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HALF YEAR
REPORT

31 DECEMBER

2016

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Results for announcement to the market

Appendix 4D

	Half-year ended 31 December 2016		Half-year ended 31 December 2015		% change
	\$'000		\$'000		
From continuing and discontinuing operations					
Revenue from ordinary activities	27,528	From	20,443	Increase	35%
Net profit/(loss) for the half-year attributable to members	1,328	From	(1,820)	Increase	173%

DIVIDENDS

It is not proposed to pay an interim dividend (Prior corresponding period: 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 31 December 2016	\$0.139
Net tangible assets per fully paid ordinary share 31 December 2015	\$0.081

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 the consolidated half-year report that has been reviewed by the company's auditors, Deloitte Touche Tohmatsu.

LODGED WITH THE ASX UNDER LISTING RULE 4.2A.3

This report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any ASX and/or public announcements made by HUB24 Limited since the release of that report.

Corporate information

HUB24 LIMITED

ACN 124 891 685

DIRECTORS

Bruce Higgins (Chairman)
Andrew Alcock (Managing Director)
Ian Litster
Anthony McDonald
Vaughan Webber

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

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CORPORATE HIGHLIGHTS

HUB24 has experienced strong FUA growth during the half year while continuing to invest in platform innovation. The company has recorded its first half year of positive Net Profit after Tax. Other highlights are:



Netflows of

\$694m

FUA increase of 25% since 30 June 2016, now \$4.4b



Acquisition of

Agility

Applications



Positive operating cashflows of

\$1.5m



Increase in Operating EBITDA of

240%



Launch

of direct investing in international shares across 15 exchanges



EBITDA² of

\$1.7m



HUB24 awarded

1st

in categories for Managed Accounts, User Interface and Smartphone/Tablet Access¹



Underlying NPAT³ of

\$0.9m

- 1 Results from Investment Trends December 2016 Platform Competitive Analysis and Benchmarking Report based on extensive analyst reviews of 19 platforms across 526 functional points
- 2 Earnings before interest, tax, depreciation and other significant items
- 3 Net profit after tax before fair value gain on contingent consideration of \$0.477 million, decrease in share based payments expense of \$0.319 million relating to the Paragon acquisition and due diligence costs associated with the acquisition of Agility Applications Pty Ltd.

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DIRECTORS' REPORT

Your Directors present their interim 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 half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows::

Directors

The Directors were in office from the beginning of the half year and until the date of this report, unless otherwise stated.

Bruce Higgins (Chairman)

Andrew Alcock

Ian Litster

Anthony McDonald

Vaughan Webber

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, a 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 record of delivering market-leading solutions in the financial services industry.

Paragem (the licensee) provides licensee services and is a wholly owned subsidiary and boutique dealer group. It comprises a network of 25 financial advice businesses which deliver high quality, goals-based advice. It provides compliance, software, education, and support to the practices enabling advisers to provide clients with financial advice across a range of products.

Principal activities

The principal activities during the year of the company were the provision of investment and superannuation portfolio administration services and the provision of Licensee services.

Review of operations

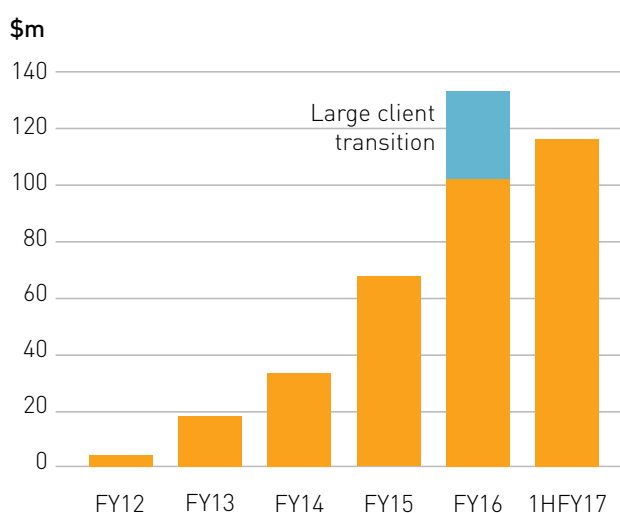
We have delivered growth in Funds Under Administration (FUA) of 25% for the half year ended 31 December 2016 from 30 June 2016 and 75% for the 2016 calendar year with Retail FUA as at 31 December 2016 of \$4.149 billion.

