

For personal use only

ANNUAL  
REPORT

2017



# CONTENTS

Results for announcement to the market	2	Consolidated statement of financial position	41
Corporate information	3	Consolidated statement of changes in equity	42
Corporate highlights	4	Consolidated statement of cash flows	43
Chairman and Managing Director's report	5	Notes to the financial statements	44
Directors' report	11	Directors' declaration	90
Auditor's independence declaration	38	Independent auditor's report	91
Financial statements	39	ASX additional information	96
Consolidated statement of profit or loss and other comprehensive income	40		

## 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 2017 is dated as at 30 June 2017 and was approved by the Board on 28 August 2017. The Corporate Governance Statement is available on HUB24 Limited's website at [www.hub24.com.au/corporate-governance-statement](http://www.hub24.com.au/corporate-governance-statement).

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

## Appendix 4E

	Year ended 30 June 2017		Year ended 30 June 2016		
	\$'000		\$'000		% change
<b>From continuing operations</b>					
Revenue from ordinary activities	63,769	From	43,657	Increase	46%
Net profit (loss) after tax for the year attributable to members	18,874	From	(1,187)	Increase	1690%
Basic earnings per share	34.95 cents	From	(2.26) cents	Increase	1647%
Diluted earnings per share	33.15 cents	From	(2.26) cents	Increase	1567%

### DIVIDENDS

The directors have not declared a final dividend for the year ended 30 June 2017 ( 2016: Nil).

### EXPLANATION OF RESULT

Refer to the Chairman and Managing Director's Report and Directors' Report for further explanation.

Net tangible assets per fully paid ordinary share 30 June 2017	\$0.282
Net tangible assets per fully paid ordinary share 30 June 2016	\$0.099

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

HUB24 Limited has gained control over Agility Applications Pty Ltd ("Agility") and has not lost control over any entity during the reporting period.

### AUDITOR REVIEW

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

For personal use only

# CORPORATE INFORMATION



## HUB24 LIMITED

ACN 124 891 685



## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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



## AUDITORS

### **Deloitte Touche Tohmatsu**

Grosvenor Place  
225 George Street  
Sydney NSW 2000



## DIRECTORS

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



## 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 : HUB)*



## BANKERS

### **Australia and New Zealand Banking Group Limited**

20 Martin Place  
Sydney NSW 2000



## COMPANY SECRETARY

Matthew Haes



## SOLICITORS

### **Minter Ellison**

Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000



## INTERNET ADDRESS

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

# HIGHLIGHTS

HUB24's focus on investing in platform innovation and growth has delivered its first year of profit.

## SHAREHOLDER VALUE



Share price increase of 70%



Basic EPS of 34.95 cents (underlying EPS of 7.3 cents)

## FINANCIAL RESULTS



Underlying EBITDA of \$5.1m<sup>1</sup>



Underlying NPAT of \$3.9m<sup>2</sup>



FUA increase of \$2.2b (now \$5.8b)

## INDUSTRY RECOGNITION



First in overall platform satisfaction<sup>3</sup>



First in managed portfolios<sup>4</sup>

## BUILDING FOR GROWTH



Acquisition of Agility



Launch of international direct shares and account opening API's



Targeting greater than \$12b FUA in the next 3 years

1. Underlying EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation before other significant items.
2. Underlying NPAT is a non-IFRS measure used internally by management and by some in the investment community to assess the operating performance of the business. Underlying NPAT represents Net Profit After Tax excluding non-recurring items.
3. Equal first from Investment Trends 2017 Planner Technology report for overall platform satisfaction.
4. Awarded first for Managed Accounts in the December 2016 Platform Competitive Analysis and Benchmarking Report based upon extensive analyst reviews of 19 platforms across 526 functional points.



Andrew Alcock

Bruce Higgins

## CHAIRMAN AND MANAGING DIRECTOR'S REPORT

### Dear Shareholders,

On behalf of the directors we are pleased to announce the maiden profit result for HUB24 for the financial year ended 30 June 2017 (FY17). Our company is leading change in the Australian wealth management landscape where our innovative solutions and technology continue to create opportunities for industry participants and more importantly our customers. The directors, in our financial statements, have recognised the remaining unused prior period tax losses and R&D offsets as a deferred tax asset for the first time and accordingly our Net Profit After Tax (NPAT) is shown as \$18.9million and our underlying NPAT for the business of \$3.9million.

During the year HUB24 has continued its strong growth and achieved several significant milestones:

- our first full year of profit with underlying NPAT of \$3.9 million and underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$5.1 million;
- reaching \$5.5 billion in Funds Under Administration (FUA) which is an increase of \$2.2 billion during FY17;
- being awarded first place for overall platform satisfaction<sup>1</sup> and first place for our Managed Accounts functionality<sup>2</sup>; and
- progressing our expansion strategy via the acquisition of Agility.

<sup>1</sup> Equal first from Investment Trends 2017 Planner Technology report for overall platform satisfaction.

<sup>2</sup> Awarded first for Managed Accounts in the December 2016 Platform Competitive Analysis and Benchmarking Report based upon extensive analyst reviews of 19 platforms across 526 functional points.

### KEY POINTS

First full year of profit with underlying NPAT of \$3.9 million and underlying EBITDA of \$5.1 million

\$5.5 billion in FUA

First place for overall client satisfaction and Managed Accounts functionality

Progressing our expansion strategy via the acquisition of Agility

## *Our focus upon innovation, product development and outstanding service delivery has been widely recognised*

In FY17 HUB24 achieved positive annual NPAT, EBITDA and operating cashflows for the first time as well as attaining record gross and net inflows. Our FUA reached \$5 billion at the end of May 2017 and increased to \$5.5 billion during the month of June. This resulted in an annual increase of 66% amounting to \$2.2 billion.

We continue to receive welcome industry and customer recognition of both our innovative platform technology and our service proposition at a time when our industry is undergoing significant structural change.

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>3</sup>. The anticipated growth in managed portfolios is now materialising as adviser adoption transforms their business performance and customer value proposition. HUB24 is at the forefront of this market, has launched 83 new managed portfolios from 24 portfolio managers during the year and has been recognised as having the best platform managed portfolio functionality<sup>4</sup> in the market.

We are growing our market share in an environment where the dominant incumbent participants are rethinking their wealth management business models and their industry participation. Our success is illustrated by our achievement of 10.47% of industry annual net inflows which is a run rate of some 16 times our underlying market share of 0.62%<sup>5</sup>.

