



Annual Report

**2014**



GBST is one of Australia's leading technology services companies. We specialise in providing securities transaction and wealth administration software for the financial services industry.

Our software platforms connect capital markets in Australasia, Asia, Europe and the United States; and support more than 7,000 investment options on a single wealth administration platform.

## Our three areas of focus:

### **GBST Capital Markets**

Through the Syn~ platform, GBST Capital Markets provides new-generation technology to process equities, derivatives, fixed income and managed funds transactions to global capital market participants. GBST also offers the GBST shares and DCA (derivatives) platforms.

### **GBST Wealth Management**

Through the Composer platform, GBST Wealth Management provides fund administration and registry software to the wealth management industry in Australia and the UK.

### **GBST Financial Services**

GBST Financial Services is a wholesale provider of access to financial products and related data information transactions for financial advisors and institutions.

# The Year in Review

**Strong international sales** drive record revenue of \$98.5 million

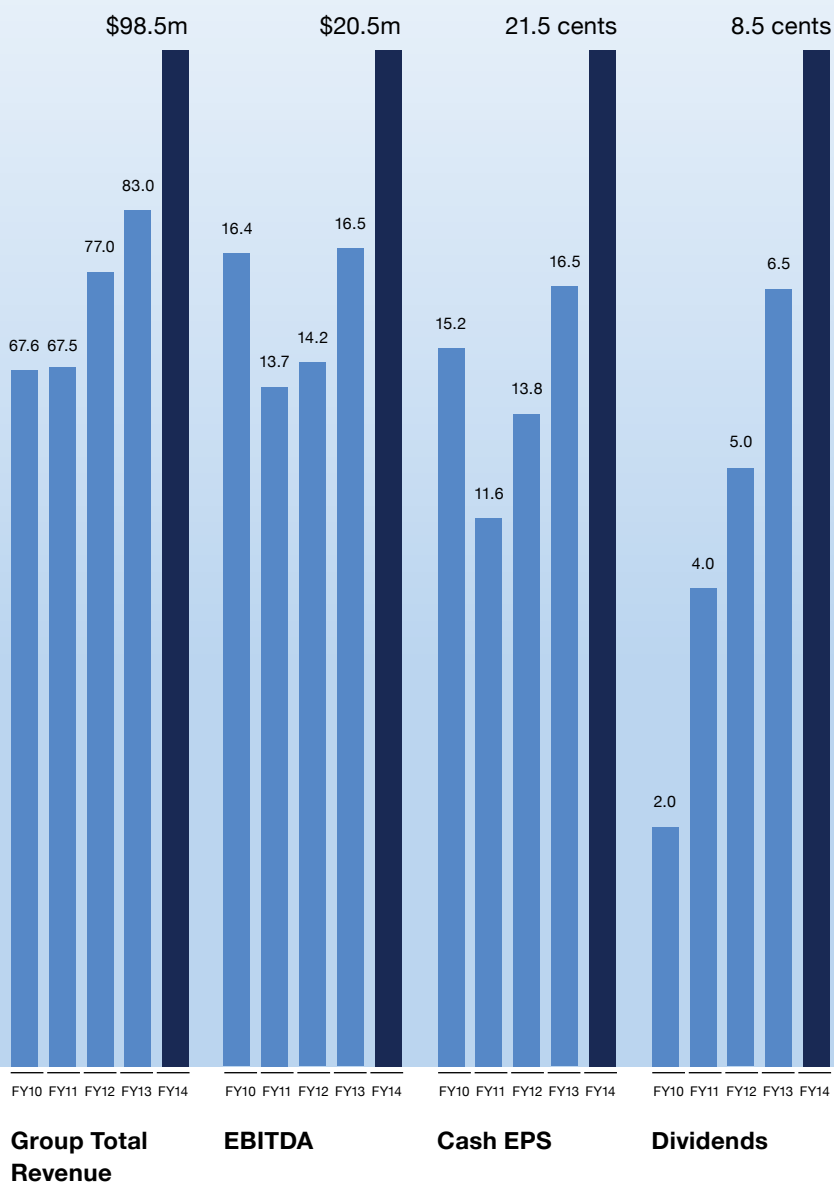
**Net profit increased** by 66% to \$10 million

**GBST Composer** UK sales continue to grow

**GBST Syn~** now 'live' in Asia, Australia, Europe and the US

**Technology development centre in Ho Chi Minh City** increases GBST's product development capacity

**Dividends rose to 8.5 cents** for the year, and a final fully franked dividend of 4.5 cents will be paid on 15 October 2014



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## Notice of Meeting

GBST Holdings Limited (GBST) will hold its Annual General Meeting at 3.30pm (Brisbane Time) on Thursday 16 October 2014 at McCullough Robertson, Level 11 Central Plaza Two, 66 Eagle Street, Brisbane.

# GBST Snapshot

Established  
1983

ASX listed  
2005

Record revenue of  
\$98.5m

Specialist  
in capital markets and wealth management solutions

More than 60  
clients and expanding

More than  
470  
employees

Continuous  
R&D investment  
drives future growth

International sales now  
48% of revenue



Celebrated 30  
years in 2014



# Chairman's and Managing Director's Report

**F** FY2014 was GBST's 30th anniversary and a rewarding year in which our global platform strengthened. We specialise in providing securities processing and wealth administration software for the financial services industry, and our clients include more than 60 of the world's leading banks, stockbrokers and fund managers. Our products and infrastructure support their core business services, facilitating trading and administration activities which in many ways are the bedrock of the global financial system.

We have a record of innovation and of developing extremely robust, scalable software. With strong demand for our services, we embarked on international expansion. While growth has been driven primarily by new client wins, we have also acquired technologies and integrated them successfully into our business. Our leading wealth administration software platform, GBST Composer, and the powerful international capital markets and post-trade processing platform, GBST Syn~, are new-world products, capable of delivering long-term returns for clients with the flexibility to change. Our business model, therefore, is to focus on building and developing recurring software-based annuity income streams.

The success of this strategy is becoming clear with our international revenue almost trebling in three years. Our progress, however, has not always been straightforward. We were not immune to the repercussions of the global financial crisis which impacted our clients, and the economic environment, while improving, remains uncertain and our markets are still recovering.

## Financial results and dividends

Against this backdrop, GBST achieved a strong result in FY2014. The group's EBITDA increased 24% to \$20.5 million. Adjusted cash net profit after tax was \$14.3 million compared with \$11.0 million in FY2013. Reported after-tax profit was \$10.0 million, 66% above FY2013.

This growth reflects our evolution as an internationally-recognised leader in software for the financial services industry. Revenue was up 19% to a record \$98.5 million, with the increase due almost entirely to higher international revenue which grew to 48% of the total, from nearly 40% in FY2013. Australian revenue remained steady in a difficult trading environment. Approximately two thirds of total revenue is high quality recurring, annuity income based on long-term client contracts.

Strong cash generation, with 102% conversion of EBITDA to cash flow, enabled us to continue to pay down debt, and we closed the year with net debt of \$3.6 million, \$8.7 million lower than at the end of FY2013. This has enabled us to continue to invest in GBST's geographic expansion, our products and infrastructure, and in building sales development and support teams to sustain growth. More than 10% of revenue was invested in research and development expenditure.



**John Puttick**  
Chairman



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

FY2014 was the fourth consecutive year of dividend growth. The final dividend declared for FY2014 of 4.5 cents per share brings the total for the year to 8.5 cents per share, an increase of 29%.

## Asian sales of GBST Syn~ boost revenue

GBST Capital Markets revenue was \$41.2 million, \$5.0 million or 16% above FY2013. This reflected growing international sales, particularly in Asia, and an extremely good performance by our Australian operations in light of the difficult market conditions.

FY2014 Asian revenue nearly doubled from the previous year. Significant progress included completing a middle office solution for one of the world's largest banks using the GBST Syn~3.0 platform. This includes substantial efficiency improvements and services for the custody market. To support our clients in Asia we have progressively built our support presence in Singapore, Hong Kong and Ho Chi Minh.

Asian markets represent a strong growth opportunity as rising wealth and prosperity is driving demand for capital markets platforms such as GBST Syn~ which can trade an extensive range of financial instruments and complete cross-border transactions on securities exchanges across the region. Technology spending for the Asia-Pacific banking market is expected to expand at an annual rate of about 6.8% over the next five years, as the market changes and restructures.

The successful deployment of GBST Syn~ for our first direct US client was a watershed event. This platform enables the post-trade processing of equities and other financial instruments to global capital markets. We helped a major broker-dealer to increase its back- and middle-office automation and efficiency by greatly improving straight-through processing from 25% to 95%. We are well positioned to capitalise on this positive endorsement and to broaden our relationships with regional capital markets participants and large investment banks.

Growing regulatory charges and the expected move from the existing three-day settlement policy, or T+3, to T+2 settlement is a catalyst for change in the US markets.

While European economic conditions remained difficult and financial markets' discretionary spending was constrained by ongoing compliance changes, our new European financial transaction tax (FTT) module for GBST Syn~ opened opportunities with institutional clients and was named best compliance solution at the Systems in the City Awards. International sales of GBST Syn~ increased by 75% in FY2014. We continue to invest to drive growth and, as our operations mature the transition from services revenue to recurring annual licence fee income, and higher margins, is expected to increase.

### First client transition from GBST Shares to GBST Syn~ begins

While Australian sales were impacted by subdued retail trading volumes, we increased market share and revenue rose 3% to \$29.5 million. In this market where GBST's products are well established, about 90% of revenue comes from annuity licence fees.

We continue to deliver on the transformation of the GBST Syn~ platform for the Australian market. This platform offers significant opportunities to expand our services in Australia and also provide regional solutions across Asia.

The Australian market is our foundation stone, which we support through the extensive domain knowledge of our staff and a consistent flow of new and enhanced products. These include the Order Management System (OMS) platform for derivatives, the risk management solution MarginSuite, and GBST business intelligence reporting (GBST BIR) to consolidate information from GBST products and databases.

### Sales of GBST Composer continue to grow

The GBST Composer platform offers an integrated system for the administration of wrap platforms, master trusts, superannuation, pensions, risk and debt. Sales increased 24% to \$53.8 million in FY2014; Sales in the UK have

risen almost six-fold over five years, and were up 41% to \$35.6 million, compared with \$25.2 million in FY2013. The market is still in its early stages and licence revenues comprise approximately 40% of sales.

The UK life, pensions and investments market has changed significantly with the recent introduction of the Retail Distribution Review legislation to protect consumers. The market now distinguishes between organisations which facilitate online, low cost delivery models, and enhance customer experience through providing much more detailed information. Digital platforms such as GBST Composer, which supports more than 7,000 investment options, enable firms to improve their service proposition with an extremely low cost structure and dynamic pricing abilities, allowing direct-to-consumer business models to design and adapt customer offerings efficiently.

As an early entrant to the UK wraps and platforms market GBST Composer now supports three of the top six UK retirement saving platforms, and added a leading UK-based investment and savings platform and a Self Invested Personal Pensions (SIPP) client during the year. GBST Composer and GBST's clients also received industry awards, including the 2013 Aberdeen Asset Management Platform Awards for best use of platform technology, best new platform and best platform-enabled retirement proposition.

The UK market is evolving with the formation of three key platform markets – adviser-focused, direct-to-consumer and employer focused 'Workplace' platforms. GBST Composer has proven its ability to perform in each market, and we have diversified to strengthen our offering for SIPPs and life and pensions. GBST Composer now has approximately 10% of the UK SIPP market. New Budget measures that take effect in April 2015 have impacted the sale of annuities, creating new opportunities for GBST as financial services firms refocus on SIPP and drawdown products.

The life and pensions market represents a significant opportunity as organisations consider the advantages from migrating old world systems onto a single modern platform such as GBST Composer.

In Australia, where GBST Composer is well established revenue was stable at \$18.2 million in FY2014, with licence fees comprising approximately 75% of income.

We also helped superannuation funds prepare for incoming government legislation by automating transactions between them and the Australian Taxation Office, using the new GBST Composer SuperStream Gateway suite for superannuation rollover and contribution transactions.

### Extending software development capacity

During FY2014 we invested in the establishment of a technology development centre in Ho Chi Minh City which now employs more than 70 skilled staff. The centre will make a valuable contribution to our ongoing product development and client support.

#### QUICK FACTS

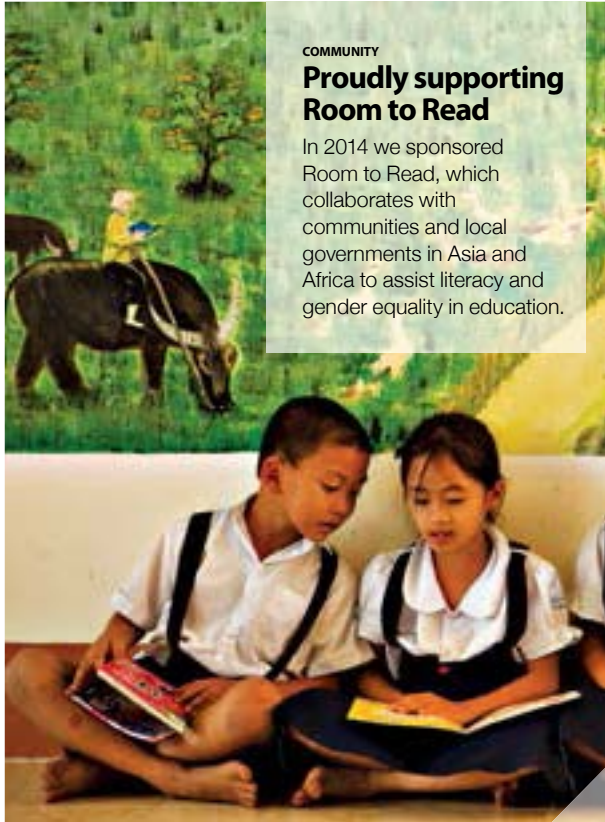
### Reducing costs for clients

Rolling out GBST Composer for one UK client has enabled workplace savings, at retirement and non-advised solutions to be consolidated on a single platform, contributing to more than 25% cost savings over four years

Cost base before GBST Composer

Cost base after deploying GBST Composer

**more than 25% savings in costs**



**COMMUNITY**  
**Proudly supporting Room to Read**

In 2014 we sponsored Room to Read, which collaborates with communities and local governments in Asia and Africa to assist literacy and gender equality in education.

### Emu Design

Emu Design, which provides user Interface and web design services for GBST and other organisations, had a difficult year. The business expanded in the UK but contracts which were expected to begin in the second half were delayed and business development costs contributed to a divisional loss for the year.

In the UK we launched a new calculator console which enables clients to self-manage deployment of GBST's financial calculators. This technology will be launched in Australia in the coming year.

The online development skills of Emu Design continue to contribute to the user-friendliness of GBST's software and user interfaces for our clients. Through EMU we provide an extensive range of financial calculators for the financial services industry.

### People and community

We are committed to helping the communities in which we operate and match employee donations to charities. We also support our staff's voluntary charitable work with financial contributions. In FY2014 the total amount paid to charities GBST supports was \$146 thousand. We also partnered with Room to Read, a global organisation which promotes literacy and gender equality in education, establishing school

libraries, building schools and training teachers in literary education. Its programs have benefited 8.8 million people so far in Asia and Africa.

We thank our employees who develop our technologies and help our customers every day with outstanding work and dedication. We now employ more than 470 staff in Australia, Asia, Europe and North America. They have driven GBST's momentum, and we look forward to building on this in the year to come.

### Forward outlook

While market conditions continue to improve, there remains considerable uncertainty in financial services sectors around the world. We have a consistent and successful strategy in place, product diversity and an increasingly broad geographic spread of operations.

Over the medium term, we believe that GBST is well placed as its global presence and product strength continue to grow. Our significant investment in technology ensures that our products are competitive, flexible and scalable to support ever-increasing demands for new capabilities.

In Asia, we have a strong pipeline, and we have invested in growth in the North American market. In Australia, we expect capital markets and economic conditions remain subdued.

While the environment remains very competitive changing regulation continues to provide opportunity for GBST in the UK, where the wrap and platforms market is expected to continue grow.

With our leading products, strong opportunities and great people, we remain cautiously optimistic that GBST's positive momentum will continue.

