



annual report **2006**

GBST Holdings Limited

ABN 85 010 488 874

GBST is Australia's leading provider of client accounting and securities transaction technology.

Our strategy is to build consistently growing recurring revenues from financial transactions, by providing robust technology solutions to the financial services sector.

Providing services to some of the world's leading institutional banks and stockbrokers, approximately half of all equities traded on the Australian Stock Exchange are processed by GBST network participants.

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Notice of AGM

The Annual General Meeting of GBST Holdings Limited will be held at:

Stamford Plaza Brisbane

Corner Edward & Margaret Streets
Brisbane

On Tuesday 31st October at 11am

Contact information

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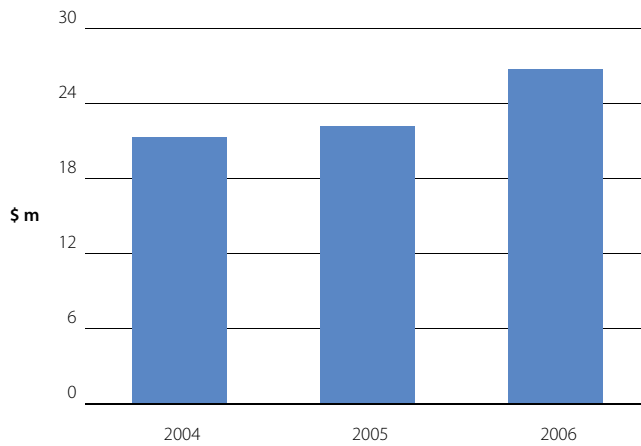
key points 2005 / 2006

- > EBITDA up 89 per cent to \$9.0 million
- > Profit after tax up 44 per cent to \$6.1 million
- > Net operating revenue up 21 per cent to \$26.7 million
- > Maiden fully franked dividend of 4 cents per share
- > Strong balance sheet and cash position
- > Acquired Palion derivatives business
- > Broking client network up from 41 to 55 participants



financial performance

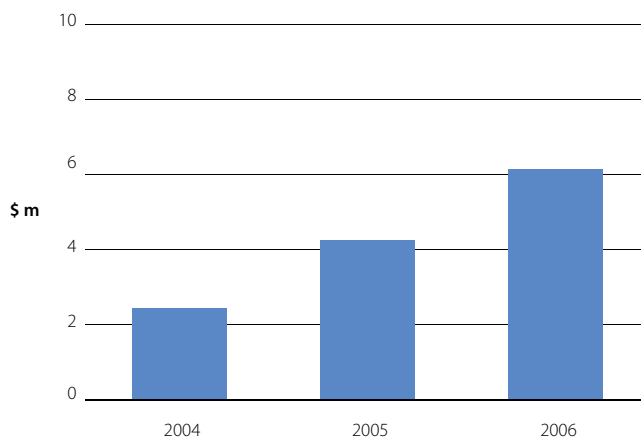
Operating revenue



A strong increase in revenue validated the company's strategy to focus on building recurring revenue from financial market transactions

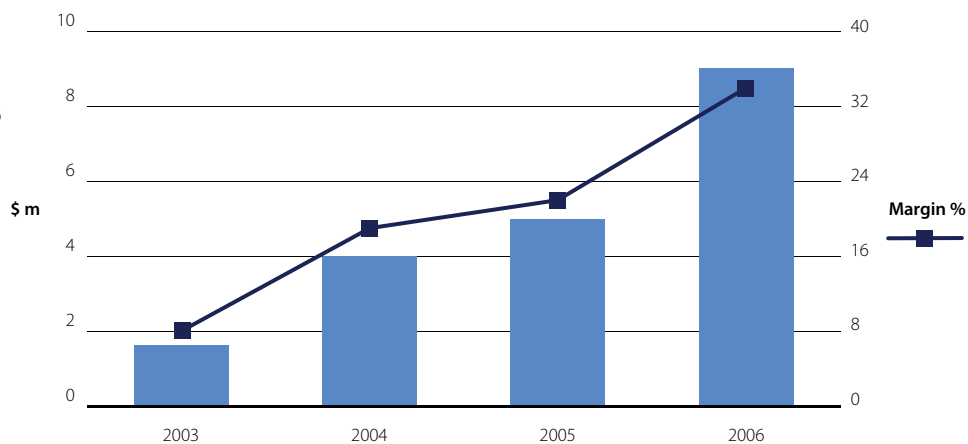
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Profit after tax



Profit after tax was up 44 per cent on the previous corresponding year

EBITDA and EBITDA margins



We were able to maintain costs which demonstrated the benefits of economies of scale

chairman's report

I extend a warm welcome to all shareholders who have joined us in the past twelve months. GBST has had a successful first year as a listed company, with strong performance across all our operations.

Our financial performance is detailed extensively in this report. In summary we have enjoyed record earnings arising from robust trading on local markets and have strengthened our balance sheet as a result.

On the basis of these results your board declared a fully franked maiden dividend of 4.0 cents per share, which will be paid to shareholders in September. This dividend reflects the board's confidence in the primary activities of the company and our rate of earnings generation, and is in line with our dividend policy to distribute up to 70 per cent of after-tax profit, subject to acquisition activity.

Importantly, the company made its first major acquisition during the year and the Palion business has now been fully integrated. This has broadened our customer base and bolstered our services with cash, equities and derivatives products, and its early success has strengthened our interest in seeking other suitable acquisitions.

GBST's client network now extends to 55 stockbrokers. New clients include the Citigroup Custody and UBS third party clearing services businesses, as well as 11 new broker clients using Palion products.

The trends toward financial services consolidation and globalisation have been favourable for GBST as well as the Australian stockmarket, which has benefited from offshore trading. Trading levels on equity markets continue strongly particularly on the Australian market where GBST enjoys a dominant position.

Our third party clearing product allows investment banks to offer sophisticated clearing services to stockbrokers and provides local market access to offshore stockbrokers. It is a significant factor in the increased trading volumes we have enjoyed and believe this offering will be a key contributor to our growth.

With our emphasis on R&D delivering continuous improvement to our core products and steadily extending our reach into other like markets we have established a strong foundation for GBST into the foreseeable future. We will continue to build on this foundation in carefully considered areas.

The company is therefore positioned well for further growth. We plan to increase GBST's products and services both organically, and through the acquisition of complementary businesses that have synergies with GBST's culture, business model or client base – in Australia and overseas.

Much has been accomplished during the year to improve our profitability and our services to customers. I would like to thank Stephen Lake and our executive management and staff for their commitment and contribution to this strong result. I would also like to thank my board colleagues, particularly independent directors David Shirley and Allan Brackin in their first full year, for their support.



John Puttick
Chairman



John Puttick
Chairman

CEO's report

I am delighted to provide our second Annual Report and review our first full year as a listed company.

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2006 saw an increase in the demand for GBST's products and services, underpinned by a solid growth in domestic equity trading volumes and an increase in our market share. We gained new customers and also entered new markets. In 2006 GBST's share of equity market transactions was up from 34% to 40% and we now support 55 of the 80 Australian stockbrokers.

A strong increase in revenue validated the company's strategy to focus on building recurring revenue from financial market transactions. Importantly, we were able to maintain costs which demonstrated the benefits of economies of scale. The results were evident in an improved EBITDA margin from 21.5% to 33.7% of operating revenue, while our EBITDA result showed an 89% improvement to \$9.02 million.

Over the past year we have developed a strong foundation for future growth. We have modified the structure of our operations to provide a more strategic focus and strengthen our capacity to grow. We now have two executive positions which are responsible for mergers and acquisitions, and developing new markets and products.

We pride ourselves on the quality and reliability of our products and services, and continue to invest in our support services. Over the past two years we have introduced regular forums with our clients. These forums have increased our capability to develop partnerships that add value to our clients' business.

The opportunity to expand through acquisition was instrumental in GBST's decision to become a public company. In December 2005, we acquired the Palion broking business, the leading derivatives trading and client accounting technology in Australia. The acquisition cost of \$5.35 million was funded from our cash reserves. With the integration of the two businesses now complete we are pleased to welcome all Palion staff to the GBST team.

People are our strength

GBST has a committed team with extensive industry experience and professional skills. Our people are our strength, and we are proud that many of our key appointments have come from within the company.

GBST is implementing a long-term staff development strategy. We continue to encourage the promotion of staff into strategic decision-making positions, and are focused on providing training in technology, management and leadership skills. Our staff's dedication and our strong corporate culture are major factors underpinning our success as a company, and I would like to extend my thanks to our staff for their contribution throughout the year.

Products and services

GBST Shares™ is the industry-leading securities transaction platform and is used by 44 stockbrokers, representing a 55% market share. In 2006 we extended our product suite to include GBST Floats™, a system designed to provide the broker with a real time consolidated view of their position throughout the floats and issues process; and the GBST Margin Lending Interface™, a module which integrates GBST Shares™ with margin lending systems. The GBST Margin Lending™ systems provided approximately 7% of our revenues in FY2006.

It is also pleasing to announce that GBST has benefited from the ASX initiatives in the areas of offshore market participants and direct market access, which have assisted the growth in trading volumes in Australian equity markets. This was demonstrated by the success of the new Citigroup Global Custody and UBS third party clearing business platforms both of which commenced in the past 12 months.

The introduction of the Palion products to our suite assisted in growing our licence fee revenue by 19% in the second half of the financial year. Palion products are used by 22 stockbrokers to process their derivative transactions. The product suite includes the DCA options trading system; the TOMS order management system; and the RMS risk management system. A result of the Palion acquisition was the addition of their existing client base, which has provided GBST with the opportunity to offer the market an integrated equities and derivatives trading platform.

The product integration of GBST Shares™ and TOMS is continuing, and when complete will provide a consolidated order management platform for both equities and exchange traded options that will facilitate trading on ASX's new multi-instrument platform CLICK-XT. Other products in progress include GBST Databus™ and GBST Web Services™. These products will allow a broader range of market participants to access the GBST Shares™ database.

After a thorough deliberation process we have decided to delay the release of our GBST WealthFront™ desktop product, as work by a third party has not met our strict quality standards.

The strong equity market trading activity has increased the demand for consulting and software development. Our revenue of \$2.0 million from consulting and software development was up \$1.2 million compared with the previous year. GBST has commenced this year with a strong pipeline of software development projects.

A key focus for GBST is to drive market efficiency and lower stockbrokers' cost through improved products, and the company continues to invest for the future, increasing our investment to \$3.3 million on internal research and development in 2006 compared to \$3.0 million in 2005.

Focus for 2007

Our strategy remains to build recurring revenue using technology in financial services, and to diversify our revenue by entering new markets. In the long-term, our goal is to develop our community of interconnected financial market participants through market-leading front, middle and back office technologies and to benefit further from economies of scale. We are committed to improving our products through investment in research and development, and to extend our market share through new sales and product extension.

Our financial markets are increasingly sophisticated and rapidly evolving, driven by the creation of new instruments and markets, globalisation and the growth in liquidity. This provides GBST the opportunity for organic growth and to expand through domestic and offshore acquisitions that complement our business. With our strong balance sheet and strong cash flow, market leading products, and professional, experienced staff, we are well positioned to take advantage of these opportunities in 2007.