While delivering considerable growth during FY17, our focus upon innovation, product development and outstanding service delivery has been widely recognised. We are now ranked first for overall platform satisfaction having achieved the top position in 16 of the possible 24 categories as researched by Investment Trends. Our aim is to continue to make a difference in our customers lives through positive change and connecting them to innovative solutions that assist them to create wealth.

Across Australia an increasing number of advisers are choosing to become self-licensed or join more flexible dealer groups as they move away from institutionally

owned licensing models. Our subsidiary Paragem Pty Ltd ("Paragem") has recruited an additional five of these advice practices during 2HFY17 and our group is well positioned to capitalise on this trend with advice businesses seeking greater choice, transparency and engagement with new technology platforms.

Structural change is also occurring across traditional stockbroking and advisory firms where there is an increasing transition towards holistic wealth management and the provision of new and valuable services to their loyal client base. HUB24's strategy to support this convergence of the traditional stockbroking and financial planning sectors resulted in the acquisition of Agility on 3 January 2017. Work was completed on corporate integration activities during the period and joint development and sales initiatives have already resulted in significant new client activity.

Agility provides a financial services data hub between advice licensees, product providers and technology partners, which collectively represents over \$250 billion of client assets and drives many of the applications and reporting tools available within the Agility adviser desktop used by over 2,600 users.

Overall we are pleased that HUB24 is continuing to grow and succeed. Our commitment is to embrace change and maximise the opportunities to create real value for our customers, advisers, licensees and investment managers.

## Financial performance

HUB24 achieved an underlying NPAT of \$3.9 million and an underlying EBITDA of \$5.1 million for FY17. The company delivered a statutory EBITDA of \$4.7 million and with the recognition of prior period tax losses a statutory NPAT of \$18.9 million.

The profit performance of the platform segment is continuing to grow over time, having achieved an underlying EBITDA of \$5.1 million for FY17. The underlying EBITDA result for 2HFY17 of \$3.2 million is an increase of 71% above the 1HFY17 result of \$1.9 million. The record net inflows achieved in the last quarter of the year are expected to further support ongoing increases in profit performance for the platform segment.

Revenue from ordinary activities increased by 46% to \$63.8 million for FY17, which included \$4.7 million revenue from the acquired Agility business (for the period from 3 January 2017 to 30 June 2017). The platform segment revenue increased by 71% to \$26.3 million over the prior year, driven by a 66% increase in FUA to \$5.5 billion as at 30 June 2017.

Scale benefits continue to emerge as a result of growing FUA and revenues, with platform expenses rising by only 33% over the year. Margin improvements have been made across the profit lines in our platform segment and we expect further margin expansion and increased profitability moving forward.

<sup>3</sup> Rice Warner's Personal Investments Market Projections 2015.

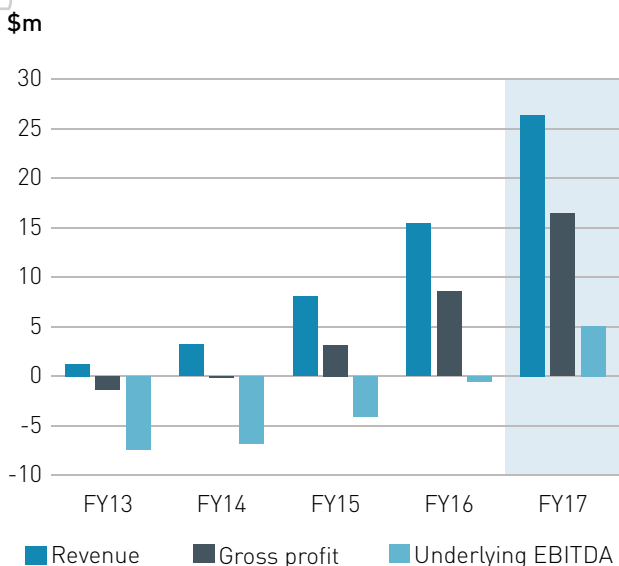
<sup>4</sup> Investment Trends 2016 Platform Competitive Analysis and Benchmarking Report – Awarded Best Platform Managed Accounts Functionality.

<sup>5</sup> Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2017.

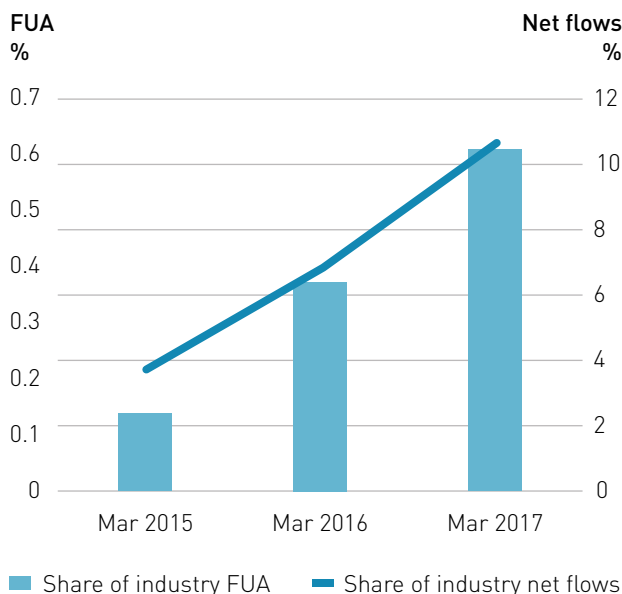
For personal use only



**Platform – revenue, gross profit and underlying EBITDA trends**



**HUB24 share of industry FUA and annual net inflows – last 3 years<sup>6</sup>**



**Growth**

HUB24 is currently the fastest growing platform in the market relative to its size<sup>6</sup> and has achieved a compound annual growth rate (“CAGR”) in FUA over the past 4 years of 95%.

Our growth is well distributed across 108 active licensees, including 15 white label relationships with 3 new white labels joining the platform during FY17. Our inflows from white labels continue to increase and at the same time there has been a trend for an increasing number of smaller licensees choosing the HUB24 retail version of the platform. These products now account for 65% of net flows which reflects the broadening adoption of HUB24 across the market.

