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# Annual Report 2016





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## CORPORATE GOVERNANCE

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, HUB24 Limited and its Controlled entities ('the group') have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The group's Corporate Governance Statement for the financial year ending 30 June 2016 was approved by the Board on 26 August 2016. The Corporate Governance Statement is available on HUB24 Limited's website at <https://www.hub24.com.au/AboutUs/Corporate-Governance-Statement>.

# Results for announcement to the market

## Appendix 4E

	Year ended 30 June 2016		Year ended 30 June 2015		
	\$'000		\$'000		% change
<b>From continuing operations</b>					
Revenue from ordinary activities	43,657	From	29,304	Increase	49%
Net loss after tax for the year attributable to members	(1,187)	From	(5,350)	Decrease	78%
<b>From discontinuing operations</b>					
Revenue from ordinary activities	-	From	-	-	-
Net loss after tax for the year attributable to members	-	From	(1,107)	Decrease	100%
<b>From continuing and discontinuing operations</b>					
Revenue from ordinary activities	43,657	From	29,304	Increase	49%
Net loss after tax for the year attributable to members	(1,187)	From	(6,457)	Decrease	82%

### DIVIDENDS

The Directors have not declared a final dividend for the year ended 30 June 2016 (2015: Nil).

### EXPLANATION OF RESULT

Refer to the attached Directors' Report and review of operations for further explanation.

Net tangible assets per fully paid ordinary share 30 June 2016	\$0.099
Net tangible assets per fully paid ordinary share 30 June 2015	\$0.095

### ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

HUB24 Limited has not gained nor lost control of any entity during the period.

### AUDIT

The report is based on accounts that have been audited by the company's auditors, Deloitte Touche Tohmatsu.

# Corporate information

## DIRECTORS

Bruce Higgins (Chairman)  
Andrew Alcock (Managing Director)  
Ian Litster  
Vaughan Webber  
Anthony McDonald  
(appointed 1 September 2015)  
Hugh Robertson  
(resigned 29 February 2016)

## COMPANY SECRETARY

Matthew Haes

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 8, The Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## SHARE REGISTRY

**Link Market Services Limited**  
Level 12, 680 George Street  
Sydney NSW 2000

HUB24 Limited shares are listed on  
the Australian Securities Exchange  
(ASX code: HUB)

## SOLICITORS

**Minter Ellison**  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

## AUDITORS

**Deloitte Touche Tohmatsu**  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

## BANKERS

**Australia and New Zealand  
Banking Group Limited**  
20 Martin Place  
Sydney NSW 2000

## INTERNET ADDRESS

[www.hub24.com.au](http://www.hub24.com.au)



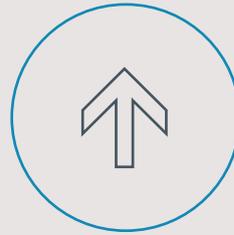
## COMPANY SUCCESSES



Transition to

# Profit

EBITDA<sup>1</sup> positive for 2HFY16  
EBIT<sup>2</sup> positive for 4QFY16  
PBT<sup>3</sup> positive for June  
and July 2016



Retail FUA growth of 94% to

# \$3.3bn

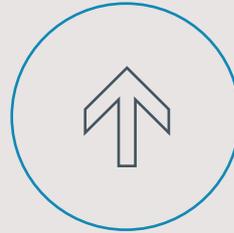
Now \$3.65bn



Cash and cash equivalents of

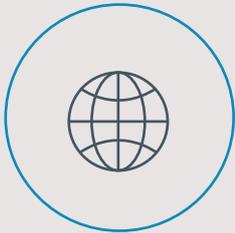
# \$9.3m

as at 30 June 2016



Retail Net nflows increased

# 102%



# Launch

of International Managed  
Portfolios



Growth in active advisers to

# 659

serving 70 active financial  
planning groups with 11  
white label agreements



Increase in platform revenue of

# 91%

achieved through growing  
Funds Under Administration



HUB24 awarded

# 1<sup>st</sup>

ranking in the Value for money  
category in the Investment  
Trends 2016 Planner  
Technology Report<sup>4</sup>

1 EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items.

2 EBIT represents earnings before interest, tax and other significant items.

3 PBT represents profit before tax. July 2016 not subject to audit.

4 Results from Investment Trends 2016 Planner Technology Report, based on an online survey of over 878 financial planners.



## Chairman and Managing Director's report

### Dear Shareholders,

On behalf of the Directors we are pleased to announce the results for HUB24 for the financial year ended 30 June 2016.

This year was again a period of significance with the achievement of notable financial milestones for HUB24. Our focus on rapid growth and ongoing investment in product and technology features has delivered strong financial results. Our Retail Funds Under Administration (FUA) increased more than 94% for the year ended 30 June 2016 with positive EBITDA<sup>1</sup> for the second half. Additionally HUB24 has achieved four consecutive quarters of record gross inflows and has continued to receive welcome industry recognition of both our innovative platform technology and our service proposition.

In our last annual report we were pleased to advise the group had achieved positive operating earnings before interest, tax, depreciation and amortisation (Operating

EBITDA<sup>2</sup>) from March 2015. In this report, we are equally happy to advise further achievements having recorded positive EBITDA for the second half and positive EBIT<sup>3</sup> for the last quarter. Additionally, HUB24 has recorded positive monthly profit before tax (PBT) for June and July<sup>4</sup> highlighting our transition to profitability. We are delivering on our commitment of improved profit margins and financial results whilst continuing to make a considerable investment in our products and services to extend our industry leadership and underpin ongoing growth.

HUB24 operates in the fastest growing segment of the personal investments market where wrap platforms, including managed portfolios, are expected to increase fourfold over the next 15 years<sup>5</sup>.

To remain at the forefront of this market and ensure that HUB24 continues to prove highly scalable with the growing

<sup>1</sup> EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items.

<sup>2</sup> Operating EBITDA excludes growth resources expensed and other significant items.

<sup>3</sup> EBIT represents earnings before interest, tax and other significant items.

<sup>4</sup> The month result for July 2016 has not been audited.

<sup>5</sup> Rice Warner's Personal Investments Market Projections 2015.

momentum of inflows, we will maintain our deliberate focus on innovation, product development and outstanding quality of delivery.

During the 2016 financial year, HUB24 launched managed portfolios for international securities. This new service enables investors to directly hold these securities whilst taking advantage of the the same benefits available domestically via our market leading managed portfolio capability. Investors can select from a range of professional asset managers and licensees can also build their own portfolios, accessing securities from 15 major exchanges worldwide.

The company also launched the provision of administration services to Managed Discretionary Account (MDA) operators. This has opened up a new product range and market for HUB24, and enhanced our portfolio capability to facilitate individual investment tailoring for advisers and investors.

Our ability to assist licensees transfer large volumes of clients to HUB24 was proven this year. During the last few months of the financial year we successfully transitioned approximately \$600m of client assets,

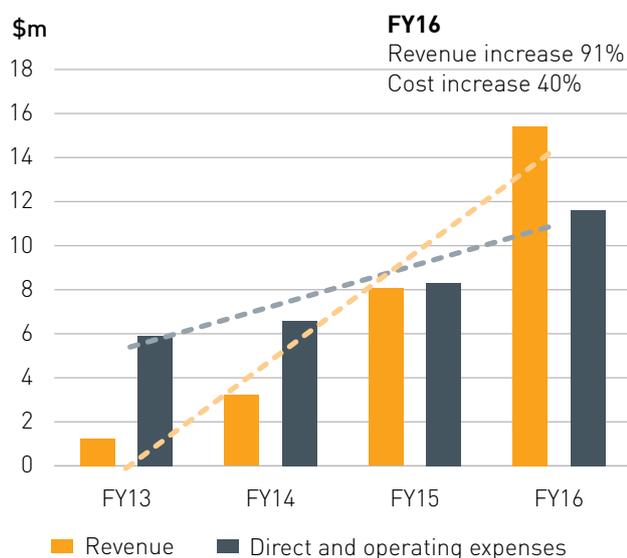
involving multiple legal structures and product features, for a leading advisory group. This achievement cements our ability to grow rapidly by pursuing larger market opportunities and delivering complex projects with certainty and excellence.

Paragem, our licensee business also had a successful year with increasing revenues and profitability, providing valuable support to our core platform business. During the year ended 30 June 2016, three new financial planning practices were recruited and the licensee actively assisted Paragem practices to develop and grow their businesses, whilst delivering quality and valuable advice to clients.

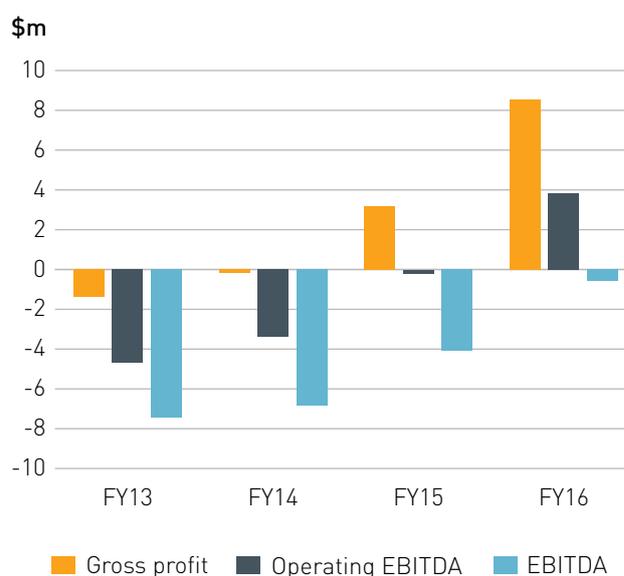
## Financial performance

Revenue from ordinary activities increased by 49% to \$43.657 million for the year ended 30 June 2016. For the platform segment revenue increased to \$15.410 million, an increase of 91% over the prior corresponding period (PCP) which was driven by an increase in retail FUA of 94% to \$3.313 billion as at 30 June 2016.

### PLATFORM REVENUE AND COSTS



### PLATFORM – GROSS PROFIT, OPERATING EBITDA AND EBITDA TRENDS



MARGIN AS A % OF REVENUE			
Platform segment profit lines	FY14	FY15	FY16
Gross profit	(5.2%)	39.2%	55.6%
Operating EBITDA	(106.0%)	(2.5%)	24.7%
EBITDA	(213.0%)	(50.5%)	(3.7%)

During the same period, direct platform costs increased by 40% demonstrating that scale benefits continue to increase with growing FUA and revenues. Margin improvements were made across our three profit lines in our platform segment in each of the last three years.

Having achieved positive gross profits for the year ended 30 June 2014 and positive Operating EBITDA for the year ended 30 June 2015, HUB24 has now achieved its maiden half year of positive EBITDA.

The business carefully manages the timing and extent of further investment in resources to provide a stable platform to support our clients and our rapid growth. This includes ongoing review of platform administration, client service and transition functions for further efficiencies and continuous improvement programs to deliver further value to our clients and shareholders.

## Growth

We have delivered a Compound Annual Growth Rate (CAGR) in FUA over the past 4 years of 128% with Retail FUA as at 30 June 2016 of \$3.313 billion.

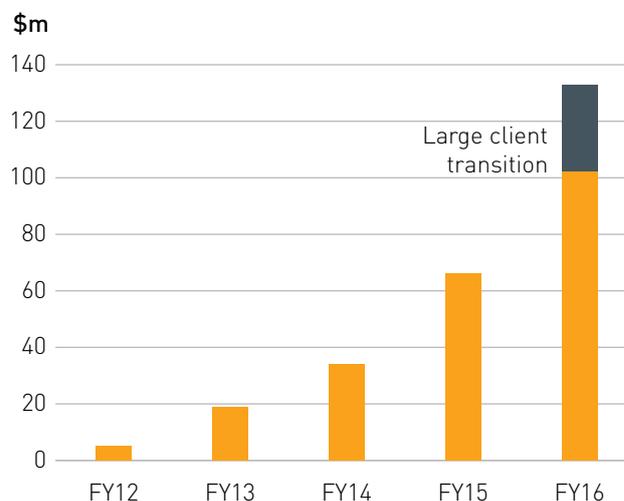
Total FUA of \$3.776 billion includes Wholesale FUA of an additional \$313 million, which is derived from providing custody and administration services to wholesale clients, and Reporting Services FUA of an additional \$150 million representing retail client accounts held outside of custody for which the platform provides portfolio and tax reporting. Retail FUA, which represents HUB24's core platform offering, increased 94% for the year to \$3.313 billion.

Our growth is increasingly well distributed across 70 active licensees, including 11 white label relationships with 29 licensees joining the platform during the year ended 30 June 2016. The number of advisers using the platform continues to increase with new licensees joining the platform and expansion amongst existing licensees. This is demonstrated by increasing adviser numbers as well as FUA per adviser.

Monthly average retail net inflows by financial years to date have continued to rise with the average for the 2016 financial year being \$133 million per month (\$102 million per month excluding a large client transition) which is an increase of 102% from an average of \$66 million for the year ended 30 June 2015.

HUB24 has recorded four quarters of record gross inflows during the 2016 financial year and the number of advisers using the platform has increased by 36.2%. Given that many of the advisers are relatively new to using the HUB24 platform, we expect significant upside in the level of usage in advisers' businesses leading to an increase in the average FUA per adviser. The company continues to focus on securing new adviser relationships to further increase the momentum in FUA growth.

## AVERAGE MONTHLY RETAIL NET INFLOWS



Three new white label agreements were signed during the 2016 financial year which are expected to contribute to the company's continued growth in FUA and netinflows.

## Operations

Continuing investment in platform development has seen HUB24 recognised in the Investment Trends 2015 Platform Benchmarking Report<sup>6</sup> whereby HUB24:

- continues to be ranked in the top three platforms in the industry in terms of overall platform functionality with outstanding scores achieved in decision support, reporting and access
- won the award for Best Navigation and User Interface
- won the award for Best Tablet/Smartphone Access
- of the top three ranked platforms for overall functionality, HUB24 ranked first for managed accounts functionality which is a key feature of our value proposition.

Platform developments for the year ended 30 June 2016 were launched for international managed portfolios enabling investors to directly own international listed companies via managed portfolios across 15 global markets. We are continuing to grow the range of professional investment managers offering portfolios that allow investors to achieve the same tax and transparency benefits offered domestically with our market leading portfolio capability.

<sup>6</sup> Investment Trends December 2015 Platform Benchmarking Report based upon extensive analyst reviews of 22 Platforms across 506 functional areas.

PLATFORM STATISTICS	JUN '15	SEPT '15	DEC '15	MAR '16	JUN '16	Growth**
<b>FUA</b>						
FUA – Retail	\$1,704m	\$1,979m	\$2,368m	\$2,686m	\$3,313m	94.1%
FUA – Wholesale					\$313m	
FUA – Reporting service					\$150m	
<b>Total FUA</b>	<b>\$1,704m</b>	<b>\$1,979m</b>	<b>\$2,368m</b>	<b>\$2,686m</b>	<b>\$3,776m</b>	<b>122%</b>
<b>Retail flows</b>						
Net fund inflows (Qtr)	\$273m	\$337m	\$331m	\$363m	\$579m*	112.1%
Gross inflows (Qtr)	\$325m	\$397m	\$403m	\$442m	\$688m*	111.7%
Number of advisers	484	522	556	570	659	36.2%

Statistics are for each quarter, have been rounded and are not audited. Inflows do not include market movement.

\*Inclusive of large client transition

\*\*Growth is the percentage increase on prior year corresponding quarter.

HUB24 has developed a market leading investment “exclusion and substitution capability” that provides advisers with the ability to customise portfolios for individual clients or groups of clients based on their preferences. This new functionality allows advisers to create very efficient and automated Individual Managed Accounts (IMAs).

HUB24 is now offering administration services for Managed Discretionary Account (MDA) operators and provides a compelling administration alternative for participants in this market. This new capability demonstrates HUB24’s ability to deliver our services across multiple legal structures and support the varying needs of our customers.

During the 2016 financial year HUB24 transitioned approximately \$600m in FUA from Fortnum (a leading dealer group) to its IDPS, Superannuation, MDA and Reporting Services offering. This transition was the first of its kind and size for the company and is a testament to our technology and talented team. A number of enhancements to the platform were made during this transition which have prepared the company for further large client opportunities.

## Corporate

On 8 October 2015 the company announced it had received an indicative, non-binding and conditional proposal from IOOF Holdings Ltd to acquire 100% of the company’s shares for cash consideration of \$2.75 per share. The Board rejected the proposal as it believed that it did not reflect the underlying value of the company and the proposal was subsequently withdrawn.

620,000 share options were issued to staff and executives on 14 October 2015 under the HUB24 Share Option plan.

150,000 options were issued to the Managing Director on 7 December 2015 after being approved by shareholders at the Annual General Meeting of the company held 25 November 2015.

Anthony McDonald was appointed to the position of Non-Executive Director effective 1 September 2015.

Hugh Robertson retired as a Non-Executive Director of the company effective 29 February 2016.

## Corporate governance

The Board of HUB24 is committed to achieving and demonstrating standards of corporate governance that are best practice and compliant with the Australian Stock Exchange (ASX) regulations of good corporate governance. Our goal is to ensure that we protect the rights and interests of shareholders and ensure the company is properly managed through the implementation of sound strategies and action plans. We achieve this through the management team of our company and by supervising an integrated framework of controls over the company’s resources to ensure our commitment to high standards of ethical behaviour.

Our remuneration report is enclosed in the annual report and outlines the group remuneration policies, Board performance and the senior executive remuneration policies and compensation.

## Outlook

HUB24’s is making strong progress in achieving our vision to be the leading independent platform provider which revolutionises the way people manage their wealth.

We are forecasting profit before tax for the first half of the 2017 financial year including positive cashflow and strong growth in FUA. We will provide further guidance to shareholders at the Annual General meeting.

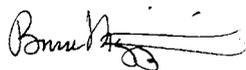
We anticipate that the continuing disruption in wealth management will offer HUB24 enhanced opportunities for growth as our value proposition is aligned to delivering improvement to our clients businesses through offering innovative investment administration, portfolio management, reporting and support services that deliver superior outcomes for advisers, licensees and investors.

Our plan is to continue to develop new platform functionality at approximately the same rate of investment, targeted toward accelerating FUA to the platform. This takes advantage of favourable market conditions which support the growth and success of HUB24 as an innovative and independent platform providing real choice to advisers and investors.

On behalf of the Directors, we wish to thank our entire team for their commitment, contribution and customer focus during another exciting year for HUB24, without which our achievements would not be possible.

We would also like to thank our clients for their support.

Yours sincerely,



**Bruce Higgins**  
Chairman



**Andrew Alcock**  
Managing Director

29 August 2016



## HUB24 FY2016 strengthening results

Retail net inflows	\$1.6bn	↑	102%
Retail FUA	\$3.1bn	↑	94%
Platform revenue	\$15.4m	↑	91%
Group gross profit	\$10.9m	↑	125%
Group EBITDA*	(\$0.8m)	↑	81%
Group NPAT	(\$1.2m)	↑	81%

Earnings before interest, tax, depreciation, amortisation and other significant items

# Business overview

HUB24 operates in a dynamic market where strong growth in investment and superannuation continues. A growing but ageing population, market volatility, record-low interest rates and ongoing changes in superannuation are among some of the market forces shaping the industry.

Given Australia's ageing population, there is a strong national occupation with investing towards a comfortable retirement. Regardless of the changes made by the Federal Government to superannuation, nothing will alter the need for individuals and their investment structures to accumulate wealth.

In this context, the role of quality, independent financial advice and sophisticated investment platforms is increasing. While the initial role of a platform was to provide tools to facilitate custody and reporting by advisers to clients, technological advancements and innovation mean investment platforms now define the dynamic between investment managers, advisers and clients.

HUB24 is well-poised for ongoing growth, with its investment platform leading the market across many facets. The fastest growing sector of the investment and superannuation platform market is that where HUB24 has been a leader – managed portfolios (managed accounts/SMA). Managed portfolios are expected to continue their growth trajectory for a number of reasons given the low interest rate and growth outlook and ongoing pressure on financial advisers' margins. This environment makes the lower cost, tax efficiency and transparency of managed portfolios increasingly attractive to both advisers and their clients.