Stephen Lake
Chief Executive Officer
and Managing Director



Stephen Lake
Chief Executive Officer
and Managing Director

business overview

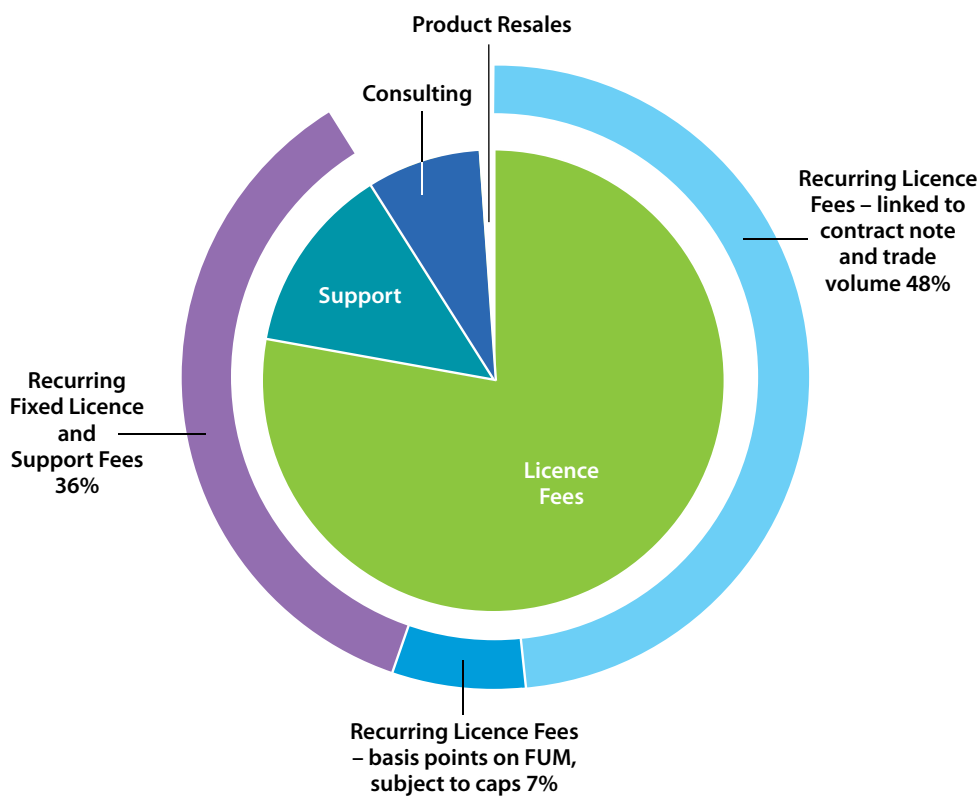
Our products and services provide specialist market access and transaction processing solutions for market participants

PRODUCTS & SERVICES	SOLUTION	PRINCIPAL BENEFITS	CUSTOMER
GBST Shares™ GBST Margin Lending™ Palion DCA™	Real time, fully automated trading, clearing and settlement for financial instruments	Fully integrated client accounting and transaction processing system to improve business efficiency and reduce transaction costs	Retail and institutional stockbrokers, global investment banks, third party clearers, agency clearers, margin lenders, fund managers and custodians
GBST Market Access™	Specialised interfaces to margin lending and cash management systems to enable advisers to offer financial products to their clients	Allows direct access to GBST's network of brokers and more than one million investors Automates processing to allow clients to build funds under management without increasing cost	Banks, margin lenders, stockbrokers, fund managers, cash management trusts, master trusts, wrap and market data providers
GBST Connect™	Business integration providing real time connectivity to exchanges, clearing houses and other market participants	Real time connectivity between industry participants to allow efficient transaction processing	Retail and institutional stockbrokers, margin lenders, custodians, fund managers, banks and registries
Palion RMS™	Risk management system for derivatives	Allows brokers to manage client risk, providing in-depth analysis and "what-if" scenarios to anticipate market volatility	Retail and institutional stockbrokers
Palion TOMS™	Trade and order management system for derivatives trading	Manages trades and orders between advisers and trading systems, allowing control while retaining full compliance	Retail and institutional stockbrokers
GBST Advisor™	Complete front office for retail stockbrokers including compliance, client management and reporting	Enables advisers to focus on their clients and deliver more personalised services in less time	Retail stockbrokers
Support Services	Application support and maintenance UNIX management Database administration	Qualified, professional teams experienced in tailoring solutions to their clients' business and dedicated account management	All financial market sectors
Consulting Services	Product deployment Product training Software Development	Professional, customised end-to-end product deployment Experienced, hands-on trainers Customised software development	All financial market sectors



GBST's strategy is to develop recurring revenue from proven, reliable financial transaction solutions

Revenue drivers – net operating revenue FY06



case studies

Citigroup Third Party Clearing



Mike Sleightholme
Managing Director, Direct Custody and
Clearing Head, Global Transaction Services

In 2004, Citigroup's Global Transaction Services business unit, led by Mike Sleightholme, sought a supplier to enhance the services to their existing and successful Custody business by providing cash equities third party clearing services to major institutional clients. After considering many global suppliers, Citigroup chose GBST.

Working closely with Citigroup's Hong Kong and Australian offices, GBST deployed its GBST Shares™ solution to enable Citigroup to deliver efficient, cost effective third party clearing. Leveraging existing technology while maintaining its global custody systems through seamless integration with GBST Shares™, Citigroup launched its third party clearing services with anchor client Lehman Brothers in May 2005.

Subsequent to deployment, Citigroup experienced huge growth in equity trading volumes, and Lehman Brothers has climbed the ranks of the top 20 brokers in Australia. Efficient integration of Citigroup's in-house systems and GBST's third party clearing solution enabled the business to accommodate growth without additional staff.

Mike Sleightholme said, "Integration of the GBST Shares™ platform has proved a tremendous success, and we are delighted with its scalability and efficiency. Citigroup and GBST continue to work closely on a range of projects to provide cost-effective clearing services to regional and global clients."

Taylor Collison Retail Stockbroking



From left to right: Simon Thiele,
Belinda Humphris and Ruth Veltri

To improve client order management and in anticipation of Financial Services Reform compliance requirements, leading financial services firm Taylor Collison made a strategic decision in 2003 to move to an improved securities transaction system.

Taylor Collison CFO Simon Thiele said, "Changing a core financial services technology platform is the single biggest decision a broker can make. We assessed that GBST was well ahead of its rivals and could deliver significant productivity gains. Almost all of our trades are now paperless. GBST automated our processes from client order through to trade execution, confirmation and settlement of cash.

We were impressed with GBST's professional approach and their willingness to work to deliver FSR compliance solutions as well as their unique capacity to provide clients with online access to their portfolio.

Importantly, in the event of an industry-wide issue, we considered GBST had the expertise and economies of scale to provide timely, robust and effective solutions."

The new system went live in February 2004, using GBST Shares™ and GBST Advisor™. Simon Thiele said, "During our transition, GBST's management and technical expertise was nothing short of incredible. They took great care of us throughout. GBST tailored products in partnership with us to meet our needs precisely and helped ensure our business processes, from communication lines to disaster recovery, were appropriately aligned.

"We achieved productivity gains in settlements and improved dealing compliance solutions, and continue to benefit from our decision to choose GBST. Our business is growing, and GBST has the capability to grow with us."



Adelaide Bank CMT

As part of its strategic plan, Adelaide Bank has invested heavily in its technology base and to ensure the robustness of its systems. Its cash management and AAA Saver investment account services to high net worth, retail and institutional investors are supported by bespoke real-time cash settlement services provided by GBST's CMT Interface™.

Stephen Small, Adelaide Bank Chief General Manager, Banking said: "Adelaide Bank's cash management business is renowned for its innovation and customer service. To ensure quality client service, we collaborated with GBST to develop secure, manageable integrated transaction systems. These were instrumental in helping Adelaide Bank to build its CMT deposit book from zero to \$1.5 billion.

"GBST's financial network has provided access to a combined client base of more than 1.5 million investors. Most recently, this expanded base of potential customers helped us to increase funds managed through our AAA Saver investment accounts from \$0.2 million to \$1.4 billion in twelve months. We have benefited from quality portfolio management, allowing funds to be secured instantly with reduced settlement risk.

"Because our services are easy to understand, swift and reliable, Adelaide Bank has tremendous support from its customers. We're delighted that GBST has enabled us to meet high standards consistently."



Stephen Small
Adelaide Bank Chief General Manager,
Banking

Palion Acquisition

Responsible for GBST's products and client services, Peter Fowler is a key member of the executive team and founder of Palion, acquired by GBST in December 2005. Commenting, he said: "We were most impressed by GBST, and the opportunity to join a growing business was very attractive.

"Through shared customers we knew GBST's reinvigorated customer focus had produced results, and were aware of its professional expertise. A key motivation to join GBST was their commitment to research and development, to ensure that leading quality of delivery could be maintained.

"GBST welcomed us with its friendly approach, professionalism and desire to meet customer needs. The executive team was receptive and keen to make sure that the transition was a success. They were willing to remain flexible to achieve the best result; for example,

when Palion could not move into GBST's Sydney office, new premises were established for the group with a view to also accommodating GBST's future growth. I am excited to be part of GBST's executive and motivated by the challenges of managing our products, customer services and product integration."

The Palion derivatives solutions complement GBST's range, and work has progressed to integrate products to provide a streamlined equity and derivatives transaction processing system. "We plan to extend the range of our Trade & Order Management system (TOMS) to support equities through a sophisticated interface to GBST Shares, and enhance GBST Shares' stock and cash balances with the Palion Risk Management system's comprehensive order vetting functionality."



Peter Fowler
Head of Product and Client Services

good people make all the difference

“Our staff’s dedication and our strong corporate culture are major factors underpinning our success as a company, and I would like to extend my thanks to our staff for their contribution throughout the year”. Stephen Lake – CEO and MD



Adam, Adrian, Alex, Alezeia, Alison, Amanda, Amelia, Andrew, Andrew, Andrew, Anil, Annette, Belinda, Ben, Bianca, Brad, Brock, Chris, Chris, Chris, Colin, Craig, Craig, Danny, Daryl, David, David, Diane, Diane, Dianne, Dimitri, Donna, Elsa, Emma, Eric, Ferdie, Fiona, Gary, Gary, Gavin, Genevieve, Gillian, Gina, Graeme, Graham, Grant, Hamish, Helene, Jamie, John, John, Jose, Judy, Julie, Karen, Karen, Kate, Kelli, Khanh, Kieran, Kristine, Kylie, Leigh, Liz, Lucy, Luesa, Maraea, Marc, Mark, Mark, Mary, Matthew, Matthew, Megan, Michael, Michael, Michael, Michael, Michelle, Michelle, Mitra, Murray, Murray, Narelle, Nathan, Nick, Nicole, Nigel, Nikola, Patrick, Paul, Paul, Penny, Peter, Peter, Peter, Phillip, Priya, Quenten, Rae, Rebecca, Rian, Riki, Robert, Robert, Robin, Ryan, Shane, Shane, Shane, Sharee, Sharon, Simone, Srdan, Stephen, Steven, Sue, Sue, Sunita, Tanya, Timothy, Tracey, Tracy, Valter, Verlie, Vijesh, Vishal, Wally, Wendy, Xuan, Yulian

executive team

Stephen Lake – Managing Director and Chief Executive Officer

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

Kieran Wallis – Chief Financial Officer

Kieran Wallis joined GBST in 2000 and was appointed Chief Financial Officer in February 2004. Prior to joining GBST, he worked with various London financial institutions as well as the Golden Casket Lottery Corporation as Head of Finance for the business unit responsible for establishing the online arm of the business. He also held the position of Manager in the Business Services division of Ernst & Young. Mr Wallis holds a Bachelor of Business (Accountancy) from the Queensland University of Technology and is a Chartered Accountant.

Craig Apps – General Manager Product & Market Development

Craig Apps joined GBST in May 1994 as an applications programmer and has worked in a variety of senior management, strategic and planning roles including the creation and management of the business analysis group, and management of GBST's largest clients. Mr Apps was also a lead analyst in enabling GBST's multi-market, multi-currency capability and third party clearing ability. A regular participant in ASX working groups, he holds Bachelor of Science (Majoring in Information Technology) and Bachelor of Human Movements degrees from the University of Queensland and is an Associate of the Securities Institute of Australia.

Peter Ferguson – Head of Corporate Development

Prior to joining GBST in February 2005, Peter Ferguson held senior strategic positions with leading international financial markets technology company, Stockholm-based OMX. Between 2001

and 2004 he was General Manager responsible for OMX's Australian operations and substantially grew the business. Prior to that, Mr Ferguson provided international legal advice to OMX's in-house counsel in Stockholm as well as serving as a solicitor in Stockholm and Sydney. He holds a Bachelor of Law from Sydney University.

Steven Hayhoe – Chief Technology Officer

Joining GBST in August 2003 as Senior Architect, Steven Hayhoe brought an extensive track record in the design and delivery of large technology solutions for firms in Australia and abroad. He has also held senior IT management positions with leading financial institutions including Charles Schwab Australia, Lend Lease, and the Commonwealth Bank. In April 2004, Mr Hayhoe was appointed Chief Technology Officer at GBST.

Peter Fowler – Head of Products & Client Services

Joining GBST after GBST's successful acquisition of Palion from OMX in December 2005, Peter provides GBST with a unique blend of business and IT knowledge. Peter has gained his experience working overseas in Europe, America and Asia. His previous industry experience includes heading the regional operations of ICCH, which at the time was the international arm of the London Clearing House (LCH). Peter also established a new central counterparty clearing service in Asia as well as Palion Pty Limited in Australia.