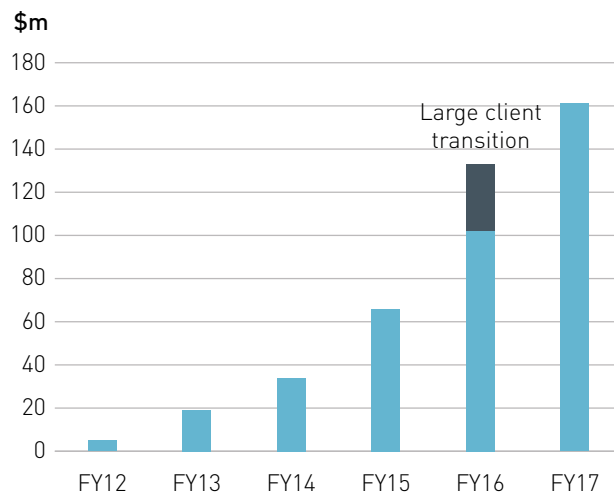
During the year the number of advisers using the platform has increased by 39% to 917. At the same time, the average FUA per adviser using HUB24 has now risen to \$6 million as advisers continue to choose the platform for more of their clients. Whilst the company continues to secure new adviser relationships there remains within our existing client base considerable opportunities to increase FUA given the industry average FUA per adviser is approximately \$40 million<sup>7</sup>.

Our share of market net inflows has increased over the last three years and was 10.47%<sup>6</sup> for the year ended 31 March 2017. For that period HUB24 achieved the fifth highest net inflows in dollar terms ahead of several well established traditional competitors.

The final quarter of FY17 saw HUB24 achieve record gross and net inflows of \$1,090 million and \$841 million respectively. In addition to strong underlying flows the business benefited from the realisation of long term sales opportunities and regulatory superannuation changes.

Monthly average retail net inflows by financial years to date have continued to rise with the average for FY17 being \$160 million per month (\$133 million per month for the prior year which included a large client transition). This is an increase of 20%.

**Average monthly net inflows**



<sup>6</sup> Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2017.

<sup>7</sup> Source: ASIC Adviser Register.

For personal use only

## *Our market presence and brand recognition is increasing within our target client segments*

As the industry continues to acknowledge HUB24, our market presence and brand recognition is increasing within our target client segments. This is generating additional opportunities and strengthening our already solid pipeline that is expected to support ongoing growth during FY18.

PLATFORM STATISTICS	JUN 2016	SEPT 2016	DEC 2016	MAR 2017	JUN 2017	GROWTH**
FUA - retail	\$3,313m	\$3,770m	\$4,149m	\$4,652m	\$5,515m	66.5%
<b>RETAIL FLOWS</b>						
Net fund inflows (Qtr)	\$579m	\$366m	\$328m	\$418m	\$841m	45.3%
Gross inflows (Qtr)	\$688m*	\$496m	\$475m	\$568m	\$1,090m	58.4%
Number of advisers	659	690	737	802	917	39.2%

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.

## Operations

HUB24 won three of six categories in the Investment Trends 2016 Platform Competitive Analysis and Benchmarking report<sup>8</sup> and won the award for the best managed accounts functionality. HUB24 moved up from third to second place in terms of overall functionality and is now ranked ahead of all traditional institutional platforms in the market. The other awards received were:

- Best Navigation and User Interface; and
- Best Tablet/Smartphone Access.

Additionally, HUB24 was ranked first for overall platform satisfaction in the 2017 Investment Trends Planner Technology Report. We achieved the highest client satisfaction score in 16 of 24 categories assessed with advisers who use HUB24 as their primary platform. The categories include business development manager support, online functionality, comprehensiveness of data feeds to planning software, quality of reports, ease of use/navigation and mobile access.

Our superannuation fund was also recognised at the 2016 Super Ratings 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.

Throughout FY17 HUB24 launched a number of new product developments.

Our recent industry leading account opening interface (HUB24 Account Open API) facilitates third party applications, such as financial planning software, SMSF software, robo advice channels and licensee adviser desktops. This automatically creates HUB24 Investment and Superannuation account applications without the need for advisers to re-enter client information they have already captured. Importantly this interface will also be available to customers of Agility, allowing a HUB24 platform account to be opened at the same time as an equity trading account. The innovation makes it simpler for advisers to run their business and implement their client recommendations.

We enhanced our international equities offering to allow advisers and their clients to invest directly in individual international shares across 15 exchanges and take advantage of global investment opportunities. This is in addition to the 12 leading international managed portfolios now available on the platform. HUB24 is leading the market by providing real choice for advisers and their clients for gaining exposure to international markets. Our solution creates opportunities for clients to benefit from direct ownership of international equities with or without the overlay of professional investment management.

HUB24's non-custody reporting solution is fully integrated with our investment and superannuation platform. We have extended the integration of this with Agility's services which will complement our market offer and accelerate the provision of enhancements that support stockbrokers, as they increasingly choose to transition into wealth managers.

The company has made a number of recent senior appointments across sales and marketing, risk and compliance, and finance, including Chief Operating Officer, Craig Lawrenson, who joined the company in August. Given the company's growth and prospects, further investment will also be made in 1HFY18 in order to fit out the new head office premises for the business in Sydney.

<sup>8</sup> Results from Investment Trends December 2016 Platform Competitive Analysis and Benchmarking Report based on extensive analyst reviews of 19 platforms across 526 functional points.

For personal use only

## Acquisitions – Agility

HUB24 completed the acquisition of Agility in early January. Agility is a specialist technology services provider to the financial services industry with a focus on the stockbroking sector.

The integration of the Agility business into HUB24's operations was completed and contributed \$4.7 million in revenue during the period. The Agility executives and staff have worked closely with their HUB24 colleagues since acquisition on a range of joint development and sales initiatives. These have resulted in improved data integration for existing clients of HUB24 and Agility and significant new client activity amongst a broadening market of financial advisers and stockbrokers.

Aligned with HUB24's strategy to support the convergence of traditional stockbroking and financial planning sectors, Agility has been engaged by a key wealth management and stockbroking client to provide its Connect data warehouse and Adviser Desktop solutions. Working with HUB24, this will deliver a single consolidated view of all products and services available for their advisers, including a fully integrated white label version of the HUB24 platform.

This is the first joint client initiative undertaken by HUB24 and Agility since the acquisition, with a strong pipeline of further opportunities.