The company continues to focus on platform development initiatives and securing new adviser relationships to further increase the momentum in FUA growth. The

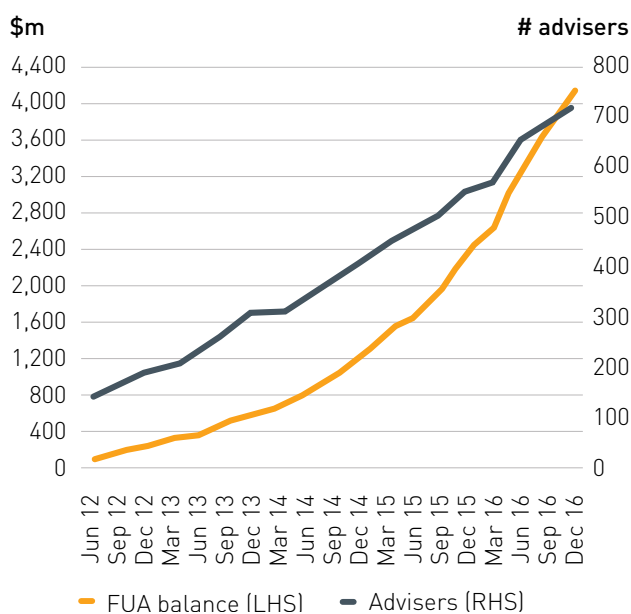
company also continues with ongoing platform investment, extending its breadth of functionality into international managed portfolios and direct shares, multi-broker capability and non-custodial reporting.

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 average FUA per adviser.

AVERAGE MONTHLY NET INFLOWS



RETAIL FUA BALANCE



Two new white label agreements were signed during the half year which are expected to contribute to the company's continued growth in FUA and net inflows.

27 distribution agreements were signed during the half year, including 2 new white labels which are expected to launch in March 2017.

Platform developments during the period were launched for international equities, making them available to the same major markets and exchanges as utilised by HUB24 to administer international managed portfolios.

The HUB24 Account Open API has been released which allows 3rd party applications, such as financial planning software, SMSF software, robo advice channels and licensee adviser desktops to automatically create HUB24 Investment and Superannuation accounts without the need for advisers to re-enter client information they have already captured. This will save advisers time and make it easier to implement their client recommendations.

Industry recognition

In the Investment Trends December 2016 Platform Competitive Analysis and Benchmarking Report HUB24 took out three categories:

- Best Managed Accounts functionality;
- Best Navigation and User interface; and
- Best Tablet/Smartphone access.

Additionally, HUB24 moved into second place overall in terms of richest platform functionality.

HUB24's super fund was also recognised at the 2016 SuperRatings Fund of the Year Awards, which acknowledged the highest achieving superannuation funds. HUB24 received the Fast Mover award, for demonstrating the fastest growth in FUA and was also a finalist for the Rising Star award.

Corporate

On 28 November 2016, the company announced to the market an agreement to acquire 100% of Agility Applications Pty Ltd subject to conditions precedent. The acquisition was completed on 3 January 2017. Consideration for the acquisition comprised \$6 million on completion made up of \$2 million in cash and \$4 million in HUB24 ordinary shares with up to a further \$5.5 million in cash and \$3.5 million in HUB24 ordinary shares subject to performance hurdles to be met over the next three years.

468,639 share options and 137,043 performance rights were issued to staff and executives on 29 November 2016. 21,525 ordinary shares, in lieu of a short-term incentive payment of \$96,001, were issued to the Managing Director on 29 November 2016 after being approved by shareholders at the Annual General Meeting of the company held 29 November 2016.

Review of financial results

The consolidated entity recorded revenue from ordinary activities of \$27.528 million for the half year ended 31 December 2016 (revenue from ordinary activities of \$20.443 million for the half year ended 31 December 2015 an increase of 35%).

A statutory Net Profit after Tax (NPAT) of \$1.328 million was recorded for the half year ended 31 December 2016 (loss of \$1.820 million for the half year ended 31 December 2015).

Underlying NPAT* for the half year ended 31 December 2016 was \$0.936 million (loss of \$1.558 million for the half year ended 31 December 2015) after excluding the following:

- Transaction costs of \$0.404 million associated with the acquisition of Agility Applications Pty Ltd, which was completed on 3 January 2017, were incurred during the half year ended 31 December 2016.
- A fair value gain on contingent consideration of \$0.477 million and decrease in share based payment expense of \$0.319 million relating to the Paragem acquisition. For further information refer to Note 7 of the Financial Statements.

The key items driving the underlying NPAT performance for the half year were:

- Platform revenue increased by 70% to \$11.824 million for the half year (\$6.963 million for the half year ended 31 December 2015) and platform expenses increased by 29% to \$9.956 million (\$7.703 million for the half year ended 31 December 2015)
- Licensee (Paragem) revenue increased by 13% to \$14.825 million for the half year (\$13.074 million for the half year ended 31 December 2015)
- Development expenditure of \$0.963 million was capitalised during the half year (\$0.651 million for the half year ended 31 December 2015)

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 EBITDA from continuing operations before other significant items and underlying NPAT.