Kylie Sprott – Human Resources Executive

With 14 years in Human Resources, Kylie has joined GBST in the newly appointed position of Human Resources Executive. She has extensive experience in managing the HR component of acquisitions and mergers in the IT sector, in particular overseeing the integration of five acquisitions and two substantial mergers with Australia's leading information and communications technology company Volante Group Limited. Kylie has also held key Human Resources positions both in Australia and in the United Kingdom.

Kylie holds a Bachelor of Arts and a Postgraduate Certificate in Management (Human Resources) and has studied Strategic Human Resources at Harvard Business School. Kylie is also a Certified Professional Member of the Australian Human Resources Institute (AHRI).



board of directors

John Puttick Non-Executive Chairman

John is the founder and Chairman of GBST, and has 40 years' experience in the IT industry over 20 of which developing financial services solutions at GBST. He is a member of GBST's Audit and Risk Management Committee. John serves on University of Queensland and Queensland University of Technology faculty advisory committees. He is currently Adjunct Professor, School of Information Technology and Electrical Engineering at the University of Queensland and Chair of Southbank TAFE Community Council.

Allan Brackin Independent Non-Executive Director

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 infrastructure service companies from November 2000 to October 2004. Prior, he founded Queensland Laser and Survey Supplies Pty Ltd, as well as Applied Micro Systems (Australia) Pty Ltd, which grew to become the national company AAG Technology Services Pty Ltd. Allan currently serves on the board of Hutchison's Child Care Services Limited and the New South Wales Heart Foundation.

Allan is Chairman of GBST's Audit and Risk Management Committee.

David Shirley Independent Non-Executive Director

David joined GBST in April 2005 as an Independent Non-Executive Director. David had a successful career providing strategic, business planning and governance advice in executive management positions with Microsoft Business Solutions and Navision. He is also a non-executive board and audit committee member of Steel Foundations Limited and he was a non-executive board and audit committee member with Queensland Capital Corporation Limited. David also serves as an advisory board member for a number of privately owned companies and was a partner with Gadens Lawyers.

David is a member of the GBST Audit and Risk Management Committee.

Joakim Sundell Non-Executive Director

Joakim 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.

Stephen Lake – Managing Director and Chief Executive Officer

Refer to page 11 for details.



From top to bottom: John Puttick, Allan Brackin, David Shirley, Joakim Sundell.

Corporate Governance Statement

INTRODUCTION

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations' ('Guidelines') applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. The board has made an assessment of the company against the Guidelines. The board has made decisions in relation to its operations and the operations of the company that mean that it does not fully comply with all of the Guidelines but are in place to provide better performance. The Board outlines its assessment against the Guidelines below. This statement on corporate governance reflects our charter, policies and procedures on 19 September 2006.

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.

COMPOSITION OF BOARD

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

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

BOARD CHARTER AND POLICY

a) The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

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

Corporate Governance Statement

Continued

- b) These initiatives, together with the other matters provided for in the Board's charter, are designed to 'institutionalise' good corporate governance and to build a culture of best practice in GBST's own internal practices and in its dealings with others.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

BEST PRACTICE COMMITMENT

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this section, 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.
- e) *Substantial compliance with ASX corporate governance guidelines and best practice recommendations.*

GBST Board Assessment against the Guidelines

Principle 1 – Lay solid foundations for management and oversight

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

Principle 2 – Structure the Board to add value

Together the Directors have a broad range of experience, skills, qualifications and contacts relevant to the business of the Company. The majority of the Board is not independent. In particular, the Chairman is not independent in terms of the Guidelines. There are at least two independent Directors. GBST believes that a board of five directors is appropriate for a company of GBST's size and the current directors represent the best people to act in the interests of stakeholders and for this reason does not presently fully comply with the recommendations.

In December 2005 the Board decided to call a specific meeting 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 whole issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will continue to be kept under regular review. Review takes place at both committee level (Audit and Risk Management Committee), with meetings at least four times each year, and at Board level.

Principle 8 – Encourage enhanced performance

The corporate governance charter adopted by the Board requires individual performance review and evaluation to be conducted formally on an annual basis. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively. GBST's practice complies with the Guidelines in this area.

Principle 9 – Remunerate fairly and responsibly

Remuneration of Directors and executives will be fully disclosed in the annual report and any changes with respect to key executives announced in accordance with continuous disclosure principles. In December 2005 the Board decided to call a specific meeting of the board as a Nominations and Remuneration Committee. Due to the importance of people within GBST's business all board members considered they would have a contribution to make to the meeting and as a result the committee is not independent.

The Chairman will lead a review of the Directors and the independent Directors will lead a review of the Chairman. No individual will be directly involved in deciding his or her remuneration.

Principle 10 – Recognise the legitimate interests of stakeholders

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

Directors' Report

The directors of GBST Holdings Limited ('GBST') submit herewith the consolidated financial report for the year ended 30 June 2006. In order to comply with the provisions of the *Corporations Act 2001* the directors report as follows:

DIRECTORS

The names of the directors of the company in office during the year and to the date of this report are:

- Mr John F Puttick
- Mr Allan J Brackin
- Mr Stephen M L Lake
- Mr David C Shirley
- Mr Joakim J Sundell

COMPANY SECRETARY

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

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

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

PRINCIPAL ACTIVITIES

The principal activities of GBST in the year were the provision of advanced electronic business solutions for the finance, banking and securities industry in Australia and South East Asia. No significant change in the nature of these activities occurred during the year.

OPERATING RESULT AND DIVIDEND

The consolidated profit of GBST for the financial year after providing for income tax amounted to \$6,135,982 (2005: \$4,260,331).

The directors recommend a final dividend of 4.0 cents per share to be paid to the holders of fully paid ordinary shares. The dividend will be 100% franked at 30% corporate tax rate and will be paid on 29 September 2006.

REVIEW OF OPERATIONS

Revenue from operations increased by 19% to \$28.241 million (2005: \$23.717 million). Profit before tax grew by 144% to \$8.628 million (2005: \$3.54 million). Profit after tax increased by 44% to \$6.136 million (2005: \$4.26 million). The preceding period included non-recurring litigation and redundancy expense items of \$1.08 million and an income tax expense credit of \$0.72 million.

Significant factors impacting on profitability were;

- Buoyant equity market trading conditions which resulted in increased usage fees for GBST's licensed products.
- Additional recurring revenue from new client and product licence sales made over the preceding year.
- An increase in revenue from consulting and software development services to \$2 million (2005: \$0.863 million).
- Income tax expense of \$2.492 million was booked in the current period. The prior period included an income tax expense credit of \$0.72 million which arose from the recognition of taxation losses and other timing differences which had not previously been brought to account as their realisation was not virtually certain.

On 15 December 2005, the company acquired the Palion business from OMX Technology Australia Pty Limited for a total acquisition cost of \$5.348 million. Recurring license fees from software products acquired with the business contributed \$1.312 million to revenue in the year. The staff and products acquired with the Palion business have been integrated into GBST.

The net assets of the consolidated entity increased by \$6.685 million during the year to \$13.517 million at 30 June 2006 as a result of the improved operating performance of the group. The consolidated entity generated cash flows from operations of \$9.95 million (2005: \$2.642 million) which facilitated the acquisition of Palion from cash reserves. Total assets increased from \$11.842 million at 2005 to \$22.134 million at 30 June 2006. Total assets include cash reserves of \$10.618 million at 30 June 2006.

The directors believe the group is in a strong and stable position to grow its current operations.

The comparative trading figures include results prior to the company's IPO and listing on the ASX in June 2005.

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The company listed on the Australian Stock exchange on 28 June 2005. The current financial year represents the first full year of trading as a listed entity.

On 15 December 2005, the company acquired the Palion business from OMX Technology Australia Pty Limited for a total acquisition cost of \$5.348 million. Palion is the leading supplier of derivatives clearing and client accounting technology in Australia. The purchase price included net assets of \$1.998 million and goodwill of \$3.35 million.

No other significant changes in the state of affairs of the company occurred during the financial year:

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the financial report has been prepared in accordance with those standards. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in the financial report.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The company is actively pursuing opportunities to expand its sources of revenue from the delivery of technology to the financial services industry and is currently in discussions with a number of acquisition prospects. The company will continue to invest in the internal research and development of software products and the acquisition of businesses that expand its client base and range of software products and services.

The current results of the consolidated entity remain materially affected by the level of domestic equity trading volume.

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

AFTER BALANCE DATE EVENTS

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

ENVIRONMENTAL ISSUES

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

INFORMATION ON DIRECTORS

John Puttick Non-Executive Chairman

John is the founder and Chairman of GBST, and has 40 years' experience in the IT industry over 20 of which developing financial services solutions at GBST. He is a member of GBST's Audit and Risk Management Committee. John serves on University of Queensland and Queensland University of Technology faculty advisory committees. He is currently Adjunct Professor, School of Information Technology and Electrical Engineering at the University of Queensland and Chair of Southbank TAFE Community Council.

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

Allan Brackin Independent Non-Executive Director

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 infrastructure service companies from November 2000 to October 2004. Prior, he founded Queensland Laser and Survey Supplies Pty Ltd, as well as Applied Micro Systems (Australia) Pty Ltd, which grew to become the national company AAG Technology Services Pty Ltd. Allan currently serves on the board of Hutchison's Child Care Services Limited and the New South Wales Heart Foundation.

Allan is Chairman of GBST's Audit and Risk Management Committee.

Interest in Shares and Options – 169,241 Ordinary Shares of GBST Holdings Limited held by Mr Brackin's associated entities.

Stephen Lake Managing Director and Chief Executive Officer

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

Directors' Report

Continued

a shareholder of GBST and was appointed Chief Executive Officer in 2001. Prior to joining GBST, he was Chief General Manager of Financial Markets at Adelaide Bank Limited.

Mr Lake was Managing Director of BZW's Capital Market's Division Australia and also Managing Director of the Fixed Interest Division at BZW (Asia) Ltd.

Interest in Shares and Options – 999,332 options and 3,563,096 Ordinary Shares of GBST Holdings Limited held by Mr Lakes.

David Shirley Independent Non-Executive Director

David joined GBST in April 2005 as an Independent Non-Executive Director. David had a successful career providing strategic, business planning and governance advice in executive management positions with Microsoft Business Solutions and Navision. He is also a non-executive board and audit committee member of Steel Foundations Limited and he was a non-executive board and audit committee member with Queensland Capital Corporation Limited. David also serves as an advisory board member for a number of privately owned companies and was a partner with Gadens Lawyers.

David is a member of the GBST Audit and Risk Management Committee.

Interest in Shares and Options – Nil

Joakim Sundell Non-Executive Director

Joakim 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.

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

REMUNERATION REPORT

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

- Remuneration policies and practices
- Company performance and remuneration
- Service agreements
- Details of remuneration

The information provided in the remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have transferred from the financial report and have been audited.

Remuneration policies and practices (audited)

The policy for determining the nature and amount of remuneration of directors and specified executives is as follows:

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

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

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

Remuneration paid to directors and executives is valued at the cost to the company and expensed. The company operates an Employee Option scheme, comprising of two sub-schemes, being an Exempt Options Scheme for staff

generally and a Deferred Options Scheme for select staff and eligible directors. Options are valued using a binomial model which includes variables such as time, volatility, risk and return. The value of equity based remuneration under the Deferred Option Scheme is recognised as an employee benefits expense.

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

Remuneration principles

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

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

Remuneration Structure – non-executive directors

Non-executive directors are paid fixed annual remuneration as set out in letters of appointment. Reviews of each individual director and directors as a whole occur annually. Non-executive directors may make investments in the company in accordance with the company's share trading guidelines but they do not participate in the employee share ownership plan. GBST does not operate a scheme for retirement benefits to directors.

Remuneration Structure – senior executives

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

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

Fixed remuneration levels are set with reference to commercial benchmark information and the individual's role, responsibility, experience and geographic location. The fixed component of executive remuneration is reviewed annually. The company makes superannuation contributions on fixed remuneration amounts.

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

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

The company has an employee share ownership plan. The plan involves the use of options to acquire shares. The plan is designed to reward executives in a manner which aligns this element of remuneration with the financial performance of the company and the interests of shareholders. Executives are also required to meet continued service conditions in order to exercise the options. Details of executive options are shown in Note 27 in the financial statements.

Company performance and remuneration

The table below shows the financial performance of the company over the last three years as measured by net operating revenue and net profit before tax.

The company listed on the Australian Stock Exchange on 28 June 2005. Over the past year GBST's share price has increased by 93%.