## Key market trends

### STRONG PROJECTED GROWTH IN INVESTMENT, SUPERANNUATION AND MANAGED PORTFOLIOS

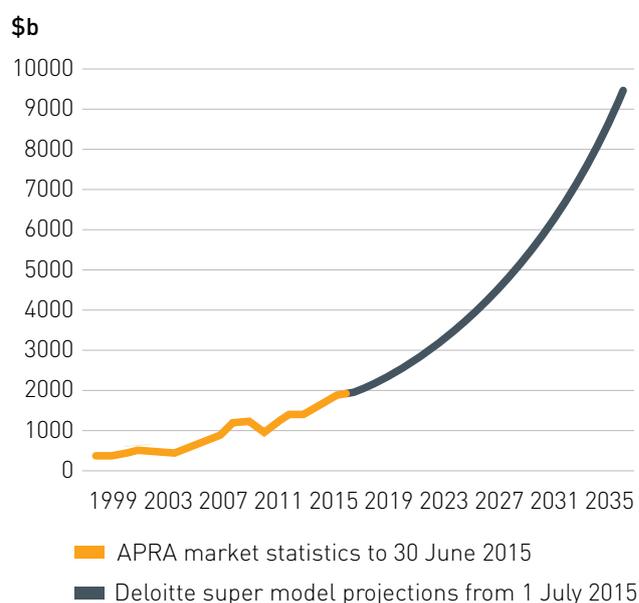
The personal investments market is expected to grow at a rate of 4% p.a over the next 15 years. Wrap platforms, including managed portfolios, will be the fastest growing segment, increasing 10.4% per annum or fourfold over the next 15 years<sup>1</sup> to \$315 billion.

The total pool of Australian superannuation assets will grow to \$9.5 trillion by 2035, from \$2 trillion at 30 June 2015<sup>2</sup> implying an 8.1% CAGR.

Individuals running SMSFs control \$520.5 billion or nearly a third of the total invested via Australian superannuation funds compared to 10% ten years ago.

Managed portfolios are expected to grow to \$60 billion by 2020 (currently estimated to be \$20 billion) and could account for 75% of platform net inflows<sup>3</sup>.

### AUSTRALIAN SUPERANNUATION ASSET GROWTH\*



\*Source: APRA and Deloitte Actuaries and Consultants, 2015

## Managed portfolios poised for strong growth

Market forces driving the uptake of managed portfolios include:

- 1 Rice Warner's Personal Investment Market Projections Report 2015.
- 2 Deloitte Dynamics of Superannuation Report 2015.
- 3 Morgan Stanley Research Asia Insight June 22, 2016. Disruptors: Australia Financials, Managed Accounts – Evolution or Revolution? pg3

## Personal investment market projections\*

### OVERALL SAVINGS MARKET BREAKDOWN

Personal investment market

\$2242bn

Superannuation market

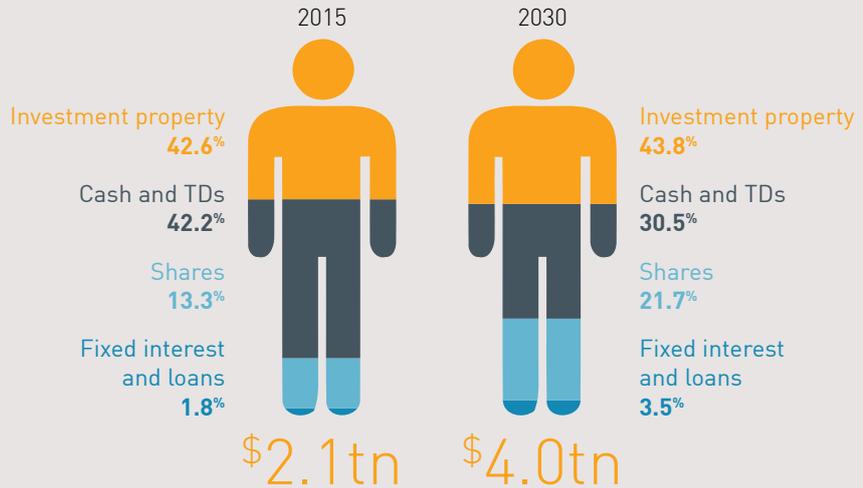
\$2023bn

### OVERALL GROWTH RATE OF PERSONAL INVESTMENT MARKET

Next 15 years

4% CAGR

### PERSONAL MARKET BREAKDOWN



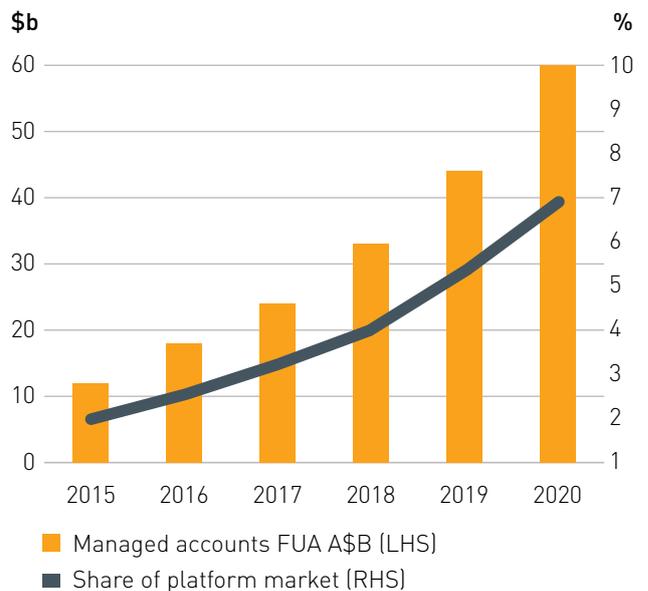
We expect the reallocation of cash and TDs into shares to be driven by investors seeking higher yields than available from cash and TDs

\*Source: Rice Warner Report based on 2015 data

- regulation – dealer group product packaging, platform rebate replacement
- more mature SMSF segment demanding benefits of SMAs
- cost efficiencies boosting practice value – advisers are looking for ways to create a more efficient offering
- retail stockbrokers evolving into wealth managers
- major institutions entering this space
- limited MDAs – ASIC uncertainty regarding the future of MDA offerings is likely to increase the appeal of managed portfolios.

From a client perspective, managed portfolios combine the benefits of investing directly and professional management in a cost effective and efficient structure. Investing in managed portfolios gives investors benefits such as greater transparency, they know exactly what they're investing in; and better tax management – by investors owning their own assets, CGT can be minimised by taking into account other direct assets they may have in their account.

### MANAGED ACCOUNTS – SHARE OF PLATFORM MARKET



Source: Plan for Life, Morgan Stanley Research estimates

## Advisers and their clients are driving demand

Investment Trends' research<sup>4</sup> shows that demand for managed accounts is coming from advisers who typically have recommended direct shares to clients, but see managed accounts as a more efficient solution in a market where efficiencies and costs are paramount.

Planners' use of managed portfolios continues to increase with 22% of planners already recommending managed portfolios. This is driven by an increase in usage amongst planners who already recommend direct shares. Of those who already recommend managed portfolios, 25% of their clients' funds are going to managed portfolios. This is expected to reach 33% within three years.

Planners report tangible business benefits of using managed portfolios and believe these could become a viable whole-of-portfolio solution for clients, according to Investment Trends.

## HUB24 well positioned to leverage key growth trends

HUB24 is an industry leader providing all the features of a traditional wrap platform with a comprehensive managed portfolio offering.

HUB24 is a key player in this growing sector of the market as evidenced by its escalating growth since 2012. HUB24 continues to invest in its platform technology increasing the breadth and depth of its platform functionality.

Competitive advantages include:

- the largest and most functional managed portfolio and SMA platform in the market
- broad and non-aligned investment menus and investment solutions – with access to over 200+ managed portfolios and over 900 product choices
- experienced management and a nimble technology team
- HUB24 has flexible technology with award-winning online and mobile interfaces and the ability to transact 24/7 on most mobile devices and tablets
- sophisticated tax optimisation tools to improve investor outcomes.

## HUB24 achievements

HUB24 has experienced a strong year of growth:

- achieved gross inflow records in each quarter for the year ended 30 June 2016
- exceeded \$3.3 billion in Retail FUA
- HUB24 has increased total FUA by greater than 100% in each of the last two years – highest relative growth in the market according to Plan for Life's March 2016 Report<sup>5</sup>
- HUB24 FUA is currently 0.4% of the FUA of all Master Trusts, Wraps and Platforms or 0.97% of all wraps although the market is dominated by large institutions, independent platforms are growing at multiples to the overall market.

The company announced new white label agreements with three dealer groups during the year ended 30 June 2016, which are expected to contribute to the company's continued growth in its core platform service offerings.

Another major achievement for 2016 was the launch of international managed portfolios on the HUB24 platform. This enables investors to directly own international listed companies via professionally managed portfolios from more than 15 global markets across North America, Europe and Asia.

Investors can now easily and affordably directly own well-known companies such as Colgate, Nestle, Toyota, Visa, Microsoft and Apple via the international managed portfolios on our market-leading investment platform.

## Industry recognition

HUB24 again ranked in the top two platforms in the 2016 Investment Trends Planner Technology Report<sup>6</sup>, which examines the technology and processes used by Australia's financial planners.

- HUB24 was once again ranked first in the value for money category. Value for money is now overtaking online functionality as the most important driver of platform satisfaction.
- HUB24 ranked first for mobile access, pricing flexibility, timeliness of tax reports and importantly tax optimisation tools – a growing area of dissatisfaction amongst financial planners.

With HUB24's innovative platform, tax parcels can be held and managed at a whole of account level with underlying platform technology automatically selecting the most effective parcel to trade when a portfolio is changed by a manager or adviser. Quick and comprehensive tax modelling around managed portfolios/SMAs allows advisers to see potential realised gains/losses before assets are switched.

<sup>4</sup> Investment Trends May 2016 Planner Technology Report, based on an online survey of over 878 financial planners.

<sup>5</sup> Plan For Life. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2016.

<sup>6</sup> Investment Trends May 2016 Planner Technology Report, based on an online survey of over 878 financial planners.

HUB24 ranked in the top two in several other areas including overall satisfaction by planners, online functionality, ease of navigation, portfolio management tools and online transaction capabilities.

After attracting the greatest share of 'switchers' and new users relative to its market share, HUB24 was also identified as the most successful platform in capturing new planner relationships.

HUB24 is now 'challenging the traditional industry incumbents by delivering a well-rounded proposition,' evidenced by having one of the largest increases in primary market share in recent years.

HUB24 was also recognised in the Investment Trends 2015 Platform Benchmarking Report<sup>7</sup>:

- HUB24 continues to be ranked in the top three platforms in the industry in terms of overall platform functionality with outstanding scores achieved in decision support, reporting and access
- HUB24 won the award for Best Navigation and User Interface
- HUB24 won the award for Best Tablet/Smartphone Access
- of the top three ranked platforms for overall functionality, HUB24 ranked first for managed accounts functionality which is a key feature of our value proposition.

## Continuing investment in client driven technology

HUB24's purpose-built proprietary technology platform allows the company full control over development priorities to provide compelling and tailored solutions for our clients. The company is unconstrained by external vendors, and is well known for delivering platform enhancements more rapidly than most, if not all, of our competitors, providing a significant competitive advantage.

## New MDA services

Additionally, HUB24 is now offering administration services for Managed Discretionary Account (MDA) operators and the company is well positioned to take advantage of the foreshadowed changes to MDA and limited MDA regulatory requirements. Additional new business opportunities may arise to support current providers that are impacted by the changes.

## Portfolio customisation

HUB24 has developed a market leading investment 'exclusion and substitution capability' that provides advisers with the ability to customise portfolios for individual clients or groups of clients based on their preferences. Exclusions can be based on nominated GICS sectors, investment types or individual investments and may be substituted with cash, other investments or rebalanced across portfolios at the discretion of the client. This new functionality allows advisers to create very efficient and automated Individual Managed Accounts (IMAs).

## Improvements to AdviserHUB

During May 2016, the adviser portfolio dashBoard on AdviserHUB, HUB's online portal for advisers, was upgraded to provide additional support for clients owning multiple accounts including non-custody cash management and stockbroking accounts. Advisers can now view information on a single account or combination of accounts basis within a family group and can chat live with our support staff via our recently released Chat Feature.

<sup>7</sup> Investment Trends December 2015 Platform Benchmarking Report, based upon extensive analyst reviews of 22 Platforms across 506 functional areas.



# Directors' report

Your Directors present their report together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'HUB24 consolidated entity') consisting of HUB24 Limited (referred to hereafter as the 'company') and the entities it controlled for the year ended 30 June 2016.

## Directors

The names and details of the company's Directors in office during the 2016 financial year are as follows.



## Bruce Higgins

**B Eng CP Eng, MBA, FAICD**

### CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Bruce is currently Chairman and Non-Executive Director of Legend Corporation. Bruce was awarded the Ernst & Young Entrepreneur of the Year award in Southern California in 2005 and has a Bachelor Degree in Electronic Engineering and an MBA in Technology Management. He is a Chartered Professional Engineer and Fellow of the Australian Institute of Company Directors.

Bruce was appointed as Chairman of the Board on 19 October 2012.

Previous listed company directorships held in the last three years:

- Q Technology consolidated entity (resigned December 2014)



## Andrew Alcock

**B Bus, GAICD**

### MANAGING DIRECTOR

Andrew has over 21 years experience across wealth management encompassing advice, platforms, industry superannuation, insurance and information technology. Andrew was formerly Chief Operating Officer of Genesys Wealth Advisers and Head of the Genesys Equity Program, where he was a Director of over 20 financial planning practices across Australia.

His previous executive roles include General Manager for Asteron's wealth management business, where he was responsible for a broad range of superannuation and investment solutions for investors, employers, licensees and advisers.

Andrew's extensive financial services experience solidly underpins his role as Managing Director of HUB24 Limited.

Andrew was appointed to the company's Board on 29 August 2014 as Managing Director.

Previous listed company directorships held in the last three years:

- Nil



## Ian Litster

**B Sc (Hons)**

### NON-EXECUTIVE DIRECTOR

Ian Litster has over 11 years experience in designing and developing software for the financial services industries, particularly in the area of financial planning. He has been the founder of the companies behind the VisiPlan and COIN software packages, two of the leading financial planning systems in Australia. His main areas of expertise are the management of information technology organisations and software development. Ian has a Bachelor Degree in Science (Honours in Mathematics).

Ian was appointed to the Board on 25 September 2012 and is a member of the Remuneration and Nomination Committee and the Audit, Risk and Compliance Committee.



## Vaughan Webber

**B Ec**

### NON-EXECUTIVE DIRECTOR

Vaughan Webber is an experienced finance professional with a background in chartered accounting at a major international accountancy firm. Recently, Vaughan has had extensive financial public markets experience, having spent over 14 years in corporate finance at leading Australian mid-sized stockbrokers focusing on creating, funding and executing strategies for mid to small cap ASX listed companies. Vaughan also has experience as a Director with ASX listed public companies and is currently Non-Executive Director of Money3 Corporation Limited and Non-Executive Director of Anchor Resources Limited. Vaughan has a Bachelor Degree in Economics.

Vaughan was appointed to the company's Board on 19 October 2012 and is the Chairman of the Audit, Risk and Compliance Committee.

Previous listed company directorships held in the last three years:

- Wentworth Holdings Limited (resigned 21 November 2013)



## Anthony McDonald

**B Comm LLB**

### NON-EXECUTIVE DIRECTOR

Anthony McDonald co-founded financial planning firm Snowball Group Limited in 2000, which merged with Shadforth in 2011 to become ASX-listed SFG Australia Limited.

Anthony is also a former Director of The Investment Funds Association of Australia (now Financial Services Council) and currently Chairman of a leading not-for-profit organisation. He was appointed as non-executive Director of 8IP Emerging Companies Limited, an ASX listed investment company, on 24 September 2015.

As a financial services executive Anthony worked in a variety of senior roles with the Snowball Group, SFG, Jardine Fleming Holdings Limited (Hong Kong), and Pacific Mutual Australia Limited. Prior to entering the financial services industry, Anthony worked as a solicitor with the two global law firms, Baker & McKenzie and Coudert Brothers. He holds a Bachelor of Laws (LLB) and a Bachelor of Commerce (Marketing) from the University of NSW.

Anthony was appointed to the HUB24 Board on 1 September 2015 and is the Chair of the Remuneration and Nomination Committee.

Previous listed company directorships held in the last three years:

- Nil



## Hugh Robertson

### NON-EXECUTIVE DIRECTOR (RETIRED 29 FEBRUARY 2016)

Hugh Robertson has over 25 years experience in the financial services industry, commencing his stockbroking career in 1983. During that time he has been involved in a number of successful stockbroking and equity capital markets businesses, including Falkiners Stockbroking and most recently Bell Potter Securities.

As at the date of Hugh's retirement from the Board he was a Non-Executive Director at Oncard International Limited and AMA Group Limited. Previously, Hugh has also held Directorships with NSX Ltd, OAMPS Ltd, Catalyst Recruitment Ltd and Bell Potter Ltd (pre-IPO).

Hugh was appointed to the Board on 20 April 2011 and retired on 29 February 2016.

Previous listed company directorships held in the last three years:

- Wentworth Holdings Limited (resigned 3 September 2013)

There were no other directors holding office during the 2016 financial year that were not company directors at the date of this report are as follows.



## Company Secretary

The name and details of the Company Secretary in office during the 2016 financial year and at the date of this report is as follows:

### Matthew Haes

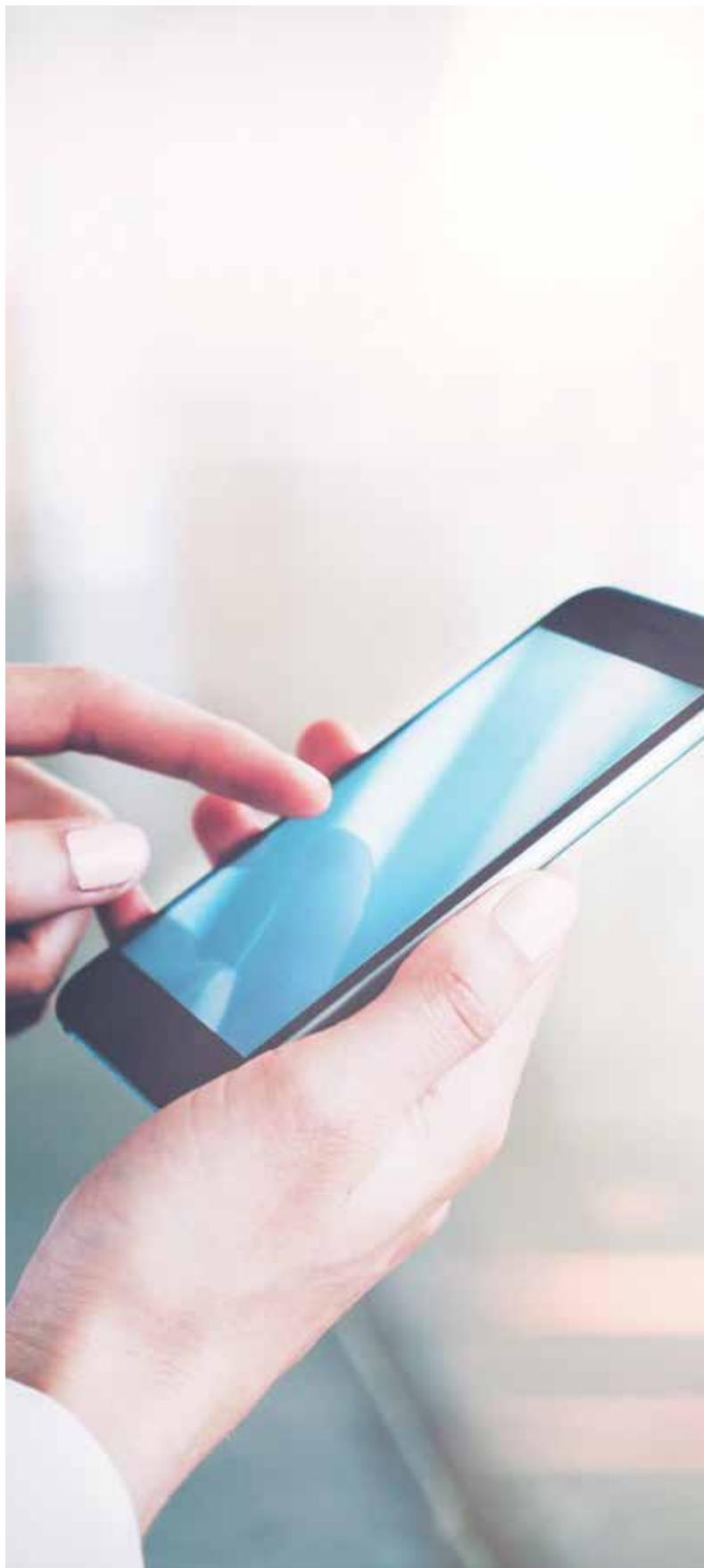
#### **B Ec ACA AGIA**

Matthew Haes is the Chief Financial Officer and Company Secretary.