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FINANCIAL PERFORMANCE	1HFY17 \$	1HFY16 \$	VAR %
Income			
Recurring revenue – platform	11,823,901	6,962,640	70%
Recurring revenue – licensee	14,824,822	13,073,791	13%
Total revenue	26,648,723	20,036,431	33%
Direct costs – platform	(4,829,149)	(3,266,545)	48%
Direct costs – licensee	(13,547,770)	(11,980,018)	13%
Gross profit	8,271,804	4,789,868	73%
Operating expenses	(4,177,479)	(3,586,011)	16%
Operating EBITDA	4,094,326	1,203,857	240%
Growth resources expensed	(2,376,528)	(2,127,118)	12%
EBITDA before other significant items	1,717,798	(923,261)	
Other significant items			
Other revenue	62,659	189,881	(67%)
Fair value gain – contingent consideration	476,907	-	
Share based payment expense - employees	(378,946)	(399,646)	(5%)
Share based payment expense - option holders	39,917	(278,833)	
Non-recurring corporate costs	(404,196)	(261,584)	55%
EBITDA	1,514,139	(1,673,444)	
Interest revenue	339,713	217,004	57%
Other interest expense	(31,109)	-	
Depreciation and amortisation	(495,238)	(363,184)	(36%)
Profit/(loss) before income tax	1,327,504	(1,819,623)	
Income tax benefit	-	-	
Profit/(loss) after income tax	1,327,504	(1,819,623)	
Underlying NPAT adjustments*			
Fair value gain - contingent consideration	(476,907)	-	
Share based payment expense - option holders	(318,750)	-	
Non-recurring corporate costs	404,196	261,584	55%
Underlying NPAT*	936,403	(1,558,039)	
Revenue from ordinary activities			
Recurring revenue	26,648,723	20,036,431	33%
Other revenue	62,659	189,881	(67%)
Fair value gain - contingent consideration	476,907	-	
Interest revenue	339,713	217,004	57%
	27,528,002	20,443,316	35%

* Underlying NPAT is an unaudited, non-IFRS measure used internally by management and by some in the investment community to assess the operating performance of the business.

Revenue due to ordinary activities from continuing operations comprises of recurring revenue, other revenue and interest revenue.

REVENUE

Continuing strong FUA inflows into the HUB24 platform have resulted in recurring platform revenue of \$11.824 million for the half year ended 31 December 2016, an increase of 70% over the prior corresponding period. The Licensee (Paragem) has contributed \$14.825 million in revenue for the half year ended 31 December 2016 (\$13.074 million for the half year ended 31 December 2015, an increase of 13% over the prior corresponding period). 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 together with continuing scale benefits have driven a strong gross profit result of \$8.272 million for the half year ended 31 December 2016 (\$4.790 million for the half year ended 31 December 2015), an increase of 73%.

Direct costs include custody, trustee, superannuation administration and headcount resources to service current client accounts while direct Licensee (Paragem) 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 and milestone for the platform.

The Operating EBITDA result of \$4.094 million for the half year ended 31 December 2016 has improved by 240% over the prior corresponding period.

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 \$0.963 million were capitalised during the half year ended 31 December 2016 relating to specific projects for the development of functionality for international equities, non-custodial assets and the HUB24 Account Open API (\$0.651 million for the half year ended 31 December 2015).

CASH AND CASH FLOWS

The company recorded positive Cashflow from Operating Activities of \$1.497 million for the half year ended 31 December 2016 (Cash outflows from Operating Activities of \$0.144 million for the half year ended 31 December 2015).

Cash and cash equivalents at 31 December 2016 were \$10.455 million, an increase of \$1.188 million for the half year.

OPERATING SEGMENTS

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.

Corporate

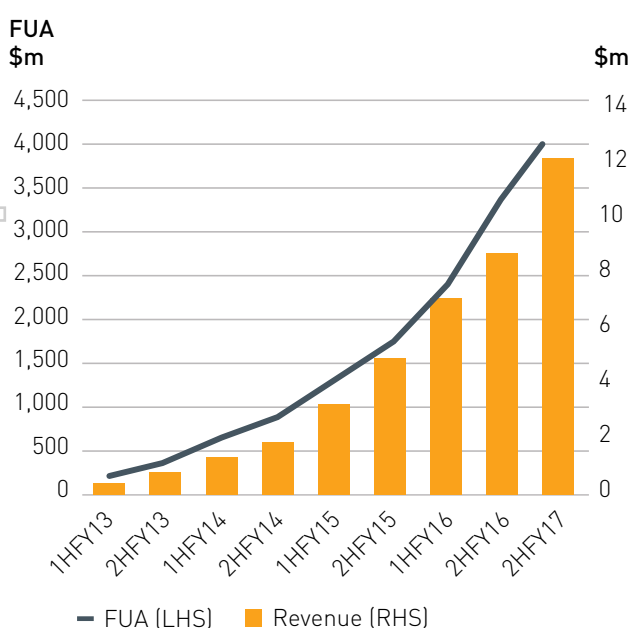
Provision of corporate services to the operating segments including allocation of costs of the Managing Director, finance & compliance and strategic support.