**QUICK FACTS**

**GBST Syn~ delivers 95% automation**

GBST Syn~ helped a major North American broker-dealer firm to automate about 95% of its back- and middle-office processes, up from 25% before.

# Our growing capability

## North America

- First direct US client 'live' using GBST Syn~
- GBST Syn~'s straight through processing significantly increases automation
- Sales and marketing support strengthened

NEW YORK

## United Kingdom

- Growth market for GBST Composer
- GBST Composer sales up almost sixfold over five years
- GBST Syn~ Financial Transaction Tax 'live' at global investment bank

LONDON

## Hong Kong

- GBST Syn~ middle-office clearing solution implemented for global bank transaction
- Increasing client wins
- Close working relationships with clients

HONG KONG

## Singapore

- GBST Syn~ gaining sales momentum
- Increased sales and support team
- Expanding market connectivity

SINGAPORE

## Vietnam

- Technology development centre established
- Proven capacity to contribute to major projects
- Employs more than 70 staff

HO CHI MINH CITY

## Australia

- New products enhance GBST Shares
- First GBST Shares to GBST Syn~ transition underway
- GBST SuperStream Gateway suite launched

BRISBANE

SYDNEY  
WOLLONGONG  
MELBOURNE



# The GBST product suite

**T**hrough its flagship products GBST provides industry-leading securities transaction and fund administration software for the financial services sector.

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

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

GBST Front Office is used in the stockbroker's front office to provide client advisers with client management software including their portfolio, risk profile and investment preferences. GBST's Business Intelligence reporting (BIR) provides pre-built reports and dashboards for advisers, which can be scheduled, emailed and exported.

GBST Syn~ is a new-generation technology platform that enables capital market participants to manage post-trade

processing requirements across multiple asset classes, entities, markets and operational centres. It offers a regional middle- and back-office solution in Australia, Asia, Europe and the United States.

GBST Composer is the leading administration and registry platform for the wealth management industry, with the unique capability to support more than 7,000 investment options. In Australia, Composer supports wraps, corporate and personal superannuation, pensions, retail and wholesale unit trusts, life, risk, loans and cash management. In the United Kingdom, it offers a comprehensive solution for the management and administration of tax wrappers for self-invested personal pensions, income drawdown, individual savings accounts, bonds and wraps across multiple investments including retail and wholesale unit trusts and open ended investment companies.

It is supplemented by GBST ComposerWeb, which enables advisers and clients to administer portfolios from the presale planning stage through to maintaining their portfolios. GBST SuperStream Gateway provides funds with flexibility and control while connecting them with the Australian Taxation Office. GBST Quant provides data analytics and quantitative services for measuring portfolio performance and after-tax tools and services.

Product	Capability	Market	
<p><b>GBST Shares</b></p> <p><b>GBST DCA</b></p>	<ul style="list-style-type: none"> <li>• Leading Australian client accounting and securities transaction platform</li> <li>• Services for capital markets' institutional and retail brokers</li> <li>• Solutions include cash equities, derivatives and risk, margin lending, cash management and front office</li> <li>• Connects an extensive network of financial institutions</li> </ul>	<p><b>GBST Capital Markets</b></p>	
<p><b>GBST Syn~</b></p>	<ul style="list-style-type: none"> <li>• Global post-trade processing platform</li> <li>• Regional solutions for Asia, Australia, Europe and North America</li> <li>• Manages trades across multiple asset classes, entities, markets and exchanges</li> <li>• Consolidated business intelligence reporting</li> </ul>	<p>Leading securities transaction and wealth administration platforms for the financial services industry</p>	
<p><b>GBST Composer</b></p>	<ul style="list-style-type: none"> <li>• Wealth administration and registry software for the Australian funds management industry</li> <li>• Comprehensive platform for UK wraps, SIPPs, ISAs, bonds, retail and wholesale unit trusts and OIECs</li> <li>• Administers more than \$400 billion funds under management</li> <li>• Supports more than 7,000 investment options</li> </ul>		<p><b>GBST Wealth Management</b></p>

# 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.

**Patrick Salis** Chief Operating Officer



Patrick was appointed Group Chief Operating Officer in August 2012 following previous roles with GBST as Chief Executive, Global Broker Services from March 2010 to August 2012 and Chief Financial Officer from October 2007 to March 2010. Before joining the

company 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.

**Andrew Ritter** Chief Financial Officer and Company Secretary



Andrew commenced with GBST in November 2011 as Chief Financial Officer, having spent over 14 years in public practice and the commercial sector in both Australia and the United Kingdom. Most recently, he was Chief Financial Officer and Company

Secretary of IntraPower Limited. Andrew is a Chartered Accountant, holds a Bachelor of Commerce degree and a Graduate Diploma of Applied Corporate Governance.

**Isabel Sanchez** Chief Technology Officer



Isabel was appointed as Chief Technology Officer in March 2008. Isabel has over 19 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 Capital Markets



Denis joined GBST in May 2008 and was appointed Chief Executive Officer, Capital Markets in August 2012. Previously, he managed the company's Australian 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.

**Ray Tubman** Chief Executive, Wealth Administration



Ray is a founding partner of Infocomp, now GBST's Wealth Management division, and is focused on packaging and implementing GBST's Wealth Management solutions for new markets. He holds a Bachelor of Mathematics.

**Scott Hutchinson** Chief Executive, Emu Design



Scott founded Emu Design in 1998 and continued to manage the business after its acquisition by GBST in 2008. He holds four degrees across creative and technical disciplines.

**Liz Bevan** CEO, North America



With over fifteen years' experience in financial services, Liz has driven strategic product development, product management and marketing programmes during her tenure at GBST. Liz has a track record of delivering on strategy development and execution, new product development, product management, strategies for pricing, marketing and promotion and risk management.

As the company's first CEO for North America, she is charged with delivering overall business growth and targeted demand generation for the company's North American operations.

# GBST Board of Directors

## John Puttick Non-Executive Chairman



Dr John Puttick is the founder and Chairman of GBST. He holds a Doctor of the University from Queensland University of Technology and chartered accounting qualifications from Auckland University of Technology. He has over forty years' experience in building

commercial systems with information technology, over thirty of which have been in developing financial services solutions at GBST.

John is deputy chancellor of Queensland University of Technology and a Member of the Hall of Fame of the Pearcey Foundation. John is a Member of the Audit and Risk Committee and 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 is Chairman of ASX listed mining technology company Runge Pincock Minarco Limited (since November 2011), currently serving as Chairman of IT software Company Emagine Pty Ltd and is a member of the advisory board for Madison Technologies Pty Ltd and Huon IT Pty Ltd. Allan is Chairman of GBST's Audit and Risk Management Committee and is a member of the Nominations and Remuneration Committee.

## 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).

## David Adams Independent Non-Executive Director



Mr David Adams was appointed to the Board on 1 April 2008. David has an extensive career in the funds management industry including the establishment of Australia's first cash management trust at Hill Samuel

Australia in 1980 and Group Head of the Funds Management Group for Macquarie Bank. He was a Director at Macquarie Bank from 1983 until 2001.

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

## Ian Thomas Independent Non-Executive Director



Dr Ian Thomas was appointed to the Board in December 2011. Ian currently serves as president of Boeing China, having previously served as president of Boeing Australia and South Pacific and, prior to that, president of Boeing India.

Prior to joining Boeing in 2001, Ian served in a variety of staff and policy roles in the U.S. Department of Defense and is an authority on U.S. and global security issues. He is co-chair of the US-China Aviation Cooperation Program. During his time in Australia, he served as President of the American Chamber of Commerce and Chairman of the Prime Minister's Manufacturing Leaders Group. In 2013 he received the Royal Aeronautical Society's Sir Charles Kingsford Smith Medal for outstanding contributions to aviation.

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

## Introduction

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations with 2010 Amendments' 2nd Edition ('Guidelines') applying to listed entities was released 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 completely comply with all of the Guidelines but these are in place to guide better performance, and the Board outlines its assessment against the Guidelines below. This statement on corporate governance reflects the Company's charter, policies and procedures on 29 August 2014. The Board also recognises the third edition of the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations', and will update its Corporate Governance Statement and practices in due course in response to the new recommendations.

## Scope of Responsibility of Board

- a) Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of GBST's shareholders with a view to building sustainable value for them and the interests of employees and other stakeholders.
- b) The Board's broad function is to:
  - (i) chart strategy and set financial targets for the Company;
  - (ii) monitor the implementation and execution of strategy and performance against financial targets; and
  - (iii) oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Company.
- c) Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:
  - (i) composition of the Board itself including the appointment and removal of Directors and the making of recommendations to shareholders concerning the appointment and removal of Directors;
  - (ii) oversight of the Company including its control and accountability system;

- (iii) appointment and removal of the Chief Executive Officer and the Company Secretary;
  - (iv) reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
  - (v) monitoring senior management's performance and implementation of strategy; and
  - (vi) approving and monitoring financial and other reporting and the operation of committees.
- d) Senior management roles are given authorities and responsibilities pursuant to both corporate policies and through directions issued from time to time. The CEO's performance is reviewed by the Chairman in consultation with the Board and the CEO takes responsibility for the review of other executives' performance. Formal reviews are conducted at least annually. The Board uses a variety of means of review including an internally developed survey of board members on performance.

## Composition of Board

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

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

## Board Charter and Policy

- a) The Board has adopted a charter (which is kept under review and amended from time to time as the Board considers appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:
  - (i) a detailed definition of 'independence';
  - (ii) a framework for the identification of candidates for appointment to the Board and their selection;
  - (iii) a framework for individual performance review and evaluation;
  - (iv) proper training to be made available to Directors both at the time of their appointment and on an on-going basis;

- (v) basic procedures for meetings of the Board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
  - (vi) ethical standards and values – formalised in a detailed code of ethics and values;
  - (vii) dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates; and
  - (viii) communications with shareholders and the market.
- b) These initiatives, together with the other matters provided for in the Board's charter, are designed to 'institutionalise' good corporate governance and to build a culture of best practice in GBST's own internal practices and in its dealings with others. The Board's charter is included within the Company's corporate governance charter, which is available from the Company's web site.

### Audit and Risk Management Committee

- a) The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. Its members are:
- (i) Mr Allan Brackin, Chairman;
  - (ii) Mr John Puttick; and
  - (iii) Mr David Adams
- b) The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:
- (i) Board and committee structure to facilitate a proper review function by the Board;
  - (ii) internal control framework including management information systems;
  - (iii) corporate risk assessment and compliance with internal controls;
  - (iv) internal audit function and management processes supporting external reporting;
  - (v) review of financial statements and other financial information distributed externally;
  - (vi) review of the effectiveness of the audit function;
  - (vii) review of the performance and independence of the external auditors;

- (viii) review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;
  - (ix) assessing the adequacy of external reporting for the needs of shareholders; and
  - (x) monitoring compliance with the Company's code of ethics.
- c) Meetings are held at least four times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings. The committee has decided to add to its meeting schedule a further committee meeting to provide further time for review of accounting matters connected with the Company's financial statements to the Board's annual program.

### Nominations and Remuneration Committee

- a) The purpose of this committee with regard to remuneration is to review and approve the remuneration of senior executives, the remuneration policies for the Group and the structure of equity based remuneration programmes.
- b) The purpose of this committee with regard to nominations is to consider the structure and membership of the Board, to review the performance of the Board, to set desirable criteria for future Board members and to assess candidates against those criteria.
- c) Due to the importance of people to the business of the Group, the committee comprises 4 directors. Committee meetings are held from time to time as required by the Board. Meetings are held at least twice each year. David Adams, a non-executive and independent Director is the chair of the committee. Relevant discussions on nominations and remuneration have been considered by the Board at various Board meetings as specific items of business and in general business. The Board periodically conducts a review of its own performance with the board surveyed on a variety of matters related to their own and their collective performance. The results of any survey are then tabled with the board and used to assist decision making on changes to board processes.

### Diversity

The Board has adopted a diversity policy that documents the Company's commitment to diversity to further embed within the Company's culture the importance of a diverse

work force and an environment that embraces the benefits of diversity. The Company takes a broad view on diversity and its policy encourages diversity in the workplace in relation to gender, sexual orientation, age, race, ethnic origin, religious beliefs, impairment and nationality. The diversity policy also recognises a commitment to merit based appointments.

As at 30 June 2014, the proportion of female employees in the whole organisation, in senior positions and on the Board was:

<b>Proportion of Women at GBST</b>	<b>35%</b>
<b>Proportion of Women in senior roles at GBST</b>	<b>37%</b>
<b>Proportion of Women on the Board</b>	<b>0%</b>

The Nomination and Remuneration Committee within its charter is given a specific role to implement and monitor the Company's diversity policy. The Nomination and Remuneration Committee set and met measurable objectives for the 2014 year including:

1. The development of female leaders within an executive development program that will be continued in 2014;
2. Continue the practice of requiring the Company to report twice annually on the statistical performance of the Company on diversity within GBST; and
3. The formal adoption of a 'keeping in touch' program with employees on parental leave to make sure those employees are kept up to date on new systems and corporate developments and aid a smooth transition on the employee's return to work.

Several other initiatives have been implemented to encourage diversity, and the Company's adoption of a diversity policy represents a formalisation of the Company's values. Such initiatives include developing GBST's own paid maternity leave program, offering flexible working arrangements for staff returning from parental leave, continued support of female entry into IT roles through the GBST graduate program and conducting pay equity audits annually. The Company is proud to have been a past recipient of the Employer of Choice award conducted by Women in Technology (WIT), and GBST continues to support industry initiatives by promoting female participation in the ICT industry including the support of WIT, Group X and International Women's Day. In 2011 GBST signed up to participate in the Australian Employment Covenant, which aims to secure sustainable jobs for Indigenous Australians.

Each year the Company is also required to complete a report with the Workplace Gender Equality Agency, which details the Company's compliance with the Workplace Gender Equality Act 2012.

In the 2015 year the Company's measureable objectives are to:

1. Ensure diversity principles are embedded in the Company's corporate culture, by developing a learning framework on anti-discrimination, harassment and bullying;
2. Help employees to maintain work/life balance and responsibilities while developing and maintaining a career, including the 'keep-in-touch' program, the continual development of female leadership capability through the GBST Leadership Development Program and flexible working arrangements; and
3. Recognise and support the needs of an inter-generational workforce, by promoting an organisation-wide culture that supports the abilities of all employees, regardless of age.

## Best Practice Commitment

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

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

### a) Independent professional advice

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

### b) Code of ethics and values

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

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

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

### d) Charter

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate

governance charter which has been formally adopted and is available for review on the Company's web site.

## **GBST's Assessment against the Guidelines**

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

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

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

Together the Directors have a broad range of experience, skills, qualifications and contacts relevant to the business of the Company. The majority of the current Board is not independent. In particular, the Chairman is not independent in terms of the Guidelines. There are three independent Directors, namely Mr Allan Brackin, Mr David Adams and Dr Ian Thomas. GBST believes that the current Board of Directors is 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 human capital within GBST's business the committee's composition and the contribution that each member can make has been considered appropriate and as a result the committee is not independent. The Board has structured 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 for the year ended 30 June 2014

The Directors of GBST Holdings Limited ('GBST' or the 'Company') submit their report together with the consolidated financial report of the Group, comprising the Company and its controlled entities for the year ended 30 June 2014 and the audit report thereon.

## Directors

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

Name	Period of Directorship
<b>Non-executive</b>	
Dr John F Puttick (Chairperson)	January 1984
Mr David C Adams	April 2008
Mr Allan J Brackin	April 2005
Mr Joakim J Sundell	July 2001
Dr Ian Thomas	December 2011
<b>Executive</b>	
Mr Stephen M L Lake (Managing Director and Chief Executive Officer)	September 2001

## Principal activities

The principal activities of GBST during the year ended 30 June 2014 were:

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

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

## Key Financial Results

- Total revenue increased by 19% to \$98.5 million (2013: \$83.0 million).