	2004	2005	2006
Net operating revenue	\$21.30m	\$22.17m	\$26.72m
Growth	11%	4%	21%
Net profit before tax	\$2.42m	\$3.54m	\$8.63m
Growth	+100%	46%	144%
Closing Share Price	n/a	\$1.23	\$2.37

Directors' Report

Continued

Service agreements (audited)

Remuneration and other terms of employment for executive directors and executives are formalised in service contracts. All agreements with executives are subject to an annual review. Each of the agreements provide for base pay, leave entitlements, superannuation and performance-related bonus. The agreements are expressed to cover periods specific to individual appointments but may generally be terminated by notice by either party or earlier in the event of certain breaches of terms and conditions. Except for Mr Lake the service agreements do not have fixed terms. Mr Lake's service agreement terminates in August 2007.

Details of Remuneration (audited)

The remuneration for each director and executive officers of GBST (the key management personnel) receiving the highest remuneration during the year was as follows:

	Short-Term Benefits			Post Employment Benefits	Share-based Payment	Total	Performance Related
	Base salary & fees	Bonus	Other	Super- annuation	Equity Options		
	\$	\$	\$	\$	\$	\$	%
2006							
Directors							
J Puttick	100,730	–	103,393	952	–	205,075	–
A Brackin	40,000	–	–	–	–	40,000	–
S Lake	490,000	–	–	44,269	23,798	558,067	4
D Shirley	40,000	–	–	–	–	40,000	–
J Sundell	40,000	–	–	–	–	40,000	–
Total Directors	710,730	–	103,393	45,221	23,798	883,142	
Executives							
C Apps	176,212	32,110	–	18,749	6,415	233,486	16
P Ferguson	189,154	32,110	–	19,914	9,520	250,698	17
P Fowler (appointed 15/12/05)	113,750	–	–	–	11,544	125,294	9
S Hayhoe	165,385	32,110	–	17,774	7,723	222,992	18
E Lloyd (i)	118,587	32,110	–	13,563	6,415	170,675	23
K Wallis	155,346	32,110	–	16,871	6,415	210,742	18
Total Executives	918,434	160,550	–	86,871	48,032	1,213,887	
Group Total	1,629,164	160,550	103,393	132,092	71,830	2,097,029	

Directors' Report

Continued

Options issued as part of Remuneration for the Year Ended 30 June 2006 (continued)

	Granted No.	Options Granted as part of Remuneration \$	Total Remuneration represented by Options %	Options Exercised and sold \$	Options lapsed (\$)	Total \$
Executives						
C Apps	–	–	–	–	–	–
P Ferguson	100,000	9,520	4	–	–	9,520
P Fowler	100,000	11,544	9	–	–	11,544
S Hayhoe	50,000	3,877	2	–	–	3,877
E Lloyd (i)	–	–	–	–	–	–
K Wallis	–	–	–	–	–	–
Total Executives	250,000	24,941	–	–	–	24,941

(i) E Lloyd entered maternity leave on 2/12/2005.

The cost of equity options is reported in accordance with accounting standard AASB 2 Share-based Payments, which has the effect of reporting the cost of the options over the period between the grant date and exercise date. In the 2005 report the amounts shown for remuneration from options was the full cost. Those comparative amounts have been restated in the above tables.

Options granted as remuneration to key management personnel

	Vested No.	Granted No.	Grant Date	Average Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
Directors							
J Puttick	–	–	–	–	–	–	–
A Brackin	–	–	–	–	–	–	–
S Lake	499,666	–	–	–	–	–	–
D Shirley	–	–	–	–	–	–	–
J Sundell	–	–	–	–	–	–	–
Total Directors	499,666	–					
Executives							
C Apps	132,578	–	–	–	–	–	–
P Ferguson	100,000	–	25.8.05	0.18	1.09	1.11.06	24.8.07
P Fowler	100,000	–	5.12.05	0.25	1.25	1.11.06	4.12.07
S Hayhoe	79,280	50,000	3.1.06	0.18	1.45	1.11.06	2.1.08
E Lloyd	132,578	–	–	–	–	–	–
K Wallis	132,578	–	–	–	–	–	–
Total Executives	477,014	250,000					
Group Total	976,680	250,000					

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

Details of the total holdings of options are set out in Note 27 in the financial statements.

MEETINGS OF DIRECTORS

During the financial year, 16 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors Names	Directors' Meetings		Audit & Risk Committee		Remuneration & Nominations	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Puttick	11	11	4	4	1	1
A Brackin	11	10	4	4	1	1
S Lake	11	11	4	4	1	1
D Shirley	11	11	4	4	1	1
J Sundell	11	8	–	–	1	1

INDEMNIFYING DIRECTORS AND OFFICERS

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

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

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

OPTIONS

The number of options outstanding are as follows:

Grant Date	Expiry and Exercise Date	Exercise Price	Number
9.3.05	8.3.10	\$0.00	159,840
9.3.05	8.3.07	\$0.75	3,202,092
25.8.05	24.8.07	\$1.09	100,000
5.12.05	4.12.07	\$1.25	240,000
3.1.06	2.1.08	\$1.45	210,000
			3,911,932

The company established an employee share trust on 9 March 2005 to hold shares in GBST for subsequent allocation under the GBST Employee Option Plan. During the year ended 30 June 2006, 384,820 shares were issued from the trust to meet the exercise of employee options. GBST ESOP Pty Ltd held 2,369,180 shares in GBST at reporting date. The Trust is treated as a special purpose entity and consolidated. The trust's shareholding in the company is disclosed as treasury shares and deducted from equity.

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.

Directors' Report

Continued

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Refer to note 20 in the financial report for details of fees for non-audit services paid/payable to the external auditors during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on the page following this directors' report.

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

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J F Puttick
Chairman



S M L Lake
Managing Director and Chief Executive Officer

Brisbane, 8 August 2006

Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001



A.B.N. 98 477 136 937

To the Directors of GBST Holdings Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

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

This declaration is in respect of GBST Holdings Limited and the entities it controlled during the year.

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

Robertsons
Chartered Accountants

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

A W Thomas
Partner
8 August 2006

Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes, and the additional disclosures included in the directors' report designated as audited, are in accordance with the *Corporations Act 2001*:
 - a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and consolidated entity.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



J F Puttick
Chairman



S M L Lake
Managing Director and Chief Executive Officer

Brisbane, 8 August 2006

Income Statement

For the year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
Operating Revenue		28,241,374	23,716,555	28,241,374	23,716,555
Other income		441,188	299,912	441,188	299,912
Total Revenue		28,682,562	24,016,467	28,682,562	24,016,467
Product delivery and support expenses		(11,566,680)	(11,576,916)	(11,566,680)	(11,576,916)
Cost of third party product sold		(1,532,529)	(1,152,709)	(1,532,529)	(1,152,709)
Property and equipment expenses		(2,774,417)	(2,558,834)	(2,774,417)	(2,558,834)
Corporate and administrative expenses		(4,154,546)	(5,093,611)	(4,154,546)	(5,093,611)
Borrowing costs		(26,214)	(94,440)	(26,214)	(94,440)
Profit before income tax	2	8,628,176	3,539,957	8,628,176	3,539,957
Income tax (expense)/credit	3	(2,492,194)	720,374	(2,492,194)	720,374
Profit from continuing operations		6,135,982	4,260,331	6,135,982	4,260,331
Profit attributable to members of the parent company		6,135,982	4,260,331	6,135,982	4,260,331
Adjusted basic earnings per share (cents)	30	13.96	9.26		
Basic earnings per share (cents)	30	13.96	16.73		
Diluted earnings per share (cents)	30	13.77	11.79		

The accompanying notes form part of these financial statements.

Balance Sheet

As at 30 June 2006

	Note	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	5	10,618,069	6,883,035	10,618,069	6,883,035
Trade and other receivables	6	3,224,393	2,391,640	5,002,362	2,374,832
Inventories	7	2,572	62,310	2,572	62,310
Other assets	10	280,102	241,633	280,102	241,633
TOTAL CURRENT ASSETS		14,125,136	9,578,618	15,903,105	9,561,810
NON-CURRENT ASSETS					
Trade and other receivables	6	36,792	49,356	36,792	2,269,138
Property, plant and equipment	8	1,157,043	1,111,211	1,157,043	1,111,211
Intangible assets	9	5,732,379	86,281	5,732,379	86,281
Deferred tax assets	13	1,051,523	1,001,911	1,051,523	1,001,911
Other assets	10	31,200	14,753	31,302	14,855
TOTAL NON-CURRENT ASSETS		8,008,937	2,263,512	8,009,039	4,483,396
TOTAL ASSETS		22,134,073	11,842,130	23,912,144	14,045,206
CURRENT LIABILITIES					
Trade and other payables	11	2,030,457	2,687,808	2,030,457	2,687,808
Finance lease liabilities	12	35,276	37,397	35,276	37,397
Current tax liabilities	13	2,115,948	88,090	2,115,948	88,090
Other liabilities	15	3,027,989	888,678	3,027,989	888,678
TOTAL CURRENT LIABILITIES		7,209,670	3,701,973	7,209,670	3,701,973
NON-CURRENT LIABILITIES					
Trade and other payables	11	–	155,960	–	155,960
Finance lease liabilities	12	–	35,276	–	35,276
Deferred tax liabilities	13	144,765	2,512	144,765	2,512
Long-term provisions	14	1,197,841	971,842	1,197,841	971,842
Other liabilities	15	64,605	142,178	64,605	142,178
TOTAL NON-CURRENT LIABILITIES		1,407,211	1,307,768	1,407,211	1,307,768
TOTAL LIABILITIES		8,616,881	5,009,741	8,616,881	5,009,741
NET ASSETS		13,517,192	6,832,389	15,295,263	9,035,465
EQUITY					
Issued capital	16	5,722,015	5,722,015	5,722,015	5,722,015
Treasury Shares	17	(1,778,071)	(2,203,076)	–	–
Reserves	18	298,816	175,000	298,816	175,000
Retained earnings		9,274,432	3,138,450	9,274,432	3,138,450
TOTAL EQUITY		13,517,192	6,832,389	15,295,263	9,035,465

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2006

	Issued Capital \$	Treasury Shares \$	Preference Shares \$	Retained Earnings \$	Reserves \$	Total \$
CONSOLIDATED						
Balance at 1 July 2004	100	–	–	987,554	–	987,654
Profit for the year	–	–	–	4,260,331	–	4,260,331
Reclassification from liabilities	–	–	2,970,000	–	–	2,970,000
Selective buy back	(17)	–	(2,823,410)	–	–	(2,823,427)
Shares held by Employee Share Trust	–	(2,203,076)	–	–	–	(2,203,076)
Share based payments	–	–	–	–	175,000	175,000
Conversion of preference to ordinary capital	2,326,558	–	(2,326,558)	–	–	–
Call on unpaid capital	–	–	1,879,968	–	–	1,879,968
Exercise of options	–	–	300,000	–	–	300,000
Share Issue (net of cost)	3,395,374	–	–	–	–	3,395,374
Subtotal	5,722,015	(2,203,076)	–	5,247,885	175,000	8,941,824
Dividends paid	–	–	–	(2,109,435)	–	(2,109,435)
Balance at 30 June 2005	5,722,015	(2,203,076)	–	3,138,450	175,000	6,832,389
Balance at 1 July 2005	5,722,015	(2,203,076)	–	3,138,450	175,000	6,832,389
Profit for the year	–	–	–	6,135,982	–	6,135,982
Share based payments	–	–	–	–	123,816	123,816
Shares sold on exercise of options	–	425,005	–	–	–	425,005
Balance at 30 June 2006	5,722,015	(1,778,071)	–	9,274,432	298,816	13,517,192
PARENT COMPANY						
Balance at 1 July 2004	100	–	–	987,554	–	987,654
Profit for the year	–	–	–	4,260,331	–	4,260,331
Reclassification from liabilities	–	–	2,970,000	–	–	2,970,000
Selective buy back	(17)	–	(2,823,410)	–	–	(2,823,427)
Share based payments	–	–	–	–	175,000	175,000
Conversion of preference to ordinary capital	2,326,558	–	(2,326,558)	–	–	–
Call on unpaid capital	–	–	1,879,968	–	–	1,879,968
Exercise of options	–	–	300,000	–	–	300,000
Share Issue (net of cost)	3,395,374	–	–	–	–	3,395,374
Subtotal	5,722,015	–	–	5,247,885	175,000	11,144,900
Dividends paid	–	–	–	(2,109,435)	–	(2,109,435)
Balance at 30 June 2005	5,722,015	–	–	3,138,450	175,000	9,035,465
Balance at 1 July 2005	5,722,015	–	–	3,138,450	175,000	9,035,465
Profit for the year	–	–	–	6,135,982	–	6,135,982
Share based payments	–	–	–	–	123,816	123,816
Balance at 30 June 2006	5,722,015	–	–	9,274,432	298,816	15,295,263