PLATFORM SEGMENT

Platform	1HFY17 \$	1HFY16 \$	VAR %
FUA	4,149m	2,368m	75%
Recurring revenue	11,823,901	6,962,640	70%
Total revenue	11,823,901	6,962,640	70%
Direct costs	(4,829,149)	(3,266,545)	48%
Gross profit	6,994,752	3,696,095	89%
Operating expenses	(2,811,039)	(2,368,448)	19%
Operating EBITDA	4,183,714	1,327,647	215%
Growth resources expensed	(2,315,963)	(2,068,056)	12%
EBITDA before other significant items	1,867,751	(740,409)	
Other significant items			
Other revenue	62,659	189,881	(67%)
EBITDA	1,930,410	(550,528)	
Interest revenue	184,278	94,094	96%
Depreciation and amortisation	(494,063)	(359,944)	37%
Profit before income tax	1,620,624	(816,378)	

The platform segment recorded significant improvements in Revenue, Gross Profit, Operating EBITDA and EBITDA for the half year ended 31 December 2016 due to increases in FUA with expanding margins. Positive platform segment EBITDA and profit before income tax (PBT) was recorded for 1HFY17.

PLATFORM REVENUE – HALF YEAR

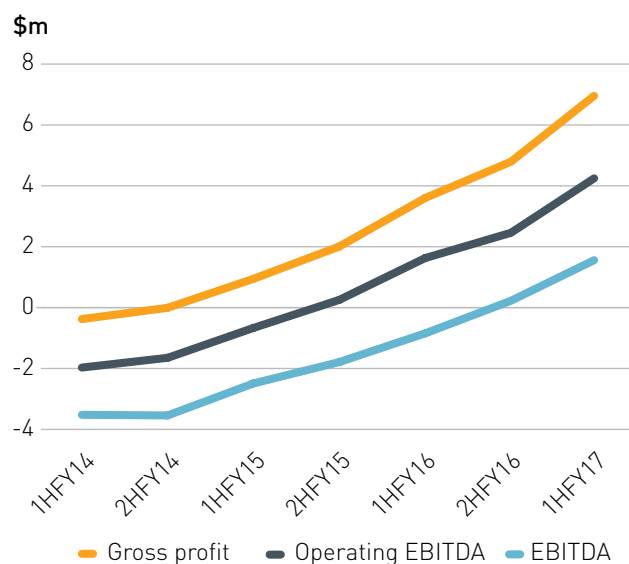


Platform operating expenses and growth resources increased by 15% for the half year ended 31 December 2016 compared with the prior corresponding period.

The results for the platform segment as a percentage of average FUA for the half year ended 31 December 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 half year periods 1HFY14 to 1HFY17.

PLATFORM HALF-YEARLY GROSS PROFIT, OPERATING EBITDA AND EBITDA TRENDS



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.

LICENSEE	1HFY17 \$	1HFY16 \$	VAR %
Recurring revenue	14,824,822	13,073,791	13%
Total revenue	14,824,822	13,073,791	13%
Direct costs	(13,547,770)	(11,980,018)	13%
Gross profit	1,277,052	1,093,773	17%
Operating expenses	(1,173,192)	(1,043,888)	12%
Operating EBITDA	103,860	49,885	108%
EBITDA	103,860	49,885	108%
Depreciation and amortisation	(1,175)	(3,240)	(64%)
Profit before income tax	102,685	46,645	120%

Paragem now has 25 practices with funds under advice estimated to be \$3.25 billion.

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

CORPORATE SEGMENT

CORPORATE	1HFY17 \$	1HFY16 \$	VAR %
Operating expenses	(193,248)	(173,675)	11%
Growth resources expensed	(60,565)	(59,063)	3%
EBITDA before other significant items	(253,813)	(232,737)	9%
Other significant items			
Fair value gain – contingent consideration	476,907	-	-
Share based payment expense – employees	(378,946)	(399,648)	(5%)
Share based payment expense – option holders	39,917	(278,833)	-
Non-recurring corporate costs	(404,196)	(261,584)	55%
EBITDA	(520,131)	(1,172,801)	(56%)
Interest revenue	155,435	122,910	26%
Other interest expense	(31,109)	-	-
Loss before income tax	(395,805)	(1,049,891)	(62%)
Income tax benefit	-	-	-
Loss after income tax	(395,805)	(1,049,891)	(62%)

A portion of operating expenses and growth resources were allocated to the Corporate segment in the half year ended 31 December 2016. These expenses predominantly relate to corporate headcount overheads that cannot be directly attributed to either operating segment.