- Operating EBITDA increased by 16% to \$20.2 million (2013: \$17.5 million).
- EBITDA increased by 24% to \$20.5 million (2013: \$16.5 million).
- Profit before income tax increased by 53% to \$12.0 million (2013: \$7.8 million).
- Net profit after income tax (NPAT) increased by 66% to \$10.0 million (2013: \$6.0 million).
- Adjusted cash net profit after income tax (Cash NPAT) increased by 30% to \$14.3 million (2013: \$11.0 million)
- Senior debt decreased by \$9.0 million to \$5.0 million at 30 June 2014 from \$14.0 million at 30 June 2013. Net Debt (total borrowings less cash) has reduced from \$12.4 million at 30 June 2013 to \$3.6 million.
- Dividend payout ratio of 40% on adjusted Cash NPAT (56% on NPAT) increased (2013: 39%).

## GBST comprised three divisions during the year:

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



## DIVIDENDS

Dividends paid during the year were:

- Final fully franked ordinary dividend of 3.5 cents per share for the 2013 financial year paid on 23 October 2013, as recommended in the financial report for the year ended 30 June 2013.
- Interim fully franked ordinary dividend of 4.0 cents per share paid on 24 April 2014.

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

The Directors recommend a final dividend of 4.5 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 15 October 2014.

## Group results

	FULL YEAR TO 30 JUNE		
	2014 \$'000	2013 \$'000	% Change
<b>Total revenue and other income</b>	<b>98,491</b>	83,011	19
<b>Operating EBITDA</b>	<b>20,210</b>	17,497	16
Unallocated revenue/ (expenses)	264	(971)	
<b>EBITDA</b>	<b>20,474</b>	16,526	24
Net finance costs	(1,115)	(1,495)	25
Depreciation & Operating Amortisation	(3,100)	(2,262)	(37)
Investment Amortisation	(4,250)	(4,944)	14
<b>Profit before income tax</b>	<b>12,009</b>	7,825	53
Income tax expense	(1,978)	(1,794)	
<b>Profit after income tax</b>	<b>10,031</b>	6,031	66
<b>Adjusted Cash NPAT</b>	<b>14,281</b>	10,975	30
<b>Basic EPS (cents)</b>	<b>15.07</b>	9.06	66
<b>Cash EPS (cents)</b>	<b>21.46</b>	16.49	30

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

## Measures of profitability and basis of preparation

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

Unallocated revenue/(expenses) are legal expenses associated with non-operating Group matters which are not associated with any business segment and therefore are not allocated to a segment. This treatment is in accordance with Management's internal measurement of segment performance and the segment disclosures in Note 25 to the financial report. Unallocated revenue/(expenses) are reported to allow for reconciliation between the Group and segment reports.

## Group performance

### RECORD SALES AND PROFITABILITY

GBST, which provides software services for securities processing and wealth administration to the financial services sector, reported record sales and profitability in the 2014 financial year. Total revenue including other income was \$98.5 million, up 19% compared to \$83.0 million in the prior year, continuing the strong growth of the past four years and demonstrating the success of GBST's strategy of geographic expansion.

The Group reported increased revenue in its markets of Australia, Asia, Europe and North America. Both GBST Capital Markets and GBST Wealth Management, the Group's main operating divisions, achieved record sales supported by new client wins and strong cash flow generation. This was attributable primarily to the robustness and high quality of its flagship software products, GBST Syn~ and GBST Shares for capital markets and GBST Composer for wealth administration. This industry leadership is sustained by the Group's continued investment in its technology, industry expertise, domain knowledge and most important of all, people.

EBITDA was \$20.5 million, up 24% compared to \$16.5 million in the prior year, reflecting the improvement of GBST Capital Markets' international operations and growth in sales of GBST Composer in the United Kingdom. The increasing international operations means a greater exposure to foreign exchange movements, resulting in a net gain for FY2014 from a weaker Australian dollar relative to FY2013. The Australian business remains very strong, generating good revenue and high operating margins, and is the bedrock of the company. GBST Financial Services reported a loss for the year of \$1.1 million, due to increased business development costs from expansion into the United Kingdom.

The legal matters associated with non-operating Group matters, previously recognised as unallocated expenses in the financial statements, were satisfactorily resolved in the first half of this financial year.

Finance costs were lower, as gross senior debt reduced to \$5.0 million at 30 June 2014 from \$14.0 million at 30 June 2013. Net debt (total borrowings less cash) reduced to \$3.6 million at 30 June 2014 from \$12.4 million at 30 June 2013.

Depreciation and amortisation costs increased, through office fit out costs for new premises in Brisbane, Sydney, London and New York; and capital expenditure to support growth. Staff numbers increased from approximately 380 at June 2013 to more than 470 today; including staff contracted through our offshore development centre partner.

GBST's FY2014 tax rate reduced to 16% due to Australian and UK tax concessions related to research and development expenditure.

Net profit for FY2014 was \$10.0 million, up 66% compared to \$6.0 million in the prior year. The Directors are pleased to recommend a final dividend of 4.5 cents per share, fully franked, up from 3.5 cents per share in the previous corresponding period. This follows the interim dividend of 4.0 cents per share, fully franked, paid on 24 April 2014, and maintains GBST's current dividend payout ratio of 40% of adjusted cash NPAT.

## **SIGNIFICANT TECHNOLOGY INVESTMENT DRIVING GROWTH**

The benefits of continued investment in GBST's market leading products are confirmed by their accelerating use every year, with a number of clear examples being demonstrated in the current period. In particular, a key client's successful deployment of GBST Syn~ in North America, replacing less efficient legacy systems, enabled

a major broker-dealer firm to automate about 95% of its back- and middle-office processes, up from approximately 25% before. This delivered significant operational efficiencies, allowing them to redeploy staff, as well as improved visibility into their business performance.

Another example is a large United Kingdom based client, which had a vision for a single back office platform from which they could build channel-specific offerings and easily integrate future products. This vision was the basis for GBST Composer's initial selection. However, significant challenges needed to be overcome. These included managing the speed of taking the new platform to market with effective risk management and cost control, and satisfying the distinct needs of three distribution channels on a single platform. The new system would need to integrate with complex legacy systems, enabling the efficient migration of existing clients and products. It was also important that the new system provide an infrastructure which was able to flex and grow in line with the client's evolution.

A highly effective partnership between the client and GBST resulted in the on-time, on-budget delivery of a market leading wrap platform. The platform provided:

- comprehensive range of tax wrappers, enabling broader consumer choice;
- market-leading decumulation options, which is to assist the conversion of pension assets into pension income;
- open architecture investment choice, allowing distribution of multiple investment choices for consumers;
- white-labelling capability;
- flexible cash management and disbursements; and
- comprehensive and flexible reporting.

Just over a year after its initial launch, sales of the firm's platform-based products have already exceeded its traditional product sales. The platform now administers more than 40,000 client accounts.

The robustness of this software provides an excellent return on investment for clients, which helps build a positive reputation for GBST.

During the year GBST Syn~ 3.0 was launched, a new-generation technology platform for capital markets post-trade processing, which now includes improved relational database support for Oracle and support for Microsoft SQL Server. Performance has improved, and

less storage is needed. New services for custodians include safekeeping settlement systems for cash, stock and daily interest processing.

Improved consistency across products was achieved through standardising tools. Business intelligence reporting (GBST BIR) provides information to advisers from GBST Shares, to the derivatives trading system GBST DCA, and GBST Composer, enabling these products to share a common front office and mobility architecture.

GBST Composer is now able to provide dual support for both the Microsoft SQL Server and Sybase ASE relational databases, through the development of a new platform layer which has recently been rolled out in the United Kingdom.

Two years ago, exploration began into the use of offshore resources to manage demand for new software and services. Initial success led us to establish a technology development centre in Ho Chi Minh City, Vietnam. This has proved its ability to support large-scale projects and now employs more than 70 skilled staff.

Another area of significant investment was in business development, sales and marketing, and we have hired staff in Hong Kong, Singapore and New York to drive penetration into those markets.

GBST also improved and extended its internal management information systems through implementing a new enterprise resource planning (ERP) system. This system links project and development activity to accounting and finance systems, providing greater visibility into the business and helping to drive margin improvement.

GBST's Human Resources capability has also been strengthened to place greater emphasis on talent management, and a project has begun to implement a new electronic learning system to improve overall knowledge management across the group. The Company has also upgraded core network infrastructure, improving systems security features and migrating internal systems into the Cloud.

This sustained investment is important to support the growth of GBST's business.

## GBST Capital Markets

	FY2014 \$000's	FY2013 \$000's	% Change
Revenue – Australia	29,510	28,757	3
Revenue – International	11,722	6,709	75
Revenue – Total	41,232	35,466	16
Operating EBITDA – Australia	10,329	10,273	1
Operating EBITDA – International	(2,498)	(4,569)	45
Operating EBITDA – Total	7,831	5,704	37

Strong growth in sales of GBST Syn~ bolstered revenue, which increased to \$41.2 million in FY2014, up 16% on the prior year. International revenue was \$11.7 million, up 75%, reflecting growth in Asia and North America. Australian revenue was \$29.5 million, up 3% and a good outcome in a difficult year. Operating EBITDA was \$7.8 million, up 37% compared to the prior year.

### Strengthening position and opportunities in international markets

GBST achieved an important milestone with its first direct client in the United States going live using GBST Syn~. This successful deployment at a very well-regarded super regional broker-dealer means GBST now has a cornerstone US client. It confirms GBST Syn~'s ability to significantly improve client business performance by increasing automation and improving efficiency in the back-and middle-office. This capability has now been proven in several different markets in multiple countries, and in organisations of substantial scale and business complexity, demonstrating that GBST Syn~ is a truly global solution.

In Asia, one of the world's largest banking and financial services organisations completed its initial deployment of GBST Syn~ during the year and began providing third-party clearing services to the broker-dealer community. This has proven to be highly successful, and the firm is preparing to roll out GBST Syn~ further.

Through the strengthened business development teams and offices in Hong Kong and Singapore, Asia's most technologically developed markets, GBST is well-positioned to provide third-party clearing services to investment banks and retail stockbrokers in Asian countries.

# Directors' Report for the year ended 30 June 2014 continued

European conditions remained difficult. Discretionary spending on technology was constrained as the industry focused on meeting regulatory needs. After identifying as an opportunity the commitment of 11 European countries to introduce a financial transaction tax (FTT) by January 1 2016, GBST launched the first post-trade processing product to assist capital markets participants to manage their obligations. Following its first sale to a leading US global investment bank, GBST's Syn~FTT solution now manages the bank's FTT processing including validation, tax calculation and exemptions and reporting requirements. The FTT has already been implemented by two European countries, France and Italy. This product is well regarded within the industry and won the 'Best Compliance Solutions' award at the UK Systems in the City awards in 2014.

GBST has continued to invest in building its global business development team, including sales and marketing support for global financial services organisations, large regional broker-dealers, local investment banks and retail brokers.

Legislative change is a constant driver of growth in the technology industry. A current example is the potential introduction of a shortened equities settlement cycle. The straight-through processing capabilities of GBST Syn~ is just one factor that will increase the attractiveness of GBST's new generation software platform were this to occur. In the majority of markets globally equities settlement traditionally completes in three days, or T+3. A two-day settlement policy, or T+2, is already in place in some European markets and legislation to introduce T+2 in North America is being considered.

Initial sales and implementation costs impacted profitability, and international operations reported a reduced loss of \$2.5 million, down from a loss of \$4.6 million in the prior year.

## Solid Australian performance

Australian sales grew to \$29.5 million, up 3% on the prior year. Retail trading continues to trail 2008 activity levels and market conditions remain volatile. Operating EBITDA was flat at \$10.3 million, representing a good outcome in a difficult market.

GBST won new clients through its leading back- and middle-office software platform in Australia, GBST Shares. Product investment continues, and the long term plan to replace GBST Shares with GBST Syn~ is progressing

to plan. A project for the first client transition from GBST Shares to GBST Syn~ has commenced and is scheduled to go live in 2015.

During the year, GBST Shares and GBST Front Office, which is used by financial advisers, were enhanced to support the Australian Securities Exchange's ASX mFunds settlement service which provides straight-through processing of managed funds. GBST Front Office's market share maintained growth. Its recent integration with Microsoft Outlook has helped familiarise advisers with GBST's systems.

A new risk management product, MarginSuite was introduced, which is a pioneering system to enable brokers to estimate and manage ASX SPAN margins on exchange-traded derivative products throughout the day.

## GBST Wealth Management

	FY2014 \$000's	FY2013 \$000's	% Change
Revenue – Australia	18,150	18,225	–
Revenue – International	35,607	25,174	41
Revenue – Total	53,757	43,399	24
Operating EBITDA – Australia	6,956		
Operating EBITDA – International	6,564		
Operating EBITDA – Total	13,520	11,624	16

\* No comparative available for FY2013 Operating EBITDA – international.

Revenue from new sales, licensing and support of GBST Composer was \$53.8 million in FY2014, up 24% compared to the prior year. This maintained the positive momentum of GBST Composer's sales which have more than doubled in four years. Operating EBITDA was \$13.5 million, up 16%.

## International sales growth continues

In the United Kingdom, GBST secured new contracts and revenue grew to \$35.6 million, up 41%, as the transition of financial services firms from old world paper-based systems to new world digital platforms continued. The life, pensions and investment markets in the United Kingdom are experiencing the impact of retail market reform, and the wrap and platform market is expected to quadruple by 2020. GBST Composer today supports three of the

top six UK platforms, and is the top direct-to-consumer software product for the distribution of tax-incentivised financial products.

While the wrap and platform market has become more competitive, new contracts were signed with platform providers, which will use GBST Composer to launch direct-to-consumer and adviser-based Self Invested Personal Pensions (SIPP) products. One of GBST Composer's competitive advantages is its ability to support multiple channels from a single platform. This allows separate systems for advisers, corporate and direct-to-consumer services to be consolidated onto GBST Composer's new world digital platform.

The budget in the United Kingdom announced in March 2014 has provided new opportunities. The retirement industry is expected to be impacted by declining annuity sales, and will need to refocus. As GBST Composer offers a contemporary platform for large-scale account migration negotiations are occurring with several life and pensions organisations, many of which have aging technology systems. The significant increase in individual savings account, or ISA, allowances and the focus on retirement income are expected to benefit established platform providers, including GBST clients. GBST has secured another new client in the (SIPP) segment, and now holds an approximate 10% market share.

The business in the United Kingdom is still in its early stages of heavy growth, requiring significant investment in technology and product development. Operating margins are steadily improving as the business increases in scale and annuity license revenue grows.

#### Steady performance in Australia

Sales in Australia, where GBST Composer has 15 years' superannuation industry experience and a well-established client base, were in line with FY13 at \$18.2 million. Activity was driven by work for existing clients, indicating improving confidence in the funds management sector.

Key projects included completing the migration of accounts for a global fund manager, and the migration of more than 100,000 accounts from legacy systems to GBST Composer for a leading life insurance firm. The implementation of GBST Composer for a leading bank in New Zealand commenced, which will result in the consolidation of customer accounts from three separate business units onto one platform, delivering significant operating efficiency, cost reduction and an enhanced customer offering.

During the year GBST launched its SuperStream Gateway suite for superannuation rollover and contribution transactions. This was the first such service to 'go live'. The gateway automates transactions across GBST's network between superannuation funds, SMSFs and the Australian Taxation Office, enabling clients to receive SuperStream standard employer superannuation contributions electronically. In future, the gateway is expected to become the infrastructure conduit for other organisations to communicate digitally with the ATO.

Additional to software development being undertaken in Vietnam, enhancements planned for GBST Composer include a web service for private banking, which will offer a new digital experience for high net worth and sophisticated investors, and intermediary advisers. GBST Quant entered into a strategic alliance with a major Australian bank for the GBST TaxAnalyser product.

### GBST Financial Services

	FY2014 \$000's	FY2013 \$000's	% Change
Revenue	3,108	3,542	(12)
Operating EBITDA	(1,141)	169	(775)

GBST's web design expertise through Emu Design provides strong support for the Group's operations in Australia and the United Kingdom. Revenue declined compared to the prior year as International contracts expected to begin in the second half were delayed. The softer trading environment and business development costs associated with International expansion impacted earnings, and the division reported an Operating EBITDA loss for the year of \$1.1 million.

Emu Design acquired new financial services sector clients in the United Kingdom, helping them to meet new mortgage market review regulation, and providing inheritance tax and venture capital trust investment tools for direct-to-consumer and adviser businesses.