Matthew's financial services experience spans over 20 years in senior finance roles, covering wealth management, securitisation, capital markets, stockbroking and funds management. He spent eight years as Finance Manager and Company Secretary at Centric Wealth Limited where he developed the finance function and integrated businesses resulting from the company's merger and acquisition activities. Matthew is a Director of the HUB24 Group's subsidiary companies, a Responsible Manager of HUB24 Custodial Services Ltd, a member of the Executive Committee and serves the Committees of the Board.

Matthew has a Bachelor of Economics, and is a Chartered Accountant and Chartered Company Secretary.

Matthew was appointed Company Secretary on 10 September 2012.



## Directors' interests

As at the date of this report, the interests of the Directors in the shares of the company were:

DIRECTOR	NUMBER OF ORDINARY SHARES
Bruce Higgins	566,811
Andrew Alcock	165,400
Ian Litster	3,588,751
Vaughan Webber	Nil
Anthony McDonald	Nil

## Consolidated entity overview

HUB24 Limited operates the HUB24 investment and superannuation platform and provides financial advice to clients through financial advisers authorised by Paragem Pty Ltd wholly owned subsidiary of HUB24.

The HUB24 investment and superannuation platform is recognised as a leading independent portfolio administration service that provides financial advisers with the capability to offer their clients access to a wide range of investments including market leading managed portfolio functionality, efficient and cost effective trading, insurance and comprehensive reporting for all types of investors – individuals, companies, trusts or self-managed super funds.

HUB24 was established in 2007 by a team with a very strong track record of delivering market-leading solutions in the financial services industry.

Paragem provides licensee services and is a wholly owned subsidiary and boutique dealer group. It comprises a network of 25 independently minded financial advice businesses which deliver high quality, goals-based advice. It provides compliance, software, education and business support to the practices enabling advisers to provide clients with financial advice across a range of products. Paragem Pty Ltd was acquired by HUB24 Limited on 3 September 2014.

## Principal activities

The principal activities during the year of the consolidated entity were the provision of investment and superannuation portfolio administration services and the provision of licensee services.

## Review of financial results

The consolidated entity recorded revenue from ordinary activities of \$43.657 million for the year ended 30 June 2016 (revenue from ordinary activities of \$29.304 million for the year ended 30 June 2015) an increase of 49%.

A loss of \$1.187 million was recorded for the year ended 30 June 2016 (loss of \$6.457 million for the year ended 30 June 2015) an improvement of 81%.

Included in this result were the following significant items:

- platform revenue increased by 91% to \$15.410 million for the year (\$8.057 million for the year ended 30 June 2015) and direct costs increased by 40% to \$6.838 million (\$4.899 million for the year ended 30 June 2015)
- licensee revenue increased by 35% to \$27.255 million for the year (\$20.235 million for the year ended 30 June 2015)
- development expenditure of \$1.340 million was capitalised during the year (\$0.781 million for the prior corresponding period).

The following representation of the financial performance of the consolidated entity is based upon the internal reports that are reviewed and used by management and the Board in assessing performance and determining the allocation of resources. Management and the Board review Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) from continuing operations before other significant items. Prior year comparative numbers include the licensee segment for the period 3 September 2014 to 30 June 2015.

FINANCIAL PERFORMANCE	FY16 \$	FY15 \$	VAR %
<b>Income</b>			
Recurring revenue – platform	15,410,448	8,056,796	91%
Recurring revenue – licensee	27,254,746	20,235,321	35%
<b>Total revenue</b>	<b>42,665,194</b>	<b>28,292,117</b>	<b>51%</b>
Direct costs – platform	(6,838,147)	(4,898,589)	40%
Direct costs – licensee	(24,948,408)	(18,550,883)	34%
<b>Total direct costs</b>	<b>(31,786,555)</b>	<b>(23,449,472)</b>	<b>36%</b>
<b>Gross profit</b>	<b>10,878,639</b>	<b>4,842,644</b>	<b>125%</b>
Operating expenses	(7,210,769)	(5,260,676)	37%
<b>Operating EBITDA</b>	<b>3,667,870</b>	<b>(418,032)</b>	<b>977%</b>
Growth resources expensed	(4,508,101)	(3,967,117)	14%
<b>EBITDA</b>	<b>(840,231)</b>	<b>(4,385,149)</b>	<b>81%</b>
<b>Other significant items</b>			
Interest revenue	383,962	414,636	(7%)
Non-recurring revenue	607,350	597,429	2%
Share based payment expense	(1,312,427)	(902,513)	45%
Non-recurring corporate costs	(220,902)	(448,109)	(51%)
Other interest expense	(145,705)	-	100%
Depreciation and amortisation	(784,324)	(626,655)	25%
<b>Profit before income tax</b>	<b>(2,312,277)</b>	<b>(5,350,361)</b>	<b>57%</b>
Income tax benefit	1,125,149	-	100%
<b>Profit after income tax from continuing operations</b>	<b>(1,187,128)</b>	<b>(5,350,361)</b>	<b>78%</b>
Discontinued operations	-	(1,106,537)	(100%)
<b>Profit after income tax</b>	<b>(1,187,128)</b>	<b>(6,456,898)</b>	<b>81%</b>
<b>Revenue from ordinary activities</b>			
Recurring revenue	42,665,194	28,292,117	51%
Non-recurring revenue	607,350	597,429	2%
Interest revenue	383,962	414,636	(7%)
<b>Revenue from ordinary activities</b>	<b>43,656,506</b>	<b>29,304,182</b>	<b>49%</b>

Revenue due to ordinary activities from continuing operations comprises Recurring revenue, Non-recurring revenue and interest revenue.

## Revenue

Strong FUA inflows into the HUB24 platform have resulted in recurring platform revenue of \$15.410 million for the year ended 30 June 2016, an increase of 91% over the prior corresponding period. The licensee has contributed \$27.255 million in revenue for the year ended 30 June 2016 (\$20.235 million for the year ended 30 June 2015). Revenue is sensitive to movements in equity markets given a significant proportion of client funds are in either directly held or managed assets with equity market exposure.

## Gross profit

Strong FUA inflows, increased trading activity and recruitment of adviser practices together with continuing scale benefits have driven a strong gross profit result of \$10.879 million for the year ended 30 June 2016 (\$4.843 million for the year ended 30 June 2015), an increase of 125%.

Direct costs include custody, trustee, superannuation administration and headcount resources to service current client accounts while direct licensee costs include payments to advisers for advice fees and suppliers of compliance, software and training services.

## Operating EBITDA

Operating EBITDA is a representation of the EBITDA result the company would record if it were to service only the current amount of FUA and associated client accounts. It assumes no expenses are invested to bring additional FUA onto the platform nor to develop new platform features. While HUB24 will continue to invest in the expansion of FUA and further development, Operating EBITDA is an important internal measure for the platform.

The company has experienced record growth in net inflows and FUA during the year ended 30 June 2016 and it has taken the opportunity to strengthen its corporate fixed cost base in order to support the continued growth of the business over the next few years. As a result, operating expenses increased by 37% for the year.

This increase is made up of additional employment costs including personnel recruited for corporate services and Board costs including the appointment of an additional Director; a step change in investing in the platform's IT infrastructure and one-off implementation costs associated with the introduction of new AML / CTF legislation introduced 1 January 2016; and establishment of an office presence in Brisbane and Perth to support growth in those markets.

The Operating EBITDA result of \$3.668 million for the year ended 30 June 2016 has improved by 977% over the prior year.

## Growth resources expensed

Growth resources are predominantly headcount resources dedicated to future platform development, business strategy (inclusive of M&A activity) and to accelerate additional FUA onto the platform. It includes resources across sales, development and transition functions.

Growth resources of \$1.340 million were capitalised during the year ended 30 June 2016 relating to specific projects for the development of functionality for international equities and non-custodial assets (\$0.758 million for the year ended 30 June 2015).

## Other significant items

Share based payment expenses of \$1.313 million for the year ended 30 June 2016 were inclusive of \$0.558 million with respect to remuneration for post transaction services

for Paragem option holders relating to the acquisition of Paragem and \$0.755 million due to the issue of options to executives, the Chairman and staff during the past three years ended 30 June 2016. The expense increase compared with the prior corresponding period is due to the issue of options during the half year ended 30 June 2016 and an adjustment to the expected probability of options vesting.

Depreciation and amortisation of \$0.784 million for the year ended 30 June 2016 is inclusive of increased amortisation of the platform intangible asset arising from the commercialisation of development projects during the 2016 financial year and amortisation of the dealer network intangible asset.

Non-recurring revenue of \$0.607 million for the year ended 30 June 2016 include the recovery of costs incurred since May 2012 by the consolidated entity in relation to the HUB24 Superfund.

Non-recurring corporate costs of \$0.221 million for the year ended 30 June 2016 include valuation and corporate advisory expenses associated with the indicative, conditional and non-binding proposal received by the company on 8 October 2015. Other costs relate to one-off indirect tax advice, legal expenses relating to corporate matters and the evaluation of potential business opportunities.

## Cash and cash flows

The company recorded positive Cashflow from Operating Activities of \$1.304 million for the year ended 30 June 2016 (Cash outflows from Operating Activities of \$5.203 million for the year ended 30 June 2015) inclusive of non-recurring cash inflows of \$1.716 million relating to the recovery of expenses from the HUB24 Superfund and tax claims.

Cash and cash equivalents at 30 June 2016 were \$9.267 million, a decrease of \$2.842 million for the year after the inclusion of the first deferred payment of the Paragem acquisition of \$1.000 million, provision of a loan facility of \$2.000 million to the Trustee of the HUB24 Superfund and the capitalization of development expenditure of \$1.340 million.

## Operating segments

The principal products and services for each of the operating segments are as follows:

<b>Platform</b>	Development and provision of investment and superannuation platform services to financial advisers, stockbrokers, accountants and their clients.
<b>Licensee</b>	Provision of financial advice to clients through financial advisers authorised by Paragem Pty Ltd. The licensee provides compliance, software, education and business support to adviser practices enabling advisers to provide clients with financial advice over a range of products.
<b>Corporate</b>	Provision of corporate services to the operating segments including allocation of costs of the Managing Director, finance & compliance and strategic support.

FULL YEAR				HALF YEAR		
Platform	FY16 \$	FY15 \$	VAR %	2HFY16 \$	1HFY16 \$	VAR %
FUA	3,313m	1,704m	94%	3,313m	2,368m	40%
Recurring revenue	15,410,448	8,056,796	91%	8,447,808	6,962,640	21%
<b>Total revenue</b>	<b>15,410,448</b>	<b>8,056,796</b>	<b>91%</b>	<b>8,447,808</b>	<b>6,962,640</b>	<b>21%</b>
Direct costs	(6,838,147)	(4,898,589)	40%	(3,571,602)	(3,266,545)	9%
<b>Gross profit</b>	<b>8,572,301</b>	<b>3,158,207</b>	<b>171%</b>	<b>4,876,206</b>	<b>3,696,095</b>	<b>32%</b>
Operating expenses	(4,759,251)	(3,358,855)	42%	(2,390,803)	(2,368,448)	1%
<b>Segment operating EBITDA</b>	<b>3,813,050</b>	<b>(200,648)</b>	<b>N/A</b>	<b>2,485,403</b>	<b>1,327,647</b>	<b>87%</b>
Growth resources expensed	(4,389,976)	(3,868,680)	13%	(2,321,920)	(2,068,056)	12%
<b>Segment EBITDA</b>	<b>(576,926)</b>	<b>(4,069,328)</b>	<b>86%</b>	<b>163,483</b>	<b>(740,409)</b>	<b>122%</b>
<b>Other significant items</b>						
Interest revenue	170,484	89,516	90%	76,390	94,094	(19%)
Non-recurring revenue	607,350	597,429	2%	417,469	189,881	120%
Depreciation and amortisation	(781,047)	(572,813)	(36%)	(421,104)	(359,944)	17%
<b>Profit before income tax</b>	<b>(580,139)</b>	<b>(3,955,196)</b>	<b>85%</b>	<b>236,239</b>	<b>(816,378)</b>	<b>129%</b>

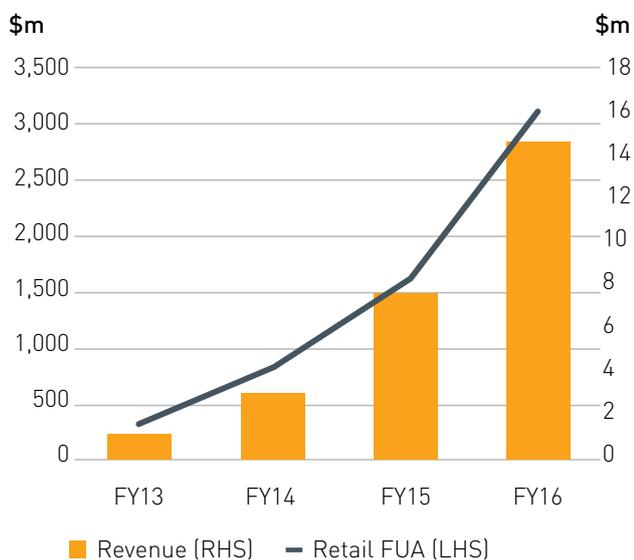
The platform segment recorded significant improvements in Revenue, Gross Profit, Operating EBITDA and EBITDA for the year ended 30 June 2016 due to increases in FUA with expanding margins. Positive platform segment EBITDA and PBT was recorded for 2HFY16.

Platform operating expenses increased by 42% for the year ended 30 June 2016 in response to record growth in net inflows and FUA. There was 1% growth in operating expenses from 1HFY16 to 2HFY16.

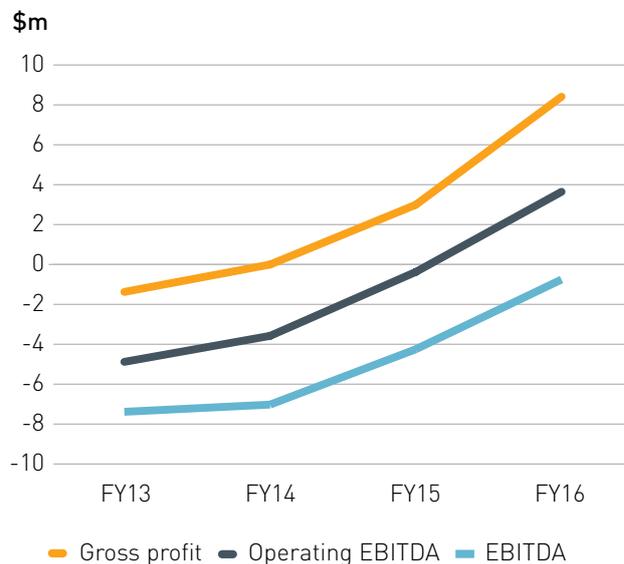
The results for the platform segment as a percentage of average FUA for the year ended 30 June 2016 demonstrate continuing margin improvements at each profit line.

This chart demonstrates the dual impact of increasing volumes and margin expansion on the dollar value of gross profit, operating EBITDA and EBITDA when comparing the years from FY14 to FY16.

### PLATFORM REVENUE AND RETAIL FUA



### PLATFORM PROFIT LINES



## Licensee segment

Paragem, the licensee, provides licensing for financial planning practices with above industry average funds under advice per adviser. The practices seek the freedom to exert their independence through a broad choice of investment and insurance options as they embrace the changing shape of the advice industry. The licensee provides assistance to practices wishing to implement managed portfolios for their clients, assisting them to deliver contemporary investment solutions and improving the efficiency of their business such that operational scale and professional fees are the primary drivers of profitability

While the licensee's advisers continue to be free to choose whichever platform best suits their clients' needs, the take-up of HUB24 has been strong due to the ability of

the platform to cater for both traditional managed fund investments as well as the emerging breed of managed portfolios and SMAs, particularly attractive to the high net worth investor and SMSF sectors.

The licensee segment continues to contribute to revenue growth since transitioning to HUB24 on 1 September 2014 with new practice recruitment and client growth resulting in revenue for the year ended 30 June 2016 of \$27.255 million (\$20.235 million for the ten months ended 30 June 2015). Three new practices joined the licensee during the year adding funds under advice in excess of \$300m.

The segment has made a positive contribution to EBITDA for the period.

LICENSEE	FY16 \$	FY15* \$	VAR %
Recurring revenue	27,254,746	20,235,321	35%
Total revenue	27,254,746	20,235,321	35%
Direct costs	(24,948,408)	(18,550,883)	34%
<b>Gross profit</b>	<b>2,306,338</b>	<b>1,684,437</b>	<b>37%</b>
Operating expenses	(2,104,167)	(1,623,751)	30%
<b>Segment operating EBITDA</b>	<b>202,171</b>	<b>60,686</b>	<b>233%</b>
<b>Segment EBITDA</b>	<b>202,171</b>	<b>60,686</b>	<b>233%</b>
<b>Other significant items</b>			
Depreciation and amortisation	(3,277)	(53,842)	94%
<b>Profit before income tax</b>	<b>198,894</b>	<b>6,844</b>	<b>N/A</b>

\*Results are for the 10 month period 1 September 2014 to 30 June 2015.

## Corporate segment

CORPORATE (CONTINUING OPERATIONS)	FY16 \$	FY15* \$	VAR %
Operating expenses	(347,350)	(278,071)	25%
Growth resources expensed	(118,124)	(98,438)	20%
<b>Segment EBITDA</b>	<b>(465,474)</b>	<b>(376,508)</b>	<b>24%</b>
<b>Other significant items</b>			
Interest revenue	213,478	325,120	(34%)
Share based payment expense	(1,312,427)	(902,514)	45%
Non-recurring corporate costs	(220,902)	(448,109)	(51%)
Other interest expense	(145,706)	-	-
<b>Profit/(loss) before income tax</b>	<b>(1,931,031)</b>	<b>(1,402,011)</b>	<b>38%</b>
Income tax benefit	1,125,149	-	-
<b>Profit/(loss) after income tax</b>	<b>(805,882)</b>	<b>(1,402,011)</b>	<b>(43%)</b>

A portion of operating expenses and growth resources were allocated to the corporate segment in the year ended 30 June 2016. These expenses predominantly relate to corporate headcount overheads that cannot be directly attributed to either operating segment.

The consolidated entity has brought to account a deferred tax asset (DTA) given the consolidated entity's proximity to recording taxable income. The DTA relates to temporary differences brought to account in the year ended 30 June 2016 resulting in a credit to income tax expense of \$1.1 million.

## Review of operations

On 1 September 2015 the company appointed Mr Anthony McDonald as a non-executive Director of the company. Mr McDonald's appointment was ratified by shareholders at the Annual General Meeting of the company held 25 November 2015.

On 3 September 2015 the company made a deferred cash consideration payment of \$1.0 million relating to the acquisition of 100% of the issued shares in Paragem on 3 September 2014.