The accompanying notes form part of these financial statements

Cash Flow Statement

For the year ended 30 June 2006

	Note	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		32,447,791	24,725,383	32,447,791	24,725,383
Payments to suppliers and employees		(22,503,435)	(22,072,588)	(22,520,141)	(22,070,380)
Interest & sundry income		379,230	294,969	379,230	294,969
Interest and other costs of finance paid		(16,405)	(305,919)	(16,405)	(305,919)
Income tax paid		(343,126)	–	(343,126)	–
Net cash provided by/(used in) operating activities	24(a)	9,964,055	2,641,845	9,947,349	2,644,053
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of plant & equipment		11,324	26,555	11,324	26,555
Purchase of plant & equipment		(561,932)	(558,692)	(561,932)	(558,692)
Purchase of intangibles		(599,527)	(30,955)	(599,527)	(30,955)
Acquisition of business	24(c)	(5,348,482)	–	(5,348,482)	–
Proceeds from related entity receivables		–	(31,457)	293,517	(33,665)
Proceeds from other entity receivables		30,182	14,662	30,182	14,662
Net cash provided by/(used in) investing activities		(6,468,435)	(579,887)	(6,174,918)	(582,095)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of finance leases		(37,397)	(117,072)	(37,397)	(117,072)
Exercise of options		276,811	300,000	–	300,000
Proceeds from issue of ordinary shares		–	4,000,000	–	4,000,000
Costs of share issue		–	(795,561)	–	(795,561)
Dividends paid		–	(2,109,435)	–	(2,109,435)
Payment for Share Buy Back		–	(2,823,427)	–	(2,823,427)
Call on unpaid capital		–	1,879,968	–	1,879,968
Net cash provided by/(used in) financing activities		239,414	334,473	(37,397)	334,473
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash at beginning of the financial year		6,883,035	4,486,604	6,883,035	4,486,604
Cash at end of the financial year	24(b)	10,618,069	6,883,035	10,618,069	6,883,035

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

GBST Holdings Limited is a public company limited by shares, incorporated and domiciled in Australia. The financial report covers the consolidated entity of GBST Holdings Limited and its controlled entities, and GBST Holdings Limited as an individual parent entity.

The financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The financial statements have been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures. These accounts are the first financial statements of GBST to be prepared in accordance with AIFRS. The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 32 to this report.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Principles of Consolidation

A controlled entity is any entity over which GBST Holdings Limited has the power to control the financial and operating policies of that entity, so as to obtain benefits from its activities.

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

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

Revenue

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

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

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

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

Goods and Services Tax (GST)

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

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

Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that is probable that future profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The group notified the ATO that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Cash and Cash Equivalents

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

Trade and Other Receivables

Trade receivables, which generally have 14-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that the group will not be able to collect the debts. Bad debts are written off when identified.

Inventories

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

Plant and Equipment

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

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

The depreciation rates used for each class of assets are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

Asset Retirement Obligations

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

Leases and Hire Purchase

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

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

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

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

Research and Development Expenditure (Software Systems)

Software systems are the core asset of the company.

Internally developed

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

Externally acquired

Software systems externally acquired are recognised at cost of acquisition. Software systems have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Software systems are amortised over their useful life on a straight line basis.

Identifiable Intangible Assets

Acquired both separately and from a business combination

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

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

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.

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business acquisition exceeds the fair value attributed to its net assets at date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested annually for any indication of impairment. No impairment has been recognised in respect of goodwill for the year ended 30 June 2006 as the results from the business acquisition are in accordance with expectations.

Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments resulting from the purchase of goods and services.

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Employee Benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. 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. Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

The consolidated entity operates an Employee Option scheme, comprising of two sub-schemes, being an Exempt Options Scheme for staff generally and a Deferred Options Scheme for select staff and eligible Directors. The company determines the fair value of options (and other equity-based incentives) issued to employees as remuneration and recognises an expense in the Income Statement. Options are valued using a binomial model which includes variables such as time, volatility, risk and return.

Converting Preference Shares

The company had preference shares on issue during the prior year which converted to ordinary shares on 17 March 2005. During the prior period the redemption term of the shares was waived and the shares were reclassified as equity.

Share Buy Back

In the prior period the company undertook a share buyback for which the price paid for the repurchase of equity was taken as a direct charge to equity. The price paid was measured at the fair value of consideration given.

Treasury Shares

The GBST Employee Share Trust is treated as a special purpose entity and consolidated. This results in the trust's shareholding in the company being disclosed as treasury shares and deducted from equity.

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

Where the employee share options are exercised and the employees acquire the shares from the ESOP Trust, the treasury shares will be removed from the balance sheet as cash is received from the employees.

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.

Critical accounting estimates and judgement

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Actual results may differ from these estimates.

Foreign Currency Transactions and Balances

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction.

Foreign currency monetary items are translated at the year end exchange rate. Exchange differences arising on the translation of monetary items are recognised in the income statement.

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 2. PROFIT FOR THE YEAR				
Profit from continuing operations before income tax expense includes the following items of revenue and expense:				
(a) Revenue:				
Operating activities:				
Revenue from license and service sales	26,408,429	22,360,527	26,408,429	22,360,527
Rebates received	–	3,395	–	3,395
Revenue from sale of third party product	1,832,945	1,352,633	1,832,945	1,352,633
	28,241,374	23,716,555	28,241,374	23,716,555
Non-operating activities:				
Interest revenue (c)	430,357	291,791	430,357	291,791
Other revenue	10,831	8,121	10,831	8,121
	441,188	299,912	441,188	299,912
Total Revenue	28,682,562	24,016,467	28,682,562	24,016,467
(b) Expense:				
Loss on sale of plant & equipment (d)	90,281	32,688	90,281	32,688
Borrowing costs (e)	26,214	94,440	26,214	94,440
Depreciation & amortisation (f)	822,519	633,578	822,519	633,578
Foreign currency translation losses/(gains)	1,218	(26,075)	1,218	(26,075)
Operating lease rentals	936,533	861,052	936,533	861,052
Research & developments costs	3,328,571	2,971,029	3,328,571	2,971,029
Employee benefits expense (g)	11,908,162	12,718,957	11,908,162	12,718,957
(c) Interest revenue:				
Directors	–	175,056	–	175,056
Other entities	430,357	116,735	430,357	116,735
	430,357	291,791	430,357	291,791
(d) Sale of assets:				
Proceeds on sale of plant and equipment	11,324	26,555	11,324	26,555
	11,324	26,555	11,324	26,555
(e) Borrowing costs:				
Interest expense – preference shares	–	78,115	–	78,115
Interest paid to other entities	–	3,458	–	3,458
Finance lease charges	4,035	8,003	4,035	8,003
Facility fees	22,179	4,864	22,179	4,864
	26,214	94,440	26,214	94,440

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 2. PROFIT FOR THE YEAR (CONTINUED)

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
(f) Depreciation & amortisation:				
Depreciation of plant & equipment	478,712	446,911	478,712	446,911
Amortisation of leased assets	40,317	95,688	40,317	95,688
Amortisation of intangibles	303,490	90,979	303,490	90,979
	822,519	633,578	822,519	633,578
(g) Employee benefits expense:				
Monetary based expense (i)	11,636,152	12,410,957	11,636,152	12,410,957
Share based payments expense (ii)	272,010	308,000	272,010	308,000
	11,908,162	12,718,957	11,908,162	12,718,957

(i) Monetary based expense includes salary and fees, bonus payments, superannuation and other benefits.

(ii) Share based payments expense is calculated in accordance with AASB 2 'Share-based Payments'.

(h) Significant Items:

The following significant expense items are relevant in explaining the financial performance:

Litigation and Redundancy payments	–	1,080,378	–	1,080,378
Licence fees in arrears	–	(431,728)	–	(431,728)
Interest on redeemable preference shares	–	78,115	–	78,115
Merger and acquisitions advice	–	151,291	–	151,291
	–	878,056	–	878,056

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$

NOTE 3. INCOME TAX EXPENSE/(CREDIT)

(a) The components of tax expense comprise:

Current Tax	2,502,489	1,071,860	2,502,489	1,071,860
Deferred tax (Note 13)	44,907	(808,464)	44,907	(808,464)
Recoupment of prior year tax losses	–	(983,770)	–	(983,770)
Over provision in respect of prior years	(55,202)	–	(55,202)	–
	2,492,194	(720,374)	2,492,194	(720,374)

NOTE 3. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:				
Prima facie tax payable at 30%	2,588,453	1,061,987	2,588,453	1,061,987
Adjust for tax effect of:				
Preference share interest	–	23,435	–	23,435
Other non-allowable items (net)	48,943	46,438	48,943	46,438
Research & development expenditure claim	(90,000)	(60,000)	(90,000)	(60,000)
Recoupment of temporary differences not previously taken up	–	(808,464)	–	(808,464)
Recoupment of prior year tax losses, not previously taken up	–	(983,770)	–	(983,770)
Over provision for income tax in prior year	(55,202)	–	(55,202)	–
Income tax attributable to entity	2,492,194	(720,374)	2,492,194	(720,374)
Average effective tax rates:	29%	–	29%	–

The income tax expense credit arose in the prior year from the recognition of taxation losses and other temporary differences which had not previously been brought to account as their realisation was not virtually certain.

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 4. DIVIDENDS				
Provision for dividend on ordinary shares	–	–	–	–
Dividend paid in the period:				
Interim unfranked ordinary dividend	–	1,020,360	–	1,020,360
Preference share unfranked dividends	–	1,089,075	–	1,089,075
Total dividends paid	–	2,109,435	–	2,109,435
Franking credit balance:				
Balance of franking account at year end	343,126	–	343,126	–
Franking credits arising from payment of provision for income tax as at the end of the financial year	2,115,948	–	2,115,948	–
Impact of proposed final dividend not recognised during the period	(753,737)	–	(753,737)	–
Franking credits available for future reporting periods	1,705,337	–	1,705,337	–

NOTE 5. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,618,069	1,188,919	1,618,069	1,188,919
Short term deposit	9,000,000	5,694,116	9,000,000	5,694,116
	10,618,069	6,883,035	10,618,069	6,883,035

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 6. TRADE AND OTHER RECEIVABLES				
Current				
Trade debtors	2,793,353	2,264,386	2,793,353	2,264,386
Other related entities (b)	–	–	1,778,071	–
Other amounts receivable	431,040	127,254	430,938	110,446
	3,224,393	2,391,640	5,002,362	2,374,832
Non-Current receivables				
Controlled entity (a)	–	–	–	16,706
Other related entities (b)	–	–	–	2,203,076
Other entities	36,792	49,356	36,792	49,356
	36,792	49,356	36,792	2,269,138

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

(b) Amount advanced to GBST ESOP as trustee for the ESOP Trust (refer Note 29). The loan will be recovered at the time the employee share options are exercised and the employees acquire the shares from the ESOP Trust. The recoverability of the loan is dependant on the value of GBST's shares. The GBST group has no proprietary interest in the share options or the shares.