A highlight was the launch of a new GBST CalculatorConsole in both the United Kingdom and Australia. This product's rapid development framework allows clients to self-manage the deployment of GBST financial calculators on their websites.

Emu Design continued to develop and license its e-commerce capabilities, adding new clients on long-term contracts to its platform in Australia, where it services some of the country's largest retailers.

## Financial position

The senior debt facility matures on 27 December 2015. Senior debt as at 30 June 2014 was \$5.0 million, compared to \$14.0 million at 30 June 2013. GBST's net debt reduced from \$12.4 million to \$3.6 million over the same period. At reporting date, all banking covenants have been met. Based on the Group's current forecast and business plan, the Group anticipates that it will continue to meet its covenants.

## Significant changes in state of affairs

As at the reporting date, GBST has on issue 66,561,725 ordinary shares. During the period 528,302 (2013: 1,314,636) performance rights were issued to selected employees under the GBST Performance Rights and Option Plan which are subject to performance criteria.

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

## Subsequent events

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

As announced to the ASX on 5 August 2014, the Group issued 345,005 performance rights to selected employees. The rights were issued under the GBST Performance Rights and Option Plan approved by GBST shareholders at the 2012 AGM. Following this grant the total number of share performance rights issued will be 2,177,388.

The Board of GBST also intends to issue 100,486 performance rights to Mr Stephen Lake, Managing Director, on the same terms as the issue of these performance rights. The issue to Mr Lake will be subject to shareholder approval at the upcoming AGM later this year.

## Future developments, prospects and business opportunities

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

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

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

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

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

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

### Interest in Shares and Options

5,278,356 Ordinary Shares of GBST Holdings Limited were held by Dr Puttick and associated entities at 30 June 2014.

### 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***

5,146,109 Ordinary Shares and 365,177 performance rights of GBST Holdings Limited were held by Mr Lake at 30 June 2014.

**Allan Brackin Independent 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. Allan is Chairman of ASX listed mining technology company RungePincocKMinarco Limited (since November 2011), Chairman of IT software company Emagine Pty Ltd and Chairman of telecommunications carrier Opticomm Pty Ltd. Allan is also a member of the advisory board for several IT companies.

Allan holds a Bachelor of Applied Science from the Queensland University of Technology and has completed the OPM (Owner/President Management) program at Harvard Business School.

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***

381,943 Ordinary Shares of GBST Holdings Limited were held by Mr Brackin's associated entities at 30 June 2014.

**Joakim Sundell Non-Executive Director**

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

***Interest in Shares and Options***

5,781,610 Ordinary Shares of GBST Holdings Limited were held by Mr Sundell's associated entities at 30 June 2014.

**David Adams Independent Director**

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

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

***Interests in Shares and Options***

Nil

**Ian Thomas Independent Director**

Dr Ian Thomas was appointed to the Board in December 2011. Ian currently serves as president of Boeing China, having previously served as president of Boeing Australia and South Pacific and, prior to that, president of Boeing India.

Prior to joining Boeing in 2001, Ian served in a variety of staff and policy roles in the U.S. Department of Defense and is an authority on U.S. and global security issues. He is co-chair of the US-China Aviation Cooperation Program. During his time in Australia, he served as President of the American Chamber of Commerce and Chairman of the Prime Minister's Manufacturing Leaders Group. In 2013 he received the Royal Aeronautical Society's Sir Charles Kingsford Smith Medal for outstanding contributions to aviation.

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

***Interests in Shares and Options***

Nil

# Directors' Report for the year ended 30 June 2014 continued

## Company Secretary

Mr David M Doyle joined GBST in 1997 as an in house legal advisor and was appointed to the position of Company Secretary on 18 April 2005. Mr Doyle holds Bachelor degrees in Law and Business (Computing) from Queensland University of Technology. Mr Doyle resigned on the 14th February 2014.

Mr Sean Norman was appointed to the position of Company Secretary on 14th February 2014. Mr Norman holds Bachelor degrees in Law and Arts from University of Adelaide and a Graduate Diploma in Legal Practice from University of South Australia.

## 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	DIRECTORS' MEETINGS		AUDIT AND RISK COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
J Puttick	9	9	5	5	3	3
D Adams	9	7	5	5	3	3
A Brackin	9	8	5	5	3	2
S Lake	9	9	–	5*	3	3
J Sundell	9	7	–	–	–	–
I Thomas	9	9	–	–	–	–

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

## Remuneration report – audited

The information provided in the remuneration report relates to the Group for the year ended 30 June 2014 and has been audited as required by section 308(3C) of the *Corporations Act (2001)*.

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

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

### (a) Remuneration Policies and Practices

#### Remuneration Principles

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

The principles for determining the nature and amount of remuneration of Key Management Personnel are as follows:

- The Group will use competitive remuneration packages to attract, motivate and retain talented Executives as determined by the Nomination and Remuneration Committee.
- The employees will be rewarded for sustained and sustainable improvement in the performance of the Group.



- Key Management Personnel are encouraged to make investments in the Group in accordance with the Group's share trading guidelines.
- Senior Executive agreements will not allow for significant termination payments if an employment agreement has to be terminated for cause.
- The Group will make full disclosure of Director and Executive remuneration.
- The Group's practices will be legal, ethical and consistent with being a good corporate citizen. It will comply with remuneration disclosures required by law and will seek to maintain the highest standards of clarity and transparency in communications with shareholders.

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

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

#### **Remuneration Structure – Non-Executive Directors**

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

Non-executive Directors are paid fixed annual remuneration as set out in letters of appointment. Reviews of each individual Director and Directors as a whole occur annually. The annual fees paid in 2014 are \$135,000 for the Chairman, \$90,000 for Chairmen of Committees of the Board and \$80,000 for Non-Executive Directors. Non-executive Directors may make investments in the Company in accordance with the Company's share trading guidelines but they do not participate in the existing GBST Performance Rights and Option Plan. GBST does not operate a scheme for retirement benefits to Directors.

#### **Remuneration Structure – Senior Executives**

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

- Fixed remuneration of salary and superannuation.

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

A combination of these comprises the Executive's remuneration.

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

#### **Fixed Annual Remuneration**

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

#### **Short Term Incentive Remuneration (STI)**

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

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

Key Performance Indicators (KPI's) for Executives were agreed with each Executive at the beginning of the 2014 financial year. Each Executive had specific agreed goals for determination of Short Term Performance Incentives. The KPI's include measures of Group performance and

individual performance against financial, non-financial and strategic goals. Achievement of performance objectives may entitle an Executive to a cash bonus. The Board, through its Nomination and Remuneration Committee, supervises all calculations of performance against the KPI's to ensure fairness for the Executives and the Group.

The arrangements align the KPI's for Executives with the Group's strategic plan. The Board, where appropriate, also exercised its discretion to award an additional bonus in recognition of exceptional contribution to the Group's strategy.

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

The Board assessed the performance hurdles on a subjective and substantive basis – based on the criteria determined at the commencement of the financial year. The STI cash bonuses were determined after that review.

#### **Long Term Incentive Remuneration (LTI)**

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

The scheme involves the use of performance rights to acquire shares. The plan is designed to reward Executives in a manner which aligns this element of remuneration with the financial performance of the Company and the interests of shareholders. As such, LTI grants are only made to Executives and selected employees who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long term performance hurdle. Executives are also required to meet continued service conditions in order to exercise the performance rights.

The Company uses Shareholder Return as a performance hurdle for the LTI plan, measured by growth in earnings per share.

On 8 November 2012, 1,314,636 performance rights were issued to select Executive employees. There is a nil exercise price and the share performance rights vest in thirty-six months after the date of grant or the date of release of GBST's financial results for the 2015 financial year. The share performance rights expire thirty days after the vesting date.

The performance criteria associated with the grant of share performance rights to Key Management Personnel outstanding under the GBST Performance Rights and Option Plan is as follows:

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

Vesting of the performance rights granted will be subject to GBST achieving three year (2013 – 2015 financial years) cumulative EPS targets of 26 cents, 28 cents, and 32 cents for 25%, 50% and 100% vesting respectively. There is also a vesting requirement that a minimum EPS of 5 cents is achieved in each year; and,

#### **2. Service Condition**

Continuous employment with GBST Holdings Limited from grant date to vesting date.

For issue to non-Key Management Personnel refer to Note 29.

## (b) Group Performance and Remuneration

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

	2010	2011	2012	2013	2014
EBITDA	\$16.4m	\$13.7m	\$14.2m	\$16.5m	<b>\$20.5m</b>
Year on Year Growth	29%	(16)%	4%	16%	<b>24%</b>
Net profit/(loss) before tax	\$(.6)m	\$3.3m	\$4.5m	\$7.8m	<b>\$12.0m</b>
Year on Year Growth	(130%)	666%	37%	76%	<b>53%</b>
Net profit/(loss) after tax	\$(2.4)m	\$1.4m	\$3.3m	\$6.0m	<b>\$10.0m</b>
Year on Year Growth	(214%)	158%	135%	86%	<b>66%</b>
EPS (cents)	(3.68)	2.08	4.87	9.06	<b>15.07</b>
Year on Year Growth	(194%)	157%	134%	86%	<b>66%</b>
Closing share price	\$0.98	\$0.80	\$0.81	\$1.70	<b>\$3.15</b>
Dividends paid (cents per share)	–	4	4.5	5.5	<b>7.5</b>

## (c) Service Agreements

Remuneration and other terms of employment for Executive Directors and Executives are formalised in service contracts. All agreements with Executives are subject to an annual review. Each of the agreements provide for base pay, leave entitlements, superannuation, performance-related bonus and any other benefits. The Group is an international organisation and when Executives are seconded to other countries their packages are reviewed in line with normal employment expectations for those countries. This may involve adjustments for cost of living and the provision of benefits customary in the country of employment. The amounts of the benefits are set out in the table in section (e) below as Short-Term Benefits Other. The agreements also contain normal provisions relating to the protection of confidential information and intellectual property rights as well as post-employment restraints.

Service agreements with Executives are currently open ended. Mr Lake's service agreement has a minimum term of three years ending in February 2015 and is able to be terminated by either party giving not less than six months' notice. Other Executive's agreements require up to six months' notice. No other termination payments are applicable.

# Directors' Report for the year ended 30 June 2014 continued

## (d) Services from Remuneration Consultants

No remuneration consultants services for Key Management Personnel were obtained in this financial year.

## (e) Details of Remuneration

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

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	SHARE-BASED PAYMENT	Total Remuneration \$	Equity Based %	Performance Related %
	Base Salary and Fees \$	Bonus \$ <sup>1</sup>	Other \$ <sup>2</sup>	Super-annuation \$	Leave Entitlement \$	Equity Options \$			
<b>2014</b>									
<b>Directors</b>									
J Puttick	135,000	–	–	–	–	–	135,000	–	–
D Adams	82,380	–	–	7,620	–	–	90,000	–	–
A Brackin	90,000	–	–	–	–	–	90,000	–	–
S Lake	641,275	120,000	292,087	1,825	14,750	99,219	1,169,156	8.5	18.8
J Sundell	80,000	–	–	–	–	–	80,000	–	–
I Thomas	80,000	–	–	–	–	–	80,000	–	–
<b>TOTAL DIRECTORS</b>	<b>1,108,655</b>	<b>120,000</b>	<b>292,087</b>	<b>9,445</b>	<b>14,750</b>	<b>99,219</b>	<b>1,644,156</b>		
<b>Executives</b>									
R De Dominicis	438,795	70,000	121,205	–	7,373	49,609	686,982	7.2	17.4
D Orrock	349,604	70,000	236,575	–	5,385	49,609	711,173	7.0	16.8
A Ritter	240,000	–	–	22,200	4,615	31,750	298,565	10.6	10.6
P Salis	320,000	54,795	–	34,805	6,154	39,687	455,441	8.7	20.7
I Sanchez	300,000	63,927	–	33,823	5,769	39,687	443,206	9.0	24.7
<b>TOTAL EXECUTIVES</b>	<b>1,648,399</b>	<b>258,722</b>	<b>357,780</b>	<b>90,828</b>	<b>29,296</b>	<b>210,342</b>	<b>2,595,367</b>		
<b>GROUP</b>									
<b>TOTAL</b>	<b>2,757,054</b>	<b>378,722</b>	<b>649,867</b>	<b>100,273</b>	<b>44,046</b>	<b>309,561</b>	<b>4,239,523</b>		

1. Bonus amounts for the financial year represent the amount that vested in the financial year against specific performance criteria. No amounts vest in future financial years in respect of bonus schemes for the current financial year.
2. Other amounts are short-term benefits that do not constitute base salary, fees and bonus and include cost of living adjustments for Executives on secondment and fringe benefits tax.
3. The cost of performance rights is reported in accordance with accounting standard AASB 2 Share-based Payments, which has the effect of reporting the cost of the performance rights over the period between the grant date and vesting date.

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

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	SHARE-BASED PAYMENT	Total Remuneration \$	Equity Based %	Performance Related %
	Base Salary and Fees \$	Bonus \$ <sup>1</sup>	Other \$ <sup>2</sup>	Superannuation \$	Leave Entitlement \$	Equity Options \$			
<b>2013</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	641,305	135,000	294,142	1,795	14,750	63,880	1,150,872	5.6	17.3
J Sundell	60,000	–	–	–	–	–	60,000	–	–
I Thomas	60,000	–	–	–	–	–	60,000	–	–
<b>TOTAL DIRECTORS</b>	<b>971,351</b>	<b>135,000</b>	<b>294,142</b>	<b>6,749</b>	<b>14,750</b>	<b>63,880</b>	<b>1,485,872</b>		
<b>Executives</b>									
R De Dominicis	438,795	125,000	121,205	–	7,373	31,940	724,313	4.4	21.7
D Orrock	310,235	75,000	118,717	13,207	5,385	31,940	554,484	5.8	19.3
A Ritter	240,000	27,460	–	24,140	4,615	20,442	316,657	6.5	15.1
P Salis	291,197	45,767	77,707	74,360	2,844	25,552	517,427	4.9	13.8
I Sanchez	300,000	82,380	–	34,620	5,769	25,552	448,321	5.7	24.1
<b>TOTAL EXECUTIVES</b>	<b>1,580,227</b>	<b>355,607</b>	<b>317,629</b>	<b>146,327</b>	<b>25,986</b>	<b>135,426</b>	<b>2,561,202</b>		
<b>GROUP TOTAL</b>	<b>2,551,578</b>	<b>490,607</b>	<b>611,771</b>	<b>153,076</b>	<b>40,736</b>	<b>199,306</b>	<b>4,047,074</b>		

1. Bonus amounts for the financial year represent the amount that vested in the financial year against specific performance criteria. No amounts vest in future financial years in respect of bonus schemes for the current financial year.
2. Other amounts are short-term benefits that do not constitute base salary, fees and bonus and include cost of living adjustments for Executives on secondment and fringe benefits tax.
3. The cost of performance rights is reported in accordance with accounting standard AASB 2 Share-based Payments, which has the effect of reporting the cost of the performance rights over the period between the grant date and vesting date.

# Directors' Report

for the year ended 30 June 2014 continued

## Group and Company Key Management Personnel

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

Key Management Personnel	Position
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)
I Thomas	Director (Independent)
R De Dominicis	Chief Executive Wealth Management
D Orrock	Chief Executive Capital Markets
A Ritter	Chief Financial Officer
P Salis	Chief Operating Officer
I Sanchez	Chief Technology Officer

## Performance Right Holdings for Key Management Personnel

### Performance rights issued as part of Remuneration for the Year Ended 30 June 2014

There were no performance rights issued as remuneration to key management personnel in the 30 June 2014 financial year.

### Performance rights granted as remuneration to Key Management Personnel in the Year Ended 30 June 2014

There were no performance rights granted as remuneration to key management personnel in the 30 June 2014 financial year.

### Shares issued on exercise of compensation options

There were no performance rights exercised during the 30 June 2014 financial year that were granted as compensation in previous financial years as remuneration to key management personnel.