The company is due to make capped earnout consideration of up to \$6.0 million subject to financial performance measured over three years to 30 September 2017 and payable in HUB24 ordinary shares. Purchase consideration of \$4.246 million is recorded as a liability and remuneration for post transaction services of \$1.673 million is being expensed over three years to 30 September 2017.

620,000 share options were issued to staff and executives on 14 October 2015 under the HUB24 Share Option plan. 150,000 options were issued to the Managing Director on 7 December 2015 after being approved by shareholders at the Annual General Meeting of the company held 25 November 2015.

On 29 February 2016 Mr Hugh Robertson retired as a non-executive Director of the company.

Refer to the Business Overview, Chairman and Managing Director's report for further details.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the nature or state of affairs of the consolidated entity.

### SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No matters or circumstances has arisen since 30 June 2016 that has significantly affected, or may significantly

affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity recorded positive EBITDA for the half year ended 30 June 2016, positive EBIT for the 4th quarter and positive PBT for the months of June and July 2016.

With the continued growth in FUA onto the HUB24 investment and superannuation platform, the company expects its financial results to continue improving with scale.

Management and the Board are confident the company will continue to grow into the foreseeable future.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not subject to significant environmental regulations under Australian legislation in relation to the conduct of its operations.

### DIRECTORS INDEMNITY

During the 2016 financial year the consolidated entity paid a premium in respect of a contract, insuring all the Directors and officers against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300(8) of the *Corporations Act 2001*. In accordance with commercial practice, the amount of the premium has not been disclosed.

The company has indemnified officers and Directors to the extent permitted by law against any liability that arises as a result of actions as an officer or Director and has not otherwise, during or since the end of the 2016 financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

### MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director was as per the table below.

Director	Board MEETINGS		AUDIT, RISK & COMPLIANCE COMMITTEE MEETINGS		REMUNERATION & NOMINATION COMMITTEE	
	Attended	Held*	Attended	Held*	Attended	Held*
Bruce Higgins	13	13	4	4	2	2
Andrew Alcock	13	13	-	-	-	-
Ian Litster	13	13	4	4	2	2
Hugh Robertson	7	9	-	-	1	1
Anthony McDonald	12	12	-	-	1	1
Vaughan Webber	12	13	4	4	-	-

\*Number of meetings held during the time the Director held office or was a member of the Committee.

## Remuneration report – audited

This remuneration report, which has been audited, outlines the KMP (Key Management Personnel) remuneration arrangements for the consolidated entity, in accordance with the requirements of Section 300A of the Corporations Act 2001 and its Regulations.

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

- A – Principles used to determine the nature and amount of remuneration
- B – Details of remuneration
- C – Service agreements
- D – Share based compensation
- E – Additional information
- F – Additional disclosures relating to KMP

### A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

For the purposes of this report KMP of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the company.

#### Remuneration philosophy

The performance of the consolidated entity depends upon the quality of its Directors and executives (collectively hereafter KMP). To prosper, the consolidated entity must attract, motivate and retain highly skilled KMP's and to ensure reward for performance is competitive and appropriate for the results achieved. To this end, the consolidated entity embodies the following principles in its remuneration framework:

- focus on sustained growth in shareholder wealth, consisting of share price growth

- provide competitive and reasonable rewards to attract high calibre individuals
- focus the executive on key drivers of value including capital management
- transparency and acceptability to shareholders.

#### Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on the remuneration arrangements for non-executive Directors and management. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors and management team.

The current members of the Remuneration and Nomination Committee are Anthony McDonald (Chair), Bruce Higgins and Ian Litster. Their qualifications and experience are set out earlier in this report.

In reviewing performance, the Remuneration and Nomination Committee conducts an evaluation based on specific criteria, including the consolidated entity's business performance, whether strategic objectives are being achieved and the development and performance of management and personnel.

#### Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Director and other KMP remuneration is separate and distinct.

#### Executive remuneration

##### Objective

The consolidated entity aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities to:

- align the interests of executives with those of shareholders

- link reward with the strategic goals and performance of the consolidated entity
- ensure total remuneration is competitive by market standards.

#### Structure

The Remuneration and Nomination Committee may from time to time receive advice from independent remuneration consultants to ensure executive remuneration is appropriate and in line with market.

Remuneration may consist of the following key elements:

- fixed salary
- short term incentives (STIs)
- long term incentives (LTIs)
- share based incentives.

#### Fixed Salary

##### Objective and structure

The level of fixed remuneration is set in order to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Fixed salaries are reviewed annually by the Board of Directors and the process consists of a review of company-wide business unit and individual performances, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. KMP's receive their fixed remuneration in cash.

#### Short term incentives (STIs)

##### Objective and structure

The objective of STI's is to reward executives who are remunerated with fixed remuneration in a manner that focusses them on achieving personal and business goals which contribute to the creation of sustained shareholder value.

STI payments are granted to executives based upon qualitative and quantitative scorecard measures being achieved as determined by the Board.

The STI facilitates annual cash/equity opportunities that reflect performance. Details of the STI bonuses earned for each executive are detailed in Part C of this report.

#### Long term incentives (LTIs)

##### Objective and structure

KMP's may be eligible to participate in the Employee Share Option Plan (ESOP) of the company, which was approved at the Annual General Meeting of the company on 27 November 2014 for the purposes of issuing options over ordinary shares. Additionally, the Board of Directors may, at their discretion and with the approval of shareholders,

(as required) elect to remunerate KMP's through the issue of share options or rights outside of this plan.

The terms of the options or rights issued are structured so that sales restrictions are in force over the options or shares for two or more years as well as vesting structures that incorporate share price and / or business performance hurdles and continuing service obligations ensuring alignment with shareholder value creation.

#### Share based incentives

##### Objective

The objective of share based remuneration is to reward KMP's and staff (where applicable) in a manner that aligns this element of remuneration with the creation of shareholder value. As such, ordinary share and share option grants may be made to executive KMP's who are able to influence the generation of shareholder wealth and thus have an impact on the company's performance.

##### Structure

Share based remuneration to KMP's may be delivered in the form of shares, partly-paid shares, rights or grants under the Employee Share Plan or as share option grants, as the Board recommends in its discretion, on a case by case basis. Recipients of share based remuneration may be required to meet vesting or exercise conditions, including business performance, length-of-service, and market and non-market performance based criteria, including sustained share price targets.

#### HUB24 performance and link to remuneration

Remuneration of certain executives is directly linked to performance of the consolidated entity. 50% of the amount potentially payable under STIs is based on the performance of the executive against KPIs relating to the company's business plan, while 50% of the amount potentially payable under the STI is based on the performance of the executive against KPIs relating to stretch objectives associated with growth or profitability and product innovation.

#### Use of remuneration consultants

During the financial year ended 30 June 2016 the company used the services of a remuneration consultant.

Aon Hewitt was appointed in March 2016 by the Chairman of the Remuneration Committee, to undertake a remuneration benchmark assessment and analysis in respect of the senior executive and a review of the group's long term incentive arrangements.

The engagement of Aon Hewitt was based on an agreed set of protocols that would be followed by Aon Hewitt, members of the Remuneration Committee and members of the key management personnel for the way in which remuneration recommendations would be developed by Aon Hewitt and provided to the Board.

These arrangements were implemented to ensure that Aon Hewitt would be able to carry out its work, including information capture and the formation of its recommendations, free from undue influence by members of the key management personnel about whom the recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedures followed by Aon Hewitt and is satisfied that their remuneration recommendations were made free from such undue influence.

As part of the review Aon Hewitt met with the CEO and the KMP and delivered the reports to the Chairman of the Remuneration Committee. The information provided was used, in part, to assist the Board in determining changes to the long term incentive arrangements and to the senior executive remuneration for the 2016/17 financial year.

Aon Hewitt received a fee of \$27,500 (excluding GST and out of pocket expenses) for this work. Aon Hewitt did not make any "remuneration recommendations" as defined in the Corporations Act 2001 in the 2016 financial year.

#### **Voting and comments made at the company's 2015 Annual General Meeting**

At the November 2015 AGM, 99.53% of votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

## **B. DETAILS OF REMUNERATION**

### **Summary of key terms of Managing Director's employment agreement**

The details of Mr Alcock's service agreement are set out in part C of this report.

#### **Remuneration of KMP**

Details of the nature and amount of each element of the remuneration of KMP of the consolidated entity for the financial year are set out in Part C of this report.

The company may terminate the employment agreement at any time without notice if serious misconduct has

occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, the Board has sole discretion to determine whether any unvested options or rights will be immediately forfeited.

Executives have the opportunity to earn an annual STI if predefined targets are achieved. The Managing Director has a maximum STI opportunity of 100% of fixed remuneration and other members of the executive team have an STI opportunity ranging from 0% to 100% of fixed remuneration. 50% of the STI is for meeting base case objectives, while 50% is for meeting stretch case objectives. Up to 50% of the STI may be paid by way of issue of shares in HUB24 at the election of the executive, while a further 20% (up to a maximum of 70%) may be taken by issue of shares subject to the mutual agreement by the Board and the executive.

STI awards for the executive team in the 2016 financial year were based upon scorecard measures and weightings.

The scorecard measures are both qualitative and quantitative in nature and measurement. These have been assessed as being central to business performance, efficiency, and sustainability. For the year ended 30 June 2016 these measures included:

- growth and profitability
- business/operational performance
- product and service innovation
- leadership and culture.

These targets were set by the Remuneration and Nomination Committee at the beginning of the financial year and align to the company's strategic and business objectives. The mix and weighting of these measures will vary to reflect each Executive's area of accountability and expertise.

The table below sets out the percentage of the maximum available STI for each executive that was awarded in relation to the 2016 financial year and the percentage that was forfeited because the group and individual stretch performance criteria did not meet the agreed stretch targets.

Name	Maximum entitlement	CURRENT YEAR STI AWARD	
		Awarded	Forfeited
A. Alcock	100%	84.9%	15.1%
M. Ballinger	30%	23.9%	6.1%
J. Entwistle	100%	85.0%	15.0%
W. Gillett	100%	65.5%	34.5%
		% of salary	
J. Gioffre	discretionary	19.3%	-
M. Haes	discretionary	35.5%	-

## Remuneration expenses for KMP

2016	SHORT TERM BENEFITS		POST EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE BASED PAYMENTS		Total	Performance Related %
	Salary and fees <sup>1</sup>	Bonus	Super-annuation	Long Service Leave	Shares	Options		
\$								
<b>Non-executive Directors</b>								
B. Higgins	121,191	-	-	-	-	72,541	193,732	0%
I. Litster	63,120	-	-	-	-	-	63,120	0%
H. Robertson <sup>2</sup>	41,453	-	-	-	-	-	41,453	0%
V. Webber	69,786	-	-	-	-	-	69,786	0%
A. MacDonald <sup>3</sup>	59,893	-	-	-	-	-	59,893	0%
<b>Subtotal non-executive Directors</b>	<b>355,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,541</b>	<b>427,984</b>	
<b>Key management personnel</b>								
A. Alcock	349,734	320,000	19,220	2,812	-	153,165	844,931	38%
M. Ballinger	188,880	55,000	19,220	1,631	1,000	18,675	284,406	19%
J. Entwistle	290,766	260,000	19,220	2,235	1,000	114,422	687,643	38%
W. Gillett	249,489	170,000	19,220	2,056	1,000	85,817	527,582	32%
J. Gioffre	205,169	55,000	19,220	2,162	1,000	18,549	301,100	18%
M. Haes	233,260	87,000	19,220	2,430	1,000	27,758	370,668	23%
<b>Subtotal key management personnel</b>	<b>1,517,298</b>	<b>947,000</b>	<b>115,320</b>	<b>13,326</b>	<b>5,000</b>	<b>418,386</b>	<b>3,016,330</b>	
<b>Total</b>	<b>1,872,741</b>	<b>947,000</b>	<b>115,320</b>	<b>13,326</b>	<b>5,000</b>	<b>490,927</b>	<b>3,444,314</b>	

1 KMP salary and fees includes fixed remuneration and movement in annual leave entitlement.

2 A. McDonald was appointed as a Director on 1 September 2015.

3 H Robertson resigned as a Director on 29 February 2016.

2015	SHORT TERM BENEFITS		POST EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE BASED PAYMENTS		Total	Performance Related %
	Salary and fees	Bonus	Super-annuation	Long Service Leave	Shares	Options		
\$								
<b>Non-executive Directors</b>								
B. Higgins	103,572	-	-	-	-	53,443	157,015	0%
I. Litster	59,359	-	-	-	-	-	59,359	0%
H. Robertson	59,359	-	-	-	-	-	59,359	0%
V. Webber	59,359	-	-	-	-	-	59,359	0%
<b>Subtotal non-executive Directors</b>	<b>281,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,443</b>	<b>335,092</b>	
<b>Key management personnel</b>								
A. Alcock <sup>1</sup>	378,709	295,000	18,784	1,973	-	77,073	771,539	38%
M. Ballinger	186,116	45,000	18,784	1,094	1,000	3,287	255,281	18%
J. Entwistle	302,860	240,000	18,784	1,568	1,000	62,620	626,832	38%
W. Gillett	231,111	150,000	18,784	1,960	1,000	46,965	449,820	33%
J. Gioffre	216,886	45,000	18,784	2,702	1,000	10,981	295,353	15%
M. Haes	224,943	62,000	18,784	4,109	1,000	15,949	326,785	19%
<b>Subtotal key management personnel</b>	<b>1,540,625</b>	<b>837,000</b>	<b>112,704</b>	<b>13,406</b>	<b>5,000</b>	<b>216,875</b>	<b>2,725,610</b>	
<b>Total</b>	<b>1,822,274</b>	<b>837,000</b>	<b>112,704</b>	<b>13,406</b>	<b>5,000</b>	<b>270,318</b>	<b>3,060,702</b>	

<sup>1</sup> A. Alcock was appointed Managing Director on 29 August 2014.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	FIXED REMUNERATION		AT RISK – STI		AT RISK – LTI	
	2016	2015	2016	2015	2016	2015
<b>Non-executive Directors</b>						
Bruce Higgins	63%	66%	-	-	37%	34%
Ian Litster	100%	100%	-	-	-	-
Hugh Robertson	100%	100%	-	-	-	-
Vaughan Webber	100%	100%	-	-	-	-
<b>Other KMP</b>						
Andrew Alcock	31%	47%	56%	44%	13%	9%
Mark Ballinger	62%	78%	33%	21%	5%	1%
Jason Entwistle	32%	47%	56%	44%	12%	9%
Wes Gillett	35%	48%	54%	44%	11%	9%
Joseph Gioffre	94%	81%	-	-	6%	19%
Matthew Haes	93%	80%	-	-	8%	20%

### C. SERVICE AGREEMENTS

On appointment to the Board, all non-executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation relevant to the office of Director.

Remuneration and other terms of employment for KMP are formalised in employment agreements.

All executives have ongoing employment agreements. The company may generally terminate the employment

agreement by providing between one and six months' written notice depending on the agreement or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration).

The major provisions of the agreements relating to remuneration are set out below. Salaries set out below are for the year ended 30 June 2016 and are subject to review annually by the Remuneration and Nominations Committee. There are no termination payment benefits other than the contracted notice periods.

NAME	BASE SALARY (INCLUDING SUPERANNUATION)	STI	LTI	TERM OF AGREEMENT	NOTICE PERIOD – EITHER PARTY
<b>Andrew Alcock</b> Chief Executive Officer	\$376,813	Up to 100% of base salary <sup>1</sup>	150,000 options <sup>2</sup>	Ongoing – commenced 29 July 2013	6 months
<b>Mark Ballinger</b> Head of Business Program	\$230,000	Up to 30% of base salary	60,000 options <sup>3</sup>	Ongoing – commenced 10 September 2013	3 months
<b>Jason Entwistle</b> Director, Strategic Development	\$306,000	Up to 100% of base salary <sup>1</sup>	120,000 options <sup>3</sup>	Ongoing – commenced 1 August 2013	6 months
<b>Wesley Gillett</b> Head of Product and Distribution	\$255,714	Up to 100% of base salary <sup>1</sup>	90,000 options <sup>3</sup>	Ongoing – Commenced 19 April 2013	6 months
<b>Joseph Gioffre</b> Head of Operations	\$232,000	Discretionary	60,000 options <sup>3</sup>	Ongoing – commenced 3 July 2012	1 month
<b>Matthew Haes</b> Chief Financial Officer and Company Secretary	\$245,000	Discretionary	90,000 options <sup>3</sup>	Ongoing – commenced 26 June 2012	1 month

1 50% of STI payable upon achieving base case objectives set by the Board. A further 50% payable upon the achievement of stretch case objectives.

2 Options for Andrew Alcock granted in December 2015, have a two year sale restriction after date of issue of shares. Vesting no earlier than 36 months from date of issue subject to achieving share price hurdle.

3 Options for Jason Entwistle, Wesley Gillett, Matthew Haes, Joseph Gioffre and Mark Ballinger granted in October 2015 have a one year sale restriction after vesting and exercise. Vesting no earlier than 36 months from the date of issue subject to achieving share price hurdle.

Management personnel have no entitlement to termination payments in the event of removal for misconduct.

### D. SHARE BASED COMPENSATION

#### Options

The terms and conditions of each grant of options affecting remuneration of KMP in the current or a future reporting period are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	PERFORMANCE ACHIEVED	% VESTED	BALANCE AT START OF YEAR	ISSUED DURING YEAR	EXERCISED DURING YEAR	BALANCE AT END OF YEAR
7 Aug 2013	14 Oct 2017	\$0.8424	\$0.45	Yes	100%	195,000	Nil	30,000	165,000
8 Aug 2013	8 Aug 2017	\$0.8438	\$0.45	Two thirds achieved	66.6%	1,440,000	Nil	Nil	1,440,000
8 Aug 2013	8 Aug 2017	\$0.8438	\$0.43	Two thirds achieved	66.6%	510,000	Nil	Nil	510,000
17 Oct 2014	17 Oct 2019	\$0.98	\$0.19	No	Nil	580,000	Nil	Nil	580,000
2 Dec 2014	17 Oct 2019	\$0.98	\$0.20	No	Nil	200,000	Nil	Nil	200,000
14 Oct 2015	14 Oct 2020	\$2.46	\$0.95	No	Nil	Nil	420,000	Nil	420,000
7 Dec 2015	7 Dec 2020	\$2.46	\$1.60	No	Nil	Nil	150,000	Nil	150,000

Options granted carry no dividends or voting rights.

Options granted 7 August 2013 under the HUB24 Employee Share Option Plan are fully vested. These options can be exercised after the 2nd anniversary of the date of issue.

Options granted 8 August 2013 to executives vest subject to the following:

- one third of the options subject to performance of a hurdle of a 20% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 12 months after the date of issue of the options and before the expiry of the term of the options. These options have vested;
- a further one third of the options subject to performance of a hurdle of a 40% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time on or after the 2nd anniversary of the date of issue of the options and before the expiry of the term of the options. These options have vested during the reporting period; and
- the remaining one third of the options subject to performance of a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time on or after the 3rd anniversary of the date of issue of the options and before the expiry of the term of the options. These options have yet to vest.

Each tranche of these options may be exercised upon vesting. Sale of shares are restricted for a period of 2 years after issue, with the exception that the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the options will be permitted, subject to compliance with legal obligations in respect of the sale of HUB24 shares.

Options granted 8 August 2013 to the Chairman vest subject to the following:

- one third of the options subject to performance of a hurdle of a 30% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time on or after the 1st anniversary of the date of issue

of the options and before the expiry of the term of the options. These options have vested;

- a further one third of the options subject to performance of a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 24 months after the date of issue of the Options and before the expiry of the term of the options. These options have vested during the reporting period; and
- the remaining one third of the options subject to, performance of a hurdle of a 90% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 36 months after the date of issue of the Options and before the expiry of the term of the options. These options have yet to vest.

Each tranche of these options may be exercised upon vesting. Sale of shares are restricted for a period of 2 years after issue, with the exception that the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the options will be permitted, subject to compliance with legal obligations in respect of the sale of HUB24 shares.

