareholders at an EGM (extraordinary general meeting) held on 21 August 2009 and the revised loan agreement was executed. The loan's term were extended in exchange for a call option issued to Crown Financial Pty Ltd to acquire ordinary shares in the Company at a price of 95 cents per share to the maximum value of the loan.

Refer to further discussion at Note 16.

## Note 33. Share Based Payments

To assist in the attraction, retention and motivation of employees, the Company operates the following share based payment plans.

- Exempt Option Scheme
- Deferred Option Scheme
- Exempt Share Scheme
- Zero Exercise Price Option Scheme

### Exempt Options Scheme

Under this Scheme on 9 March 2005 employees were offered the right to acquire \$1,000 worth of shares in GBST. There was no performance or vesting criteria which needed to be satisfied before employees had the benefit from holding the share options. Divestiture of the shares is restricted for a period of three years, subject to cessation of employment. No share options were granted during the year under this scheme (2009: nil), 1,332 were exercised and 21,312 expired on 8 March 2010.

### Deferred Options Scheme

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



### Note 33. Share Based Payments continued

On 24 October 2007, 100,000 options were issued to select Executive employees. The exercise price for each option is \$3.92.

These deferred options are divided into three tranches. The first tranche of 20% vest and may be exercised after twelve months and lapse if unexercised in thirty-six months. The second tranche of 30% vest and may be exercised after twenty-four months and lapse if unexercised in forty-eight months. The third tranche of 50% vest and may be exercised after thirty-six months and lapse if unexercised after sixty months. On cessation of employment all unvested options lapse. Current year expense for these deferred options was \$2 thousand included in share based payment expense.

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

In addition to continuity of employment, the vesting of options is conditional upon the Company meeting certain financial performance measures. Current year expense for these deferred options was \$12 thousand included in share based payment expense.

#### Exempt Shares Scheme

Under this Scheme employees were offered \$1,000 worth of ordinary shares. There was no payment or performance criteria that was required to be met prior to receiving the shares. Divestiture of the shares is restricted to the earlier of three years from the date of issue of the shares and cessation of employment. 27,432 shares were issued under the exempt scheme. At the Company's 2007 Annual General Meeting the issue of these shares was ratified and the exempt employee share scheme was approved by shareholders. Current year expense for exempt shares was \$25 thousand included in share based payment expense.

#### Zero Exercise Price Option Scheme

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

85,894 Zero exercise price options (ZEPOs) were granted on 20 July 2007. At the beginning of the year there were a total of 48,719 options were outstanding. The ZEPOs are divided into three tranches. The first tranche of 20% vest and may be exercised after twelve months and lapse if unexercised in thirty-six months. The second tranche of 30% vest and may be exercised after twenty-four months and lapse if unexercised in forty-eight months. The third tranche of 50% vest and may be exercised after thirty-six months and lapse if unexercised after sixty months. During the year 17,438 options were exercised, 1,923 options were forfeited and 29,358 options remain outstanding at balance date. On cessation of employment all unvested options lapse. Current year expense for ZEPOs was \$46 thousand included in share based payment expense.

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

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 **CONTINUED**

## Note 33. Share Based Payments continued

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

Grant Date	PERFORMANCE CRITERIA	
	Continued Employment until	Financial Performance hurdle
24 October 2007 Tranche 1 (20%)*	24 October 2008	If normalised EPS CAGR for 2008 compared to 2007 is: <ul style="list-style-type: none"> <li>• Less than 10%: no options vest</li> <li>• Equal to 10% : 33.33% of options vest</li> <li>• Greater than 10% but less than 20%: pro rated vesting between 33.33% and 100%</li> <li>• Equal to or greater than 20%: 100% vesting.</li> </ul>
Tranche 2 (30%)*	24 October 2009	If normalised EPS CAGR for the combined 2008 and 2009, compared to 2007 is: <ul style="list-style-type: none"> <li>• Less than 10%: no options vest</li> <li>• Equal to 10% : 33.33% of options vest</li> <li>• Greater than 10% but less than 20%: pro rated vesting between 33.33% and 100%</li> <li>• Equal to or greater than 20%: 100% vesting.</li> </ul>
Tranche 3 (50%)*	24 October 2010	If normalised EPS CAGR for the combined 2008, 2009 and 2010, compared to 2007 is: <ul style="list-style-type: none"> <li>• Less than 10%: no options vest</li> <li>• Equal to 10% : 33.33% of options vest</li> <li>• Greater than 10% but less than 20%: pro rated vesting between 33.33% and 100%</li> <li>• Equal to or greater than 20%: 100% vesting.</li> </ul>
17 May 2010	15 December 2011	If Group EBITDA for FY11 is: <ul style="list-style-type: none"> <li>• 50% above Group EBITDA on FY 09 adjusted for the number of shares on issue</li> </ul>

\* If the performance condition for Tranche 1 is not met at the first exercise date, then 50 percent of those options lapse and 50 percent are rolled into Tranche 2. If the performance condition for Tranche 2 is not met at the first exercise date for Tranche 2, then 50 percent of those options lapse and 50 percent are rolled into Tranche 3. If the performance condition for Tranche 3 is not met at the first exercise date for Tranche 3, then all remaining options will lapse.