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

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

2014	Balance 01/07/13	Granted as Compen- sation \$	Performance rights Exercised or Sold \$	Performance rights Cancelled/ Forfeited \$	Balance 30/06/14 \$	Total Vested at 30/06/14 \$	Total Vested and Exercis- able at 30/06/14 \$	Total Vested and Unexercis- able at 30/06/14 \$
<b>Directors</b>								
S Lake	365,177	-	-	-	365,177	-	-	365,177
<b>TOTAL DIRECTORS</b>	<b>365,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>365,177</b>	<b>-</b>	<b>-</b>	<b>365,177</b>
<b>Executives</b>								
R De Dominicis	182,588	-	-	-	182,588	-	-	182,588
D Orrock	182,588	-	-	-	182,588	-	-	182,588
A Ritter	116,857	-	-	-	116,857	-	-	116,857
P Salis	146,071	-	-	-	146,071	-	-	146,071
I Sanchez	146,071	-	-	-	146,071	-	-	146,071
<b>TOTAL EXECUTIVES</b>	<b>774,175</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>774,175</b>	<b>-</b>	<b>-</b>	<b>774,175</b>
<b>GROUP TOTAL</b>	<b>1,139,352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,139,352</b>	<b>-</b>	<b>-</b>	<b>1,139,352</b>

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

	Vested Number #	Granted Number #	Grant Date	Average Value per Performance right at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
<b>Directors</b>							
S Lake	-	365,177	08.11.12	0.8151	-	08.11.15	08.12.15
<b>TOTAL DIRECTORS</b>	<b>-</b>	<b>365,177</b>					
<b>Executives</b>							
R De Dominicis	-	182,588	08.11.12	0.8151	-	08.11.15	08.12.15
D Orrock	-	182,588	08.11.12	0.8151	-	08.11.15	08.12.15
A Ritter	-	116,857	08.11.12	0.8151	-	08.11.15	08.12.15
P Salis	-	146,071	08.11.12	0.8151	-	08.11.15	08.12.15
I Sanchez	-	146,071	08.11.12	0.8151	-	08.11.15	08.12.15
<b>TOTAL EXECUTIVES</b>	<b>-</b>	<b>774,175</b>					
<b>GROUP TOTAL</b>	<b>-</b>	<b>1,139,352</b>					

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

# Directors' Report

for the year ended 30 June 2014 continued

## Related Parties

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

## Transactions with Directors and Key Management Personnel

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

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
Consultancy fees paid to Mr J Puttick.	–	4,000

## 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.

2014	Balance at 01/07/13	Received as Compensation	Performance Rights & Options Exercised	Net Change Other <sup>(1)</sup>	Balance at 30/06/14
<b>Directors</b>					
J Puttick	5,697,461	–	–	(419,105)	5,278,356
A Brackin	381,943	–	–	–	381,943
S Lake	5,146,109	–	–	–	5,146,109
J Sundell	9,631,610	–	–	(3,850,000)	5,781,610
<b>TOTAL DIRECTORS</b>	<b>20,857,123</b>	<b>–</b>	<b>–</b>	<b>(4,269,105)</b>	<b>16,588,018</b>
<b>Executives</b>					
R De Dominicis	2,724,659	–	–	–	2,724,659
P Salis	16,135	–	–	–	16,135
<b>TOTAL EXECUTIVES</b>	<b>2,740,794</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,740,794</b>
<b>GROUP TOTAL</b>	<b>23,597,917</b>	<b>–</b>	<b>–</b>	<b>(4,269,105)</b>	<b>19,328,812</b>

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

## Indemnifying Directors and Officers

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

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

Certain legal expenses have been paid on behalf of a Director under the deed of indemnity with that Director. The Group is not aware of any other liability that has arisen under these indemnities at the date of the report.



## Performance rights

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

The number of performance rights over ordinary shares outstanding at 30 June 2014 are as follows:

Grant Date	Exercise Date	Exercise Price	Number
08.11.12	08.11.15	\$0.00	1,314,636
16.09.13	16.09.16	\$0.00	514,536
11.02.14	11.02.16	\$0.00	13,766

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

## Proceedings on behalf of Company

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

## Non-audit services

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

Refer to Note 21 in the financial report for details of non-audit service fees.

## Lead Auditor's Independence Declaration

The lead Auditor's independence declaration can be found on the page following this Directors' report and forms part of the Directors' report for the year ended 30 June 2014.

## Rounding

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

Signed in accordance with a resolution of the Directors



**Dr J F Puttick**  
Chairman



**Mr S M L Lake**  
Managing Director and Chief Executive Officer

Dated at Brisbane this 18th day of August 2014

# Auditor's Independence Declaration

for the year ended 30 June 2014



## *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 2014 there have been:

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

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

KPMG

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

Stephen Board  
Partner

Brisbane  
18 August 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Note	30 Jun 2014 \$'000	30 Jun 2013 \$'000
Revenue from license and support sales		58,559	52,200
Revenue from sponsored work		37,646	28,345
Revenue from sale of third party product		1,892	1,862
<b>Total revenue</b>		<b>98,097</b>	82,407
Other income		394	604
<b>Total revenue and other income</b>		<b>98,491</b>	83,011
Product delivery and support expenses		(69,207)	(59,423)
Property and equipment expenses		(10,792)	(9,154)
Corporate and administrative expenses		(5,368)	(5,113)
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>13,124</b>	9,320
Finance costs	4 (d)	(1,134)	(1,529)
Finance income	4 (e)	19	34
Net finance costs		(1,115)	(1,495)
<b>PROFIT BEFORE INCOME TAX</b>		<b>12,009</b>	7,825
Income tax expense	5	(1,978)	(1,794)
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>10,031</b>	6,031
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified to profit or loss</b>			
Exchange differences arising on translation of foreign operations		1,945	1,594
<i>Total items that may be reclassified subsequently to profit or loss</i>		<b>1,945</b>	1,594
<b>Other comprehensive (loss)/income for the year, net of income tax</b>		<b>1,945</b>	1,594
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>11,976</b>	7,625
<b>Earnings per share</b>			
Basic earnings per share (cents)	30	15.07	9.06
Diluted earnings per share (cents)	30	15.07	9.06

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

# Consolidated Statement of Financial Position

as at 30 June 2014

	Note	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	2,339	3,505
Trade and other receivables	8	16,558	14,651
Inventories and work in progress	9	650	1,107
Current tax receivable	15	11	4
Other assets	12	1,582	1,278
<b>Total Current Assets</b>		<b>21,140</b>	20,545
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	10	7,091	5,223
Intangible assets	11	56,548	59,788
Deferred tax assets	15	6,669	5,166
Other assets	12	68	15
<b>Total Non-Current Assets</b>		<b>70,376</b>	70,192
<b>TOTAL ASSETS</b>		<b>91,516</b>	90,737
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	7,413	7,170
Loans and borrowings	14	657	4,473
Current tax liabilities	15	1,231	1,526
Provisions	16	5,000	4,673
Unearned income	17	11,115	10,182
<b>Total Current Liabilities</b>		<b>25,416</b>	28,024
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	2,878	1,361
Loans and borrowings	14	5,251	11,299
Deferred tax liabilities	15	2,519	2,851
Provisions	16	2,171	1,603
<b>Total Non-Current Liabilities</b>		<b>12,819</b>	17,114
<b>TOTAL LIABILITIES</b>		<b>38,235</b>	45,138
<b>NET ASSETS</b>		<b>53,281</b>	45,599
<b>EQUITY</b>			
Issued capital	18	37,664	37,664
Reserves	19	(2,356)	(4,999)
Retained earnings		17,973	12,934
<b>TOTAL EQUITY</b>		<b>53,281</b>	45,599

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

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve <sup>(a)</sup> \$'000	Equity Remuneration Reserve <sup>(b)</sup> \$'000	Total \$'000
<b>Balance at 1 July 2012</b>	37,664	10,564	(6,823)	–	41,405
<b>Total comprehensive income for the year</b>					
Profit for the year	–	6,031	–	–	6,031
<b>Other comprehensive income</b>					
Exchange differences arising on translation of foreign operations	–	–	1,594	–	1,594
<b>Total other comprehensive loss</b>	–	–	1,594	–	1,594
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	–	6,031	1,594	–	7,625
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends paid (Note 6)	–	(3,661)	–	–	(3,661)
Share based payments – options	–	–	–	230	230
<b>Total contributions by owners</b>	–	(3,661)	–	230	(3,431)
<b>Total transactions with owners</b>	–	(3,661)	–	230	(3,431)
<b>BALANCE AT 30 JUNE 2013</b>	37,664	12,934	(5,229)	230	45,599

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

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

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

# Consolidated Statement of Changes in Equity (continued)

for the year ended 30 June 2014

	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve <sup>(a)</sup> \$'000	Equity Remuneration Reserve <sup>(b)</sup> \$'000	Total \$'000
<b>Balance at 1 July 2013</b>	37,664	12,934	(5,229)	230	45,599
<b>Total comprehensive income for the year</b>					
Profit for the year	-	10,031	-	-	10,031
<b>Other comprehensive income</b>					
Exchange differences arising on translation of foreign operations	-	-	1,945	-	1,945
<b>Total other comprehensive income</b>	-	-	1,945	-	1,945
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	10,031	1,945	-	11,976
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends paid (Note 6)	-	(4,992)	-	-	(4,992)
Share based payments – performance rights	-	-	-	698	698
<b>Total contributions by and distributions to owners</b>	-	(4,992)	-	698	(4,294)
<b>Total transactions with owners</b>	-	(4,992)	-	698	(4,294)
<b>BALANCE AT 30 JUNE 2014</b>	37,664	17,973	(3,284)	928	53,281

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

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

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

# Consolidated Statement of Cash Flows

for the year ended 30 June 2014

	Note	30-Jun-14 \$'000	30-Jun-13 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		105,939	92,547
Payments to suppliers and employees		(85,492)	(74,755)
Interest income		19	34
Sundry income		394	604
Finance costs paid		(875)	(1,336)
Income tax paid		(4,364)	(1,857)
<b>Net cash provided by operating activities</b>	24 (a)	<b>15,621</b>	15,237
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of plant and equipment		2	4
Purchase of plant and equipment	24 (c)	(1,890)	(1,633)
Purchase of software intangibles		(1,535)	(276)
Deferred consideration received		1,512	437
<b>Net cash used in investing activities</b>		<b>(1,911)</b>	(1,468)
<b>Cash Flows from Financing Activities</b>			
Repayment of finance leases		(1,010)	(873)
Proceeds from borrowings		-	16,530
Repayment of borrowings		(9,004)	(20,605)
Payment of transaction costs related to loans and borrowings		-	(118)
Dividends paid	6	(4,992)	(3,661)
<b>Net cash used in financing activities</b>		<b>(15,006)</b>	(8,727)
<b>Net (decrease)/increase in Cash and Cash Equivalents</b>		<b>(1,296)</b>	5,042
Effect of exchange rate fluctuations on cash held		130	(206)
Cash and cash equivalents at 1 July		3,505	(1,331)
<b>Cash and cash equivalents at end of financial year</b>	24 (b)	<b>2,339</b>	3,505

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

## Note 1: Reporting Entity

GBST Holdings Limited ("GBST" or the "Company") is the Group's parent Company. The Company is a public for profit Company limited by shares, incorporated and domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2014 comprises the Company and its controlled entities (together referred to as the "Group" and individually as the "Group entities").

## Note 2: Basis of Preparation

### Statement of compliance

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

This consolidated financial report was authorised for issue in accordance with a resolution of Directors on 18 August 2014.

### Basis of measurement

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

### Functional and presentation currency

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

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

### Comparative figures

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

### Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires Management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 3:

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

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

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

### Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements* (2011) (see (a))

AASB 13 *Fair Value Measurement [Recoverable Amount Disclosures for Non-financial Assets (Amendments to AASB136) (2013)]* (see (b))

The nature and the effect of the changes are further explained below:



### **(a) Subsidiaries**

AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The adoption of AASB 10 has not impacted the Group's financial statements as all subsidiaries of GBST are 100% owned.

### **(b) Fair value measurement**

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. These changes have no significant impact on the Group's disclosures as the carrying amount of the assets and liabilities are a reasonable approximation of their fair value.

In accordance with the transitional provisions of AASB13 the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the Group's assets and liabilities.

### **(c) Disclosures of recoverable amount for non-financial assets**

The Group has early adopted the amendments to AASB 136 (2013) which removes extra disclosure requirements with regard to the measurement of the recoverable amount of impaired assets introduced with the adoption of AASB13.

## **Note 3: Significant Accounting Policies**

The accounting policies set out in Note 3 below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities, except for the changes in accounting policies explained in Note 2.

## **Basis of Consolidation**

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

A list of controlled entities is contained in Note 22 of the financial statements. All controlled entities have a 30 June financial year end.

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

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

## **Business Combinations**

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

The consideration transferred in a business combination is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

Acquisition-related costs are expensed as incurred unless associated with issue of debt or equity securities incurred in connection with a business combination.

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

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

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

#### Acquisitions before 1 July 2009

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequent changes to the fair value of contingent consideration will be recognised as a charge to the cost of the acquisition.

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

#### Income Tax

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

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

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

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

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

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

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

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

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

#### Tax consolidation

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

#### Inventories

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

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

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

## Plant and Equipment

Plant and equipment are carried at cost, less any accumulated depreciation and where applicable, impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

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

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate	Basis
Owned plant, equipment	5-40%	Straight-Line
Owned plant, equipment	13.3-67%	Diminishing Value
Leased plant, equipment	25%-33%	Straight-Line

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

## Asset Retirement Obligations

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

## Leases

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

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

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

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

## Intangible Assets

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

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

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

## Acquired in a business combination and or separately

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

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

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

#### Internally developed (research and development)

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

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

#### Subsequent expenditure

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

#### Goodwill

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

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

#### Borrowing Costs

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

#### Financial Instruments

##### (i) Non-derivative financial liabilities

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

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

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

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

The early adoption of AASB 9 (2009) did not impact the Group's accounting policy for financial liabilities.

##### (ii) Non-derivative financial assets

AASB 9 requires that an entity classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In addition, for certain investments in equity instruments, an entity may irrevocably elect to recognise all changes in fair value directly through other comprehensive income; dividend income on such equity investments is recognised in profit or loss.

#### Accounting policy

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

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

#### ***Financial assets measured at amortised cost***

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

#### ***Financial assets measured at fair value***

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

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

#### ***Cash and cash equivalents***

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

### **Impairment of Assets**

#### **Financial assets**

##### ***Financial assets at amortised cost***

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

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

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

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

#### **Accounting policy in respect of equity securities at fair value**

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

#### **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

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

#### Impairment of Assets – Non-financial assets (continued)

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

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

An impairment loss in respect of goodwill is not reversed.

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

#### Provisions

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

#### Employee Benefits

Provision is made for the Group’s liability for employee benefits arising from services rendered by employees to reporting period end. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related oncosts. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made

for those entitlements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

#### Equity-settled Compensation

The Group operates equity-settled employee Performance Rights and Option Plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of the share performance rights is determined using the Binomial Approximation Option Valuation Model. The number of performance rights expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### Revenue and Other Income

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

##### Software license fee revenue

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

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

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

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

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

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

### **Sponsored implementation and consulting revenue**

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

### **Sponsored project revenue**

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

### **Sale of third party product**

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

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

### **Interest revenue**

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

### **Grants**

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

### **Goods and Services Tax (GST)**

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

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

### **Earnings Per Share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, Directors and related parties (refer to Note 29).

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

#### Segment Reporting

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

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

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

#### Foreign Currency Transactions and Balances

##### Transactions and balances

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

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

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

##### Group companies

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

- a. Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- b. Income and expenses are translated at average exchange rates for the period; and

- c. Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

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

#### Share capital

##### Ordinary shares

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

#### New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. The effect of these on the consolidated financial statements of the Group is still to be assessed.