Options granted 17 October 2014 under the HUB24 Employee Share Option Plan vest subject to the following share price hurdle:

- the closing sale price of the Shares traded on the Australian Securities Exchange must have increased by at least 60% of the Exercise Price of the options for each day in any 20 consecutive trading day period starting on or after the 3rd anniversary of the date of issue of the Options. These options can be exercised, subject to satisfaction of vesting conditions, after the 3rd anniversary of the date of issue.

Options granted 2 December 2014 to the Managing Director vest subject to the following:

- the closing sale price of the shares traded on the Australian Securities Exchange must have increased by at least 60% of the Exercise Price of the options for each day in

any 20 consecutive trading day period starting on or after 36 months after the date of issue of the options. These option can be exercised, subject to satisfaction of vesting conditions, after the 3rd anniversary of the date of issue.

Options granted 14 October 2015 to executives vest subject to the following:

- the closing sale price of the shares traded on the Australian Securities Exchange must have increased by at least 52% of the Exercise Price of the options for each day in any 20 consecutive trading day period starting on or after 36 months after the date of issue of the options. These

options can be exercised, subject to satisfaction of vesting conditions, after the 3rd anniversary of the date of issue.

Options granted 7 December 2015 to the Managing Director vest subject to the following:

- the closing sale price of the Shares traded on the Australian Securities Exchange must have increased by at least 52% of the Exercise Price of the options for each day in any 20 consecutive trading day period starting on or after 36 months after the date of issue of the options. These options can be exercised, subject to satisfaction of vesting conditions, after the 3rd anniversary of the date of issue.

NAME	FINANCIAL YEAR OF GRANT	FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	NUMBER OF OPTIONS GRANTED	VALUE OF OPTIONS AT GRANT DATE	NUMBER OF OPTIONS VESTED DURING THE YEAR	NUMBER OF OPTIONS LAPSED/ FORFEITED DURING THE YEAR
Andrew Alcock	2016	2019	150,000	\$240,000	Nil	Nil
Andrew Alcock	2015	2018	200,000	\$39,700	Nil	Nil
Andrew Alcock	2014	2017 2016 2015	600,000	\$269,600	200,000	Nil
Mark Ballinger	2016	2019	60,000	\$57,000	Nil	Nil
Mark Ballinger	2015	2018	100,000	\$19,350	Nil	Nil
Jason Entwistle	2016	2019	120,000	\$114,000	Nil	Nil
Jason Entwistle	2015	2018	160,000	\$30,960	Nil	Nil
Jason Entwistle	2014	2017 2016 2015	480,000	\$215,680	160,000	Nil
Wes Gillett	2016	2019	90,000	\$85,500	Nil	Nil
Wes Gillett	2015	2018	120,000	\$23,220	Nil	Nil
Wes Gillett	2014	2017 2016 2015	360,000	\$161,760	120,000	Nil
Joseph Gioffre	2016	2019	60,000	\$57,000	Nil	Nil
Joseph Gioffre	2015	2018	80,000	\$15,480	Nil	Nil
Joseph Gioffre	2014	2015	80,000	\$35,760	Nil	Nil
Matthew Haes	2016	2019	90,000	\$85,500	Nil	Nil
Matthew Haes	2015	2018	120,000	\$23,220	Nil	Nil
Matthew Haes	2014	2015	115,000	\$51,405	115,000	Nil
Bruce Higgins	2014	2017 2016 2015	510,000	\$220,405	170,000	Nil

The assessed fair value at grant date of the options granted to individuals is allocated equally over the period from grant date to expected vesting date and the amount is included in the remuneration tables in Part B of this report under the heading "share based payments – options". Fair values at grant date are independently determined using Hoadley's 1 Hybrid ESO model that takes into account the

exercise price, term of the option, share price at grant date, expected price volatility of the underlying share price and the risk free rate for the term of the option.

30,000 options have been exercised during the financial year ended 30 June 2016.

## E. ADDITIONAL INFORMATION

In considering the group's performance the Board has regard to the following with respect to the current year and previous financial years:

\$'000	2016	2015	2014 RESTATED	2013	2012
EBITDA	(1,912)	(5,368)	(8,054)	(10,504)	(12,677)
EBIT	(2,696)	(5,985)	(9,083)	(11,534)	(29,847)
Profit /(Loss) after income tax	(1,187)	(6,457)	(8,548)	(9,783)	(30,516)

The factors that are considered to affect shareholder value are summarised below:

\$	2016	2015	2014	2013	2012
Share price at financial year end	3.68	1.20	0.82	0.75	0.95
Basic earnings per share	(0.026)	(0.133)	(0.196)	(0.320)	(1.760)

## F. ADDITIONAL DISCLOSURES RELATING TO KMP

### Shares

The number of shares in the company held during the financial year by each Director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

NAME	BALANCE AT START OF THE YEAR	RECEIVED DUE TAX EXEMPT SHARE PLAN ISSUE	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF THE YEAR
Andrew Alcock	31,387	-	134,013	165,400
Mark Ballinger	4,638	641	16,554	21,833
Jason Entwistle	939,902	641	107,692	1,048,235
Wes Gillett	28,753	641	48,076	77,470
Joseph Gioffre	12,553	641	23,961	41,336
Matthew Haes	21,908	641	19,872	42,421
Bruce Higgins	566,811	-	-	566,811
Ian Litster	3,588,751	-	-	3,588,751

### Options

The number of options over ordinary shares in the company held during the financial year by each Director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

OPTIONS OVER ORDINARY SHARES	BALANCE AT START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/OTHER	BALANCE AT END OF THE YEAR
Bruce Higgins	510,000	-	-	-	510,000
Andrew Alcock	800,000	150,000	-	-	950,000
Mark Ballinger	100,000	60,000	-	-	160,000
Jason Entwistle	640,000	120,000	-	-	760,000
Wes Gillett	480,000	90,000	-	-	570,000
Joseph Gioffre	160,000	60,000	30,000	-	190,000
Matthew Haes	235,000	90,000	-	-	325,000

## Non-executive Director remuneration

### OBJECTIVE AND STRUCTURE

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The amount of fixed remuneration is established for individual non-executive Directors by resolution of the full Board, at its discretion. The annual aggregate non-executive remuneration may not exceed the amount fixed by the company in General Meeting for that purpose (currently fixed at a maximum of \$600,000 per annum as approved by shareholders at the Annual General Meeting held on 25 November 2015).

The following fees including superannuation apply for non-executive Directors:

Chairman	\$130,000 p.a.
Other non-executive Directors	\$65,000 p.a.

The Chair of the Audit, Risk & Compliance Committee and the Chair of the Remuneration & Nomination Committee each receive an additional \$8,000 p.a.

### RETIREMENT ALLOWANCES FOR DIRECTORS

There are no retirement schemes or retirement benefits other than statutory benefits for non-executive Directors.

The Remuneration and Nomination Committee may from time to time receive advice from independent remuneration consultants or utilise market based comparative data or indices to ensure non-executive Directors' fees and payments are appropriate and in line with market. The Chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market.

No additional fees are paid for each Board Committee on which a Director sits, other than as chair for each Committee, however Directors are also entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred as a consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

The remuneration of non-executive Directors for the financial years ending 30 June 2016 and 30 June 2015 respectively are detailed in the Remuneration of KMP section of this Remuneration Report.

Directors' total compensation in aggregate increased by 27.7% over the prior financial year due to movements in the number of Directors and a review of Directors fees.

This concludes the remuneration report which has been audited.

## Non-audit services

Tax, compliance and consulting services of \$108,475 were paid to Deloitte Touche Tohmatsu (2015: \$103,149 to BDO). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the consolidated entity, acting as an advocate for the consolidated entity or jointly sharing rights and rewards.

Refer to Note 23: Auditors Remuneration of the financial statements for details of the remuneration that the auditors received or are due to receive for the provision of audit and other services.

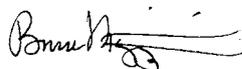
## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

## Auditor independence

The Directors received an Independence Declaration from the auditors of the company as required under Section 307C of the *Corporations Act 2001* that follows on the next page.



**Bruce Higgins**  
Chairman

Sydney, 29 August 2016

# Auditor's independence declaration

**Deloitte.**

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

The Board of Directors  
HUB24 Limited  
Level 8, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

29 August 2016

Dear Board Members

**HUB24 Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hub24 Limited.

As lead audit partner for the audit of the consolidated financial statements of HUB24 Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants



# Financial statements

# Statement of profit or loss and other comprehensive income

for the year ended 30 June 2016

		CONSOLIDATED	
	Note	2016 \$	2015 \$
<b>Revenue from continuing operations</b>			
Revenue	6(a)	43,272,544	28,669,253
Interest and other income		383,962	634,929
		<b>43,656,506</b>	<b>29,304,182</b>
<b>Expenses</b>			
Platform and custody fees		(3,111,928)	(2,093,746)
Licensee fees		(26,161,096)	(19,459,724)
Employee benefits expenses	6(b)	(11,265,041)	(8,883,841)
Property and occupancy costs		(560,713)	(488,432)
Depreciation and amortisation expense	6(c)	(784,324)	(617,288)
Administrative expenses	6(d)	(4,085,681)	(3,111,514)
		<b>(45,968,783)</b>	<b>(34,654,545)</b>
<b>Profit before income tax expense from continuing operations</b>		<b>(2,312,277)</b>	<b>(5,350,363)</b>
Income tax benefit	7	1,125,149	-
Loss after income tax from continuing operations		(1,187,128)	(5,350,363)
Loss after income tax from discontinued operations		-	(1,106,537)
<b>Loss after income tax for the year</b>		<b>(1,187,128)</b>	<b>(6,456,900)</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,187,128)</b>	<b>(6,456,900)</b>
<b>Total comprehensive loss for the year attributable to ordinary equity members of HUB24 Limited</b>		<b>(1,187,128)</b>	<b>(6,456,900)</b>
		Cents	Cents
<b>Earnings per share from continuing operations, attributable to ordinary equity members of HUB24 Limited</b>			
Basic earnings per share	22	(2.26)	(11.05)
Diluted earnings per share		(2.26)	(11.05)
<b>Earnings per share from discontinued operations, attributable to ordinary equity members of HUB24 Limited</b>			
Basic earnings per share	22	-	(2.29)
Diluted earnings per share		-	(2.29)
<b>Earnings per share for profit attributable to ordinary equity members of HUB24 Limited</b>			
Basic earnings per share	22	(2.26)	(13.34)
Diluted earnings per share		(2.26)	(13.34)

The above *Statement of profit or loss and other comprehensive income* should be read in conjunction with the accompanying notes.

# Statement of financial position

at 30 June 2016

		CONSOLIDATED	
	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	9,267,163	12,108,825
Trade and other receivables	8	4,018,262	2,192,379
Deferred tax asset	7	943,875	-
Other current assets		491,396	413,797
<b>Total current assets</b>		<b>14,720,696</b>	<b>14,715,001</b>
<b>Non-current assets</b>			
Office equipment	9	152,414	128,602
Intangible assets	10	13,716,522	12,972,181
Security deposits and guarantees	19	259,036	256,454
<b>Total non-current assets</b>		<b>14,127,972</b>	<b>13,357,237</b>
<b>Total assets</b>		<b>28,848,668</b>	<b>28,072,238</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	1,792,076	2,247,321
Current provisions	12	2,457,095	2,192,478
Deferred revenue from research and development claim		88,897	88,897
<b>Total current liabilities</b>		<b>4,338,068</b>	<b>4,528,696</b>
<b>Non-current liabilities</b>			
Non-current provisions	13	359,114	287,624
Other non-current liabilities	14	5,188,953	5,358,563
<b>Total non-current liabilities</b>		<b>5,548,067</b>	<b>5,646,187</b>
<b>Total liabilities</b>		<b>9,886,135</b>	<b>10,174,883</b>
<b>Net assets</b>		<b>18,962,533</b>	<b>17,897,355</b>
<b>Equity</b>			
Issued capital	15	83,080,332	82,090,453
Reserves	16	4,396,272	3,133,845
Accumulated losses		(68,514,071)	(67,326,943)
<b>Total equity</b>		<b>18,962,533</b>	<b>17,897,355</b>

The above *Statement of financial position* should be read in conjunction with the accompanying notes.

# Statement of changes in equity

for the year ended 30 June 2016

CONSOLIDATED				
	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
<b>As at 1 July 2015</b>	<b>82,090,453</b>	<b>3,133,845</b>	<b>(67,326,943)</b>	<b>17,897,355</b>
Total comprehensive loss for the year	-	-	(1,187,128)	<b>(1,187,128)</b>
<b>Transactions with equity members in their capacity as equity members</b>				
Options granted – employees	-	704,760	-	<b>704,760</b>
<b>Shares issued to employees</b>				
– Share based payments*	939,879	-	-	<b>939,879</b>
– Share ownership plan	50,000	-	-	<b>50,000</b>
Remuneration for post transaction services – Paragem option holders	-	557,667	-	<b>557,667</b>
<b>As at 30 June 2016</b>	<b>83,080,332</b>	<b>4,396,272</b>	<b>(68,514,071)</b>	<b>18,962,533</b>
*Share based payments includes shares issued to the executive team in lieu of short term incentive bonus payments of \$518,750 for the year ended 30 June 2015. Refer Note 15 for further details.				
<b>As at 1 July 2014</b>	<b>76,988,017</b>	<b>2,275,332</b>	<b>(60,870,043)</b>	<b>18,393,306</b>
Total comprehensive loss for the year	-	-	(6,456,900)	<b>(6,456,900)</b>
<b>Transactions with equity members in their capacity as equity members</b>				
Capital raising	5,058,436	-	-	<b>5,058,436</b>
Options granted – employees	-	393,791	-	<b>393,791</b>
Employee share issue	44,000	-	-	<b>44,000</b>
Remuneration for post transaction services – Paragem option holders	-	464,722	-	<b>464,722</b>
<b>As at 30 June 2015</b>	<b>82,090,453</b>	<b>3,133,845</b>	<b>(67,326,943)</b>	<b>17,897,355</b>

The above *Statement of changes in equity* should be read in conjunction with the accompanying notes.

# Statement of cash flows

for the year ended 30 June 2016

		CONSOLIDATED	
	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		45,781,644	30,875,855
Payments to suppliers and employees (inclusive of GST)		(46,867,316)	(36,493,696)
Interest received		407,590	386,320
Receipt from research and development incentive		265,317	28,328
Receipts from tax claims		1,153,701	-
Receipts from superfund expense recovery		563,297	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>18</b>	<b>1,304,233</b>	<b>(5,203,193)</b>
<b>Cash flows from investing activities</b>			
Receipts from return of security deposits		-	293,443
Receipts from sale of intangible asset		-	125,000
Payments for office equipment		(102,794)	(81,020)
Payments for acquisition of shares in subsidiary		(1,000,000)	(941,091)
Payments for intangible assets		(1,461,647)	(770,004)
Payments for security deposits		(2,582)	(2,590)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(2,567,023)</b>	<b>(1,376,262)</b>
<b>Cash flows from financing activities</b>			
Proceeds from capital raising		-	5,250,000
ORFR facility advance		(2,000,000)	-
Payment for subordinated loan		-	(150,000)
Payments for capital raising costs		-	(191,565)
Proceeds from share options exercised by employees		421,128	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(1,578,872)</b>	<b>4,908,435</b>
Net increase/(decrease) in cash and cash equivalents		(2,841,662)	(1,671,020)
Cash and cash equivalents at beginning of year		12,108,825	13,779,845
<b>Cash and cash equivalents at end of year</b>	<b>18</b>	<b>9,267,163</b>	<b>12,108,825</b>

The above *Statement of cash flows* should be read in conjunction with the accompanying notes.

# Notes to the financial statements

for the year ended 30 June 2016

## 1. CORPORATE INFORMATION

The Annual Report of HUB24 Limited (the company or parent entity) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 29 August 2016 and covers the company as an individual entity as well as the consolidated entity consisting of the company and its subsidiaries as required by the *Corporations Act 2001*.

The company is limited by shares and incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the company are described in the Directors Report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for profit oriented entities. The financial statements have also been prepared under the historical cost convention, except for, where applicable, the revaluation of certain classes of assets and liabilities. The financial report is presented in Australian dollars.

### Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 25.

### Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards or interpretations that are not yet mandatory have not been early adopted.

In the current year, the group has applied the following amendment to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the group's consolidated financial statements.

### Going concern

The financial report has been prepared on a going concern basis.

The consolidated entity has raised capital in prior years from multiple sources for acquisition, regulatory capital requirements, investment platform development and working capital purposes. Accordingly, the Directors of the company are confident of sourcing additional capital as and when required.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries (the consolidated entity) as at 30 June each year. There are no interests in associates.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a consolidated entity controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-consolidated entity transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity. There were no transfers out of the consolidated entity during the year.

Investments in subsidiaries held by the company are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at the acquisition date fair values. The difference between the above items and the fair value of the consideration is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the consolidated entity's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

### Foreign currency translation

#### Functional and presentation currency

Both the functional and presentation currency of the consolidated entity is Australian dollars.

### Comparatives

Where required by the Accounting Standards and / or for improved presentation purposes, comparative figures have been adjusted to conform to changes in presentation for the current year. There has been no prior year restatement of the financial statements.

### New Accounting Standards and Interpretations not yet Mandatory or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016.

The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

#### **AASB 9 Financial Instruments and its consequential amendments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018. The impact of its adoption is yet to be assessed by the consolidated entity.

#### **AASB 16 'Leases'**

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets. AASB 16 applies to annual periods beginning on or after 1 January 2019. The Directors of the company anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the company performs a detailed review.

#### **AASB 15 Revenue from Contracts with Customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. The impact of its adoption is yet to be assessed by the consolidated entity.

### **3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The consolidated entity's principal financial instruments comprise receivables, payables, finance leases and cash and cash equivalents. The company and consolidated entity do not have debt facilities and do not trade in derivative instruments, other than where listed and unlisted options over ordinary shares may be received as a part consideration for corporate fees earned.

The consolidated entity has exposure to the following risks from its use of financial instruments:

- credit risk

- liquidity risk
- market risk.

This note presents information about the company's and the consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the company and the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's and consolidated entity's activities. The company and consolidated entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees and consultants understand their roles and obligations.

The consolidated entity Audit, Risk and Compliance Committee oversees how management monitors compliance with the company's and the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced. The Committee is assisted by external professional advisors from time to time.

### Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents and principally, trade receivables. For the company it arises from receivables due from subsidiaries.

Exposure at reporting date is addressed at each particular note. The consolidated entity does not hold any credit derivatives to offset its credit exposure.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit worthiness, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, credit risk exposures and receivable balances are monitored on an ongoing basis with the intended result that the consolidated entity's exposure to bad debts is not significant.

The consolidated entity also has credit risk in respect of its corporate income debtors. In the case of most transactions involving corporate income, revenue is generally earned over a period of several months due to the complexity and size of the work involved. The consolidated entity manages this risk by entering into contractual agreements with its counterparties, obtaining external legal advice where necessary, at the start of each transaction. The Board has direct involvement with the counterparties during the engagement phase of each transaction in order to assess their suitability.

The consolidated entity policy is to provide financial guarantees only to wholly-owned subsidiaries.

### Liquidity risk

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

The consolidated entity typically ensures that it has sufficient cash on demand to meet operational expenses for a period of 90 days, excluding the potential impact of extreme circumstances that cannot be reasonably predicted. The consolidated entity has no debt facilities or credit lines.

Refer to Note 27: Financial Instruments for a sensitivity analysis of the consolidated entity's financial assets and liabilities maturity.

### Market risk

Market risk is the risk that changes in market prices will affect the consolidated entity's income and include price risk. The company no longer carries on principal trading activities.

## Capital management

The Board's policy is to maintain a sufficient capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is noted that the company, through its subsidiary HUB24 Custodial Services Limited, fully complied with the minimum capital requirements for IDPS Operators and providers of custodial services so as to ensure ongoing capital adequacy.

There were no changes in the consolidated entity's approach to capital management during the year.