EPS – Earnings per share

CAGR – Compound average growth rate

The fair value of the options at the 24 October 2007 grant date is determined using Black-Scholes formula. The model inputs were: the share price \$3.92, the exercise price of \$3.92, expected volatility of 33 percent, expected dividends of 2.9 percent, a term of three years and a risk-free interest rate of 6.59 percent.

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

### Note 33. Share Based Payments continued

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

	Jun 2010 Number	Jun 2010 WAEP	Jun 2009 Number	Jun 2009 WAEP
Outstanding at the beginning of the period	671,363	\$3.45	1,002,178	\$3.21
Granted during the period	600,000	\$1.05	–	–
Forfeited during the period	1,923	\$0.00	215,641	\$3.58
Exercised during the period	18,770	\$0.00	15,174	\$0.00
Expired during the period	521,312	\$3.69	100,000	\$1.25
Outstanding at the end of the period	729,358	\$1.40	671,363	\$3.45
Exercisable at the end of the period	1,795	\$0.00	24,181	\$0.00

The options outstanding at 30 June 2010 had a weighted average nil exercise price and a weighted average remaining contractual life of fifteen months. The exercise price for share options outstanding under the Exempt and Zero Exercise Price Options Schemes is nil, the exercise prices for share options outstanding under the Deferred Options Schemes are \$1.05 to \$3.92 in respect of options outstanding at 30 June 2010.

The expense recognised in profit or loss in relation to share-based payments is disclosed in Note 5.

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

### Note 34. Earnings Per Share

	GBST GROUP	
	2010	2009
Basic earnings per share (cents)	(3.68)	3.90
Diluted earnings per share (cents)	(3.68)	3.90
	\$'000	\$'000

#### a. Reconciliation of earnings to net (loss) or profit

Net Loss/Profit	(2,405)	2,129
Earnings used in the calculation of basic EPS	(2,405)	2,129
Earnings used in the calculation of dilutive EPS	(2,405)	2,129

#### b. Weighted average number of ordinary shares

Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	65,371,747	54,535,390
Weighted average number of options outstanding or exercised during the year <sup>(i)</sup>	8,881,759	67,455
<b>WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATION OF DILUTIVE EPS</b>	<b>74,253,507</b>	<b>54,602,845</b>

i. Options issued by the Company are not included in the basic or dilutive EPS to the extent that the issue of shares is contingent upon future events and, as at reporting date, conditions which would result in the issue of shares had not been obtained (refer to Note 33 and Note 16 (a)).

# Notes to and forming part of the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

## Note 35. Subsequent Events

The financial report was authorised for issue on 27 August 2010 by the Board of Directors.

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

## Note 36. Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2010 the parent company of the Group was GBST Holdings Limited.

	GBST HOLDINGS	
	30 Jun 2010 \$'000	30 Jun 2009 \$'000
<b>RESULTS OF THE PARENT ENTITY</b>		
Profit for the Period	(15,642)	8,932
Other comprehensive (loss)/income	(394)	394
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(16,036)</b>	<b>9,326</b>
<b>FINANCIAL POSITION OF THE PARENT ENTITY AT YEAR END</b>		
Current Assets	4,676	4,709
<b>TOTAL ASSETS</b>	<b>132,477</b>	<b>143,120</b>
Current Liabilities	18,323	26,608
<b>TOTAL LIABILITIES</b>	<b>91,982</b>	<b>92,450</b>
<b>TOTAL EQUITY OF THE PARENT ENTITY COMPRISING OF:</b>		
Issued capital	37,102	31,819
Equity remuneration reserve	128	111
Financial asset reserve	–	394
Loan from director related entity conversion reserve	561	–
Retained earnings	2,704	18,346
	<b>40,495</b>	<b>50,670</b>
<b>Parent Entity Contingencies</b>		
The Directors are of the opinion that no provisions are required in respect of parent entity contingencies.		
<b>Contingent Liabilities not Considered Remote</b>		
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.		
<b>Parent Entity Capital and Other Expenditure Commitments</b>		
Contracted for:		
<b>CAPITAL AND OTHER OPERATING PURCHASES</b>	<b>516</b>	<b>26</b>
<b>Payable</b>		
Not later than one year	516	26
Later than one year but not later than five years	–	–
Later than five years	–	–
	<b>516</b>	<b>26</b>

### **Note 36. Parent Entity Disclosures** continued

#### **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 25.

### **Note 37. Company Details**

The registered office of the Company is:

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

The Group's principal places of business are:

5 Cribb Street  
MILTON QLD 4064

Suite 1, Level 26  
259 George Street  
SYDNEY NSW 2000

Level 2  
63 Market Street  
WOLLONGONG NSW 2530

Second Floor (Right)  
Victoria House  
64 Paul Street  
LONDON EC2A 4NA

# Directors' Declaration

1. In the opinion of the Directors of GBST Holdings Limited ('the Company'):
  - a. the consolidated financial statements and Notes 1 to 37 and the Remuneration report in the Directors' report, set out on pages 16 to 23, 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 2010 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 25 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 2010.
4. The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Dr J F Puttick  
Chairman



Mr S M L Lake  
Managing Director and Chief Executive Officer

Dated at Brisbane this 27th day of August 2010

# Independent Auditor's Report

TO THE MEMBERS OF GBST HOLDINGS LIMITED



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

### Report on the financial report

We have audited the accompanying financial report of the Group comprising GBST Holdings Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

# Independent Auditor's Report

TO THE MEMBERS OF GBST HOLDINGS LIMITED **CONTINUED**



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

#### *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 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2 to 22 of the directors' report for the year ended 30 June 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

  
KPMG



Chris Hollis  
*Partner*

Sydney  
27 August 2010



# Additional Information

## Shareholding Information as at 31 August 2010

### a. Distribution of Shareholders

Category (size of holding)	Number ordinary
1 to 1,000	238
1,001 to 5,000	304
5,001 to 10,000	159
10,001 to 100,0000	186
100,001 and over	51
<b>TOTAL</b>	<b>938</b>

b. The number of shareholdings in less than marketable parcels is 186

c. The names of the substantial shareholders listed in the company's register are:

Shareholder	Number ordinary
Crown Financial Pty Ltd	16,264,148
Perpetual Limited	9,075,430
John Francis Puttick	7,056,760
Stephen Lake	4,350,544

### d. Voting rights

The company only has ordinary shares on issue. There are 66,060,933 ordinary shares on issue.

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

### e. 20 Largest Shareholders – Ordinary Shares

Rank	Name	Total Units	% IC
1	CROWN FINANCIAL PTY LTD	14754464	22.33
2	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	8541142	12.93
3	MR JOHN FRANCIS PUTTICK	4421020	6.69
4	STEPHEN MAURICE LINTON LAKE	4344116	6.58
5	NATIONAL NOMINEES LIMITED	3314576	5.02
6	DEKACROFT PTY LTD	2635740	3.99
7	TERENCE JOHN WILLIAMS	2301224	3.48
8	SMITH HAMILTON LIMITED	2048582	3.10
9	MR JOAKIM SUNDELL + MRS SHARA SUNDELL	1563462	2.37
10	COGENT NOMINEES PTY LIMITED	868172	1.31
11	THREE CROWNS INVESTMENTS PTY LIMITED	863684	1.31
12	BERISLAV BECAREVIC + IVANKA BECAREVIC	751553	1.14
13	BARRY BECAREVIC	722408	1.09
14	KEY IP LTD	721417	1.09
15	ROBERT DEDOMINICIS	707839	1.07
16	RAYMOND TUBMAN	707839	1.07
17	TIMENOW PTY LTD	703594	1.07
18	WANGARUKA HOLDINGS PTY LTD	703594	1.07
19	BOND STREET CUSTODIANS LIMITED	590332	0.89
20	RJAE PTY LTD	590332	0.89

## Registered Office

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

Ph 07 3233 8888  
Fax 07 3229 9949

## Principal Place of Business

5 Cribb Street  
Milton QLD 4064

Ph 07 3331 5555  
Fax 07 3367 0181

[www.gbst.com](http://www.gbst.com)

## Postal Address

PO Box 1511  
Milton QLD 4064

## Directors

John Francis Puttick  
Stephen Maurice Linton Lake  
Joakim James Sundell  
Allan James Brackin  
David Campbell Adams

## Company Secretary

David Michael Doyle

## Share Registry

### Link Market Services

Level 19, 324 Queen Street  
Brisbane QLD 4000  
Ph 02 8280 7454

## Stock Exchange Listing

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

## Voluntary Restrictions

Details of shares that are held in voluntary escrow:

Ordinary fully paid shares escrowed until 31 August 2010	1,645,061
Ordinary fully paid shares escrowed until 9 December 2010	7,336,007

## Unquoted Securities

A total of 700,513 options are on issue to 5 employees under the GBST Holdings Limited Employee Option Plan. 10,526,316 options are on issue to Crown Financial Pty Ltd.

## Auditors

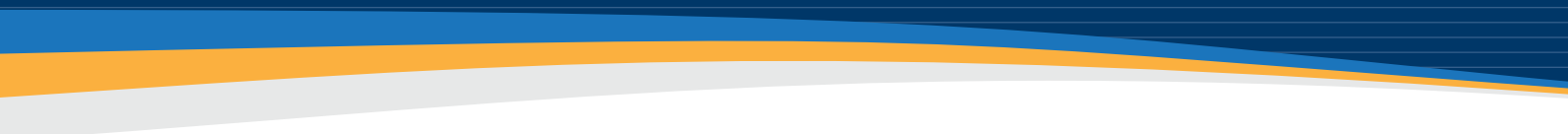
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