## 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.

During the year, and commensurate with the growth of the company, we have strengthened our governance resources with the addition of a new Risk and Compliance Manager to support our General Counsel and Head of Compliance.

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.

*Our solution creates opportunities for clients to benefit from direct ownership of international equities with or without the overlay of professional investment management*

## Outlook

As our industry continues to shift we believe HUB24 has a great opportunity to lead change, connect customers with innovative solutions and create increasing value for our shareholders.

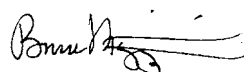
We have recorded our first year of profit built on continuing rapid growth and the company has delivered improved margins as a result of our platform operations. From our position as the platform market leader for managed accounts we are planning further growth and aim to more than double FUA on the platform in the next three years to over \$12 billion.

HUB24 is well positioned to take advantage of market trends and the structural changes occurring in wealth management. We anticipate these changes in the industry offer HUB24 enhanced opportunities within and beyond our traditional market segments. Our profitability, growth, industry recognition and engagement with our clients is supporting our investment to enhance our market position and explore broader market opportunities such as those now available via the acquisition of Agility.

We will continue to develop new platform functionality and products and invest in growing the company targeted towards accelerating FUA onto the HUB24 platform.

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. We also wish to thank our customers for their ongoing support.

Yours sincerely,



**Bruce Higgins**  
Chairman



**Andrew Alcock**  
Managing Director

28 August 2017

For personal use only

*As our industry continues to shift we believe HUB24 has a great opportunity to lead change, connect customers with innovative solutions and create increasing value for our shareholders.*

# For personal use only 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 2017 (“FY17”). In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows.

## Directors

The names and details of the company’s directors in office during FY17 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)
- Legend Corporation Limited.



## Andrew Alcock

**B Bus, GAICD**

### MANAGING DIRECTOR

Andrew has over 22 years experience across wealth management encompassing advice, platforms, industry superannuation, insurance and information technology. Andrew was formerly Chief Operating Officer of Genesys Wealth Advisers, overseeing the authorisation of over 300 financial planners and Head of the Genesys Equity Program, where he was a director of over 20 financial planning practices across Australia.

Prior to this, Andrew was CEO of Australian Administration Services, a subsidiary of Link Market Services, providing superannuation administration for some of Australia's largest superannuation funds. He was also previously general manager for Asteron's wealth management business.

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 15 years in corporate finance at leading Australian mid-sized stockbrokers focussing 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 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:

- Money3 Corporation Limited (resigned 6 October 2016).

For personal use only



## 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 is currently non-executive director of 8IP Emerging Companies Limited and was appointed as non-executive director of URB Investments Limited on 13 October 2016.

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:

- 8IP Emerging Companies Limited (appointed 24 September 2015)
- URB Investment Limited (appointed 13 October 2016).

There were no other directors holding office during FY17 that were not company directors at the date of this report.



## Company Secretary

The name and details of the Company Secretary in office during FY17 and at the date of this report is as follows:

## Matthew Haes

**B Ec (Syd) ACA AGIA**

### CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Matthew Haes' financial services experience spans over 21 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 (now part of Findex Group 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	986,811
Andrew Alcock	756,883
Ian Litster	3,588,751
Vaughan Webber	Nil
Anthony McDonald	Nil

## Consolidated entity overview

HUB24 Limited operates the HUB24 investment and superannuation platform, provides financial advice to clients through financial advisers authorised by Paragem and provides application and technology products through Agility, both wholly owned subsidiaries 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 portfolios, 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 (the licensee) provides licensee services and is a wholly owned subsidiary and boutique dealer group. It comprises a network of 30 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.

Agility (IT Services) provides a financial services data hub between advice licensees, product providers and technology partners, which collectively represents over \$250 billion of client assets and drives many of the applications and reporting tools available within the Agility adviser desktop accessed by over 2,600 users. It earns software license and consulting fees from data, software and infrastructure and is a wholly owned subsidiary, having been acquired by HUB24 Limited on 3 January 2017. Agility has its head office in Brisbane.

## Principal activities

The principal activities of the company during the year were the provision of investment and superannuation portfolio administration services, the provision of Licensee services to financial advisers and software license and IT consulting services.

## Corporate

On 28 November 2016, the company announced to the market an agreement to acquire 100% of Agility subject to conditions precedent. The acquisition was completed on 3 January 2017. Consideration for the acquisition comprised \$6.5 million on completion made up of \$2.7 million in cash and \$3.8 million in HUB24 ordinary shares with up to a further \$3.5 million in cash and \$3.5 million in HUB24 ordinary shares subject to performance hurdles to be met over the next three years. Refer to Note 28.

468,639 share options and 137,043 performance rights ("PAR's") were issued to staff and executives on 29 November 2016. 21,525 ordinary shares, in lieu of a short-term incentive payment of \$96,002, 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.

1,284,000 share options were exercised by directors, executives and staff during the year and a further 880,000 share options exercised by executives since 30 June 2017.

Approximately 4.6 million shares are currently expected to be issued during October 2017 to the Paragem vendors and option holders in accordance with the terms of the Share Sale Deed executed 19 August 2014.

## Review of financial results

The consolidated entity recorded revenue from ordinary activities of \$63.8 million for FY17 (revenue from ordinary activities of \$43.7 million for FY16), an increase of 46%.

A statutory NPAT of \$18.9 million was recorded for FY17 (loss of \$1.2 million for FY16).

Underlying NPAT\* for FY2017 was \$3.9 million (loss of \$1.5 million for FY16) after adjusting for:

- non-recurring corporate costs of \$0.5 million associated with the acquisition of Agility
- a fair value gain on contingent consideration of \$0.9 million and credit to share based payment expense of (\$0.2 million) relating to the Paragem acquisition. For further information refer to Note 11 of the Financial Statements
- the initial recognition of prior period tax losses, R&D offsets and intangibles of \$14.3 million.

For personal use only

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

- platform revenue increased by 71% to \$26.3 million for the year (\$15.4 million for FY16) and platform expenses increased by 33% to \$21.3 million (\$16 million for FY16)
- licensee (Paragem) revenue increased by 13% to \$30.8 million for the year (\$27.3 million for FY16)
- the acquisition of Agility on 3 January 2017 contributing \$4.7 million to the increase in revenue

for the period and \$0.4 million in legal and due diligence costs associated with the transaction were expensed.

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 underlying EBITDA and underlying NPAT.