Significant events after the reporting date

On 3 January 2017, HUB24 Limited acquired 100% of the issued shares in Agility Applications Pty Ltd, a specialist provider of application and technology products for the financial services sector, for upfront cash consideration of \$2.0 million and \$4.0 million in HUB24 ordinary shares. Further deferred consideration of up to \$5.5 million in cash and \$3.5 million in HUB24 ordinary shares, are subject to financial performance measures over a 3 year period.

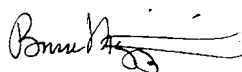
No matters or circumstances other than the matter noted above, have arisen since 31 December to the date of this

report 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.

Auditor independence

A copy of the independence declaration by the lead auditor under section 307C is included in page 13 of this half-year report.

Signed in accordance with a resolution of the Directors.



Bruce Higgins
Chairman of Directors

Sydney, 27 February 2017

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Auditor's independence declaration

Deloitte.

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

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225 George Street
Sydney NSW 2000
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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

27 February 2016

Dear Directors,

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 review of the financial statements of HUB24 Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

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FINANCIAL STATEMENTS

Condensed statement of

Profit or loss and other comprehensive income

for the half-year ended 31 December 2016

Half-year ended	Note	CONSOLIDATED	
		31 Dec 2016 \$	31 Dec 2015 \$
Revenue from continuing operations			
Revenue	3(a)	26,711,382	20,226,312
Fair value gain on contingent consideration	7	476,907	-
Interest and other income		339,713	217,004
		27,528,002	20,443,316
Expenses			
Platform and custody fees		(2,091,463)	(1,472,674)
Licensee service fees		(14,234,846)	(12,572,371)
Employee benefits expenses	3(b)	(6,201,829)	(5,510,607)
Property and occupancy costs		(288,275)	(276,336)
Depreciation and amortisation expense	3(c)	(495,238)	(363,184)
Administrative expenses	3(d)	(2,888,847)	(2,067,767)
		(26,200,498)	(22,262,939)
Profit/(loss) before income tax from continuing operations		1,327,504	(1,819,623)
Income tax	9	-	-
Profit/(loss) after income tax from continuing operations		1,327,504	(1,819,623)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the half year		1,327,504	(1,819,623)
Total comprehensive profit/(loss) for the period attributable to ordinary equity members of HUB24 Limited		1,327,504	(1,819,623)
		Cents	Cents
Earnings per share from continuing operations, attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		2.49	(3.48)
Diluted earnings per share	5	2.35	(3.48)
Earnings per share for profit attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		2.49	(3.48)
Diluted earnings per share	5	2.35	(3.48)

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

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Condensed statement of

Financial position

at 31 December 2016

		CONSOLIDATED	
	Note	31 Dec 2016 \$	30 Jun 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		10,454,961	9,267,163
Trade and other receivables		4,523,988	4,018,262
Deferred tax asset	9	943,875	943,875
Other current assets		525,068	491,396
Total current assets		16,447,892	14,720,696
Non-current assets			
Office equipment		192,872	152,414
Intangible assets	6	14,245,054	13,716,522
Security deposits and guarantees		263,059	259,036
Total non-current assets		14,700,985	14,127,972
Total assets		31,148,877	28,848,668
LIABILITIES			
Current liabilities			
Trade and other payables		2,288,237	1,792,076
Other current liabilities	7	3,800,489	-
Current provisions		1,913,979	2,457,095
Deferred revenue from research and development claim		88,897	88,897
Total current liabilities		8,091,602	4,338,068
Non-current liabilities			
Non-current provisions		400,181	359,114
Other non-current liabilities	7	898,217	5,188,953
Total non-current liabilities		1,298,398	5,548,067
Total liabilities		9,390,000	9,886,135
Net assets		21,758,877	18,962,533
Equity			
Issued capital	8	84,935,631	83,080,332
Reserves		4,009,813	4,396,272
Accumulated losses		(67,186,567)	(68,514,071)
Total equity		21,758,877	18,962,533

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

Condensed statement of

Changes in equity

for the half-year ended 31 December 2016

CONSOLIDATED				
	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
As at 1 July 2016	83,080,332	4,396,272	(68,514,071)	18,962,533
Total comprehensive profit for the period	-	-	1,327,504	1,327,504
Transactions with equity members in their capacity as equity members				
Options granted – employees	-	315,946	-	315,946
Shares issued to employees				
– Options exercised	662,488	(662,488)	-	-
– Share based payments*	1,129,812	-	-	1,129,812
– Share ownership plan	63,000	-	-	63,000
Remuneration for post transaction services – Paragem option holders**	-	(39,917)	-	(39,917)
As at 31 December 2016	84,935,631	4,009,813	(67,186,567)	21,758,878
As at 1 July 2015	82,090,454	3,133,845	(67,326,943)	17,897,356
Total comprehensive loss for the period	-	-	(1,819,623)	(1,819,623)
Transactions with equity members in their capacity as equity members				
Options granted – employees	-	349,646	-	349,646
– Share ownership plan	848,992	-	-	848,992
Remuneration for post transaction services – Paragem option holders	-	278,833	-	278,833
As at 31 December 2015	82,939,446	3,762,324	(69,146,566)	17,555,205

* Share based payments include shares issued to the executive team in lieu of short term incentive bonus payments of \$297,001 for the year ended 30 June 2016.