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 7. INVENTORIES				
Inventory on hand at cost	2,572	62,310	2,572	62,310
	2,572	62,310	2,572	62,310

NOTE 8. PLANT AND EQUIPMENT

Owned plant and equipment at cost	4,298,355	4,020,777	4,298,355	4,020,777
Provision for depreciation	(3,164,842)	(2,973,413)	(3,164,842)	(2,973,413)
	1,133,513	1,047,364	1,133,513	1,047,364
Leased plant and equipment at cost	120,963	120,963	120,963	120,963
Provision for amortisation	(97,433)	(57,116)	(97,433)	(57,116)
	23,530	63,847	23,530	63,847
Total plant and equipment	1,157,043	1,111,211	1,157,043	1,111,211

NOTE 8. PLANT AND EQUIPMENT (CONTINUED)

(a) Movement in Plant and Equipment

	Owned \$	Leased \$	Total \$
Consolidated and Parent Company			
Year ended 30 June 2005			
Balance at the beginning of the year	994,526	159,535	1,154,061
Additions	558,692	–	558,692
Disposals	(58,943)	–	(58,943)
Depreciation expense	(446,911)	(95,688)	(542,599)
Carrying amount at the end of the year	1,047,364	63,847	1,111,211
Year ended 30 June 2006			
Balance at the beginning of the year	1,047,364	63,847	1,111,211
Additions	681,245	–	681,245
Disposals	(116,384)	–	(116,384)
Depreciation expense	(478,712)	(40,317)	(519,029)
Carrying amount at the end of the year	1,133,513	23,530	1,157,043
	Consolidated	Company	
	2006	2005	2006
	\$	\$	\$
			2005
			\$

NOTE 9. INTANGIBLE ASSETS

Software Systems	3,096,288	496,761	3,096,288	496,761
Accumulated amortisation	(713,970)	(410,480)	(713,970)	(410,480)
Net carrying value	2,382,318	86,281	2,382,318	86,281
Goodwill	3,350,061	–	3,350,061	–
Net carrying value	3,350,061	–	3,350,061	–
Total intangibles	5,732,379	86,281	5,732,379	86,281

Notes to and forming part of the Financial Statements For the year ended 30 June 2006

NOTE 9. INTANGIBLE ASSETS (CONTINUED)

(a) Movement in intangibles	Software Systems	Goodwill	Total
	\$	\$	\$
Consolidated and Parent Company			
Year ended 30 June 2005			
Balance at the beginning of the year	146,604	–	146,604
Additions	30,955	–	30,955
Disposals	(299)	–	(299)
Amortisation charge	(90,979)	–	(90,979)
Carrying amount at the end of the year	86,281	–	86,281
Year ended 30 June 2006			
Balance at the beginning of the year	86,281	–	86,281
Additions	2,599,527	3,350,061	5,949,588
Amortisation charge	(303,490)	–	(303,490)
Carrying amount at the end of the year	2,382,318	3,350,061	5,732,379

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 10. OTHER ASSETS

Current

Prepaid expenditure	280,102	241,633	280,102	241,633
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Non-Current

Investment in controlled entities (Note 21)	–	–	102	102
Prepaid expenditure	31,200	14,753	31,200	14,753
	31,200	14,753	31,302	14,855

NOTE 11. TRADE AND OTHER PAYABLES

Current

Trade creditors & accruals (unsecured)	2,030,457	2,687,808	2,030,457	2,687,808
	2,030,457	2,687,808	2,030,457	2,687,808

Non-Current

Trade creditors & accruals (unsecured)	–	155,960	–	155,960
	–	155,960	–	155,960

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 12. FINANCE LEASE LIABILITIES				
Current				
Finance lease liability (Note 19)	35,276	37,397	35,276	37,397
	35,276	37,397	35,276	37,397
Non-Current				
Finance lease liability (Note 19)	–	35,276	–	35,276
	–	35,276	–	35,276
NOTE 13. TAX				
(a) Liabilities				
Current				
Income tax	2,115,948	88,090	2,115,948	88,090
Non-Current				
Deferred tax liability comprises:				
Tax allowances relating to property, plant and equipment				
	144,765	2,512	144,765	2,512
	144,765	2,512	144,765	2,512
(b) Assets				
Deferred tax assets comprise:				
Provisions and prepaid income	853,259	736,429	853,259	736,429
Other items	55,063	74,547	55,063	74,547
Transaction costs on equity issue	143,201	190,935	143,201	190,935
	1,051,523	1,001,911	1,051,523	1,001,911
(c) Reconciliations				
(i) Gross Movement				
The overall movement in the deferred tax account is as follows:				
Opening balance	999,399	–	999,399	–
(Charge)/credit to income statement	(44,907)	808,464	(44,907)	808,464
Charge to equity	(47,734)	190,935	(47,734)	190,935
Closing balance	906,758	999,399	906,758	999,399

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 13. TAX (CONTINUED)

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
(ii) Deferred Tax Liability				
The movement in deferred tax liability for each temporary difference during the year is as follows:				
Tax allowances relating to property, plant and equipment				
Opening balance	2,512	–	2,512	–
Charged to income statement	142,253	2,512	142,253	2,512
Closing balance	144,765	2,512	144,765	2,512
(iii) Deferred Tax Assets				
The movement in deferred tax liability for each temporary during the year is as follows:				
Provisions and prepaid income				
Opening balance	736,429	–	736,429	–
Credited to income statement	116,830	736,429	116,830	736,429
Closing balance	853,259	736,429	853,259	736,429
Other Items				
Opening balance	74,547	–	74,547	–
Credited to income statement	(19,484)	74,547	(19,484)	74,547
Closing balance	55,063	74,547	55,063	74,547
Transaction costs on equity issue				
Opening balance	190,935	–	190,935	–
Charged directly to equity	(47,734)	190,935	(47,734)	190,935
Closing balance	143,201	190,935	143,201	190,935

NOTE 14. PROVISIONS

Long-Term

Employee benefits (a)	836,041	649,492	836,041	649,492
Asset retirement provision (b)	361,800	322,350	361,800	322,350
	1,197,841	971,842	1,197,841	971,842

NOTE 14. PROVISIONS (CONTINUED)

	Long-term Employee benefits \$	Asset Retirement \$	Total \$
Consolidated and Parent Company			
Balance at the beginning of the year	649,492	322,350	971,842
Additional provisions	186,549	66,300	252,849
Unused amounts reversed	–	(26,850)	(26,850)
Balance at 30 June 2006	836,041	361,800	1,197,841

(a) The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

(b) An asset retirement provision has been recognised for expected future refurbishment costs of office premises.

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$

NOTE 15. OTHER LIABILITIES

Current

Payments made in advance for software usage and support services	3,027,989	888,678	3,027,989	888,678
	3,027,989	888,678	3,027,989	888,678

Non-Current

Payments made in advance for software usage and support services	64,605	142,178	64,605	142,178
	64,605	142,178	64,605	142,178

NOTE 16. ISSUED CAPITAL

43,968,000 (June 2005: 43,968,000) fully paid ordinary shares	5,722,015	5,722,015	5,722,015	5,722,015
	5,722,015	5,722,015	5,722,015	5,722,015

Movements in contributed equity

	No.	No.	No.	No.
Ordinary Shares				
Opening balance	43,968,000	10,000	43,968,000	10,000
Selective buy back (a)	–	(1,706)	–	(1,706)
Conversion of preference shares (b)	–	11,690	–	11,690
Share split (c)	–	39,948,016	–	39,948,016
Share issue (d)	–	4,000,000	–	4,000,000
	43,968,000	43,968,000	43,968,000	43,968,000

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 16. ISSUED CAPITAL (CONTINUED)

	Consolidated		Company	
	2006 No.	2005 No.	2006 No.	2005 No.
Preference Shares				
Opening balance	-	-	-	-
Reclassification from liabilities – preference shares (e)	-	7,963	-	7,963
Exercise of options (f)	-	3,727	-	3,727
Conversion to ordinary capital – preference shares (b)	-	(11,690)	-	(11,690)
	-	-	-	-

- (a) On 20 September 2004 the company undertook a selective buy-back of 1706 ordinary shares for a total value of \$2,823,427 (\$1,655 per share). The shares were cancelled. The buy-back was apportioned on a pro-rata basis between the ordinary and preference capital of the company.
- (b) The company had on issue A and B class preference shares. Conversion of the preference shares took place on 17 March 2005. In this process, the option over A Class Preference Shares was exercised and the company received \$300,000 and the uncalled amount on the B Class Preference Shares was called up and the company received \$1,879,000 cash. The A Class and B Class shares then converted to 11,690 ordinary shares.
- (c) The company conducted a share split of its ordinary shares, on 27 April 2005. The share split ratio was 2000:1.
- (d) Issue of 4,000,000 fully paid ordinary shares at \$1.00 per share pursuant to a Prospectus dated 3 May 2005. The allotment took place on 20 June 2005.
- (e) The company had on issue A and B class preference shares. In the prior year the preference shares were initially classified as debt as their terms and conditions included redemption at the holders' option. That redemption term was waived, and the shares were reclassified from liabilities to contributed equity.
- (f) The company established options over unissued shares in September 2001. The options were exercised on 17 March 2005 into class A convertible preference shares (equal to the number of shares equivalent to 3.75% of the capital of the company on a fully diluted basis at the time of exercise of the option). The issue price for the exercise of the option was \$300,000.

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

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 17. TREASURY SHARES				
Treasury Shares (Note 29)	1,778,071	2,203,076	-	-
	1,778,071	2,203,076	-	-

NOTE 18. RESERVES

	2006	2005	2006	2005
Option Reserve	298,816	175,000	298,816	175,000
	298,816	175,000	298,816	175,000

The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 19. CAPITAL, LEASING AND OTHER COMMITMENTS

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
(a) Finance leasing and hire purchase commitments				
Payable on leases:				
Not later than one year	36,264	41,431	36,264	41,431
Later than one year but not later than five years	–	36,265	–	36,265
	36,264	77,696	36,264	77,696
Less future finance charges	(988)	(5,023)	(988)	(5,023)
Total liability	35,276	72,673	35,276	72,673
Lease liabilities are included in the Balance Sheet as:				
Current (Note 12)	35,276	37,397	35,276	37,397
Non-current (Note 12)	–	35,276	–	35,276
	35,276	72,673	35,276	72,673
(b) Non-cancellable operating leases				
Lease amounts are payable:				
Not later than one year	1,250,822	1,082,864	1,250,822	1,082,864
Later than one year but not later than five years	4,512,823	1,579,264	4,512,823	1,579,264
Later than five years	3,469,314	–	3,469,314	–
	9,232,959	2,662,128	9,232,959	2,662,128
(c) Capital and other expenditure commitments				
Contracted for:				
Capital and other operating purchases	536,858	1,403,317	536,858	1,403,317
Payable				
Not later than one year	536,858	1,403,317	536,858	1,403,317
	536,858	1,403,317	536,858	1,403,317

NOTE 20. AUDITORS' REMUNERATION

Remuneration of the auditor of the company for:				
Auditing or reviewing the financial report	53,000	25,000	53,000	25,000
Services as Independent Accountant for the company's prospectus	–	55,013	–	55,013
Services relating to legal matters concerning shareholders	–	6,750	–	6,750
Other taxation and statutory compliance assistance	4,175	17,495	4,175	17,495
	57,175	104,258	57,175	104,258
Remuneration of other auditors of subsidiary for auditing that financial report	5,378	4,700	–	–

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 21. OTHER GROUP ENTITIES

Group entity: GBST Pty Ltd
 Country of Incorporation: Australia
 Percentage owned: 100% (June 2005: 100%)

Group entity: GBST ESOP Pty Ltd
 Country of Incorporation: Australia
 Percentage owned: 100% (June 2005: 100%)

Group entity: GBST Australia Pty Ltd
 Country of Incorporation: Australia
 Percentage owned: 100% (June 2005: 100%)

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

Group entity: GBST Hong Kong Limited
 Country of Incorporation: Hong Kong
 Percentage owned: 100% (June 2005: 100%)
 Date of incorporation: 14 August 2002

During the year GBST Hong Kong Limited performed services on behalf of GBST Holdings Limited to the value of \$149,348 (2005: \$279,732).

NOTE 22. SEGMENT REPORTING

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

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 23. FINANCING ARRANGEMENTS

Other Financing facilities (a)	2,250,000	2,625,000	2,250,000	2,625,000
Amount utilised	–	–	–	–
Unused credit facilities	2,250,000	2,625,000	2,250,000	2,625,000

- (a) This bank facility expires in two years, and is secured over the assets and undertakings of the consolidated entity. Interest rates under the facility are variable. The facility has a number of other commercial terms and conditions and is reviewed annually.