FINANCIAL PERFORMANCE	FY17 \$	FY16 \$	VAR %
<b>Income</b>			
Platform	26,348,718	15,410,448	71%
Licensee	30,810,493	27,254,746	13%
IT Services	4,701,436	-	-
<b>Total revenue</b>	<b>61,860,647</b>	<b>42,665,194</b>	<b>45%</b>
Direct costs	(41,051,882)	(31,786,555)	29%
<b>Gross profit</b>	<b>20,808,765</b>	<b>10,878,639</b>	<b>91%</b>
Operating expense	(10,535,689)	(7,210,769)	46%
Growth resources expense	(5,153,447)	(4,508,101)	14%
<b>Underlying EBITDA</b>	<b>5,119,629</b>	<b>(840,231)</b>	
<b>Other significant items</b>			
Non-recurring revenue	107,917	607,350	
Fair value gain – contingent consideration	925,407	-	
Payroll tax – employee options	(337,018)	-	
Share based payment expense – employees	(800,435)	(754,760)	6%
Share based payment expense – Paragem option holders	221,027	(557,667)	
Non-recurring corporate costs	(549,066)	(220,902)	149%
<b>EBITDA</b>	<b>4,687,463</b>	<b>(1,766,210)</b>	
Interest revenue	875,289	383,962	128%
Other interest expense	(387,886)	(145,705)	166%
Depreciation and amortisation	(1,423,529)	(784,324)	81%
<b>Profit/(loss) before income tax</b>	<b>3,751,338</b>	<b>(2,312,277)</b>	
Income tax benefit	15,122,793	1,125,149	1244%
<b>Profit/(loss) after income tax from continuing operations</b>	<b>18,874,131</b>	<b>(1,187,128)</b>	
Discontinued operations	-	-	
<b>Profit/(loss) after income tax</b>	<b>18,874,131</b>	<b>(1,187,128)</b>	
<b>Underlying NPAT adjustments*</b>			
Fair value gain – contingent consideration	(925,407)	-	
Share based payments – Paragem option holders	(221,027)	557,667	
Non-recurring corporate costs	549,066	220,902	149%
Recognition of deferred tax asset	(14,333,884)	(1,158,403)	1137%
<b>Underlying NPAT*</b>	<b>3,942,878</b>	<b>(1,566,963)</b>	

\* Underlying NPAT is a non-IFRS measure used by the company which is relevant because it is consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business.

FINANCIAL PERFORMANCE	FY17 \$	FY16 \$	VAR %
<b>Revenue from ordinary activities</b>			
Operating revenue	61,860,647	42,665,194	45%
Non-recurring revenue	107,917	607,350	(82%)
Fair value gain – contingent consideration	925,407	-	
Interest revenue	875,289	383,962	128%
	<b>63,769,260</b>	<b>43,656,506</b>	<b>46%</b>

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

## Revenue

Record net inflows of \$2 billion into the HUB24 platform have driven platform revenue of \$26.4 million for FY17, an increase of 71% over the prior corresponding period. The Licensee (Paragem) has contributed \$30.9 million in revenue for FY17 (\$27.3 million for FY16, an increase of 13% over the prior corresponding period) having recruited five additional financial planning practices during the year.

IT Services (Agility) has contributed \$4.7 million in revenue from software licensing and consulting services since acquisition for the period from 3 January 2017 to 30 June 2017. 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 net inflows, FUA growth, trading activity on the platform and continuing scale benefits together with the recruitment of adviser practices have driven a strong gross profit result of \$20.8 million for FY17 (\$10.9 million for FY16), an increase of 91%.

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

IT Services (Agility) direct costs, contributing \$3 million for the period from 3 January 2017 to 30 June 2017, include headcount and infrastructure resources to support existing customer consulting arrangements and software license needs.

## Operating and growth resource expenses

The company has increased FUA and client accounts by greater than 220% over the past two years and began increasing its operating expense base during FY16 to support the expected growth of the business. Investment in the operating expense base has continued in FY17 with recent senior staff appointments in the areas of risk and compliance, finance and marketing, and will continue into the 2018 financial year with the appointment of the Chief Operating Officer and the company's move of its head office premises in 1HFY18.

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

Growth resource expenses of \$2 million were capitalised during FY17 relating to specific projects including the development of functionality for international equities, non-custodial assets and the HUB24 Account Open API (\$1.3 million for FY16).

## Other significant items

A fair value gain on contingent consideration of \$0.9 million relating to the Paragem acquisition. For further information refer to Note 11 of the financial statements.

Share based payment expenses includes \$0.8 million for employee payments and \$0.3 million for payroll tax, total \$1.1 million due to the issue of options to executives and staff during the past three years ended FY17 (\$0.8 million for FY16).

***Record net inflows of \$2 billion into the HUB24 platform have driven platform revenue of \$26.3 million for FY17***

For personal use only

## *The company recorded positive cashflow from operating activities of \$4.1 million for FY17*

FY17 includes a credit to the profit and loss of \$0.2 million with respect to remuneration for post transaction services for Paragem option holders relating to the acquisition of Paragem (\$0.6 million expense for FY16).

Transaction due diligence and integration costs of \$0.4 million associated with the acquisition of Agility, which was completed on 3 January 2017, were incurred during FY17. A further \$0.1 million was incurred relating to the evaluation of potential business opportunities.

### Cash and cash flows

The company recorded positive cashflow from operating activities of \$4.1 million for FY17 compared with \$1.3 million for FY16.

Cash and cash equivalents at 30 June 2017 were \$10.8 million, an increase of \$1.6 million for the year after the inclusion of the net payment for the Agility acquisition of \$1.26 million (Refer Note 28), the exercise of staff options contributing \$1.1 million and the capitalisation of development expenditure of \$2.1 million.

### Platform segment

FULL YEAR			
Platform	FY17 \$	FY16 \$	VAR %
FUA	5,515,000	3,313,000	66%
Revenue	26,348,718	15,410,448	71%
Direct costs	(9,914,280)	(6,838,147)	45%
<b>Gross profit</b>	<b>16,434,438</b>	<b>8,572,301</b>	<b>92%</b>
Operating expenses	(6,333,645)	(4,759,251)	33%
Growth investment expenses	(5,032,317)	(4,389,976)	15%
<b>Underlying EBITDA</b>	<b>5,068,476</b>	<b>(576,926)</b>	
<b>Other significant items</b>			
Other revenue	107,917	607,350	
<b>EBITDA</b>	<b>5,176,393</b>	<b>30,424</b>	<b>Lge</b>
Interest revenue	451,796	170,484	165%
Depreciation and amortisation	(1,229,982)	(781,047)	57%
<b>Profit before income tax</b>	<b>4,398,207</b>	<b>(580,139)</b>	

### Operating segments

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

#### PLATFORM

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

#### LICENSEE

The 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.