## Note 4: Profit for the Year

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

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>(a) Other expenses:</b>		
Cost of third party product and services sold	3,824	3,367
Operating lease rentals	3,130	2,767
Research & developments costs	10,790	9,396
<b>(b) Depreciation &amp; amortisation:</b>		
Depreciation of plant & equipment	1,734	1,258
Amortisation of tangible & intangible leased assets	926	856
Amortisation of acquired intangibles (excluding leased assets)	4,690	5,092
	7,350	7,206
<b>(c) Employee benefits expense:</b>		
Monetary based expense (includes contributions to defined contribution plans \$3.69 million (2013: \$3.23 million))	50,579	43,792
Share based payments	698	230
	51,277	44,022
<b>(d) Finance costs:</b>		
Foreign currency losses	219	173
Interest paid to external entities	351	740
Finance lease charges	74	70
Facility fees	490	546
	1,134	1,529
<b>(e) Finance income:</b>		
Bank interest	19	34
	19	34

## Note 5: Income Tax Expense

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>(a) The components of tax expense comprise:</b>		
Current tax	3,888	3,782
Deferred tax (Note 15 (c) (i))	(2,020)	(1,700)
Recognition of previously unrecognised tax losses	–	(367)
(Over)/under provision in respect of prior years	110	79
	<b>1,978</b>	<b>1,794</b>
<b>(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:</b>		
Profit before tax	12,009	7,825
Prima facie tax payable/(receivable) at 30%	3,603	2,348
Adjust for tax effect of:		
Amortisation of customer contracts	–	78
Research & development expenditure claim	(3,628)	(1,917)
Recoupment of temporary differences not previously taken up	(91)	(68)
Under/(Over) provision in respect of prior years	63	94
Recognition of previously unrecognised tax losses	–	(367)
Current year losses for which no deferred tax asset was recognised (i)	1,565	1,168
Other non-allowable items (net)	377	441
Reduction in tax rate	138	52
Effect of different tax rates of subsidiaries operating in other jurisdictions	(49)	(36)
<b>Income tax expense attributable to entity</b>	<b>1,978</b>	<b>1,794</b>
Weighted average effective tax rates:	<b>16%</b>	23%

The weighted average effective consolidated tax rate for the year ended 30 June 2014 is 16% (2013: 23%) primarily due to:

- The benefit of Research and Development tax concession deductions and allowances;
- Reduction in United Kingdom (UK) tax rate to 21% from 1 April 2014 (2013: 23%)

There is no tax recognised in other comprehensive income within the current year or prior year.

- (i) For GBST Ltd (Coexis) deferred tax assets of \$1.25 million have not been recognised in relation to operating losses for tax purposes, as it is not considered probable that they will be utilised within the foreseeable future given the level of research and development costs incurred by the Company for which the Company has allowable Research and Development tax concession deductions (rate: 225%).

## Note 6: Dividends

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Dividend paid in the period:</b>		
Interim fully franked (at 30%) dividend paid of 4.0 cents per share (2013: 3.0)	2,662	1,997
2013 final fully franked (at 30%) dividend paid of 3.5 cents per share (2012: 2.5)	2,330	1,664
<b>Net Dividend paid</b>	<b>4,992</b>	<b>3,661</b>

After the reporting date the Directors recommended a final dividend of 4.5 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked and will be paid on 15 October 2014. The dividend has not been provided and there are no income tax consequences.

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Dividend franking account:</b>		
Balance of franking account at year-end	14,835	13,184
30% franking credits available to shareholders of GBST Holdings Limited for subsequent financial years post final dividend payment.	14,779	13,713

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

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

## Note 7: Cash and Cash Equivalents

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
Cash at bank and on hand	2,339	3,505
<b>Cash and cash equivalents in the Statement of Cash flows</b>	<b>2,339</b>	<b>3,505</b>

### Note 8: Trade and Other Receivables

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
Current		
Trade receivables	15,840	12,804
Accrued revenue	144	344
Other amounts receivable	574	1,503
	<b>16,558</b>	14,651

(a) An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. The movement in allowance for impairment during the year was impairment loss recognised \$96 thousand (2013: \$215 thousand), amounts written off \$535 thousand (2013: \$2 thousand).

### Note 9: Inventories and Work in Progress

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Current – at cost</b>		
Work in progress	650	1,107
	<b>650</b>	1,107

## Note 10: Plant and Equipment

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
Owned plant and equipment at cost	16,750	14,284
Accumulated depreciation	(9,979)	(9,624)
Net carrying value	6,771	4,660
Leased plant and equipment at cost	1,229	1,151
Accumulated amortisation	(909)	(588)
Net carrying value	320	563
<b>Total plant and equipment</b>	<b>7,091</b>	<b>5,223</b>

### (a) Movement in Plant and Equipment

GBST Group	Owned \$'000	Leased \$'000	Total \$'000
<b>Year ended 30 June 2013</b>			
Balance at 1 July 2012	2,855	525	3,380
Additions	3,031	316	3,347
Disposals	(88)	–	(88)
Depreciation expense	(1,258)	(283)	(1,541)
Effect of movements in exchange rates	120	5	125
<b>Balance at 30 June 2013</b>	<b>4,660</b>	<b>563</b>	<b>5,223</b>
<b>Year ended 30 June 2014</b>			
Balance at 1 July 2013	4,660	563	5,223
Additions	3,765	81	3,846
Disposals	(36)	–	(36)
Depreciation expense	(1,734)	(315)	(2,049)
Reclassification to owned assets – cost	13	(13)	–
Effect of movements in exchange rates	103	4	107
<b>Balance at 30 June 2014</b>	<b>6,771</b>	<b>320</b>	<b>7,091</b>

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

## Note 11: Intangible Assets

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
At Cost		
Software systems	42,234	39,308
Accumulated amortisation	(26,565)	(21,605)
Net carrying value	15,669	17,703
Customer contracts	12,820	12,423
Accumulated amortisation	(12,820)	(12,022)
Net carrying value	–	401
Goodwill	46,036	45,445
Accumulated impairment losses	(5,657)	(4,872)
Net carrying value	40,379	40,573
Leased software at cost	1,916	1,916
Accumulated amortisation	(1,416)	(805)
Net carrying value	500	1,111
<b>Total intangibles</b>	<b>56,548</b>	<b>59,788</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 2013</b>					
Balance at 1 July 2012	20,728	1,473	40,845	1,288	64,334
Additions	277	–	–	396	673
Additions through internal development	36	–	–	–	36
Adjustment through controlled entity acquisition consideration	–	–	(973)	–	(973)
Disposals	(1)	–	–	–	(1)
Amortisation charge	(3,993)	(1,099)	–	(573)	(5,665)
Effect of movements in exchange rates	656	27	701	–	1,384
<b>Balance at 30 June 2013</b>	<b>17,703</b>	<b>401</b>	<b>40,573</b>	<b>1,111</b>	<b>59,788</b>

GBST Group	Software Systems \$'000	Customer Contracts \$'000	Goodwill \$'000	Leased Software \$'000	Total \$'000
<b>Year ended 30 June 2014</b>					
Balance at 1 July 2013	17,703	401	40,573	1,111	59,788
Additions	1,535	-	-	-	1,535
Adjustment to controlled entity acquisition consideration	-	-	(830)	-	(830)
Disposals	(6)	-	-	-	(6)
Amortisation charge	(4,276)	(414)	-	(611)	(5,301)
Effect of movements in exchange rates	713	13	636	-	1,362
<b>Balance at 30 June 2014</b>	<b>15,669</b>	<b>-</b>	<b>40,379</b>	<b>500</b>	<b>56,548</b>

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

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

### Impairment Disclosures

Intangible assets are reviewed for impairment where there are indicators that the carrying amount may not be recoverable. Goodwill is allocated to each Cash Generating Unit CGU based on the Group's reporting segments presented below:

	30 Jun 2014 \$'000	30 Jun 2013 \$'000
Capital Markets Australia segment (Palion)	3,350	3,350
Wealth Management segment (InfoComp)	28,238	28,238
Capital Markets International segment (Coexis)	7,905	8,099
Financial Services segment (Emu)	886	886
<b>Total Goodwill</b>	<b>40,379</b>	<b>40,573</b>

The recoverable amount of goodwill for each CGU has been assessed using discounted cash flow projections over five years and a terminal value. The first year cash flow projections are based on 2015 Board approved budgets, while cash flows projections for years two to five are based on Management assumptions set out below. Terminal growth rates have been determined by Management based on their assessment of long term annual growth expected to be achieved in the countries in which each CGU operates. Discount rates are based on a weighted average cost of capital calculation for the relevant markets and in the same currency as the cash flows, and adjusted for a risk premium to reflect both the increase in risk of investing in equities and the risk specific to the CGU. Where fair value less cost to sell is used to assess recoverable amount, the discount rate is reviewed by Management to assess whether the risk reflects a market return.

For the InfoComp, Palion and Emu CGUs, the key assumptions used for value-in-use calculations consider growth and discount rates and are generally consistent with past performance or are based upon the Group's view of future market activity. 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. Based on sensitivity analysis, Management believe that any reasonable change in the respective key assumptions would not have a material impact on the recoverable amounts of the InfoComp, Palion and Emu CGUs.

Note 11: Intangible Assets (continued)

In relation to the Coexis CGU, the recoverable amount of goodwill has been assessed using a fair value less costs to sell calculation, which is based on the Board approved 2015 budget and uses growth rates in line with historical performance along with an assessment of costs if the CGU was operating on a stand-alone basis. The forecasts have been based on expectations as to existing contracts and new contracts to be entered into over the forecast period. In the event that these forecasts are not achieved the Coexis CGU may need to be impaired in future periods – refer below for sensitivity analysis.

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

2014	Coexis Fair value less cost to sell	InfoComp Value-in-use	Palion Value-in-use	EMU Value-in-use
<b>Calculation Method</b>				
Revenue growth rates	3-6%	7.5%	-5%	7.5%
Cost growth rates	3-5%	4%	3-5%	3-5%
Long term growth rates	3%	3%	3%	3%
Post-tax discount rate	13.25%	9.64-13.25%	12.26%	12.26%

2013	Coexis Fair value less cost to sell	InfoComp Value-in-use	Palion Value-in-use	EMU Value-in-use
<b>Calculation Method</b>				
Revenue growth rates	3-6%	7.5%	-5%	7.5%
Cost growth rates	3-5%	3-5%	3-5%	3-5%
Long term growth rates	3%	3%	3%	3%
Post-tax discount rate	14.90%	10.85-14.90%	10.85%	10.85%

Future anticipated cash flows for all CGU's indicate that the carrying value of the intangible assets were not required to be impaired in 2014.

The sensitivity below shows the amount that these key assumptions are required to change individually, in order for the estimated recoverable amount to be equal to the carrying amount for the Coexis CGU:

Decrease of annual revenue against forecast by	13.42% (June 2013: 9.6%)
Increase of annual costs above forecast by	18.67% (June 2013: 13.44%)
Increase of post-tax discount rate by	1,365 bps (June 2013: 781 bps)



## Note 12: Other Assets

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Current</b>		
Prepaid expenditure	1,582	1,278
	<b>1,582</b>	<b>1,278</b>
<b>Non-Current</b>		
Prepaid expenditure	68	15
	<b>68</b>	<b>15</b>

## Note 13: Trade and other Payables

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Current (unsecured)</b>		
Trade payables & accruals	7,142	7,039
Leasehold liability	271	131
	<b>7,413</b>	<b>7,170</b>
<b>Non-Current (unsecured)</b>		
Trade payables & accruals	897	253
Leasehold liability	1,981	1,108
	<b>2,878</b>	<b>1,361</b>

## Note 14: Loans and Borrowings

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Current</b>		
Senior bank facility (secured) <sup>(a)</sup>	–	3,461
Commercial loan facility (secured)	7	–
Finance lease liability (Note 20)	650	1,012
	<b>657</b>	<b>4,473</b>
<b>Non-Current</b>		
Senior bank facility (secured) <sup>(a)</sup>	4,971	10,471
Commercial loan facility (secured)	29	–
Finance lease liability (Note 20)	251	828
	<b>5,251</b>	<b>11,299</b>

The secured bank loans are secured over the Group's assets of \$91.48 million (2013: \$90.74 million).

(a) The senior bank facility is provided by the Commonwealth Bank. The facilities are secured by fixed and floating charges over the operating companies within the Group. The senior bank facility represents a \$5.03 million loan at 30 June 2014 maturing on 27 December 2015. Offsetting this loan are capitalised establishment costs of \$59 thousand. Additional payments may be made against facilities without incurring penalties. The Interest rate under the facility is variable and linked to BBSY. At 30 June 2014 the interest rate for the senior bank facility was 5.7% p.a.

The equipment finance lease facility for assets already purchased have remained with the NAB until the repayments are completed.

The covenants within the Commonwealth Bank of Australia borrowings require that at 30 June 2014 the debt to EBITDA ratio is below 1.25 to 1, interest cover is above 4 to 1 and net worth ratio is above 45%. Based on the Group's current forecast and business plan, the Group anticipates that it will continue to meet its covenants. In respect of the senior bank facility, totaling \$5.03 million at 30 June 2014, the Group met all covenant requirements.

## Note 15: Tax

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>(a) Liabilities</b>		
<b>Current</b>		
Income tax	1,231	1,526
<b>Non-Current</b>		
Deferred tax liability comprises:		
Tax allowances relating to plant and equipment	114	148
Tax allowances relating to intangibles	2,405	2,703
	<b>2,519</b>	<b>2,851</b>
<b>(b) Assets</b>		
<b>Current</b>		
Tax receivable	11	4
<b>Non-Current</b>		
Deferred tax assets comprise:		
Provisions	4,572	3,812
Other items	39	45
Transaction costs on equity issue	–	20
Unused tax losses	2,058	1,289
	<b>6,669</b>	<b>5,166</b>
<b>(c) Reconciliations</b>		
<b>(i) Net Movement</b>		
The overall movement in the net deferred tax account is as follows:		
Opening balance	2,315	580
Recoupment of temporary differences not previously taken up	90	270
Tax rate change	(140)	(57)
Charged to income statement	2,020	1,700
Foreign currency translation	(115)	(158)
Charge to equity	(20)	(20)
<b>Closing balance</b>	<b>4,150</b>	<b>2,315</b>

Note 15: Tax (continued)

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>(ii) Deferred Tax Liability</b>		
(a) The movement in deferred tax liability for each temporary difference during the year is as follows:		
<b>Tax allowances relating to plant and equipment and intangibles</b>		
Opening balance	2,851	3,584
Recoupment of temporary differences not previously taken up	–	(32)
Charged to income statement	(575)	(946)
Foreign currency translation	243	245
<b>Closing balance</b>	<b>2,519</b>	<b>2,851</b>
<b>(iii) Deferred Tax Assets</b>		
(a) The movement in deferred tax asset for each temporary difference during the year is as follows:		
<b>Provisions</b>		
Opening balance	3,812	3,185
Recoupment of temporary differences not previously taken up	65	29
Tax rate change	(14)	(5)
Charged to income statement	689	596
Foreign currency translation	20	7
<b>Closing balance</b>	<b>4,572</b>	<b>3,812</b>
<b>Other Items</b>		
Opening balance	45	7
Recoupment of temporary differences not previously taken up	–	(10)
Tax rate change	(2)	(1)
Charged to income statement	(6)	47
Foreign currency translation	2	2
<b>Closing balance</b>	<b>39</b>	<b>45</b>
<b>Transaction costs on equity issue</b>		
Opening balance	20	40
Charged directly to equity	(20)	(20)
<b>Closing balance</b>	<b>–</b>	<b>20</b>

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Unused tax losses</b>		
Opening balance	1,289	932
Recoupment of temporary differences not previously taken up	25	219
Tax rate change	(124)	(51)
Charged to income statement	762	111
Foreign currency translation	106	78
<b>Closing balance</b>	<b>2,058</b>	1,289
(b) Total deferred tax assets not brought to account as at reporting period end:		
– tax losses: operating losses	7,517	6,156
– tax losses: capital losses	2,812	2,812

For deferred tax assets that have not been recognised in relation to operating losses, refer Note 5 (i).

## Note 16: Provisions

	GBST GROUP		
	30 Jun 2014 \$'000	30 Jun 2013 \$'000	
<b>Current</b>			
Employee benefits	4,954	4,443	
Make Good <sup>(a)</sup>	46	230	
	<b>5,000</b>	<b>4,673</b>	
<b>Non-Current</b>			
Employee benefits	1,337	1,093	
Make Good <sup>(a)</sup>	834	510	
	<b>2,171</b>	<b>1,603</b>	
	<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	5,536	740	6,276
Additional provisions	3,081	428	3,509
Amounts used	(2,217)	(288)	(2,505)
Unused amounts reversed	(109)	–	(109)
<b>Balance at 30 June 2014</b>	<b>6,291</b>	<b>880</b>	<b>7,171</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 2015 to 2023.