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 24. NOTES TO THE STATEMENT OF CASH FLOWS				
(a) Reconciliation of net cash provided by operating activities to profit after income tax				
Profit after income tax	6,135,982	4,260,331	6,135,982	4,260,331
Non-cash flows in operating profit:				
Depreciation and amortisation	822,519	633,578	822,519	633,578
(Profit)/loss on sale of plant & equipment	90,281	32,688	90,281	32,688
Share based payments expensed	272,010	308,000	272,010	308,000
Changes in assets and liabilities :-				
(Increase)/decrease in receivables	(861,252)	8,921	(877,958)	11,129
(Increase)/decrease in other assets	(54,916)	(61,383)	(54,916)	(61,383)
Increase/(decrease) in other liabilities	2,061,738	(1,376,531)	2,061,738	(1,376,531)
(Increase)/decrease in inventories	59,738	(62,310)	59,738	(62,310)
Increase/(decrease) in deferred tax balances	92,641	(999,399)	92,641	(999,399)
Increase/(decrease) in tax provision	2,027,858	88,090	2,027,858	88,090
Increase/(decrease) in trade and other payables	(813,311)	(292,618)	(813,311)	(292,618)
Increase/(decrease) in provisions	130,767	102,478	130,767	102,478
Net cash provided by/(used in) operating activities	9,964,055	2,641,845	9,947,349	2,644,053
(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 Balance Sheet as follows:				
Cash at bank (Note 5)	1,618,069	1,188,919	1,618,069	1,188,919
Short term deposit (Note 5)	9,000,000	5,694,116	9,000,000	5,694,116
	10,618,069	6,883,035	10,618,069	6,883,035

(c) Acquisition of Business

On 15 December 2005, the company acquired the Palion business from OMX Technology Australia Pty Limited. Palion is the leading supplier of derivatives clearing and client accounting technology in Australia. The assets and liabilities acquired, including software systems, are recognised at fair value. The goodwill is attributable to the profitability of the business and the potential for new product and market development opportunities. Recurring license fees from software products acquired with the business contributed \$1.312 million to revenue in the year. The staff and products acquired with the Palion business have been integrated into GBST and do not form a reportable segment.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 24. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
The purchase was allocated as follows:				
Purchase consideration	5,033,337	–	5,033,337	–
Transaction costs	315,145	–	315,145	–
Total purchase consideration	5,348,482	–	5,348,482	–
Total cash consideration paid	5,348,482	–	5,348,482	–
Assets and liabilities acquired at acquisition date:				
Intellectual Property – Software Systems	2,000,000	–	2,000,000	–
Plant and Equipment	65,084	–	65,084	–
Future Income Tax Benefit	28,569	–	28,569	–
Employee Entitlements	(95,232)	–	(95,232)	–
	1,998,421	–	1,998,421	–
Goodwill	3,350,061	–	3,350,061	–
Total	5,348,482	–	5,348,482	–

NOTE 25. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The consolidated entity's principal financial instruments comprise of cash and short-term deposits with banks and fund managers, and leases. The main purpose of these financial instruments is to provide operating finance to group. The consolidated entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from these financial instruments are interest rate risk and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument and disclosed in note 1 to the financial statements.

(i) Interest Rate Risk

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the utilisation of long term debt facilities with a floating interest rate. The debt facilities were undrawn at balance date. For further details on interest rate risk refer to Note 25 (b) (i).

(ii) Credit Risk

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

Except for the following concentrations of credit risks, the consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into. Approximately 50% (2005: 50%) of the company's revenue is derived from five customers.

Funds on deposit with banks and fund managers adhere to an internal policy approved by the board.

NOTE 25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial Instruments

(i) Interest Rate Risk

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

	Fixed Interest Rate Maturing													
	Weighted Average Effective Interest Rate		Non-Interest Bearing		Floating Interest Rate		Within 1 Year		1-5 Years		Over 5 Years		Total	
	06	05	06	05	06	05	06	05	06	05	06	05	06	05
Financial Assets														
Cash	5.8	5.4	5,149	5,137	10,612,920	6,877,898	-	-	-	-	-	-	10,618,069	6,883,035
Trade and Other Receivables	7.3	7.1	3,210,697	2,364,487	50,488	76,509	-	-	-	-	-	-	3,261,185	2,440,996
Total Financial Assets			3,215,846	2,369,624	10,663,408	6,954,407	-	-	-	-	-	-	13,879,254	9,324,031
Financial Liabilities														
Lease & HP Facilities	7.1	7.1	-	-	-	-	35,276	37,397	-	35,276	-	-	35,276	72,673
Trade & Other Payables	-	-	4,497,458	3,106,699	-	-	-	-	-	-	-	-	4,497,458	3,106,699
Total Financial Liabilities			4,497,458	3,106,699	-	-	35,276	37,397	-	35,276	-	-	4,532,734	3,179,372

(ii) Net Fair Values

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

Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidation entity intends to hold these assets to maturity. The aggregate net fair values (which are materially in line with carrying amounts) of financial assets and financial liabilities are disclosed in the balance sheet.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 26. CONTINGENT LIABILITIES

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.

In May 2005 the company received correspondence from a former director/shareholder alleging a potential claim. The directors of GBST are not aware of any reasonable basis on which the lodgement of a claim could be justified. Since that time no further correspondence has been received on this matter.

NOTE 27. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of consolidated entity and company key management personnel in office at any time during the financial year are:

Key Management Person	Position	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
J Puttick	Director (Non-executive Chairman, resigned from Executive Chairman 15 July 2005)				
A Brackin	Director (Independent)				
S Lake	Director (Managing Director and Chief Executive Officer)				
D Shirley	Director (Independent)				
J Sundell	Director (Non-executive)				
C Apps	General Manager, Clearing Settlements & Custody Solutions				
P Ferguson	Head of Corporate Development				
P Fowler	Head of Product and Client Services (appointed 15 December 2005)				
S Hayhoe	Chief Technology Officer				
E Lloyd	General Manager, Front Office and Margin Lending (maternity leave from 2 December 2005)				
K Wallis	Chief Financial Officer				

(b) Key management personnel compensation

Short-term employee benefits	1,893,107	2,453,713	1,893,107	2,453,713
Post-employment benefits	132,092	153,402	132,092	153,402
Share-based payments	71,830	103,988	71,830	103,988
	2,097,029	2,711,103	2,097,029	2,711,103

The company has taken advantage of the relief provided by Regulation 2M.06.04 of Schedule 5B *Corporations Regulations 2001* and has transferred the detailed remuneration disclosures to the directors' report.

(c) Equity instrument disclosures relating to key management personnel

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

(d) Shareholdings

The numbers of shares in the company held during the financial year by key management personnel of GBST, including their personally-related entities, are set out on the following page.

NOTE 27. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

	Balance at 1/7/05	Received as Compensation	Sale of Shares	Net Change Other (i)	Balance at 30/06/06
Directors					
J Puttick	9,167,760	–	–	–	9,167,760
A Brackin (i)	–	–	–	169,241	169,241
S Lake (i)	3,563,096	–	–	5,000	3,568,096
D Shirley	–	–	–	–	–
J Sundell	18,483,144	–	(33,022)	–	18,450,122
GBST ESOP Pty Ltd as trustee (ii)	2,754,000	–	(384,820)	–	2,369,180
Total	33,968,000	–	(417,842)	174,241	33,724,399

(i) Shares purchased.

(ii) Shares held as trustee for the ESOP Trust (refer note 29).

(e) Options holdings

The numbers of options in the company held during the financial year by key management personnel of GBST, including their personally-related entities, are set out below.

	Balance 1.7.05	Granted as Compensation	Options Exercised or Sold	Balance 30.06.06	Total Vested 30.06.06	Total Exercisable 30.06.06	Total Unexercisable 30.06.06
Directors							
J Puttick	–	–	–	–	–	–	–
A Brackin	–	–	–	–	–	–	–
S Lake	999,332	–	–	999,332	499,666	499,666	499,666
D Shirley	–	–	–	–	–	–	–
J Sundell	–	–	–	–	–	–	–
Total Directors	999,332	–	–	999,332	499,666	499,666	499,666
Executives							
C Apps	266,488	–	–	266,488	133,910	132,578	133,910
P Ferguson	–	100,000	–	100,000	–	–	100,000
P Fowler	–	100,000	–	100,000	–	–	100,000
S Hayhoe	159,892	50,000	(35,000)	174,892	45,612	44,280	130,612
E Lloyd	266,488	–	–	266,488	133,910	132,578	133,910
K Wallis	266,488	–	(35,000)	231,488	98,910	97,578	133,910
Total Executives	959,356	250,000	(70,000)	1,139,356	412,342	407,014	732,342
Group Total	1,958,688	250,000	(70,000)	2,138,688	912,008	906,680	1,232,008

NOTE 28. RELATED PARTY TRANSACTIONS

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

(a) Transactions with Directors and Key Management Personnel

Compensation and equity interests are set out in note 27.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 28. RELATED PARTY TRANSACTIONS (CONTINUED)

In the 2005 year, prior to the company's listing on the ASX, the company had a number of transactions with its directors/shareholders, in the nature of loans and interest, preference shares, loan facilities etc. Details of these transactions were set out in the company's Prospectus and in the 2005 financial statements.

(b) Transactions with Controlled Entities

Details of transactions with controlled entities are set out in notes 6 & 21.

NOTE 29. SHARE BASED PAYMENTS

On 9 March 2005, GBST established the GBST Employee Option Plan. The plan comprised two sub-schemes, being an Exempt Options Scheme for staff generally and a Deferred Options Scheme for select staff and eligible Directors. A total of 3,911,932 (2005: 4,097,184) share options remain outstanding at 30 June 2006.

GBST ESOP Pty Ltd, in its capacity as trustee of the GBST Employee Share Trust, holds shares in GBST for subsequent allocation under the GBST Employee Option Plan. During the year ended 30 June 2006, 384,820 (2005: nil) shares were issued from the trust to meet the exercise of employee options. GBST ESOP Pty Ltd held 2,369,180 shares in GBST at 30 June 2006 (2005: 2,754,000). The Trust is treated as a special purpose entity and consolidated. The trust's shareholding in the company is disclosed as treasury shares and deducted from equity (refer note 17).

Exempt Options Scheme

Under this Scheme employees were offered the right to acquire \$1,000 worth of shares in GBST. There was no performance or vesting criteria which needed to be satisfied before employees had the benefit from holding the share options. Divestiture of the shares is restricted for a period of 3 years, subject to cessation of employment. No share options were granted during the year under this scheme (2005: 175,824), and 159,840 share options (2005: 175,824) remain outstanding at 30 June 2006. The options lapse on 8 March 2010.

Deferred Options Scheme

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

The following share based payment arrangements existed at 30 June 2006 under the Deferred Options Scheme:

On 9 March 2005, 3,921,360 share options were granted to accept ordinary shares in GBST at an exercise price of \$0.7505. The share options were granted in two equal tranches. Each tranche includes performance criteria relating to continued employment with GBST and financial hurdles as summarised below. 3,202,092 Share options remain outstanding at balance date. The share options lapse on 8 March 2007.

On 25 August 2005, 100,000 share options were granted to an executive employee of GBST at an exercise price of \$1.09. The share options were granted in two equal tranches. Each tranche includes performance criteria relating to continued employment with GBST and financial hurdles as summarised below. 100,000 Share options remain outstanding at balance date. The share options lapse in August 2007.

On 5 December 2005, 240,000 share options were granted to staff in connection with the acquisition of the Palion business unit. The share options have an exercise price of \$1.25. The share options were granted in two equal tranches. Each tranche includes performance criteria relating to continued employment with GBST and financial hurdles as summarised below. 240,000 Share options remain outstanding at balance date. The share options lapse in December 2007.

On 3 January 2006, 210,000 options were granted to select staff to accept ordinary shares in GBST at an exercise price of \$1.45. The share options were granted in two equal tranches. Each tranche includes performance criteria relating to continued employment with GBST and financial hurdles as summarised below. 210,000 Share options remain outstanding at reporting date. The share options lapse in January 2008.

NOTE 29. SHARE BASED PAYMENTS (CONTINUED)

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

Grant Date	Performance Criteria	
	Continued Employment until	Financial Performance hurdle
9 March 2005		
Tranche 1	1 July 2005	Nil
Tranche 2	31 October 2006	Targeted growth of 15% or greater in GBST's normalised earnings per share for the year ended 30 June 2006. The target growth percentage is moderated against relative increases or decreases in ASX trading volumes.
25 August 2005		
Tranche 1	31 October 2006	Targeted growth of 15% or greater in GBST's normalised earnings per share for the year ended 30 June 2006. The target growth percentage is moderated against relative increases or decreases in ASX trading volumes.
Tranche 2	31 October 2007	Either; <ul style="list-style-type: none">– The annual percentage growth in earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 30 June 2007 meets or exceeds 25%, or– The annual percentage growth in earnings per share for the year ended 30 June 2007 meets or exceeds 15%.
5 December 2005		
Tranche 1	31 October 2006	Targeted growth of 15% or greater in GBST's normalised earnings per share for the year ended 30 June 2006. The target growth percentage is moderated against relative increases or decreases in ASX trading volumes.
Tranche 2	31 October 2007	Either; <ul style="list-style-type: none">– The annual percentage growth in earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 30 June 2007 meets or exceeds 25%, or– The annual percentage growth in earnings per share for the year ended 30 June 2007 meets or exceeds 15%.
3 January 2006		
Tranche 1	31 October 2006	Targeted growth of 15% or greater in GBST's normalised earnings per share for the year ended 30 June 2006. The target growth percentage is moderated against relative increases or decreases in ASX trading volumes.
Tranche 2	31 October 2007	Either; <ul style="list-style-type: none">– The annual percentage growth in earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 30 June 2007 meets or exceeds 25%, or– The annual percentage growth in earnings per share for the year ended 30 June 2007 meets or exceeds 15%.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 29. SHARE BASED PAYMENTS (CONTINUED)

The following table illustrates the number (No.), weighted average exercise price (WAEP) and movement in share options issued during the year.