## 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included within the respective note as follows:

- deferred tax assets (Note 7)
- investment platform estimate of useful life (Note 10)
- goodwill and other indefinite life intangible assets (Note 10)
- Paragem contingent consideration (Note 14).

## 5. OPERATING SEGMENTS

### Key accounting policies

#### Identification of reportable segments

The consolidated entity is organised into two operating segments: platform and licensee.

These operating segments are based on the internal reports that are reviewed and used by the Board and the executive management team (identified as the Chief Operating Decision Makers hereafter CODM) in assessing performance and in determining the allocation of resources.

The CODM reviews segment profits (Segment EBITDA) on a monthly basis.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

All of the companies operations are based in Australia. The principal products and services for each of the operating segments are as follows:

#### Platform

Development and provision of investment and superannuation platform services to financial advisers, stockbrokers, accountants and their clients.

#### Licensee

Provision of financial advice to clients through financial advisers authorised by Paragem Pty Ltd. The licensee provides compliance, software, education and business support to adviser practices enabling advisers to provide clients with financial advice over a range of products.

The provision of corporate services supports these two operating segments and includes an allocation of executive headcount costs.

CONSOLIDATED – 2016				
	Platform \$	Licensee \$	Corporate \$	Total \$
<b>Revenue</b>				
Sales to external customers	15,410,448	27,254,746	-	42,665,194
<b>Total revenue</b>	<b>15,410,448</b>	<b>27,254,746</b>	<b>-</b>	<b>42,665,194</b>
<b>Segment result</b>	<b>(576,926)</b>	<b>202,171</b>	<b>(465,475)</b>	<b>(840,230)</b>
<b>Other non-operating items:</b>				
Interest revenue	170,484	-	213,478	383,962
Non-recurring revenue	607,350	-	-	607,350
Share based payment expense	-	-	(1,312,427)	(1,312,427)
Non-recurring corporate costs	-	-	(220,902)	(220,902)
Other interest expense	-	-	(145,705)	(145,705)
Depreciation and amortisation	(781,047)	(3,277)	-	(784,324)
<b>Profit before income tax</b>	<b>(580,139)</b>	<b>198,894</b>	<b>(1,931,031)</b>	<b>(2,312,276)</b>
Income tax benefit	-	-	1,125,149	1,125,149
<b>Profit after income tax</b>	<b>(580,139)</b>	<b>198,894</b>	<b>(856,285)</b>	<b>(1,187,127)</b>
<b>Reconciliation to revenue from ordinary activities</b>				
Sales to external customers				42,665,194
Non-recurring revenue				607,350
Interest revenue				383,962
<b>Revenue from ordinary activities</b>				<b>43,656,506</b>

CONSOLIDATED – 2015				
	Platform \$	Licensee \$	Corporate \$	Total \$
<b>Revenue</b>				
Sales to external customers	8,056,796	20,235,321	-	28,292,117
Total sales revenue	8,056,796	20,235,321	-	28,292,117
<b>Total revenue</b>	<b>8,056,796</b>	<b>20,235,321</b>	<b>-</b>	<b>28,292,117</b>
<b>Segment result</b>	<b>(4,069,328)</b>	<b>60,687</b>	<b>(376,508)</b>	<b>(4,385,149)</b>
<b>Other non-operating items</b>				
Interest revenue	89,516	-	325,120	414,636
Non-recurring revenue	597,429	-	-	597,429
Share based payment expense	-	-	(902,514)	(902,514)
Non-recurring corporate costs	-	-	(448,109)	(448,110)
Depreciation and amortisation	(572,813)	(53,842)	-	(626,655)
<b>Profit before income tax</b>	<b>(3,955,196)</b>	<b>6,845</b>	<b>(1,402,011)</b>	<b>(5,350,363)</b>
Income tax expense	-	-	-	-
<b>Profit after income tax from continuing operations</b>				<b>(5,350,363)</b>
Discontinued operations expense	-	-	(1,106,537)	(1,106,537)
<b>Profit after income tax</b>	<b>(3,955,196)</b>	<b>6,845</b>	<b>(2,508,548)</b>	<b>(6,456,900)</b>

				CONSOLIDATED – 2015
	Platform \$	Licensee \$	Corporate \$	Total \$

The operating performance for licensee segment reflects the result from the date of acquisition, 3 September 2014.

<b>Reconciliation to revenue from ordinary activities</b>	
Sales to external customers	28,292,117
Non-recurring revenue	597,429
Interest revenue	414,636
<b>Revenue from ordinary activities</b>	<b>29,304,182</b>

### Major Clients

No single client contributed 10% or more to the the group's revenue for both 2016 and 2015.

## 6. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

### Key accounting policies

Revenue is measured at the fair value of the consideration received or receivable. The consolidated entity recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the consolidated entity and specific criteria have been met for each of the activities.

Revenue is recognised for the major business activities as follows:

#### Platform fees

- FUA fee revenue is recognised and measured at the fair value of the consideration received or receivable on the value of client account balances.
- Transaction fee revenue is recognised and measured at the fair value of the consideration received or receivable on the date of execution of the transaction.

#### Licensee fees

- Licensee fee revenue is measured at the fair value of the consideration received or receivable on advice provided to clients and payments from product providers.

#### Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit using the effective interest method.

#### Government grants

Government grants are recognised in profit and loss on a systematic basis over the useful life of the asset as other income. Grants are received in relation to Research and Development activities undertaken by the consolidated entity and are recognised in accordance with AASB120.

	CONSOLIDATED	
	2016	2015
	\$	\$

**(a) Revenue**

Platform fees	16,017,798	8,433,932
Licensee fees	27,254,746	20,235,321
	<b>43,272,544</b>	<b>28,669,253</b>

**Expenses****(b) Employee benefits expenses**

Wages and salaries (incl super and payroll tax)	8,198,987	6,670,093
Share based payments expense	754,760	437,791
Other employee benefits expenses	2,311,294	1,775,957
	<b>11,265,041</b>	<b>8,883,841</b>

**(c) Depreciation and amortisation**

Depreciation of office equipment	78,982	57,016
Amortisation of intangible assets	705,342	560,272
	<b>784,324</b>	<b>617,288</b>

**(d) Administrative expenses**

Corporate fees	270,953	244,079
Professional and consultancy fees	709,560	400,167
Information services and communication	659,381	327,993
Travel and entertainment	327,557	252,796
Remuneration for post transaction services – Paragem option holders*	557,667	464,722
Other administrative expenses	1,560,563	1,421,757
	<b>4,085,681</b>	<b>3,111,514</b>

\*Remuneration for post transaction services is a change in disclosure and is not a restatement of the other administrative expenses from prior years.

**7. INCOME TAX****Key accounting policies**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables, which are stated with the amount of GST included (UIG 1031.8). The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position
- cash flows are included in the statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## Key estimates and judgements

### Recovery of deferred tax assets

Deferred tax assets are recognised for carried forward income tax losses and deductible temporary differences to the extent that Directors consider that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

	CONSOLIDATED	
	2016	2015
	\$	\$
<b>(a) Income tax expense/(benefit)</b>		
Recognition of opening DTA	(836,037)	-
Recognition of opening DTL	226,240	-
Deferred tax movement	(186,039)	-
Other adjustments	(329,313)	-
<b>Income tax expense/(benefit)</b>	<b>(1,125,149)</b>	<b>-</b>
<b>Deferred tax included in income tax expense/(benefit) comprises:</b>		
Decrease/(increase) in deferred tax assets	(189,531)	-
(Decrease)/increase in deferred tax liabilities	3,492	-
	<b>(186,039)</b>	<b>-</b>
<b>(b) Reconciliation of income tax expense/(benefit) to pre tax accounting profit/(loss)</b>		
Loss from continuing operations before income tax	(2,312,277)	(5,350,363)
Loss from discontinued operations before income tax	-	(1,106,537)
	<b>(2,312,277)</b>	<b>(6,456,900)</b>
Prima facie income tax at 30%	(693,684)	(1,937,070)
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</b>		
Research and development government grant	(28,271)	(88,093)
Share based payments	393,728	270,754
Entertainment	19,690	14,135
Gifts and penalties	1,860	1,852
R&D rebate benefit	(133,987)	-
Sundry items	-	47,086
	<b>253,020</b>	<b>245,734</b>
Recognition of opening DTA	(836,037)	-
Recognition of opening DTL	226,240	-
Non-recognition of deferred tax asset	254,625	1,781,514
Non-recognition of deferred tax liability	-	(233,844)
	<b>(355,172)</b>	<b>1,547,670</b>
Other adjustments	(329,313)	-
<b>Income tax expense/(benefit)</b>	<b>(1,125,149)</b>	<b>(143,666)</b>

	CONSOLIDATED	
	2016	2015
	\$	\$

**(c) Deferred tax asset**

<b>Deferred tax asset comprises temporary differences attributable to:</b>		
Accrued expenses	131,448	482,297
Provisions	844,863	744,031
Intangibles	2,296,636	2,744,251
Capital raising costs	162,155	(174,326)
Carry forward tax losses	13,836,991	12,629,506
Non-recognition of deferred tax asset	(16,133,626)	(16,425,759)
Other adjustments	148,040	-
	<b>1,286,506</b>	<b>-</b>
<b>Movements</b>		
Opening balance	-	-
Recognition of opening deferred tax asset	836,037	-
Recognition of opening deferred tax asset in equity	174,326	-
Credited/(charged) to profit or loss	189,531	312,357
(Charged)/credited to equity	(61,428)	(1,544)
Current tax losses and R&D Credits	763,667	1,614,368
Other adjustments to prior year deferred tax asset	-	(143,666)
Non-recognition of deferred tax asset	(763,667)	(1,781,515)
Other adjustments	148,040	-
<b>Closing balance</b>	<b>1,286,506</b>	<b>-</b>

**(d) Deferred tax liability**

<b>Deferred tax liability comprises temporary differences attributable to:</b>		
Interest receivable	81,692	67,677
Dealer network intangible	148,040	166,167
Section 40-880 costs	112,898	-
Non-recognition of deferred tax liability	-	(233,844)
	<b>342,630</b>	<b>-</b>
<b>Movements</b>		
Opening balance	-	-
Recognition of deferred tax liability	226,240	-
Credited/(charged) to profit or loss	3,492	233,844
Non-recognition of deferred tax liability	112,898	(233,844)
<b>Closing balance</b>	<b>342,630</b>	<b>-</b>

	CONSOLIDATED	
	2016	2015
	\$	\$

#### (e) Unrecognised deferred tax assets

Deferred tax liability comprises temporary differences attributable to:		
Tax losses – revenue in nature	13,610,941	13,382,512
Tax losses – capital in nature	226,760	226,760
	<b>13,837,701</b>	<b>13,609,272</b>

#### (f) Tax consolidation

##### (i) Members of the tax consolidated entity and the tax sharing arrangement

The company and its 100% owned Australian resident subsidiaries formed a tax consolidated entity. The company is the head entity of the tax consolidated entity. Members of the consolidated entity have not entered into a tax sharing agreement.

##### (ii) Tax effect accounting by members of the tax consolidated entity

The head entity and the controlled entities in the tax consolidated entity continue to account for their own current and deferred tax amounts as per UIG 1052 Tax Consolidation Accounting. The consolidated entity has applied the consolidated entity allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated entity. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits (if any) assumed from controlled entities in the tax consolidated entity.

## 8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

### Key accounting policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the consolidated entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### Key estimates and judgements

#### Estimation of bad debts and provisioning

Receivables are assessed by management for recoverability based on days past due or pending legal actions and other counter party information.

	CONSOLIDATED	
	2016 \$	2015 \$
Trade receivables	1,585,579	1,701,472
ORFR facility	2,000,000	-
Other receivables	432,683	490,907
	<b>4,018,262</b>	<b>2,192,379</b>

### ORFR loan facility

Hub24 has advanced a loan of \$2m to Diversa Ltd, the parent entity of The Trust Company (Superannuation) Limited as Trustee for the HUB24 Super Fund ("The Fund"), under a \$5m Loan Agreement entered into on 10 June 2016 on an arms length basis and on commercial terms at an interest rate of 17% pa.

Diversa Ltd has applied the advance for the purpose of subscribing for capital in The Trust Company (Superannuation) Limited ("The Trustee") whereby the capital received by the Trustee will be reserved for the purpose of meeting the Operational Risk Financial Requirement (ORFR) for the Fund in accordance with APRA Prudential Standard SPS114.

The facility expires on 30 June 2017.

### Impairment and recoverability

Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

### Fair value

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

## 9. NON-CURRENT ASSETS – OFFICE EQUIPMENT

### Key accounting policies

Office equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the office equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- office furniture and fittings – over 2.5 to 5 years
- computer equipment – 3 years
- leased assets – over the term of the lease.

### Impairment

The carrying values of office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of office equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

### De-recognition and disposal

An item of office equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

	CONSOLIDATED	
	2016 \$	2015 \$
<b>Computer equipment</b>		
At cost	246,262	178,969
Accumulated depreciation	(168,327)	(129,076)
	<b>77,935</b>	<b>49,893</b>
<b>Office furniture and fittings</b>		
At cost	146,466	111,491
Accumulated depreciation	(71,987)	(32,782)
	<b>74,479</b>	<b>78,709</b>
<b>Total office equipment</b>		
Cost	392,728	290,460
Accumulated depreciation	(240,314)	(161,858)
<b>Total net carrying amount</b>	<b>152,414</b>	<b>128,602</b>
<b>RECONCILIATIONS OF THE CARRYING AMOUNTS AT THE BEGINNING AND END OF THE FINANCIAL YEAR:</b>		
<b>Computer equipment</b>		
Carrying amount at beginning	49,893	40,000
Acquisitions through business combinations	-	4,009
Other additions	67,819	35,348
Depreciation expense	(39,777)	(29,464)
<b>Net carrying amount</b>	<b>77,935</b>	<b>49,893</b>
<b>Office furniture and fittings</b>		
Carrying amount at beginning	78,709	53,562
Acquisitions through business combinations	-	12,573
Other additions	34,975	29,090
Depreciation expense	(39,205)	(16,516)
<b>Net carrying amount</b>	<b>74,479</b>	<b>78,709</b>
<b>Total office equipment</b>		
Carrying amount at beginning	128,602	93,562
Acquisitions through business combinations	-	16,582
Other additions	102,794	64,438
Depreciation	(78,982)	(45,980)
<b>Net carrying amount</b>	<b>152,414</b>	<b>128,602</b>

## 10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

### Key accounting policies

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the consolidated entity's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the consolidated entity are assigned to those units.

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

#### Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Refer to note below, investment platform estimate of useful life.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

### Key estimates and judgements

#### Investment platform estimate of useful life

Management have assessed the remaining useful life of the investment platform based upon the useful life of its separate platform components.

The three components with different useful lives are:

- core database with a useful life of 20 years
- applications with a useful life of 10 years
- user interface with a useful life of 5 years.

The assessment of useful life is a key management judgement and the useful lives adopted could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are

less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### Goodwill and other indefinite life intangible assets

The carrying value of intangible assets (including goodwill) is assessed annually for indications that the asset has been impaired in accordance with the accounting policy under the heading Goodwill and Intangibles. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Details of these assumptions and the potential impact of changes to these assumptions can be found later in this note.

#### Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### Capitalisation of development costs

The consolidated entity capitalises project development costs eligible for capitalisation in relation to the investment platform. The capitalised costs are all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended. Capitalised project costs are amortised over the project's useful life.

	CONSOLIDATED	
	2016	2015
	\$	\$
<b>Investment platform</b>		
At cost	26,814,812	25,475,151
Accumulated amortisation and impairment	(19,553,033)	(18,937,044)
<b>Net carrying amount</b>	<b>7,261,779</b>	<b>6,538,107</b>
<b>Goodwill</b>		
At cost	5,852,019	5,846,822
Accumulated amortisation and impairment	-	-
<b>Net carrying amount</b>	<b>5,852,019</b>	<b>5,846,822</b>
<b>Dealer network</b>		
At cost	604,244	604,244
Accumulated amortisation and impairment	(110,778)	(50,354)
<b>Net carrying amount</b>	<b>493,466</b>	<b>553,890</b>
<b>Managed fund client list</b>		
At cost	72,839	-
Accumulated amortisation and impairment	(14,568)	-
<b>Net carrying amount</b>	<b>58,271</b>	<b>-</b>
<b>Software</b>		
At cost	80,693	45,289
Accumulated amortisation	(29,706)	(11,927)
<b>Net carrying amount</b>	<b>50,987</b>	<b>33,362</b>
<b>Total net carrying amount</b>	<b>13,716,522</b>	<b>12,972,181</b>

	CONSOLIDATED	
	2016	2015
	\$	\$
<b>RECONCILIATIONS OF THE CARRYING AMOUNT AT THE BEGINNING AND END OF THE FINANCIAL YEAR:</b>		
<b>Investment platform</b>		
Opening carrying amount	6,538,107	6,290,359
Other additions	1,339,661	757,666
Impairment charge	-	-
Amortisation charge	(615,989)	(509,918)
<b>Closing carrying amount</b>	<b>7,261,779</b>	<b>6,538,107</b>
<b>Goodwill</b>		
Opening carrying amount	5,846,822	-
Acquisitions through business combinations	5,197	5,846,822
Impairment charge	-	-
<b>Closing carrying amount</b>	<b>5,852,019</b>	<b>5,846,822</b>
<b>Dealer network</b>		
Opening carrying amount	553,890	-
Acquisitions through business combinations	-	604,244
Amortisation charge	(60,424)	(50,354)
<b>Closing carrying amount</b>	<b>493,466</b>	<b>553,890</b>
<b>Managed fund client list</b>		
Opening carrying amount	-	-
Other additions	72,839	-
Amortisation charge	(14,568)	-
<b>Closing carrying amount</b>	<b>58,271</b>	<b>-</b>
<b>Software</b>		
Opening carrying amount	33,362	32,060
Other additions	31,986	12,338
Amortisation charge	(14,361)	(11,036)
<b>Closing carrying amount</b>	<b>50,987</b>	<b>33,362</b>

**(a) Impairment tests for intangible assets**

Investment platform	7,261,779	6,538,107
Goodwill	5,852,019	5,846,822
Dealer network	493,466	553,890
Managed fund client list	58,271	-
Software	50,987	33,362
	<b>13,716,522</b>	<b>12,972,181</b>

Intangible assets are allocated to the consolidated entity's cash-generating units (CGUs) as required by AASB136.

## Investment platform

The recoverable amount of the investment platform is determined based on a value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by Directors covering a seven year period. Cash flows beyond the seven year period are extrapolated using a terminal value.

### Goodwill and Dealer Network

Goodwill recognised as part of the Paragem acquisition was allocated to the investment platform CGU, while the Dealer Network intangible was identified as part of the licensee CGU with a finite life. (see note 14 for Paragem acquisition details). The Dealer Network was recognised at fair value upon acquisition and is amortised on a straight-line basis over a useful life of ten years.

The recoverable amount of the goodwill generated has been determined based on a value-in-use calculation using a discounted cash flow over a three year projection period approved by management for the Paragem dealer group. Cash flows beyond the three year period are extrapolated using a terminal value.

The recoverable amount of the Dealer Network intangible is determined based on a value-in-use calculation using a discounted cash flow over a five year projection period approved by management for the Paragem licensee. Cash flows beyond the five year period are extrapolated using a terminal value.

### Key assumptions used for value-in-use calculations – investment platform CGU

The cash generated by investment platform CGU has been segregated between the cash generated by the Paragem dealer group and the cash generated by all other dealer groups on the platform, in order to assess the recoverable amount associated with each intangible.

The investment platform has been assessed based on the cash generated by all dealer groups excluding the Paragem dealer group.

The goodwill recognised as a result of the Paragem acquisition, has been assessed based on the cash generated by the Paragem dealer group on the platform.