## Note 17: Unearned Income

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Current</b>		
Revenue received in advance for software usage and support services	11,115	10,182
	<b>11,115</b>	<b>10,182</b>

## Note 18: Issued Capital

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
66,561,725 (2013: 66,561,725) fully paid ordinary shares	37,664	37,664
	<b>37,664</b>	<b>37,664</b>

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 and Performance Rights

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

## Note 19: Reserves

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
Equity remuneration reserve	928	230
Foreign currency translation reserve	(3,284)	(5,229)
	<b>(2,356)</b>	<b>(4,999)</b>

## Note 20: Capital, Leasing and Other Commitments

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000

### (a) Finance Leasing Commitments

#### Payable on leases:

Not later than one year	689	1,084
Later than one year but not later than five years	263	866
	<b>952</b>	<b>1,950</b>
Less future finance charges	(51)	(110)
<b>Total liability</b>	<b>901</b>	<b>1,840</b>

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

Current (Note 14)	650	1,012
Non-current (Note 14)	251	828
	<b>901</b>	<b>1,840</b>

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

Note 20: Capital, Leasing and Other Commitments (continued)

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

**Lease amounts are payable:**

Not later than one year	3,312	3,209
Later than one year but not later than five years	9,975	9,404
Later than five years	8,983	10,663
	22,270	23,276

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

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

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

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Contracted for:</b>		
Capital purchases	136	298
Other operating purchases	198	263
	334	561
<b>Payable</b>		
Not later than one year	334	561
	334	561



## Note 21: Auditors' Remuneration

	GBST GROUP	
	30 Jun 2014	30 Jun 2013
<b>Audit Services</b>		
KPMG Australia		
Audit & review of financial reports	261,000	207,500
Overseas KPMG firms		
Audit & review of financial reports	41,106	88,960
	<b>302,106</b>	296,460
<b>Other Services</b>		
KPMG Australia		
Other services	41,200	–
Taxation services	–	1,600
Overseas KPMG firms		
Taxation services	–	105,058
	<b>41,200</b>	106,658

## Note 22: Other Group Entities

### (a) Controlled Entities Consolidated

Group Entity	Country of Incorporation	Percentage Owned
GBST Pty Ltd*	Australia	100% (June 2013: 100%)
Emu Design (Qld) Pty Ltd*	Australia	100% (June 2013: 100%)
GBST ESOP Pty Ltd*	Australia	100% (June 2013: 100%)
GBST Ltd	United Kingdom	100% (June 2013: 100%)
GBST (Australia) Pty Ltd*	Australia	100% (June 2013: 100%)
<i>Subsidiaries of GBST Ltd:</i>		
GBST Inc	United States of America	100% (June 2013: 100%)
GBST Singapore Pte Limited	Singapore	100% (June 2013: 100%)
<i>Subsidiaries of GBST Australia Pty Ltd:</i>		
GBST Hong Kong Limited	Hong Kong	100% (June 2013: 100%)
GBST Registry Solutions Pty Ltd*	Australia	100% (June 2013: 100%)
GBST Wealth Management Pty Ltd*	Australia	100% (June 2013: 100%)
<i>Subsidiaries of GBST Wealth Management Pty Ltd:</i>		
GBST UK Holdings Limited	United Kingdom	100% (June 2013: 100%)
<i>Subsidiaries of GBST UK Holdings Ltd:</i>		
GBST Hosting Limited	United Kingdom	100% (June 2013: 100%)
GBST Wealth Management Limited	United Kingdom	100% (June 2013: 100%)

### (b) Deed of Cross Guarantee

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

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

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 30 June 2014 is set out as follows:

	<b>CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE</b>	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<i>Financial information in relation to:</i>		
<b>i. Summarised Statement of Profit or Loss and Other Comprehensive Income</b>		
Revenue from license and service sales	50,069	46,095
Revenue from sponsored work	22,940	19,327
Revenue from sale of third party product	1,732	1,185
Other income	9	124
<b>Results from Operating Activities</b>	<b>13,918</b>	<b>9,904</b>
Finance costs	(937)	(1,505)
Finance income	19	32
<b>Net finance costs</b>	<b>(918)</b>	<b>(1,473)</b>
Profit before income tax	13,000	8,431
Income tax expense	(2,306)	(1,929)
Profit after income tax	10,694	6,502
<b>Profit Attributable to Members of the Parent Entity</b>	<b>10,694</b>	<b>6,502</b>
<b>Other Comprehensive Income</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>	<b>10,694</b>	<b>6,502</b>
<b>ii. Retained Earnings</b>		
Retained profits at the beginning of the year	14,600	11,759
Transfer financial asset reserve to retained earnings	5,737	-
Profit after income tax	10,694	6,502
Dividends provided for or paid	(4,992)	(3,661)
<b>Retained Earnings at End of the Year</b>	<b>26,039</b>	<b>14,600</b>

Note 22: Other Group Entities (continued)

(b) Deed of Cross Guarantee (continued)

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>iii. Statement of Financial Position</b>		
<b>Current Assets</b>		
Cash and cash equivalents	927	2,165
Trade and other receivables	11,791	11,208
Inventories	606	1,011
Tax Receivable	–	–
Other assets	939	708
<b>Total Current Assets</b>	<b>14,263</b>	<b>15,092</b>
<b>Non-Current Assets</b>		
Trade and other receivables	–	10,449
Property, plant and equipment	5,367	3,632
Intangible assets	40,431	42,634
Investment	32,838	17,108
Deferred tax assets	4,372	3,688
Other assets	68	15
<b>Total Non-Current Assets</b>	<b>83,076</b>	<b>77,525</b>
<b>TOTAL ASSETS</b>	<b>97,339</b>	<b>92,618</b>
<b>Current Liabilities</b>		
Trade and other payables	4,856	3,991
Financial liabilities	646	4,447
Current tax liabilities	1,228	1,526
Provisions	4,955	4,640
Unearned income	9,288	8,631
<b>Total Current Liabilities</b>	<b>20,973</b>	<b>23,235</b>

	CLOSED GROUP AND PARTIES TO DEED OF CROSS GUARANTEE	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Non-Current Liabilities</b>		
Trade and other payables	2,878	1,361
Financial liabilities	5,247	11,281
Deferred tax liabilities	2,404	2,850
Provisions	1,944	1,399
<b>Total Non-Current Liabilities</b>	<b>12,473</b>	<b>16,891</b>
<b>TOTAL LIABILITIES</b>	<b>33,446</b>	<b>40,126</b>
<b>NET ASSETS</b>	<b>63,892</b>	<b>52,492</b>
<b>Equity</b>		
Issued capital	37,664	37,664
Reserves	189	228
Retained earnings	26,039	14,600
<b>TOTAL EQUITY</b>	<b>63,892</b>	<b>52,492</b>

### Note 23: Financing Arrangements

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
Financing facilities <sup>(a)</sup>	20,943	28,060
Amount utilised	(8,392)	(18,499)
<b>Unused credit facility</b>	<b>12,551</b>	<b>9,561</b>

(a) This amount comprises a working facility, bank guarantees, finance lease facility and senior bill facility with the Commonwealth Bank of Australia (CBA). The senior facility expires on 27 December 2015 and additional payments may be made against the facility without incurring penalties. The interest rate under the facility is variable and linked to BBSY. At 30 June 2014 the interest rate for the senior bank facility was 5.7% p.a. The facilities are secured by fixed and floating charges over the operating companies within the Group. The equipment financing facility for assets already purchased will remain with the NAB until the repayments are completed.

A finance lease provided by Microsoft Financing is debt funding for the purchase of Microsoft licences which expire December 2014. Finance leases provided by BOQ is debt funding for the purchase of Dell hardware which expire November 2015.

## Note 24: Cash Flow Information

	GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>(a) Reconciliation of Net Cash provided by Operating Activities to Profit after Income Tax</b>		
Profit after income tax	10,031	6,031
<i>Non-cash flows in operating profit:</i>		
Depreciation and amortisation	7,350	7,206
Deferred borrowing costs	39	–
Loss on sale of plant & equipment	29	60
Share based payments	698	230
<i>Changes in assets and liabilities:</i>		
Change in receivables	(2,504)	835
Change in other assets	(357)	(618)
Change in intangibles (internal costs)	–	(36)
Change in unearned income	932	1,068
Change in inventories	457	(117)
Change in deferred tax balances	(1,835)	(1,735)
Change in tax provision	(302)	1,656
Change in trade and other payables	188	(230)
Change in provisions	895	887
<b>Cash flow from operations</b>	<b>15,621</b>	<b>15,237</b>

### (b) Reconciliation of Cash

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

Cash at bank (Note 7)	2,339	3,505
	<b>2,339</b>	<b>3,505</b>

### (c) Non-cash Financing Activities

During the 2014 financial year the Group acquired plant and equipment and software with an aggregate value of \$81 thousand (2013: \$954 thousand) by means of finance leases.

## Note 25: Operating Segment

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:

*Capital Markets Australia* offers the GBST Shares and derivatives platform which is the country's most widely used middle-office and back-office equities and derivatives system.

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

*Wealth Management* through the GBST Composer platform, provides end to end funds administration and management software to the wealth management industry, both in Australia and the United Kingdom. It offers an integrated system for the administration of wrap platforms, including individual savings accounts (ISA's), pensions, self-invested personal pension (SIPP) and superannuation; as well as master trusts, unit trusts, risk and debt; and other investment assets. Other GBST products provide technology hub solutions; and data analytics and quantitative services for the measurement of portfolio performance.

*Financial Services* incorporating Emu Design, provides independent financial data and digital agency services for interactive website design, development, hosting, e-commerce platforms, and mobile and social networking solutions.

# Notes to and forming part of the Consolidated Financial Statements for the year ended 30 June 2014 continued

## Note 25: Operating Segment (continued)

	CAPITAL MARKETS AUSTRALIA		CAPITAL MARKETS INTERNATIONAL		WEALTH MANAGEMENT		FINANCIAL SERVICES		ELIMINATIONS		GBST GROUP	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000	30 Jun 2014 \$'000	30 Jun 2013 \$'000	30 Jun 2014 \$'000	30 Jun 2013 \$'000	30 Jun 2014 \$'000	30 Jun 2013 \$'000	30 Jun 2014 \$'000	30 Jun 2013 \$'000	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Revenue</b>												
Revenue from external customers	29,510	28,757	11,722	6,709	53,757	43,399	3,108	3,542	-	-	98,097	82,407
Other income from external customers	-	11	236	228	158	363	-	2	-	-	394	604
Inter-segment revenues*	318	4	12	12	-	-	128	600	(458)	(616)	-	-
<b>Total segment revenue</b>	<b>29,828</b>	<b>28,772</b>	<b>11,970</b>	<b>6,949</b>	<b>53,915</b>	<b>43,762</b>	<b>3,236</b>	<b>4,144</b>	<b>(458)</b>	<b>(616)</b>	<b>98,491</b>	<b>83,011</b>
<b>Operating EBITDA</b>	<b>10,329</b>	<b>10,273</b>	<b>(2,498)</b>	<b>(4,569)</b>	<b>13,520</b>	<b>11,624</b>	<b>(1,141)</b>	<b>169</b>	<b>-</b>	<b>-</b>	<b>20,210</b>	<b>17,497</b>
Depreciation and amortisation of segment assets	(2,080)	(1,779)	(2,486)	(2,700)	(2,642)	(2,595)	(142)	(132)	-	-	(7,350)	(7,206)
<b>Segment result</b>	<b>8,249</b>	<b>8,494</b>	<b>(4,984)</b>	<b>(7,269)</b>	<b>10,878</b>	<b>9,029</b>	<b>(1,283)</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>12,860</b>	<b>10,291</b>
Unallocated revenue/ (expenses)**											264	(971)
<b>Net finance costs</b>											<b>(1,115)</b>	<b>(1,495)</b>
<b>Profit before income tax</b>											<b>12,009</b>	<b>7,825</b>
<b>Income tax expense</b>											<b>(1,978)</b>	<b>(1,794)</b>
<b>Profit after income tax</b>											<b>10,031</b>	<b>6,031</b>
<b>Capital expenditure</b>	<b>2,612</b>	<b>2,669</b>	<b>180</b>	<b>264</b>	<b>2,106</b>	<b>974</b>	<b>72</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>4,970</b>	<b>3,974</b>
<b>Segment total assets</b>	<b>31,860</b>	<b>20,945</b>	<b>20,555</b>	<b>21,281</b>	<b>39,517</b>	<b>48,041</b>	<b>(416)</b>	<b>470</b>	<b>-</b>	<b>-</b>	<b>91,516</b>	<b>90,737</b>
<b>Segment total liabilities</b>	<b>13,230</b>	<b>14,044</b>	<b>10,560</b>	<b>19,987</b>	<b>14,168</b>	<b>10,412</b>	<b>277</b>	<b>695</b>	<b>-</b>	<b>-</b>	<b>38,235</b>	<b>45,138</b>

\* Inter-segment revenue received by Capital Markets International (CMI) from Capital Markets Australia (CMA) of \$1.6 million (2013: \$1.6 million) for use of intangible assets is not included to align with reporting to CEO. To align with reporting to the CEO – software development work charges are not included for work received by CMI from CMA of \$454 thousand, by CMA for CMI of \$612 thousand and by Wealth Management for Financial Services of \$58 thousand. Inter-segment revenue with an associated direct external cost (typically direct labour costs) are included.

\*\* 2014 amount is net of a recovery of legal expenses previously expensed.



	SEGMENT REVENUES FROM EXTERNAL CUSTOMERS		CARRYING AMOUNT OF SEGMENT NON-CURRENT ASSETS	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Geographical Location:</b>				
Australia	50,246	49,247	28,820	46,282
Europe and Middle East	38,224	28,529	34,707	18,558
Asia	6,475	3,354	177	186
North America	3,152	1,277	3	-
	<b>98,097</b>	<b>82,407</b>	<b>63,707</b>	<b>65,026</b>

### Information about Geographical Areas

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

### Major Customer

Revenues from the top five customers of the Group represents \$44.40 million (2013: \$31.90 million) of the Group's total revenues.

### Reconciliation of Capital Expenditure

The \$410 thousand (2013: \$82 thousand) difference between the segment capital expenditure disclosure and the acquisitions recorded in plant and equipment (Note 10) and intangibles (Note 11) relates to the make good increase.

### Accounting Policies

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

### Intersegment Transfers

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

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

## Note 26: Financial Risk Management

### (a) Financial Risk Management Policies

The Group's principal financial instruments comprise of accounts receivable and payable, bank accounts, loans and overdrafts, 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 financial instruments held are not intended for trading purposes.

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

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

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

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

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

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

### (b) Market Risk

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

### Interest Rate Risk

The exposure to market risk for the changes in interest rates relates primarily to borrowing obligations, underpinned by variable interest rates as agreed in the Restructure of Banking Facilities in December 2012. Falling interest rates over the past year have validated the current variable debt rate strategy employed by the Group.

#### 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	
	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash	87	1,712
	<b>87</b>	1,712
<b>Financial liabilities</b>		
Bank loan	5,047	14,030
	<b>5,047</b>	14,030

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

#### Foreign currency variable interest rate risk

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

	GBST GROUP	
	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Great British Pounds	1,918	1,000
United States of America Dollars	310	623
Euros	–	114
Singapore Dollars	17	–
Hong Kong Dollars	7	55
	<b>2,252</b>	1,792

## Foreign Currency Risk

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

The Group constantly monitors its foreign currency exposure, and seeks to utilise existing currency reserves and naturally hedge foreign currency purchase where possible.

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

	2014		2013	
	Cash and Receivables \$'000	Payables \$'000	Cash and Receivables \$'000	Payables \$'000
Great British Pounds	10,956	1,205	5,760	961
United States of America Dollars	343	–	796	–
Euros	–	–	114	–
Singapore Dollars	17	6	–	–
Hong Kong Dollars	7	–	55	–
	11,323	1,211	6,725	961

## (c) Liquidity Risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and finance leases. Liquidity risk is managed by monitoring forecasted business performance including cash flows, the collection of trade receivables, payment of trade payables and maintaining adequate borrowing facilities. In addition, the Group forecasts bank covenant compliance and completes a compliance certificate to the Commonwealth Bank of Australia 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 allowance for impairment of those assets) as disclosed in the balance sheet and notes to the financial statements. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Credit risk arises primarily from exposures to customers. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. In addition, receivable balances are monitored on an ongoing basis with the result that apart from the risks noted below, there are no other material credit risks to the Group.