	2006 No.	2005 WAEP	2006 No.	2005 WAEP
Outstanding at the beginning of the year	4,097,184	\$0.72	–	–
Granted during the year	550,000	\$1.30	4,097,184	\$0.72
Forfeited during the year	350,432	\$0.75	–	–
Exercised during the year	384,820	\$0.72	–	–
Expired during the year	–	–	–	–
Outstanding at the end of the year	3,911,932	\$0.80	4,097,184	\$0.72

There were 384,820 share options exercised during the year ended 30 June 2006. These options had a weighted average share price of \$1.41 at exercise date.

The options outstanding at 30 June 2006 had a weighted average exercise price of \$0.80 and a weighted average remaining contractual life of eleven months. The exercise price for share options outstanding under the Exempt Options Scheme is nil, the exercise prices for share options outstanding under the Exempt Options Scheme range from \$0.75 to \$1.45 in respect of options outstanding at 30 June 2006.

The weighted average fair value of share options granted during the year was \$0.21 (2005: \$0.076).

The fair value of share options granted during the year was calculated by using a binomial option pricing model taking into account the terms and conditions upon which the share options were granted. The following inputs were used in calculating fair value:

Grant Date	25 August 2005	5 December 2005	3 January 2006
Share Price on Grant Date	\$1.09	\$1.41	\$1.43
Exercise Price	\$1.09	\$1.25	\$1.45
Expected volatility	30%	24%	24%
Dividend Yield	4.0%	4.0%	4.0%
Risk free rate	5.25%	5.25%	5.25%

Historical data has been used in determining expected share price volatility reflecting the assumption that historical volatility is indicative of future trends. This may not necessarily be the actual outcome.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 2.

NOTE 30. EARNINGS PER SHARE

	Consolidated 2006	Consolidated 2005
Adjusted basic earnings per share (cents) (i)	13.96	9.26
Basic earnings per share (cents)	13.96	16.73
Diluted earnings per share (cents)	13.77	11.79

NOTE 30. EARNINGS PER SHARE (CONTINUED)

	Consolidated 2006 \$	Consolidated 2005 \$
(a) Reconciliation of Earnings to Net Profit or Loss		
Net Profit	6,135,982	4,260,331
Redeemable and converting preference share dividends	–	(190,554)
Earnings used in the calculation of adjusted and basic EPS	6,135,982	4,069,777
Dividends on converting preference shares	–	190,554
Earnings used in the calculation of dilutive EPS	6,135,982	4,260,331
(b) Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculation of adjusted basic EPS (i)	43,968,000	43,968,000
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	43,968,000	24,332,615
Weighted average number of options outstanding or exercised during the year (ii)	580,780	3,486,538
Weighted average number of converting preference shares outstanding or converted during the year	–	8,326,153
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	44,548,780	36,145,306

- (i) The company undertook major capital restructuring in the comparative period prior to listing on the Australian Stock Exchange on 28 June 2005, as detailed in note 16. No change has occurred in the weighted average number of ordinary shares outstanding, 43,968,000, since the listing. For comparative purposes the adjusted basic earnings per share is calculated using a weighted average number of ordinary shares outstanding of 43,968,000.
- (ii) Options issued under the GBST Employee Option Plan are not included in the basic or dilutive EPS to the extent that the issue of shares is contingent upon future events and, as at reporting date, conditions which would result in the issue of shares had not been obtained (refer to Note 29).

NOTE 31. SUBSEQUENT EVENTS

As outlined in the Future Developments section of the Directors' Report, the company is actively pursuing opportunities to expand. Other than for the impact (if any) of these prospects, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of GBST, the results of those operations, or the state of affairs of GBST in future financial years.

The financial report was authorised for issue on 8 August 2006 by the board of directors.

The directors recommend a final dividend of 4.0 cents per share to be paid to the holders of fully paid ordinary shares on 29 September 2006. The total amount of the dividend is \$1,758,720. The dividend has not been provided for in the financial statements.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 32. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(a) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Consolidated 30 Jun 05 \$	Company 30 Jun 05 \$	Consolidated 1 Jul 04 \$	Company 1 Jul 04 \$
Total equity under AGAAP	8,967,332	8,967,332	1,099,666	1,099,666
<i>Adjustments to equity:</i>				
Provision for asset retirement obligation (i)	(112,012)	(112,012)	(112,012)	(112,012)
Reclassification of treasury shares (ii)	(2,203,076)	–	–	–
Employee equity benefits reserve (iii)	175,000	175,000	–	–
Recognition of deferred tax on capital raising expenses (iv)	190,935	190,935	–	–
Total transitional adjustments	(1,949,153)	(253,923)	(112,012)	(112,012)
Decrease in current period profit resulting from transition to AIFRS	(185,790)	(185,790)	–	–
Total equity under AIFRS	6,832,389	9,035,465	987,654	987,654

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

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

- (ii) Under AASB 127, Consolidated and Separate Financial Statements and UIG 112, Consolidation – Special Purpose Entities, the GBST Employee Share Trust is treated as a special purpose entity and consolidated. This results in the trust's shareholding in GBST being disclosed as treasury shares and deducted from equity. The amount of this adjustment is \$2,203,076.

This consolidation treatment arises on the basis that, although the GBST group has no proprietary interest in the shares, the GBST Employee Share Trust has been established to maintain and hold securities in accordance with the compensation policies and objectives of the GBST group. A-IFRS deems that the trust is controlled by the GBST group. Where the employee share options are exercised and the employees acquire the shares from the ESOP Trust, the treasury shares will be removed from the balance sheet as cash is received from the employees.

- (iii) Share-based payment costs are charged to the income statement under AASB 2 'Share-based Payment', but not under AGAAP. Under AASB 2 an options reserve is raised for an amount equal to the charge.

NOTE 32. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(iv) Recognition of a deferred tax asset of \$190,935 at 30 June 2005 arising from the future tax deductibility of transaction costs associated with the capital raising and listing of the company on the ASX. This adjustment has no impact on profit for the year ended 30 June 2005 as the deferred tax is recognised directly to equity.

Under A-IFRS the balance sheet liability method is used which focuses on the tax effects of transactions and other events that affect amounts recognised in either the balance sheet or a tax-based balance sheet. Deferred tax balances are determined using the profit and loss statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current deferred taxes cannot be recognised directly in equity under AGAAP.

(v) Under AIFRS some assets and liabilities are re-classified, whilst their amounts are unaffected. Items reclassified at 30 June 2005 include software and annual leave provision.

(b) Reconciliation of total profit after tax under AGAAP to that under AIFRS

	Consolidated 30 Jun 2005 \$	Company 30 Jun 2005 \$
Net Profit under AGAAP	4,446,121	4,446,121
<i>Transitional adjustments to profit:</i>		
Share-based payments expense (i)	(175,000)	(175,000)
Provision for asset retirement obligation (ii)	(63,420)	(63,420)
Income tax expense (iii)	52,630	52,630
Total transitional adjustments	(185,790)	(185,790)
Net Profit under AIFRS	4,260,331	4,260,331

(i) See Note 32 (a) (iii).

(ii) See Note 32 (a) (i).

(iii) This amount is the tax effect of the above adjustments and the capital raising costs charged directly to equity (see Note 32 (a) (iv)).

Notes to and forming part of the Financial Statements

For the year ended 30 June 2006

NOTE 33. CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Group
2004-3	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005-1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-6	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005-9	AASB 132: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2006	1 July 2006
2005-10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007
	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 July 2007
	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
	AASB 4: Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1023: General Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1038: Life Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates	No change, no impact	1 January 2007	1 July 2007
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 July 2007
New Standard	AASB 119: Employee Benefits: December 2004	No change, no impact	1 January 2006	1 July 2006

NOTE 33. CHANGE IN ACCOUNTING POLICY (CONTINUED)

All other pending Standards issued between the previous financial report and the current reporting dates have no application to either the parent or consolidated entity.

AASB Amendment	AASB Standard Affected
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation
2005-9	AASB 4: Insurance Contracts AASB 1023: General Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation

NOTE 34. COMPANY DETAILS

The registered office of the company is:

GBST Holdings Limited
c/- McCullough Robertson
Level 12, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

The principal place of business of the company is:

GBST Holdings Limited
5 Cribb Street
Milton QLD 4064

Independent Audit Report

To the members of GBST Holdings Limited



A.B.N. 98 477 136 937

SCOPE

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for GBST Holdings Limited (the company) and the consolidated entity, for the financial year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives ('remuneration disclosures'), as required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading 'Remuneration Report' in the Directors' Report as permitted by the *Corporations Regulations 2001*.

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

Audit approach

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

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

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

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

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

INDEPENDENCE

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

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

AUDIT OPINION

In our opinion:

1. The financial report of GBST Holdings Limited is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) other mandatory financial reporting requirements in Australia.
2. The audited remuneration disclosures that are contained under the heading 'Remuneration Report' in the Directors' Report comply with Australian Accounting Standard AASB 124 and the *Corporations Regulations 2001*.



Robertsons
Chartered Accountants



A W Thomas
Partner

Brisbane, 8 August 2006

Additional Information

SHAREHOLDING

(a) Distribution of Shareholders

Category (size of holding)	Number ordinary
1 to 1,000	40
1,001 to 5,000	296
5,001 to 10,000	158
10,001 to 100,000	149
100,001 and over	21
	664

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

(c) The names of the substantial shareholders listed in the company's register as at 19 September 2006 are:

Shareholder	Number ordinary
Crown Financial Pty Ltd	18,450,122
John Francis Puttick	9,167,760
Stephen Maurice Linton Lake	3,563,096

(d) Voting rights

The company only has ordinary shares on issue.

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

(e) 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Crown Financial Pty Ltd	17,954,122	40.83
2. John Francis Puttick	7,167,670	16.3
3. Stephen Maurice Linton Lake	3,563,096	8.1
4. Geraldine Ann Maunder and John Francis Puttick	2,000,000	4.55
5. GBST ESOP Pty Limited	1,989,972	4.53
6. Merrill Lynch (Australia) Nominees Pty Limited	610,000	1.39
7. Cogent Nominees Pty Limited	524,917	1.19
8. Bydand Capital Pty Ltd	392,596	0.89
9. JP Morgan Nominees Australia Limited	342,371	0.78
10. National Nominees Limited	326,144	0.74
11. Michael Hall and Patrea Burrows-Hall	325,112	0.74
12. Westpac Custodian Nominees Limited	303,428	0.69
13. Lost Ark Nominees Pty Limited	300,000	0.68
14. Bogasi Pty Ltd	248,000	0.56
15. Bogasi Pty Ltd	248,000	0.56
16. Big Al Pty Ltd	169,241	0.38
17. Katherine Louise Cobley	141,875	0.32
18. Custodial Services Limited	137,100	0.31
19. John Darcy Thomas	130,000	0.3
20. Second Chance Investments Pty Ltd	120,000	0.27

Corporate Directory

REGISTERED OFFICE

c/- McCullough Robertson, Lawyers

Level 12, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000
Ph 07 3233 8888
Fax 07 3229 9949

PRINCIPAL PLACE OF BUSINESS

5 Cribb Street
Milton QLD 4064
Ph 07 3331 5555
Fax 07 3367 0181
www.gbst.com

POSTAL ADDRESS

PO Box 1511
Milton QLD 4064

DIRECTORS

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

COMPANY SECRETARIES

David Michael Doyle
John Francis Puttick

SHARE REGISTRY

Link Market Services

Level 12, 300 Queen Street
Brisbane QLD 4000
Ph 02 8280 7454

STOCK EXCHANGE LISTING

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

UNQUOTED SECURITIES

A total of 3,434,590 options are on issue to 1 director and 129 employees under the GBST Holdings Limited Employee Option Plan

AUDITORS

Robertson Chartered Accountants

Level 4, 127 Creek Street
Brisbane QLD 4000

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Fax 07 3229 3277

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