### Key assumptions used for value-in-use calculations – investment platform intangible

1. Growth in funds under administration on the platform – Growth in the number of client accounts and hence funds under administration on the platform are a key assumption used in calculating future cashflows. Management have estimated future funds under administration on the platform at a 7 year compound annual growth rate of 26% with reference to current client transition rates, industry data and pipeline monitoring.
2. Pre-tax discount rate – The pre-tax discount rate used for the company's value-in-use calculations is 16.5%. (2015:17.0%) which equates to the weighted average cost of capital over the reporting period.
3. Terminal growth rate – The terminal growth rate used for the company's value-in-use calculations is 2.5%. (2015:2.5%).
4. Period over which cashflows have been discounted – Management have used a period of seven years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given the stage of platform development and the remaining useful life of the core database. (14 years and 5 months from 30 June 2016.)

There were no other key assumptions used for the investment platform intangible value in use calculation.

Based on the above assessment there was no impairment of the investment platform intangible.

### Impact of possible changes in key assumptions – investment platform intangible

If the projected earnings on client account balances used in the value-in-use calculation for the investment platform CGU are 2% lower than management estimates over the period of the value-in-use calculation, there would be no impairment of the intangible asset.

If the pre-tax discount rate for this intangible had been 2% higher than management estimates (18.5% instead of 16.5%), there would be no impairment of the intangible asset.

### Key assumptions used for value-in-use calculations – Goodwill Intangible

1. Growth in funds under administration on the platform – Growth in the number of client accounts and hence funds under administration on the platform are a key assumption used in calculating future cashflows. The transition stage of the Paragem dealer group and existing funds under administration, have meant that assumed growth rates are significant in the first two years. Management have estimated the transition rate with reference to current client transition rates and pipeline monitoring.
2. Net Incremental cashflow – the incremental cash flow is an estimate of the fee derived from the funds under administration of the Paragem dealer group on the HUB24 platform. Management have estimated the incremental cashflow based on historical and forecast platform margins.
3. Pre-tax discount rate – The pre-tax discount rate used for the company's value-in-use calculations is 16.5%. (2015:17.0%) which equates to the weighted average cost of capital over the reporting period.
4. Terminal growth rate – The terminal growth rate used for the company's value-in-use calculations is 2.0%. (2015:2.5%).
5. Period over which cashflows have been discounted – Management have used a period of three years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given the early stage of the Paragem dealer group transition and has been projected based over the acquisition target period to September 2017.

There were no other key assumptions used for the Paragem goodwill intangible value in use calculation.

Based on the above, there was no impairment applied to the goodwill arising from the Paragem acquisition.

### Impact of possible changes in key assumptions – Goodwill Intangible

If the projected earnings on client account balances used in the value-in-use calculation for the goodwill intangible are 2% lower than management estimates over the period of the value-in-use calculation, there would be no impairment of intangible assets.

If the pre-tax discount rate for this CGU had been 2% higher than management estimates (18.5% instead of 16.5%) there would be no impairment of intangible assets.

### Key assumptions used for value-in-use calculations – Dealer Network

1. Growth in revenue is estimated at 3% for the licensee CGU and a key assumption used in calculating future cashflows. Management have estimated a 5% attrition factor for departing practices and/or advisors, applied against the growth rate of 3%, which is believed to be conservative and appropriate. Ongoing monitoring of actual revenue growth since acquisition (3 September 2014), has indicated growth in excess of the projection, no practice attrition has taken place since acquisition.
2. An EBIT margin of 1.0% is estimated for the licensee CGU and is also considered a key assumption used in calculating future cashflows. The rate has been determined based upon the average EBIT margin on a five year projection of revenue and expenses and is considered by management to be reasonable based upon the actual performance since acquisition.
3. Pre-tax discount rate – The pre-tax discount rate used for the company's value-in-use calculations is 16.6%. This has been determined based on the weighted average cost of capital for the licensee.
4. Terminal growth rate – The terminal growth rate used for the company's value-in-use calculations is 3.0%. Management believes the 3.0% growth rate to be prudent and is consistent with the general market.
5. Period over which cashflows have been discounted – Management have used a period of seven years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given the early stage of the licensee CGU.

There were no other key assumptions used in the Dealer Network Intangible value-in-use calculation.

Based on the above, the value-in-use of the Dealer Network exceeds the carrying value and is not considered impaired.

### Impact of possible changes in key assumptions – Dealer Network

If the projected revenue used in the value-in-use calculation for the licensee CGU were 2% lower than management estimates over the period of the value-in-use calculation, there would be no impairment of the intangible asset.

If the pre-tax discount rate for this CGU had been 2% higher than management estimates (18.6% instead of 16.6%) there would be no impairment of the intangible asset.

## 11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

### Key accounting policies

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

	CONSOLIDATED	
	2016 \$	2015 \$
Trade creditors	858,174	546,200
Sundry creditors	933,902	1,701,121
	<b>1,792,076</b>	<b>2,247,321</b>

## 12. CURRENT LIABILITIES – PROVISIONS

### Key accounting policies

#### Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### Employee benefits

##### Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

##### Long-term benefits

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date of national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### Pensions and other post employment benefits

All Australian employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries.

### Key estimates and judgements

#### Broking claim provision

The consolidated entity estimates the provision for adviser client claims arising from financial advice provided before 1 March 2013 from the discontinued stockbroking business as being claims reported during the year and an estimate of future claims and associated legal costs.

	CONSOLIDATED	
	2016 \$	2015 \$
Employee benefits – annual leave	564,716	428,381
Employee benefits – short term incentive	1,449,026	1,083,878
Broking claims – discontinued stockbroking operation	443,353	680,219
	<b>2,457,095</b>	<b>2,192,478</b>

#### Broking claims – discontinued stockbroking operation

The provision represents the reported claims as at 30 June 2016 and an estimate of future claims and associated legal expenses.

#### Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Discontinued stockbroking operation	CONSOLIDATED
	2016 \$
Carrying amount at the start of the year	680,219
Additional provisions recognised	184,845
Amounts paid during the year	(421,711)
<b>Carrying amount at the end of the year</b>	<b>443,353</b>

## 13. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2016 \$	2015 \$
Employee benefits – long service leave	194,209	153,634
Lease make good	102,948	60,384
Rental lease liability	61,957	73,606
	<b>359,114</b>	<b>287,624</b>

#### Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease term.

### Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

CONSOLIDATED 2016		
	Lease make good \$	Rental leave liability \$
Carrying amount at the start of the year	60,384	73,606
Additional provisions recognised	42,564	9,058
Amounts used	-	(20,707)
<b>Carrying amount at the end of the year</b>	<b>102,948</b>	<b>61,957</b>

## 14. NON-CURRENT LIABILITIES – OTHER

CONSOLIDATED		
	2016 \$	2015 \$
Contingent consideration	4,246,287	4,327,000
Deferred revenue from research and development claim	942,666	1,031,563
	<b>5,188,953</b>	<b>5,358,563</b>

### Contingent consideration

On 3 September 2014 HUB24 Limited acquired 100% of the issued shares in Paragem Pty Ltd, an Australian Financial Services licensee, for consideration of up to \$8 million in cash and shares.

Cash of \$1 million was paid to the vendors during the year, representing the deferred cash payment of the transaction, after \$1.009 million was paid in cash at transaction date.

The contingent consideration arrangement relating to the Vendor and Option holders requires the company to issue the former equity owners of Paragem Pty Ltd up to 6,488,591 HUB24 ordinary shares subject to performance criteria being met over the three years to 30 September 2017. The fair value of the contingent consideration arrangement is estimated to be \$4.246 million in purchase consideration and \$1.673 million remuneration for post transaction services. Refer to note 6 for post transaction remuneration expensed in the period \$557,667 (FY15 \$464,722). All contingent payments are based on management's judgement that 100% of the performance criteria will be met.

In the circumstances where 90% of performance criteria were to be met, the following impact would result:

Contingent purchase consideration – Vendor	Decrease by	\$316,907
Contingent consideration – Option holders – Share based payment expense	Decrease by	\$285,000
Profit and loss	Increase by	\$316,907

### Deferred revenue from research and development claim

The provision represents revenue which has been deferred to be recognised against development costs at the same rate and timing as the amortisation of the asset to which the grant relates.

## 15. ISSUED CAPITAL

### Key accounting policies

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new equity instruments are shown in equity as a deduction, net of GST, from the proceeds.

	CONSOLIDATED			
	2016 Number	2015 Number	2016 \$	2015 \$
<b>(a) Issued and paid up capital</b>				
Ordinary shares, fully paid	52,890,711	52,058,181	83,105,332	82,165,453
<b>(b) Other equity securities</b>				
Treasury shares	109,061	141,111	(25,000)	(75,000)
<b>Total capital</b>	<b>52,999,772</b>	<b>52,199,292</b>	<b>83,080,332</b>	<b>82,090,453</b>
<b>Movements in issued and paid up capital</b>				
Beginning of the financial year	52,058,181	47,058,181	82,165,453	77,107,017
Shares issued	832,530	5,000,000	939,879	5,250,000
Total shares	52,890,711	52,058,181		
Capital raising costs	-	-	-	(191,564)
<b>End of the financial year</b>	<b>52,890,711</b>	<b>52,058,181</b>	<b>83,105,332</b>	<b>82,165,453</b>
<b>Movement in other equity securities – treasury shares</b>				
Beginning of the financial year	141,111	185,111	75,000	119,000
Employee share issue	(32,050)	(44,000)	(50,000)	(44,000)
<b>End of the financial year</b>	<b>109,061</b>	<b>141,111</b>	<b>25,000</b>	<b>75,000</b>

### Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

On 2 September 2015, the company issued 200,159 ordinary shares to the Executive team in lieu of \$312,250 short term incentive bonus payments authorised for the year ended 30 June 2015.

On 15 October 2015, the company issued 330,000 ordinary shares for options exercised by employees of the company for consideration of \$277,992.

On 7 December 2015, the company issued 132,371 ordinary shares to the Managing Director in lieu of a \$206,500 short term incentive bonus payment authorised for the year ended 30 June 2015 and approved at the Annual General Meeting of the company.

On 26 April 2016, the company issued 90,000 ordinary shares for options exercised by employees of the company for consideration of \$75,744.

On 20 June 2016, the company issued 80,000 ordinary shares for options exercised by employees of the company for consideration of \$67,392.

### Treasury shares

Treasury shares are shares in HUB24 Limited that are held by HUB24 Employee Share Ownership Trust (ESOT) for the purpose of issuing shares under HUB24 Employee Share Ownership Plan.

On 15 September 2015, the company transferred 32,050 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

## 16. RESERVES

	CONSOLIDATED	
	2016 \$	2015 \$
Share based payments share reserve	4,396,272	3,133,845

Represents the share based payments expense under the employee share option plans.

Movements in share based payments share reserves		
Opening balance	3,133,845	2,275,332
Employee share based payment expense	754,760	437,791
Remuneration for post transaction services – Option Holders (Paragem)	557,667	464,722
Shares issued through Hub24 Share Ownership Trust	(50,000)	(44,000)
<b>Closing balance</b>	<b>4,396,272</b>	<b>3,133,845</b>

## 17. DIVIDEND FRANKING ACCOUNT

Franking credits available to shareholders of the company for subsequent financial years are \$nil (2015: \$nil).

## 18. RECONCILIATION OF CASHFLOWS

### Key accounting policies

#### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

	CONSOLIDATED	
	2016	2015
	\$	\$

#### (a) Reconciliation of the net loss after tax to cash flow from operations

Net loss after tax for the year	(1,187,128)	(6,456,900)
<b>Non-cash items</b>		
Depreciation and amortisation	784,324	617,288
Share based payments expense	1,312,427	902,513
Shares issued to executive for short term incentive	518,750	-
Deferred revenue	(157,646)	-
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	174,117	(1,786,393)
(Increase)/decrease in deferred tax assets	(943,875)	-
(Increase)/decrease in other assets	(77,599)	5,246
Increase/(decrease) in trade and other payables	544,755	618,273
Increase/(decrease) in provisions	168,098	896,780
<b>Net cash flow from operating activities</b>	<b>1,304,233</b>	<b>(5,203,193)</b>

#### (b) Reconciliation of cash and cash equivalents

<b>Cash and cash equivalents comprises:</b>		
Cash on hand and at bank	9,267,163	12,108,825
	<b>9,267,163</b>	<b>12,108,825</b>

#### (c) Terms and conditions

For the purposes of the Statement of cash flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

## 19. COMMITMENTS AND CONTINGENCIES

#### (a) Commitments

Future minimum rentals payable under non-cancellable operating leases:

	CONSOLIDATED	
	2016	2015
	\$	\$
Within 1 year	477,773	459,060
After 1 year but not more than 5 years	316,581	688,396
<b>Total minimum lease payments</b>	<b>794,354</b>	<b>1,147,456</b>

The above commitments relate mainly to the leasing of premises with lease terms between 3 and 5 years and include renewable lease terms. Some office equipment is also leased with lease terms between 3 and 5 years.

Lease payments recognised as an expense in the current year amount to \$459,060 (FY15 \$450,063).

Security deposits and guarantees for three leased properties amount to \$259,036 in rental bonds (FY15 \$256,454), which will be repaid at the end of each tenancy provided that no money is owed and the property is restored in accordance with the lease agreement.

### (b) Contingencies

	CONSOLIDATED	
	2016	2015
	\$	\$
<b>Contingent assets and Liabilities</b>		
Nil (2015: Nil)	-	-

## 20. SHARE BASED PAYMENTS PLAN

### Key accounting policies

#### Equity settled transactions

The consolidated entity provides benefits to employees (including Directors) in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity settled transactions).

There are currently two plans in place to provide these benefits:

- the Employee Share Option Plan (ESOP); and
- the Employee Share Plan (ESP).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the active market for the shares which trade on the Australian Securities Exchange, at grant date.

In valuing equity settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- non-vesting conditions that do not determine whether the consolidated entity or company receives services that entitle the employee to receive payment in equity or cash
- conditions that are linked to the price of the shares of the company.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become entitled to the award (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the entity's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in Employee Benefits Expense and represents the movement in cumulative expense recognised as at the beginning and end of that period.

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit or loss and other comprehensive income is the product of:

- the grant date fair value of the award;
- the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- the expired portion of the vesting period.

The charge to the statement of profit or loss and other comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity settled awards granted by the company to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by the company in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the consolidated entity is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the consolidated entity, company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of the consolidated entity, company or employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designed as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

## Key estimates and judgements

The consolidated entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined using a binomial method. The accounting estimates and assumptions relating to the equity-settled share-based payments would have no impact on the carrying amounts of assets or liabilities within the next annual reporting period but may impact expenses and equity.

### (a) Recognised share-based payment expenses

The expense recognised from equity-settled share-based payment transactions during the year is \$1,312,427 (2015: \$902,513).

The share-based payment plans are described below.

### (b) Types of share-based payment plans

#### 1. Share based payment plans issued during the year ended 30 June 2016

	14 October 2015 SOP	7 December 2015 SOP CEO	30 March 2016 SOP
Number of options	620,000	150,000	50,000
Issue Date	14 Oct 2015	7 Dec 2015	30 Mar 2016
Expiry Date	14 Oct 2020	7 Dec 2020	30 Mar 2021
Expected Vesting Period	3 years	3 years	3 years
Exercise Price	\$2.46	\$2.46	\$3.98
<b>Vesting conditions</b>			
I. Service	I] Must be an employee from date of issue until options are exercised, unless considered a good leaver (in which case must exercise within 30 days)		

	14 October 2015 SOP	7 December 2015 SOP CEO	30 March 2016 SOP
II. Market	[II] Achieve share price hurdle of greater than 52% of exercise price for 20 consecutive days in the period between 36 months from the issue date and expiry of options.		
Disposal restrictions	Restriction on sale of shares for 12 months from exercise, without Board approval & no trading in 'blackout' periods.		

#### Tax exempt share plan – employees

Number of Shares issued	32,050
Issue Date	15 September 2015
Issue Price	\$1.56
Vesting conditions for all shares	Interests held in the shares are not at risk of forfeiture. There is no condition or requirement that needs to be satisfied in order to acquire the shares.
Voting	Shareholders are entitled to vote.
Dividends	The shares provide entitlement to dividends or other distributions paid to ordinary shareholders.
Specific terms	The Shares must not be sold, transferred or otherwise disposed of, or mortgaged, charged or otherwise encumbered, on or before the 3rd anniversary of the date employees acquired the Shares or the date they cease to be employed, whichever occurs first.

#### 2. Share based payment plans issued prior to 1 July 2015

	7 August 2013 SOP	17 October 2014 SOP	4 December 2014 SOP CEO	4 December 2014 SOP Paragem
Number of options	1,010,000	760,000	200,000	1,000,000
Issue Date	7 Aug 2013	17 Oct 2014	4 Dec 2014	4 Dec 2014
Expiry Date	14 Oct 2017	17 Oct 2019	17 Oct 2019	4 Dec 2019
Expected Vesting Period	1 year	3 years	3 years	24 Dec 2015 24 Dec 2016 24 Dec 2017
Exercise price	\$0.8424	\$0.98	\$0.98	\$1.156
<b>Vesting conditions</b>				
I. Service	[I] Must be an employee from date of issue until options are exercised, unless considered a good leaver (in which case must exercise within 30 days)			
II. Market	[II] Achieve share price hurdle in excess of 20% of the exercise price for 20 consecutive days in the period between 12 months from issue and expiry of options.	[II] Achieve share price hurdle in excess of 60% of the exercise price for 20 consecutive days in the period between 36 months from issue and expiry of options.	[II] Achieve share price hurdle in excess of 60% of the exercise price for 20 consecutive days in the period between 36 months from issue and expiry of options.	Share price hurdle <sup>1</sup>
III. Performance	As determined by the Board in its sole discretion			

	7 August 2013 SOP	17 October 2014 SOP	4 December 2014 SOP CEO	4 December 2014 SOP Paragem
Disposal restrictions	Restriction on sale of shares for 12 months from exercise, without Board approval & no trading in 'blackout' periods.	Restriction on sale of shares for 12 months from exercise, except to discharge tax obligations in relation to the issue.	Restriction on sale of shares for 12 months from exercise, except to discharge tax obligations in relation to the issue.	Restriction on sale of shares for 24 months from exercise, except to discharge tax obligations in relation to the issue.

#### Share Option Plan 4 December 2014 – Paragem Executive remuneration

1. Market – Share price hurdle in 3 Tranches
  - a. 4 Dec 15 – 4 Dec 19: 1/3 of options subject to 20% share price hurdle
  - b. 4 Dec 16 – 4 Dec 19: 1/3 of options subject to 40% share price hurdle
  - c. 4 Dec 17 – 4 Dec 19: 1/3 of options subject to 60% share price hurdle

	8 August 2013 SOP Executive	8 August 2013 SOP Chairman
Number of options	1,440,000	510,000
Issue Date	8 Aug 2013	8 Aug 2013
Expiry Date	8 Aug 2017	8 Aug 2017
Expected Vesting Period	28 Aug 2014 28 Aug 2015 28 Aug 2016	28 Aug 2014 28 Aug 2015 28 Aug 2016
Exercise Price	\$0.8438	\$0.8438
<b>Vesting conditions</b>		
I. Service	[I] Must be an employee from date of issue until options are exercised, unless considered a good leaver (in which case must exercise within 30 days)	[I] Subject to forfeiture on termination, unless considered to be a good leaver
II. Market	<ol style="list-style-type: none"> <li>a. For 1/3 of options subject to share price hurdle in excess of 20% of exercise price for 20 consecutive days in the period between 12 months from issue and expiry of options.</li> <li>b. For 1/3 of options subject to share price hurdle in excess of 40% of exercise price for 20 consecutive days in the period between 24 months from issue and expiry of options.</li> <li>c. For 1/3 of options subject to share price hurdle in excess of 60% of exercise price for 20 consecutive days in the period between 36 months from issue and expiry of options.</li> </ol>	<ol style="list-style-type: none"> <li>a. For 1/3 of options subject to share price hurdle in excess of 30% of exercise price for 20 consecutive days in the period between 12 months from issue and expiry of options.</li> <li>b. For 1/3 of options subject to share price hurdle in excess of 60% of exercise price for 20 consecutive days in the period between 24 months from issue and expiry of options.</li> <li>c. For 1/3 of options subject to share price hurdle in excess of 90% of exercise price for 20 consecutive days in the period between 36 months from issue and expiry of options.</li> </ol>
Disposal restrictions	Restriction on sale of shares for 24 months from exercise, except to discharge tax obligations in relation to the issue.	