** Paragem option holders include a share based payment expense of \$278,833 for the half year ended 31 December 2016, offset by an adjustment of \$318,750 to contingent consideration for option holders. Refer to note 7 for further details.

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

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Condensed statement of

Cash flows

for the half-year ended 31 December 2016

	CONSOLIDATED	
Note	31 Dec 2016 \$	31 Dec 2015 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	29,294,491	20,775,293
Payments to suppliers and employees (inclusive of GST)	(28,158,326)	(21,372,027)
Interest received	233,544	185,930
Receipts from superfund expense recovery	127,427	-
Receipt from research and development incentive	-	267,132
Net cash inflow/(outflow) from operating activities	1,497,136	(143,672)
Cash flows from investing activities		
Payments for office equipment	(100,739)	(69,305)
Payments for acquisition related expenses	(73,897)	-
Payments for acquisition of shares in subsidiary	-	(1,000,000)
Payments for intangible assets	(963,490)	(651,736)
Payments for security deposits	(4,023)	-
Net cash inflow/(outflow) from investing activities	(1,142,149)	(1,721,040)
Cash flows from financing activities		
Proceeds from share options exercised by employees	832,811	277,992
Net cash inflow/(outflow) from financing activities	832,811	277,992
Net increase/(decrease) in cash and cash equivalents	1,187,798	(1,586,720)
Cash and cash equivalents at beginning of period	9,267,163	12,108,825
Cash and cash equivalents at end of period	10,454,961	10,522,105
Non-cash financing activities*	(297,001)	(312,250)

Non-cash financing activities

* Shares issued to the executive team in lieu of short term incentive bonus payments for \$297,001 (\$312,250 for the half-year ended 31 December 2015) are non-cash transactions and excluded from financing activities.

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

Notes to the financial statements

for the half-year ended 31 December 2016

1. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of HUB24 Limited for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This general purpose interim financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all the notes of the type normally included in the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. Accordingly, it is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by HUB24 Limited ('the Company') during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules and the *Corporations Act 2001*.

Certain prior year numbers have been reclassified to conform to current year presentation.

Statement of compliance

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

New, revised or amending Accounting Standards and Interpretations adopted

There are no material changes to accounting standards since the Annual Report for the year ended 30 June 2016 that impact the financial performance or position of the consolidated entity.

Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2016.

Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of the consolidated entity as at 31 December 2016.

Subsidiaries are consolidated from the date on which control is transferred to the consolidated entity.

Going concern

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

The consolidated entity has raised capital in the 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.

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3. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

Half-year ended	CONSOLIDATED	
	31 Dec 2016 \$	31 Dec 2015 \$
(a) Revenue		
Platform fees	11,886,560	7,152,521
Licensee fees	14,824,822	13,073,791
	26,711,382	20,226,312
Expenses		
(b) Employee benefits expenses		
Wages and salaries (incl super and payroll tax)	4,632,289	4,002,147
Share based payments expense	378,946	399,646
Other employee benefits expenses	1,190,594	1,108,814
	6,201,829	5,510,607
(c) Depreciation and amortisation		
Depreciation of office equipment	69,404	38,382
Amortisation of intangible assets	425,834	324,802
	495,238	363,184
(d) Administrative expenses		
Corporate fees	178,362	141,171
Professional and consultancy fees	626,798	371,190
Information services and communication	354,465	320,507
Travel and entertainment	255,806	150,637
Other administrative expenses	1,473,414	1,084,261
	2,888,847	2,067,767

Other administrative expenses include \$404,196 in transaction expenses (\$261,584 for the half year ended 31 December 2015).

4. OPERATING SEGMENT INFORMATION

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 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.

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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, systems and 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 31 December 2016			
	Platform \$	Licensee \$	Corporate \$	Total \$
Revenue				
Sales to external customers	11,823,901	14,824,822	-	26,648,723
Total sales revenue	11,823,901	14,824,822	-	26,648,723
Total revenue	11,823,901	14,824,822	-	26,648,723
EBITDA before other significant items	1,867,751	103,860	(253,813)	1,717,798
Other significant items				
Other revenue	62,659	-	-	62,659
Fair value gain – contingent consideration	-	-	476,907	476,907
Share based payment expense - employees	-	-	(378,946)	(378,946)
Share based payment expense - option holders	-	-	39,917	39,917
Non-recurring corporate costs	-	-	(404,196)	(404,196)
EBITDA	1,930,410	103,860	(520,131)	1,514,139
Interest revenue	184,278	-	155,435	339,713
Other interest expense	-	-	(31,109)	(31,109)
Depreciation and amortisation	(494,063)	(1,175)	-	(495,238)
Profit before income tax	1,620,624	102,685	(395,805)	1,327,504
Income tax	-	-	-	-
Profit after income tax	1,620,624	102,685	(395,805)	1,327,504
Reconciliation to revenue from ordinary activities				
Sales to external customers				26,648,723
Other revenue				62,659
Fair value gain on investment				476,907
Interest revenue				339,713
Revenue from ordinary activities				27,528,002