In respect of the parent entity, credit risk also incorporates the exposure of GBST Holdings Limited to the liabilities of all Australian entities under the Deed of Cross Guarantee. Refer to Note 22 for further information.

Except for the following concentrations of credit risks, the Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into. Approximately 44% (2013: 39%) 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 (where applicable).

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

Trade debtor terms range between fourteen to thirty days. Included in the Group's trade receivable balance are debtors with a carrying amount of \$3.48 million (2013: \$2 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 29 days (2013: 28 days).

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

	2014		2013	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	11,848	–	11,248	–
Past due 0-30 days	879	–	631	–
Past due 30-90 days	2,179	–	814	–
Past due more than 90 days	423	–	552	440
	<b>15,329</b>	<b>–</b>	<b>13,245</b>	<b>440</b>

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

	GBST GROUP CARRYING AMOUNT	
	2014 \$'000	2013 \$'000
Cash and cash equivalents	2,339	3,505
Trade and other receivables	16,558	14,651
	<b>18,897</b>	<b>18,156</b>

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

	GBST GROUP CARRYING AMOUNT	
	2014 \$'000	2013 \$'000
Australia	6,683	9,560
Europe and Middle East	7,568	3,668
Asia	1,743	1,233
United States of America	53	190
	<b>16,047</b>	<b>14,651</b>

## (e) Financial Instruments

### (i) Liquidity Risk:

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

	0-1 YEARS		1-2 YEARS		2-5 YEARS		OVER 5 YEARS		TOTAL		CARRYING AMOUNTS	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
GBST Group												
<b>Financial Liabilities</b>												
Bank loan <sup>(1)</sup>	287	4,349	5,172	5,099	22	6,193	–	–	5,481	15,641	5,007	13,932
Lease facilities <sup>(2)</sup>	689	1,084	218	786	45	80	–	–	952	1,950	901	1,840
Trade & other payables	7,413	7,170	392	263	1,233	263	1,253	835	10,291	8,531	10,291	8,531
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>8,389</b>	<b>12,603</b>	<b>5,782</b>	<b>6,148</b>	<b>1,300</b>	<b>6,536</b>	<b>1,253</b>	<b>835</b>	<b>16,724</b>	<b>26,122</b>	<b>16,199</b>	<b>24,303</b>

1. These items have variable interest rates.

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

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

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

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

	2014		2013	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	2,339	2,339	3,505	3,505
Trade and other receivables	16,558	16,558	14,651	14,651
	<b>18,897</b>	<b>18,897</b>	18,156	18,156
<b>Financial Liabilities</b>				
Trade and other payables	10,291	10,291	8,531	8,531
Bank loans and overdrafts	5,007	5,046	13,932	14,030
Lease facilities	901	901	1,840	1,840
	<b>16,199</b>	<b>16,238</b>	24,303	24,401

Fair values are materially in line with carrying values. An average discount rate of 5.7% (2013: 6.26%) has been applied to all non-current borrowings to determine fair value.

**(iii) Sensitivity Analysis**

*Interest Rate Risk, Foreign Currency Risk and Price Risk*

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

*Interest Rate Sensitivity Analysis*

At 30 June 2014, 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	
	2014 \$'000	2013 \$'000
<b>Increase/(Decrease) in Profit and Equity</b>		
Increase in interest rate by 1%	(50)	(140)
Decrease in interest rate by 1%	50	140

### Foreign Currency Risk Sensitivity Analysis

At 30 June 2014, the effect on profit as a result of changes in the value of the Australian Dollar (AUD) to the Great British Pound (GBP), United States of America Dollar (USD), Euro (EUR), Hong Kong Dollar (HKD) with all other variables remaining constant is as follows:

	GBST GROUP	
	2014 \$'000	2013 \$'000
<b>Increase/(Decrease) in Profit</b>		
Improvement in AUD to GBP by 10%	(25)	2
Decline in AUD to GBP by 10%	25	(2)
Improvement in AUD to USD by 10%	92	14
Decline in AUD to USD by 10%	(75)	(11)
Improvement in AUD to EUR by 10%	–	13
Decline in AUD to EUR by 10%	–	(10)
Improvement in AUD to SGD by 10%	(2)	–
Decline in AUD to SGD by 10%	2	–
Improvement in AUD to HKD by 10%	(14)	5
Decline in AUD to HKD by 10%	11	(6)

At 30 June 2014, the effect on equity as a result of changes in the value of the Australian Dollar (AUD) to the Great British Pound (GBP), United States of America Dollar (USD), Euro (EUR), Hong Kong Dollar (HKD) with all other variables remaining constant is as follows:

	GBST GROUP	
	2014 \$'000	2013 \$'000
<b>Change in Equity</b>		
Improvement in AUD to GBP by 10%	12	530
Decline in AUD to GBP by 10%	(12)	(530)
Improvement in AUD to USD by 10%	92	14
Decline in AUD to USD by 10%	(75)	(11)
Improvement in AUD to EUR by 10%	–	13
Decline in AUD to EUR by 10%	–	(10)
Improvement in AUD to SGD by 10%	(2)	–
Decline in AUD to SGD by 10%	2	–
Improvement in AUD to HKD by 10%	(14)	5
Decline in AUD to HKD by 10%	11	(6)

### Price Risk

At 30 June 2014 there no investments in listed shares.

### Note 27: Contingent Liabilities

As at 30 June 2014, GBST has with its clients a variety of software supply agreements, each of which contain service and performance warranties and indemnities. These warranties and indemnities are of the standard type used in the industry and the likelihood of liabilities arising under these warranties and indemnities is considered remote.

The Group is also involved in litigious matters arising in the course of business.

It is impractical to estimate the maximum contingent asset or liability in relation to these matters, and in the opinion of the Directors' disclosure of any further information would be prejudicial to the interests of the Group.

### Note 28: Related Parties

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

#### (a) Transactions with Directors and Key Management Personnel

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

	GBST GROUP	
	2014	2013
	\$	\$
Consultancy fees paid to Mr J Puttick.	–	4,000

	GBST GROUP	
	2014	2013
Short-term employee benefits	3,785,643	3,653,956
Post-employment benefits	100,273	153,076
Other long-term benefits	44,046	40,736
Share-based payments	309,561	199,306
	4,239,523	4,047,074

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

### Note 29: Share Based Payments

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

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

#### Share Performance Rights

At the Company's 2012 annual general meeting the issue of these performance rights and the GBST Performance Rights and Option Plan was approved by shareholders.

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



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As at reporting date, the expense for these share performance rights for the period ending 30 June 2014 was \$698 thousand (2013: \$230 thousand) included in share based payment expense.

The share performance rights outstanding at 30 June 2014 had a weighted remaining contractual life of 20 months.

**FY13 issue**

On 8 November 2012, 1,314,636 performance rights were issued to select Executive employees. There is a nil exercise price and the share performance rights vest in thirty-six months after the date of grant or the date of release of GBST's financial results for the 2015 financial year, whichever is later. The share performance rights expire thirty days after the vesting date.

The share performance rights are conditional on the employees meeting continuous service conditions and the group meeting certain financial performance measures.

**FY14 issue**

During the year, 514,536 and 13,766 performance rights were issued to select employees on 16 September 2013 and 11 February 2014 respectively. There is a nil exercise price and the share performance rights vest in thirty-six months after the date of grant or the date of release of GBST's financial results for the 2016 financial year, whichever is later. The share performance rights expire thirty days after the vesting date.

The share performance rights are conditional on the employees meeting continuous service conditions and the group meeting certain financial performance measures.

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

The performance criteria associated with the grant of share performance rights outstanding under the GBST Performance Rights and Option Plan is summarised below:

#### Performance Criteria

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

\* The fair value of the share performance rights at the 8 November 2012 of \$0.8151 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant \$0.96, expected volatility of 46.8 percent, expected dividends of 5.42 percent, a term of three years and a risk-free interest rate of 2.61 percent. The exercise price for the share performance rights is nil.

\*\* The fair value of the share performance rights of \$2.5425 each was determined using the Binomial Approximation Option Valuation Model. The model inputs were: the share price at date of grant \$2.85, expected volatility of 40.02 percent, expected dividend yield of 3.80 percent, a term of three years and a risk-free interest rate of 2.81 percent. The exercise price for the share performance rights is nil.

## Movement in Share Performance Rights

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

	Jun 2014 Number	Jun 2014 WAEP	Jun 2013 Number	Jun 2013 WAEP
Outstanding at the beginning of the period	1,314,636	–	–	–
Granted during the period	528,302	–	1,314,636	–
Forfeited during the period	(10,555)	–	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	1,832,383	–	1,314,636	–
Exercisable at the end of the period	–	–	–	–

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

## Note 30: Earnings Per Share

	GBST GROUP	
	2014	2013
Basic earnings per share (cents)	15.07	9.06
Diluted earnings per share (cents)	15.07	9.06
<b>(a) Reconciliation of earnings to net profit</b>	<b>\$'000</b>	<b>\$'000</b>
Net Profit	10,031	6,031
Earnings used in the calculation of basic EPS	10,031	6,031
Earnings used in the calculation of dilutive EPS	10,031	6,031

## (b) Weighted average number of ordinary shares

Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	66,561,725	66,561,725
<b>Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS</b>	<b>66,561,725</b>	<b>66,561,725</b>

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

### Note 31: Subsequent Events

The financial report was authorised for issue on 18 August 2014 by the Board of Directors.

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

As announced to the ASX on 5 August 2014, the Group issued 345,005 performance rights to selected employees. The rights were issued under the GBST Performance Rights and Option Plan approved by GBST shareholders at the 2012 AGM. Following this grant the total number of share performance rights issued will be 2,177,388.

The Board of GBST also intends to issue 100,486 performance rights to Mr Stephen Lake, Managing Director, on the same terms as the issue of these performance rights. The issue to Mr Lake will be subject to shareholder approval at the upcoming AGM later this year.

### Note 32: Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2014 the parent company of the Group was GBST Holdings Limited.

	GBST HOLDINGS	
	30 Jun 2014	30 Jun 2013
	\$'000	\$'000
<b>Results of the Parent Entity</b>		
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>	<b>2,608</b>	2,114
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that will not be reclassified to profit or loss</i>	-	-
<b>Total Comprehensive Income for the Year</b>	<b>2,608</b>	2,114
<b>Financial Position of the Parent Entity at Year End</b>		
Current Assets	5,378	8,692
<b>Total Assets</b>	<b>142,430</b>	194,139
Current Liabilities	8,988	14,610
<b>Total Liabilities</b>	<b>90,468</b>	146,227
<b>Total Equity of the Parent Entity Comprising of:</b>		
Issued capital	37,664	37,664
Equity remuneration reserve	928	230
Retained earnings	13,370	10,018
<b>Total Equity</b>	<b>51,962</b>	47,912

### Parent Entity Contingencies

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

## Contingent Liabilities not Considered Remote

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

	GBST HOLDINGS	
	30 Jun 2014 \$'000	30 Jun 2013 \$'000
<b>Parent Entity Capital and Other Expenditure Commitments</b>		
<b>Contracted for:</b>		
Capital and other operating purchases	105	246
<b>Payable</b>		
Not later than one year	105	246
	<b>105</b>	<b>246</b>

## Guarantees

### Property Leases

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

### Lending Facilities

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

### Performance Guarantees

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

### Parent Entity Guarantees in Respect of Debts of its Subsidiaries

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

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 22.

## Note 33: 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 places of business are:

Level 4  
410 Ann Street  
BRISBANE QLD 4000

Level 24  
259 George Street  
SYDNEY NSW 2000

Level 2  
63 Market Street  
WOLLONGONG NSW 2530

Level 8  
34 Queen Street  
MELBOURNE Vic 3000

8th Floor Linen court  
10 East Road  
LONDON NI 6AD

Building 5  
Croxley Green Business Park  
Hatters Lane, Watford  
HERTFORDSHIRE WD 18 8Y

19th Floor  
222 Broadway  
NEW YORK NY 10007

Unit 2904, 29F  
Universal Trade Centre  
3-5A Arbuthnot Road  
HONG KONG

Level 10  
55 Market St  
SINGAPORE 048941

# Directors' Declaration

for the year ended 30 June 2014

## Directors' Declaration

1. In the opinion of the Directors of GBST Holdings Limited ('the Company'):
  - a) the consolidated financial statements and Notes 1 to 33 and the Remuneration report in the Directors' report, set out on pages 22 to 30, are in accordance with the *Corporations Act (2001)*, including:
    - i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
    - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations (2001)*; and
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act (2001)* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.
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 18th day of August 2014

# Independent Auditor's Report

for the year ended 30 June 2014



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

### Report on the financial report

We have audited the accompanying financial report of GBST Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

#### *Auditor's responsibility*

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

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

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

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

# Independent Auditor's Report

for the year ended 30 June 2014



## *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 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

## **Report on the remuneration report**

We have audited the Remuneration Report included in pages 22 to 30 of the directors' report for the year ended 30 June 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

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

KPMG

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

Stephen Board  
Partner

Brisbane  
18 August 2014



# Additional Information

for the year ended 30 June 2014

## Shareholding Information as at 29 August 2014

### a. Distribution of Shareholders

Category (size of holding)	Number ordinary
1 to 1,000	576
1,001 to 5,000	715
5,001 to 10,000	241
10,001 to 100,0000	180
100,001 and over	44
<b>Total</b>	<b>1,756</b>

### b. The number of shareholdings in less than marketable parcels is 141

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

Shareholder	Number ordinary
Crown Financial Pty Ltd	6,277,610
Perpetual Limited	6,226,781
John Francis Puttick	5,278,356
Stephen Maurice Linton Lake	5,146,109
Renaissance Smaller Companies Pty Ltd	3,688,368
National Nominees Ltd ACF Australian Ethical Smaller Companies Trust	3,621,638
National Australia Bank Limited and its associated entities	3,585,018

### d. Voting rights

The company only has ordinary shares on issue. There are 66,561,725 ordinary shares on issue.

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. No shares are the subject of voluntary escrow.

# Additional Information for the year ended 30 June 2014

## e. 20 Largest Shareholders – Ordinary Shares

Rank	Name	Total Units	% IC
1	NATIONAL NOMINEES LIMITED	12,893,361	19.37%
2	BNP PARIBAS NOMS PTY LTD	4,366,234	6.56%
3	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	4,280,693	6.43%
4	CROWN FINANCIAL PTY LTD	3,768,148	5.66%
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,563,051	5.35%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,448,902	5.18%
7	MR JOHN FRANCIS PUTTICK	2,450,000	3.68%
8	STEPHEN MAURICE LINTON LAKE	2,343,096	3.52%
9	DEKACROFT PTY LTD	2,233,000	3.35%
10	MR JOAKIM SUNDELL & MRS SHARA SUNDELL	2,013,462	3.02%
11	BRAZIL FARMING PTY LTD	2,000,000	3.00%
12	MRS AMBER ROBYN LAKE	1,691,000	2.54%
13	BOND STREET CUSTODIANS LIMITED	932,511	1.40%
14	BERISLAV BECAREVIC & IVANKA BECAREVIC	751,553	1.13%
15	MR STEPHEN MAURICE LAKE	730,123	1.10%
16	ROBERT DEDOMINICIS	707,839	1.06%
16	RAYMOND TUBMAN	707,839	1.06%
17	TIMENOW PTY LTD	703,594	1.06%
18	BOND STREET CUSTODIANS LIMITED	639,632	0.96%
19	MR DONAL O'BRIEN	615,908	0.93%
20	RJAE PTY LTD	600,000	0.90%

## Registered Office

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

## Principal Place of Business

Level 4, 410 Ann Street  
Brisbane QLD 4000  
Ph +61 7 3331 5555  
Fax +61 7 3839 7783  
www.gbst.com

## 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  
Ian Thomas

## Company Secretary

Andrew David Ritter  
Sean Anthony Norman

## Share Registry

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

## Stock Exchange Listing

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

## Unquoted Securities

The company has 2,177,388 Performance Rights on issue.

## Auditors

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