#### IT SERVICES

The provision of data, software and IT infrastructure services via software licensing and consulting to the financial services industry.

#### CORPORATE

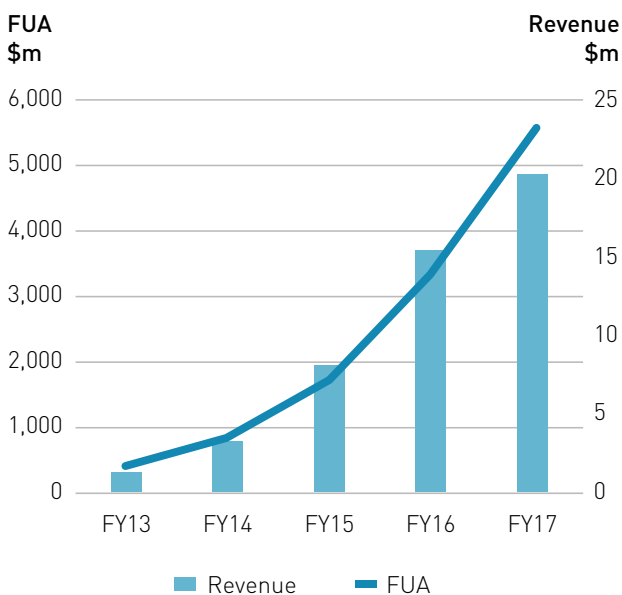
The provision of corporate services to the operating segments including allocation of costs of the Managing Director, finance and compliance, and strategic support.

For personal use only

The platform segment recorded significant improvements in Revenue, Gross Profit and underlying EBITDA for FY17 due to record increases in FUA with expanding margins. Positive Platform underlying EBITDA and Profit Before income Tax (PBT) were recorded for the first time in FY17.

The result was driven by an increase in FUA of \$2.2 billion to HUB24's investment and superannuation platform, the platform's largest annual FUA increase to date. The company is positioning itself for the future by continuing to invest to extend the breadth of its functionality into international managed portfolios and direct shares, multibroker capabilities, software integration with advice licensees and other suppliers and non-custodial reporting.

**Platform revenue and FUA**

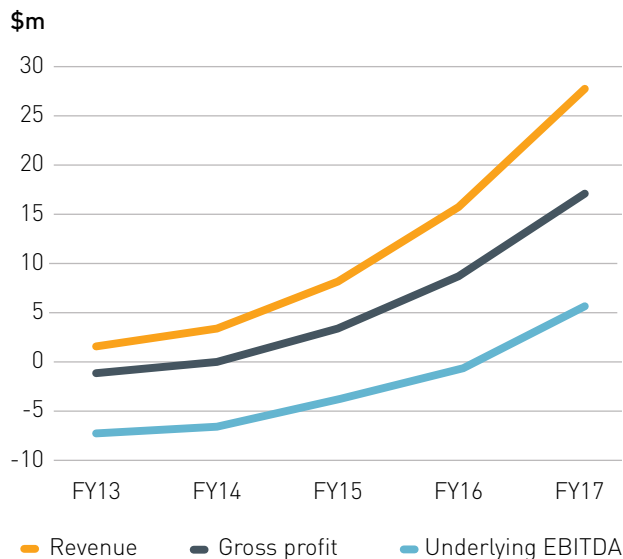


Platform direct, operating and growth resource expenses increased by 33% for FY17 compared with the prior corresponding period while revenue increased 71%, showing continuing margin improvements in gross profit and underlying EBITDA.

The following chart demonstrates the dual impact of increasing volumes and margin expansion on the dollar value of gross profit and underlying EBITDA when comparing the annual periods FY13 to FY17.

*Continuing margin improvements were made in FY17 for gross profit and underlying EBITDA*

**Platform – annual revenue, gross profit and underlying EBITDA trends**



**Licensee segment (Paragem)**

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.

In summary for FY17:

- gross revenue (adviser fees and commissions) grew by \$3.5 million to \$30.7 million;
- gross profit grew by \$0.4 million to \$2.7 million;
- number of practices licensed by Paragem grew by 5 to 30;
- number of individual advisers licensed by Paragem grew by 10 to 70; and
- FUA increase to circa \$3.8 billion.

While Paragem advisers continue to be free to choose whatever platform best suits their clients' needs, we've been particularly pleased with the way Paragem advisers have embraced HUB24 to blend more contemporary portfolio construction options, such as managed portfolios and SMAs, with their traditional investment solutions. This has enabled them to develop more efficient service offerings at lower cost and no additional licensee charges paid to Paragem.

For personal use only

Licensee	FY17 \$	FY16 \$	VAR %
<b>Total revenue</b>	<b>30,810,493</b>	<b>27,254,746</b>	<b>13%</b>
Direct costs	(28,150,983)	(24,948,408)	13%
<b>Gross profit</b>	<b>2,659,510</b>	<b>2,306,337</b>	<b>15%</b>
Operating expenses	(2,344,417)	(2,104,167)	11%
<b>Underlying EBITDA</b>	<b>315,093</b>	<b>202,170</b>	<b>56%</b>
<b>Other significant items</b>			
Depreciation and amortisation	(2,131)	(3,277)	35%
<b>Profit before income tax</b>	<b>312,962</b>	<b>198,893</b>	<b>57%</b>

## IT Services segment (Agility)

IT Services provides software license and consulting services from data, software and infrastructure to the financial services industry and stockbroking market in particular. Agility's market leading CONNECT Desktop has over 2,600 users, predominately stockbrokers, reporting on over \$250 billion of client assets.

The IT Services segment has contributed to six months earnings during the period and has focussed on the following activities:

- an increase of 250 licensed users of the Connect software over the period
- investment in headcount to support new business and new client initiatives
- corporate integration activities completed during the period.

Joint development and sales initiatives with the platform business have resulted in a strong pipeline of opportunities that will support the convergence of the traditional stockbroking and financial planning sectors.