				CONSOLIDATED 31 December 2015
	Platform \$	Licensee \$	Corporate \$	Total \$
Revenue				
Sales to external customers	6,962,640	13,073,791	-	20,036,431
Total sales revenue	6,962,640	13,073,791	-	20,036,431
Total revenue	6,962,640	13,073,791	-	20,036,431
EBITDA before other significant items	(740,409)	49,885	(232,735)	(923,259)
Other significant items				
Other revenue	189,881	-	-	189,881
Share based payment expense - employees	-	-	(399,648)	(399,648)
Share based payment expense - option holders	-	-	(278,833)	(278,833)
Non-recurring corporate costs	-	-	(261,584)	(261,584)
EBITDA	(550,528)	49,885	(1,172,801)	(1,673,443)
Interest revenue	94,094	-	122,910	217,004
Depreciation and amortisation	(359,944)	(3,240)	-	(363,184)
Loss before income tax	(816,378)	46,645	(1,049,890)	(1,819,623)
Income tax	-	-	-	-
Loss after income tax	(816,378)	46,645	(1,049,890)	(1,819,623)
Reconciliation to revenue from ordinary activities				
Sales to external customers				20,036,431
Other revenue				189,881
Interest revenue				217,004
Revenue from ordinary activities				20,443,316

5. EARNINGS PER SHARE

Diluted earnings per share exclude 5,515,302 shares relating to the deferred consideration from the Paragem acquisition which have not met their performance targets.

Diluted earnings per share exclude 50,000 options issued to employees where the exercise prices exceeds the average share price for the period.

The weighted average number of shares used in the calculation of basic and diluted earnings per share are as follows:

Basic earnings per share	53,233,192
Diluted earnings per share	56,399,104

6. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED	
	31 Dec 2016 \$	30 Jun 2016 \$
Investment platform		
At cost	27,766,559	26,814,812
Accumulated amortisation	(19,941,370)	(19,553,033)
Net carrying amount	7,825,189	7,261,779
Goodwill		
At cost	5,852,019	5,852,019
Accumulated amortisation	-	-
Net carrying amount	5,852,019	5,852,019
Dealer network		
At cost	604,244	604,244
Accumulated amortisation	(140,990)	(110,778)
Net carrying amount	463,254	493,466
Managed fund client list		
At cost	72,839	72,839
Accumulated amortisation	(21,852)	(14,568)
Net carrying amount	50,987	58,271
Software		
At cost	92,435	80,693
Accumulated amortisation	(38,830)	(29,706)
Net carrying amount	53,605	50,987
Total net carrying amount	14,245,054	13,716,522

7. CONTINGENT CONSIDERATION

	CONSOLIDATED	
	31 Dec 2016 \$	30 Jun 2016 \$
Current liabilities		
Contingent consideration		
Paragem vendors	1,680,000	-
Paragem option holders	2,120,489	-
	3,800,489	-
Non-current liabilities		
Contingent consideration		
Paragem vendors	-	1,919,380
Paragem option holders	-	2,326,907
	-	4,246,287

Contingent consideration has been reclassified from a non-current liability at 30 June 2016 to a current liability which is due on 30 September 2017, relating to the Paragem acquisition.

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, comprising \$2million in upfront consideration and up to \$6million in deferred contingent consideration.

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 has been, until 31 December 2016, estimated to be \$4.326 million in purchase consideration and \$1.673 million remuneration for post transaction services based on management's judgement that 100% of the performance criteria will be met.

Management's estimate of the future performance over the earnout period against set criteria requires significant judgement. As at 31 December 2016 management estimate that 85% of the performance criteria will be met over the three years to 30 September 2017 resulting in deferred contingent consideration of \$5,100,000 (\$3.85 million in purchase consideration and \$1.25 million remuneration for post transaction services).