Tax exempt share plan – employees	
Number of Shares Issued	44,000
Issue Date	9 September 2014
Issue Price	\$1.00
Vesting Conditions for All Shares	Interests held in the shares are not at risk of forfeiture. There is no condition or requirement that needs to be satisfied in order to acquire the shares.
Voting	Shareholders are entitled to vote.
Dividends	The shares provide entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	The Shares must not be sold, transferred or otherwise disposed of, or mortgaged, charged or otherwise encumbered, on or before the 3rd anniversary of the date employees acquired the Shares or the date they cease to be employed, whichever occurs first.

### (c) Summaries of options granted

The following table illustrates the number, weighted average exercise prices (WAEP) and weighted average share prices (WASP) of, and movements in, share options issued during the year:

	2016			2015	
	Number	WAEP	WASP	Number	WAEP
Outstanding at the beginning of the year	5,296,375	-	-	4,959,381	-
Granted during the year	820,000	\$2.55	-	1,960,000	\$1.07
Forfeited during the year	10,000	-	-	-	-
Exercised during the year	500,000	\$0.84	\$3.19	-	-
Expired during the year	561,375	-	-	1,650,006	\$5.20
Outstanding at end of the year	5,045,000	-	-	5,269,375	-
Exercisable at the end of the year	1,625,000	-	-	1,976,250	\$1.65

The outstanding balance as at 30 June 2016 is represented by:

- 325,000 options over ordinary shares with an exercise price of \$0.8424 each, fully vested.
- 1,950,000 options over ordinary shares with an exercise price of \$0.8438 each, 650,000 vested, 1,300,000 yet to vest.
- 960,000 options over ordinary shares with an exercise price of \$0.98 each, yet to vest.
- 1,000,000 options over ordinary shares with an exercise price of \$1.156 each, yet to vest.
- 620,000 options over ordinary shares with an exercise price of \$2.46 each, yet to vest.
- 150,000 options over ordinary shares with an exercise price of \$2.46 each, yet to vest.
- 50,000 options over ordinary shares with an exercise price of \$3.98 each, yet to vest.

### (d) Range of exercise price and remaining contractual life

- 1,950,000 options have an exercise price of \$0.8438 per share and an expiry date of 8 August 2017.
- 6,488,591 rights have an exercise price of nil and an expiry date of 30 September 2017.
- 325,000 options have an exercise price of \$0.8424 per share and an expiry date of 14 October 2017.
- 960,000 options have an exercise price of \$0.98 per share and an expiry date of 17 October 2019.
- 1,000,000 options have an exercise price of \$1.156 per share and an expiry date of 4 December 2019.

- 620,000 options have an exercise price of \$2.46 per share and an expiry date of 14 October 2020.
- 150,000 options have an exercise price of \$2.46 per share and an expiry date of 7 December 2020.
- 50,000 options have an exercise price of \$3.98 per share and an expiry date of 30 March 2021.

### (e) Option pricing model

The fair value of all equity-settled options issued in the year is estimated at the date of grant using the Hoadley's 1 Hybrid ESO model. The Black Scholes model was used to estimate the fair value for all prior issues.

The following table lists the inputs to the models used:

#### 1. Share based payment plans issued during the year ended 30 June 2016

	14 October 2015 SOP	7 December 2015 SOP CEO	30 March 2016 SOP
Dividend yield (%)	-	-	-
Expected volatility (%)	48	48	50
Risk-free interest rate (%)	1.8	1.8	2.09
Expected life of Options (months)	36	36	36
Option exercise price (\$)	2.46	2.46	3.98
Average Share price at measurement date (\$)	2.69	3.52	4.06
Model used	Hoadleys	Hoadleys	Hoadleys

#### 2. Share based payment plans issued prior to 1 July 2015

	7 Aug 2013 SOP	9 Aug 2013 SOP Exec	8 Aug 2013 SOP Chairman	17 Oct 2014 SOP	4 Dec 2014 SOP CEO	4 Dec 2014 SOP Paragem
Dividend yield (%)	-	-	-	-	-	-
Expected volatility (%)	80	80	80	35	35	33
Risk-free interest rate (%)	2.4	2.4	2.4	2.5	2.5	2.5
Expected life of Options (months)	26	28	28	36	36	12-36
Option exercise price (\$)	0.8424	0.8438	0.8438	0.98	0.98	1.156
Average Share price at measurement Date (\$)	0.91	0.91	0.91	0.89	0.89	0.89
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes

### (f) Contingent consideration

6,488,591 ordinary shares with a nil exercise price which are yet to vest, have been deferred as part of the contingent consideration for the Paragem acquisition. Refer to note 14 for further details.

Deferred Share issue – Paragem vendor	
Number of Deferred Shares	2,162,864
Expiry Date	30 September 2017
Exercise Price	Nil
Vesting Conditions for Deferred Shares	Subject to the achievement of performance targets by 30 September 2017. Additional Performance condition-Each Principal must not be a bad leaver when the shares vest.

Deferred Share issue – Paragem vendor	
Voting	Rights holders are not entitled to vote.
Dividends	The rights do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	<p>If at any time before 30 September 2017 the performance targets are achieved the rights will vest and be paid within 20 business days of achievement. 50% of the shares to be issued will be escrowed until 30 September 2017 and an escrow agreement must be issued subject to the reasonable terms as required by HUB24.</p> <p>If performance targets are not achieved, the shares to be issued will be adjusted to reflect the achieved percentage on 30 September 30 2017.</p> <p>No rights have vested or lapsed since being issued.</p>

Cash settlement will occur if the necessary shareholder approvals are not obtained to issue shares within three months of the payment date. The cash payment being equal to the value of shares calculated by reference to the VWAP of HUB shares in the 60 days preceding the vesting date.

Deferred Share Issue – Paragem Advisor Equity Scheme	
Number of Deferred Shares	4,325,727
Expiry Date	30 September 2017
Exercise Price	Nil.
Vesting Conditions for Deferred Shares	Subject to the achievement of performance targets by 30 September 2017.
Voting	Rights holders are not entitled to vote.
Dividends	The rights do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	<p>If at any time before 30 September 2017 the performance targets are achieved the rights will vest.</p> <p>No rights have vested or lapsed since being issued.</p>

Cash settlement will occur if the necessary shareholder approvals are not obtained to issue shares within three months of the payment date. The cash payment being equal to the value of shares calculated by reference to the VWAP of HUB shares in the 60 days preceding the vesting date.

## 21. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## 22. EARNINGS PER SHARE

### Key accounting policies

Basic EPS is calculated by dividing the result attributable to members of the company, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year. The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

Diluted EPS is calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted loss per share:

	<b>CONSOLIDATED</b>	
	2016	2015
	\$	\$
<b>Earnings per share from continuing operations</b>		
Profit/(Loss) after income tax	(1,187,128)	(5,350,363)
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	(1,187,128)	(5,350,363)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	52,553,713	48,414,345
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.26)	(11.05)
Diluted earnings per share	(2.26)	(11.05)
	<b>\$</b>	<b>\$</b>
<b>Earnings per share from discontinuing operations</b>		
Profit/(Loss) after income tax	-	(1,106,537)
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	-	(1,106,537)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	52,553,713	48,414,345
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	-	(2.29)
Diluted earnings per share	-	(2.29)
	<b>\$</b>	<b>\$</b>
<b>Earnings per share for loss</b>		
Profit/(Loss) after income tax	(1,187,128)	(6,456,900)
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	(1,187,128)	(6,456,900)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	52,553,713	48,414,345
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.26)	(13.34)
Diluted earnings per share	(2.26)	(13.34)

All options on issue are considered anti-dilutive for the periods presented, as the entity is loss-making. Refer to Note 20 for details of options on issue.

## 23. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2016 \$	2015 \$
<b>Amounts received or due and receivable by Deloitte Touche Tohmatsu (FY15 BDO)</b>		
Audit and review of financial statements and other regulatory returns	120,000	116,383
Tax and other services	108,475	103,149
<b>Total audit and other fees</b>	<b>228,475</b>	<b>219,532</b>

## 24. RELATED PARTY DISCLOSURES

### (a) Subsidiaries

The consolidated financial statements include the financial statements of HUB24 Limited and the Australian subsidiaries listed in the following table.

Name	% Equity Interest	
	2016	2015
Hub24 Custodial Services Limited (formerly ANZIEX Ltd)	100	100
HUB24 International Nominees Pty Ltd (formerly ANZIEX Nominees Ltd)*	100	100
Firstfunds Ltd	100	100
HUB24 Management Services Pty Ltd	100	100
Investorfirst Securities Ltd*	100	100
Investorfirst Share Ownership Trust	100	100
HUB24 Nominees Pty Ltd (formerly Kardinia Nominees Pty Ltd)*	100	100
Researchfirst Pty Ltd*	100	100
Captain Starlight Nominees Pty Ltd *	100	100
Findlay & Co Stockbrokers Ltd*	100	100
HUB24 Administration Pty Ltd	100	100
HUB24 Services Pty Ltd	100	100
Marketsplus Holdings Pty Ltd*	100	100
Marketsplus Australia Pty Ltd*	100	100
Paragem Pty Ltd	100	100

\*These companies are no longer trading and there is no intention that they will resume activities.

Balances and transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

### (b) Ultimate parent

HUB24 Limited is the ultimate parent entity of the consolidated entity.

## 25. PARENT ENTITY FINANCIAL INFORMATION

Set out below is the supplementary information about the parent entity.

	CONSOLIDATED	
	2016 \$	2015 \$
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Profit/(Loss) after income tax	(6,089,578)	(3,400,600)
<b>Total comprehensive income</b>	<b>(6,089,578)</b>	<b>(3,400,600)</b>
<b>Statement of Financial Position</b>		
Total current assets	12,351,939	268,303
<b>Total assets</b>	<b>24,574,507</b>	<b>29,255,578</b>
Total current liabilities	431,528	1,055,715
<b>Total liabilities</b>	<b>5,620,480</b>	<b>6,414,278</b>
<b>Equity</b>		
Issued capital	83,105,657	82,165,779
Reserves	3,452,949	2,190,522
Accumulated losses	(67,604,579)	(61,515,001)
<b>Total equity</b>	<b>18,954,027</b>	<b>22,841,300</b>

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

### Capital commitments – Office equipment

The parent entity had no capital commitments as at 30 June 2016 and 30 June 2015.

### Financial commitments – Loan Receivable

The parent entity entered into a loan agreement for \$5m with Diversa Ltd the parent entity of The Trust Company (Superannuation) Limited as Trustee for the HUB24 Super Fund ("The Fund"), on 10 June 2016 on an arms length basis and on commercial terms at an interest rate of 17%.

\$2m has been advanced by Hub24 Ltd to Diversa Ltd. Diversa Ltd has received these funds for the purpose of subscribing to capital in The Trust Company (Superannuation) Limited ("The Trustee") whereby the capital received by the Trustee will be reserved for the purpose of meeting the Operational Risk Financial Requirement (ORFR) for the Fund in accordance with APRA Prudential Standard SPS114.

Further advances may be called upon subject to the growth experienced by the Fund for the purpose of meeting the ORFR for the Fund in accordance with APRA Prudential Standard SPS114.

The agreement expires on 30 June 2017.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity except for investments in subsidiaries which are accounted for at cost, less any impairment, in the parent entity.

## 26. KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	2016 \$	2015 \$
<b>Key management personnel compensation</b>		
Short term employment benefits	2,819,741	2,659,274
Post employment benefits	128,646	126,110
Share based payments	495,927	275,318
<b>Total compensation</b>	<b>3,444,314</b>	<b>3,060,702</b>

## 27. FINANCIAL INSTRUMENTS

### Key accounting policies

#### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or are cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### Held to maturity investments

If the consolidated entity has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

The company's principal financial instruments comprise cash, receivables, and payables. For the year ended 30 June 2016, the consolidated entity does not utilise derivatives, holds no debt and has not traded in financial instruments including derivatives other than listed and unlisted securities and options over listed and unlisted securities, where received as corporate fee income. The company has other financial assets and liabilities such as trade receivables and trade and other payables, which arise directly from its operations and are non-interest bearing.

#### Interest rate risk

The consolidated entity is not materially exposed to movements in short-term variable interest rates on cash and cash equivalents. All other financial assets and liabilities are non-interest bearing. The Directors believe a 50 basis point decrease is a reasonable sensitivity given current market conditions. A 100 basis point increase and a 50 basis point decrease in interest rates would increase/decrease profit and loss in the consolidated entity and the company by:

	CONSOLIDATED	
	2016 \$	2015 \$
<b>Cash and cash equivalents at end of period</b>	<b>9,267,163</b>	<b>12,108,825</b>
100 basis points increase in interest rate	92,672	121,088
50 basis points decrease in interest rate	(46,336)	(60,544)
<b>Net impact on loss after tax</b>		
Loss for the year	(1,187,128)	(6,456,900)
100 basis points increase in interest rate	(1,094,456)	(6,335,812)
50 basis points decrease in interest rate	(1,233,463)	(6,517,443)

### Credit risk

The consolidated entity currently has a loan receivable of \$2 million from Diversa Ltd. Diversa Ltd has received a loan advance from the consolidated entity for the purpose of subscribing for share capital in The Trust Company (Superannuation) Limited ("The Trustee"). The consolidated entity has security over the share capital issued to Diversa Ltd and therefore considers the credit risk to be low on this receivable.

### Liquidity risk

The table below reflects all contractually fixed pay-offs for settlement resulting from recognised financial liabilities. Cash flows are undiscounted. The remaining contractual maturities of the consolidated entity's and parent entity's financial liabilities are:

	CONSOLIDATED	
	2016 \$	2015 \$
Not later than one month	1,340,113	875,974
Later than 1 month not later than 3 months	101,275	1,100,849
Later than 3 months not later than 1 year	350,689	270,500
Later than 1 year	-	-
	<b>1,792,077</b>	<b>2,247,323</b>

### Maturity analysis of financial assets and liabilities

The risk implied from the values shown in the table below is based on best estimates and reflect a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as office equipment, platform development and investments in working capital e.g. receivables. These assets are considered in the consolidated entity's overall liquidity risk.

	0-1 MONTH	1-3 MONTHS	4-12 MONTHS	1-5 YEARS	TOTAL
<b>30 June 2016</b>					
<b>Consolidated financial assets</b>					
Cash and cash equivalents	9,267,163	-	-	-	9,267,163
Trade and other receivables	1,899,665	102,231	2,016,366	-	4,018,262
	11,166,828	102,231	2,016,366	-	13,285,425
<b>Consolidated financial liabilities</b>					
Trade and other payables	1,340,112	101,275	350,689	-	1,792,076
	<b>1,340,112</b>	<b>101,275</b>	<b>350,689</b>	-	<b>1,792,076</b>
<b>Net maturity</b>	<b>9,826,716</b>	<b>956</b>	<b>1,665,677</b>	-	<b>11,493,349</b>

	0-1 MONTH	1-3 MONTHS	4-12 MONTHS	1-5 YEARS	TOTAL
<b>30 June 2015</b>					
<b>Consolidated financial assets</b>					
Cash and cash equivalents	12,108,825	-	-	-	12,108,825
Trade and other receivables	834,685	349,850	1,007,844	-	2,192,379
	<b>12,943,510</b>	<b>349,850</b>	<b>1,007,844</b>	<b>-</b>	<b>14,301,204</b>
<b>Consolidated financial liabilities</b>					
Trade and other payables	875,972	1,100,849	270,500	-	2,247,321
	875,972	1,100,849	270,500	-	2,247,321
<b>Net maturity</b>	<b>12,067,538</b>	<b>(750,999)</b>	<b>737,344</b>	<b>-</b>	<b>12,053,883</b>

The consolidated entity monitors rolling forecasts of liquidity reserves on the basis of expected cash flow and aims to maintain a minimum equivalent of 90 days worth of operational expenses in cash reserves.

#### Market risk

The consolidated entity is not materially exposed to movements in market prices.

The net fair value of financial assets and liabilities approximates their carrying values and the methods for estimating fair values are outlined in the relevant notes to the financial statements.

#### Fair value measurement

The consolidated entity has a number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values at 30 June 2016:

	CONSOLIDATED	
	Carrying amount	Fair value amount
<b>Non-current assets</b>		
Rental bonds and guarantees	259,036	259,036
	259,036	259,036

Due to their short term nature, the carrying amounts of current trade and other receivables and current trade and other payables is assumed to approximate their fair value.

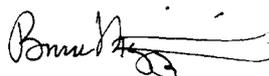
# Directors' declaration

for the year ended 30 June 2016

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- (b) the financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 2.
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors.



**Bruce Higgins**  
Chairman  
Sydney, 29 August 2016

# Independent auditor's report



Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

## Independent Auditor's Report to the Members of HUB24 Limited

### Report on the Financial Report

We have audited the accompanying financial report of HUB24 Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 38 to 80.

#### *Directors' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

# Deloitte.

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of HUB24 Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of HUB24 Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 26 to 35 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of HUB24 Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 29 August 2016

# ASX additional information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 23 August 2016.

## DISTRIBUTION OF EQUITY SECURITIES

Ordinary share capital – 52,890,711 fully paid ordinary shares are held by 1,969 individual security holders.

All issued ordinary shares carry one vote per share without restriction and carry the rights to dividends. The number of security holders, by size of holding, in each class are:

Fully paid ordinary shares - holdings ranges	Holders	Total units	%
1–1,000	598	249,931	0.47
1,001–5,000	782	2,182,906	4.13
5,001–10,000	302	2,298,186	4.35
10,001–100,000	246	6,440,712	12.18
100,001 and over	41	41,718,976	78.88
<b>Totals</b>	<b>1,969</b>	<b>52,890,711</b>	<b>100.000</b>

Holding less than a marketable parcel of shares, based on the closing price \$4.55 on 23 August 2016, are 145 shareholders.

## OPTIONS

5,676,612 options are held by option holders. Options do not carry a right to vote.

## SUBSTANTIAL SHAREHOLDERS – QUOTED ORDINARY SECURITIES

	Number fully paid	%
Thorney Holdings Pty Ltd & Related Parties	9,909,236	18.76
Acorn Capital Ltd	6,106,867	11.55
Commonwealth Bank of Australia	3,713,164	7.03
Ian Litster & Related Parties	3,588,751	6.78

### HUB24 LIMITED FULLY PAID ORDINARY SHARES – TOP 20 HOLDINGS AS AT 23 AUGUST 2016

Rank	Name	23 Aug 2016	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,370,419	19.61
2	NATIONAL NOMINEES LIMITED	5,728,723	10.83
3	UBS NOMINEES PTY LTD	4,884,563	9.24
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,268,518	6.18
5	CITICORP NOMINEES PTY LIMITED	3,284,091	6.21
6	LITSTER & ASSOCIATES PTY LTD	2,400,207	4.54
7	FINOOK PTY LTD	1,400,000	2.65
8	BNP PARIBAS NOMS PTY LTD	1,336,743	2.53
9	WEALTHPLAN TECHNOLOGIES PTY LTD	1,188,545	2.25
10	JASFORCE PTY LTD	1,700,000	3.21
11	SKYLYX PTY LTD	774,793	1.46
12	EGG AU PTY LTD	692,715	1.31
13	PACIFIC CUSTODIANS PTY LIMITED	680,425	1.29
14	MR BRUCE HIGGINS & MRS RUTH HIGGINS	566,811	1.07
15	MATIMO PTY LTD	412,769	0.78
16	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	268,150	0.51
17	RACT SUPER PTY LTD	250,000	0.47
18	MR MARTIN JAMES HICKLING & MRS JANE FRANCES HICKLING	250,000	0.47
19	MR JASON MATTHEW ENTWISTLE & MRS JULIE ANNA ENTWISTLE	245,000	0.46
20	MR PAUL SARKIS	202,250	0.38





[hub24.com.au](http://hub24.com.au)