IT services	Period from 3 January 2017 to 30 June 2017
Operating revenue	4,701,436
<b>Total revenue</b>	<b>4,701,436</b>
Direct costs	(2,986,619)
<b>Gross profit</b>	<b>1,714,817</b>
Operating expenses	(1,471,131)
Growth resources expensed	-
<b>Underlying EBITDA</b>	<b>243,687</b>
<b>Other significant items</b>	
Interest revenue	4,757
Depreciation and amortisation	(191,416)
Other interest expense	(2,112)
<b>Profit before income tax</b>	<b>54,915</b>

Corporate	FY17 \$	FY16 \$	VAR %
Operating expenses	(386,496)	(347,350)	11%
Growth Investment expenses	(121,130)	(118,124)	3%
<b>Underlying EBITDA</b>	<b>(507,626)</b>	<b>(465,474)</b>	<b>9%</b>
<b>Other significant items</b>			
Interest revenue	418,737	213,478	96%
Fair value gain – contingent consideration	925,407	-	
Payroll tax – employee options	(337,018)	-	
Share based payment expense – employees	(800,435)	(754,760)	6%
Share based payment expense – Paragem option holders	221,027	(557,667)	
Non-recurring corporate costs	(549,066)	(220,902)	
Other interest expense	(385,774)	(145,706)	
<b>Profit before income tax</b>	<b>(1,014,746)</b>	<b>(1,931,031)</b>	<b>47%</b>
Income tax benefit	15,122,793	1,125,149	1244%
<b>Profit after income tax</b>	<b>14,108,047</b>	<b>(805,882)</b>	

A portion of operating expenses and growth resources were allocated to the Corporate segment in FY17. These expenses predominantly relate to corporate headcount overheads that cannot be directly attributed to one of the operating segments (Platform, Licensee, IT Services).

The consolidated entity has brought to account a deferred tax asset ("DTA") relating to previously unrecognised prior period tax losses, resulting in a credit to income tax expense of \$15.1 million. Refer Note 7 of the financial statements for further information.

### Significant changes in the state of affairs

On 3 January 2017, the acquisition of Agility was completed (refer to Note 28). There have been no other significant changes in the nature or state of affairs of the consolidated entity.

### Significant events after the reporting date

No matters or circumstances have arisen since 30 June 2017 that have 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 company has recorded its first year of profitability. With the continued growth in FUA onto the HUB24 investment and superannuation platform and continuing success of its supporting businesses, 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.

*Prior period tax losses have been brought to account as an income tax benefit in FY17*

For personal use only

## Directors' indemnity

During FY17 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 FY17, 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	10	10	4	4	3	3
Andrew Alcock	10	10	-	-	-	-
Ian Litster	9	10	3	4	3	3
Anthony McDonald	10	10	-	-	3	3
Vaughan Webber	10	10	4	4	-	-

\*Number of meetings held during the time the director held office or was a member of the committee.

For personal use only



For personal use only

*Our profitability, growth, industry recognition and engagement with our clients has given us the confidence to invest to enhance our market position and explore broader opportunities*

# REMUNERATION REPORT – AUDITED

This remuneration report, which has been audited, outlines the remuneration arrangements for directors and Key Executives (collectively KMP) in relation to 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 remuneration 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 KMP. To deliver shareholder value and its strategy from time to time, the consolidated entity must attract, motivate and retain highly skilled KMP and 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:

- attract and retain qualified staff to manage the profitable growth of HUB24 as one of the leading investment platforms in Australia
- focus on sustained growth in shareholder value, 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 KMP. 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 delivering maximum stakeholder value from the retention of high performing KMP.

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 KMP.

### REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive director and other KMP remuneration are separate and distinct from each other.

During FY16, the company engaged the services of a specialist remuneration consultancy firm to provide independent advice on the remuneration structure, including any re-structuring that was considered necessary to better achieve the remuneration principles referred to in this remuneration report. The Board sought advice in relation to Fixed Remuneration, Short Term Incentives (STI) and Long Term Incentives (LTI) in relation to the KMP and to meet the needs of the company. The advice was taken into consideration in a re-structuring of the remuneration for KMP in FY17.

The Board and its Remuneration and Nomination Committee approved revised incentive arrangements for Mr Alcock and other KMP with a view to

strengthening alignment between executives and shareholders. This review included benchmarking executive remuneration against a core comparator group of companies and ensuring the design and operation of the company's STIs and LTIs are in line with market expectations.

Following the advice provided and after consideration by the Remuneration and Nomination Committee as well

as the Board, the Board has implemented a Performance Rights Plan (PARs), in conjunction with the company's existing ESOP (LTI Plans), which was approved by shareholders at the Annual General Meeting of the company on 29 November 2016.

The following table summarises the key outcomes following the advice and determination made by the Board including changes to the remuneration structure.

INCENTIVE TYPE	INCENTIVE FEATURE	CHANGE
Fixed remuneration	FY17 amount	Adjustment to reflect findings from comparator benchmarking by independent adviser.
STI	Structure	The STI has a base weighting of 50% and a stretch weighting of a further 50% on the KMPs potential STI.  Up to 50% of the STI may be paid by way of issue of shares in the company at the election of the executive, subject to agreement by the Board.
	Balance between STIs and LTIs	For FY17, the Managing Director has elected to reduce the STI incentive to a maximum of 75% of Fixed Remuneration and LTI incentive increased to 75% of Fixed Remuneration to better align remuneration with longer term shareholder value.
	STI claw-back	A claw-back on STIs earned was introduced in certain events such as fraud and governance failures by the relevant KMP.
	STI deferral	50% of KMP STIs are deferred for six months to better align with market practice.
LTI	Structure	Introduction of PARs, for KMP eligible for LTIs comprising 50% PARs and 50% options coupled with a reset of expectations with KMP regarding a focus on a growing shareholder value via the hurdles (see below).  Variation of existing option terms with an approval process for enabling KMP to sell shares to fund the exercise price.
	LTI claw-back/cancellation	A claw-back on LTIs vested was introduced in certain events such as fraud and governance failures by the relevant KMP.  The LTI terms have been structured to improve the ability of the company to clawback LTI incentives on departure of the relevant KMP.
	Hurdles	Two hurdles were applied to better align LTIs with longer term shareholder value (allocated 50/50 as between the hurdles).  Performance Condition #1, up to 50% vesting of options and PARs based on a Compound Annual Growth Rate ("CAGR") in FUA growth over three years with a minimum increase of 28% p.a. up to 45% p.a for full vesting, (204.8% over three years or \$10 billion in FUA).  Performance Condition #2, up to 50% vesting of options and PARs based on Absolute Total Shareholder Return ("ATSR") improvement over three years commencing at a minimum of 12.5% p.a. (\$6.35) to a maximum of 17.5% p.a (\$7.24) for full vesting.
	Change of control	Upon a change of control event, the LTI awards vest on a pro rata period of time basis only. The Board has discretion to make the full grant of options or PARs vest upon a change of control event whereas for prior grants full vesting occurs.