The impact upon the financial statements for the half year ended 31 December 2016 of the change to management's estimate are as follows:

Contingent consideration - Vendor	decrease by \$476,907
Fair value gain on contingent consideration (profit and loss)	increase by \$476,907
Share based payments reserve	decrease by \$318,750
Share base payment expense – Option holders (profit and loss)	decrease by \$318,750

8. ISSUED CAPITAL

	CONSOLIDATED			
	31 Dec 2016 Number	31 Dec 2015 Number	31 Dec 2016 \$	31 Dec 2015 \$
(a) Issued and paid up capital				
Ordinary shares, fully paid	53,921,303	52,720,711	84,999,813	82,984,831
(b) Other equity securities				
Treasury shares*	94,949	109,061	(64,182)	(73,721)
Total issued and paid up capital	54,016,252	52,829,772	84,935,631	82,911,110
Movements in issued and paid up capital				
Beginning of the financial year*	52,890,711	52,058,181	83,154,052	82,082,503
Shares issued*	1,030,592	662,530	1,129,812	873,992
Transfers from share based payment reserve	-	-	662,488	-
Additional paid up capital*	-	-	53,461	28,336
End of the period	53,921,303	52,720,711	84,999,813	82,984,831
Movement in other equity securities – treasury shares*				
Beginning of the financial year	109,061	141,111	73,721	95,385
Employee share issue	(14,112)	(32,050)	(9,539)	(21,664)
End of the period	94,949	109,061	64,182	73,721

*Prior year comparatives have been reclassified for improved presentation purposes and consistency with the current year disclosure.

Ordinary shares

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

On 2 September 2016, the company issued 45,067 ordinary shares to the Executive team in lieu of \$201,000 short term incentive bonus payments authorised for the year ended 30 June 2016.

On 7 October 2016, the company issued 510,000 ordinary shares for options exercised by the Chairman of the company for consideration of \$430,338.

On 17 October 2016, the company issued 15,000 ordinary shares for options exercised by employees of the company for consideration of \$12,636.

On 29 November 2016, the company issued 21,525 ordinary shares to the Managing Director in lieu of a \$96,001 short term incentive bonus payment authorised for the year ended 30 June 2016 and approved at the Annual General Meeting of the company.

On 5 December 2016, the company issued 439,000 ordinary shares for options exercised by employees of the company for consideration of \$389,836.

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 1 September 2016, the company transferred 14,112 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

9. TAX NOTE

Half-year ended	CONSOLIDATED	
	31 Dec 2016 \$	30 Jun 2016 \$
(a) Income tax expense/(benefit)		
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	(1,125,149)
Income tax expense/(benefit)	-	(1,125,149)
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(51,966)	(1,351,389)
(Decrease)/increase in deferred tax liabilities	51,966	226,240
	-	(1,125,149)
(b) Reconciliation of income tax expense/(benefit) to pre-tax accounting profit/(loss)		
Profit/(loss) from continuing operations before income tax expense	1,327,504	(2,312,277)
Prima facie income tax at 30%	398,251	(693,683)

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Half-year ended	CONSOLIDATED	
	31 Dec 2016 \$	30 Jun 2016 \$
Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:		
Entertainment	10,717	19,690
Penalties and fines	815	1,860
Share based payments	101,709	393,728
R&D grant income	(13,335)	(162,258)
Recognition opening deferred tax asset	-	(836,037)
Recognition opening deferred tax liability	-	226,240
Non-recognition of deferred tax asset	-	254,625
Prior year losses now recognised	(498,157)	-
Other adjustments	-	(329,313)
Income tax expense/(benefit)	-	(1,125,149)

(c) Current and deferred tax balances recognised

Deferred tax assets	1,338,474	1,286,506
Total	1,338,474	1,286,506
Deferred tax liability	394,599	342,631
Total	394,599	342,631
Net deferred tax asset recognised	943,875	943,875

(d) Unrecognised deferred tax assets comprise temporary differences attributable to:

Tax losses – revenue in nature	13,112,784	13,610,941
Tax losses – capital in nature	226,760	226,760
Total unrecognised deferred tax asset	13,339,544	13,837,701

10. FAIR VALUE MEASUREMENT

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

11. EVENTS SUBSEQUENT TO BALANCE DATE

On 3 January 2017, HUB24 Limited acquired 100% of the issued shares in Agility Applications Pty Ltd, a specialist provider of application and technology products for the financial services sector, for upfront cash consideration of \$2.0 million and \$4.0 million in HUB24 ordinary shares. Further deferred consideration of up to \$5.5 million in cash and \$3.5 million in HUB24 ordinary shares, are subject to financial performance measures over a 3 year period.

No matters or circumstances other than the matter noted above, have arisen since 31 December to the date of this report 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.

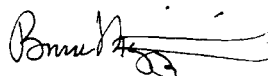
Directors' declaration

In the opinion of the Directors of HUB24 Limited:

- (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 financial position as at 31 December 2016 and of the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting, *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.305(5) of the *Corporations Act 2001*.



Bruce Higgins
Chairman
Sydney, 27 February 2017

Independent auditor's report

Deloitte.

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Independent Auditor's Review Report to the Directors of HUB24 Limited

We have reviewed the accompanying half-year financial report of HUB24 Limited, which comprises the condensed statement of financial position as at 31 December 2016, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year as set out on pages 15 to 27.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of HUB24 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HUB24 Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 27 February 2017

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