The expectation of LTIs for executives has been reset based on benchmarking, overall compensation assessments and a growing shareholder value. For instance the option grants for the Managing Director have been 600,000 options in FY14, 200,000 options in FY15, 150,000 in FY16, and in FY17 106,464 options and 34,851 PARs (noting that the Managing Director has elected for FY17 that his STI will decrease from 100% of Fixed Remuneration to 75%, in exchange for that amount added to the LTI program). The LTI program is now part of the calculation for total remuneration for key management personnel based on the three parts of our remuneration structure, fixed remuneration, STI and LTI which is benchmarked to HUB24 peer group and the executives experience and performance.

## EXECUTIVE REMUNERATION

### Objective

The consolidated entity aims to reward KMP 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 KMP and 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 remuneration
- STIs
- LTIs
- share based incentives.

## FIXED REMUNERATION

### 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 and the process consists of a review of company-wide business unit and individual performances, relevant comparative remuneration in the market and, where appropriate, external advice on policies, practices

and market comparisons. KMP receive their fixed remuneration in cash.

## SHORT TERM INCENTIVES (STIs)

### Objective and structure

The objective of STIs is to reward KMP 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 scoreboard measures include "stretch" targets for KMPs.

50% of the STI is payable upon approval by the Board as recommended by the Remuneration and Nomination Committee, whilst payment of the remaining 50% is deferred for a further six months. There is a "claw-back" mechanism applied to STIs in the event of certain events such as fraud and governance failures by the relevant KMP. Further, KMPs are able to convert 50% of STIs achieved and payable in cash to shares in the company, with the Board having a discretion to allow higher levels of conversion, if appropriate.

Details of the STIs earned for each relevant KMP are detailed in Part C of this remuneration report.

## LONG TERM INCENTIVES (LTIs)

### Objective and structure

KMP's may be eligible to participate in the LTI Plans for the purposes of receiving options and/or PARs over ordinary shares. Additionally, the Board may, at their discretion and with the approval of shareholders, (as required) elect to remunerate KMPs through the issue of options or PARs outside of these plans.

The objective of the LTI Plans is to provide KMP with the incentive to deliver growth and value to shareholders and to provide the company with the ability to attract and retain such people.

LTIs have two key performance hurdles to balance the needs of the company with relevant incentives.

50% of the options and 50% of the PARs are subject to the first performance condition which incentivises KMP to build scale with appropriate margins in order to deliver business growth and profitability. At the current stage of the company's development the performance condition is measured against the CAGR in FUA over the three years from grant of the LTI.

50% of the options and 50% of the PARs are also subject to the second performance condition which measures

the success in implementing the company's long term strategic objectives with reference to ATSR performance over a three year period.

Sales restrictions on shares resulting from the exercise of options or PARs are imposed for 12 months except for the purpose of funding the exercise price of options or to meet the tax obligations arising from the exercise of options or sales of shares.

Options and PARs will expire upon resignation or termination of KMP employment unless KMP are determined by the Board to be a Good Leaver based upon special circumstances such as death, disablement or such other circumstances as the Board determines.

LTI awards may be forfeited in particular circumstances, or other circumstances the Board determines, such as a material misstatement or omission in the financial statements of the consolidated entity and actions by KMP that seriously damage the company's reputation or put the company at significant risk.

Upon a change of control event, the LTI awards vest on a pro rata period of time basis only. The Board has discretion to make the full grant of Options and PARs vest upon a change of control event.

### SHARE BASED INCENTIVES

#### Objective

The objective of share based remuneration is to reward KMP 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 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 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 KMP is directly linked to the 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 FY17 the company did not use the services of a remuneration consultant, having engaged a remuneration consultant during FY16 whose advice was relevant to the FY17 year.

The Board sought independent advice on the restructuring of the the company's executive remuneration for fixed remuneration, STIs and LTIs. The Board and its Remuneration and Nomination Committee approved revised incentive arrangements for Mr Alcock and other company executives with a view to strengthening alignment between executives and shareholders. This review included benchmarking executive remuneration against a core comparator group of companies and ensuring the design and operation of the company's short and long term incentives are in line with market expectations.

The Board has implemented a Performance Rights Plan, in conjunction with the company's existing Employee Share Option Plan, which was approved by shareholders at the Annual General Meeting of the company on 29 November 2016.

The structural changes made to KMP remuneration as a result of this review are outlined in the section entitled 'Remuneration Structure' earlier in this report.

### VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING

At the 29 November 2016 AGM, 84.34% of votes received supported the adoption of the remuneration report for the year ended 30 June 2016. 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 remuneration report.

### REMUNERATION OF KMP

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

For FY17, the Managing Director has a maximum STI opportunity of 75% of fixed remuneration and other

members of the executive team have an STI opportunity ranging from 0% to 100% of fixed remuneration. For the Managing Director, 50% of the STI is for meeting base case objectives, while 50% is for meeting stretch case objectives. For other KMP the allocated weighting between base case objectives and stretch case objectives may vary. Up to 50% of the STI may be paid by way of issue of shares in the company subject to agreement by the Board and at the election of the executive. The Board may take account of business objectives in making a sole determination if the offer to issue shares in any particular year will be made in lieu of cash payment of STI. 50% of the STI is payable upon approval by the Board as recommended by the Remuneration and Nomination Committee, whilst 50% is deferred for a further six months.

STI awards for the executive team in FY17 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. These measures included:

- growth and profitability
- business/operational performance
- building the future foundations of the business
- product and service innovation
- leadership and culture.

These targets are 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 relevant KMP areas of accountability and expertise.

The table below sets out the percentage of the maximum available STI for each KMP that was awarded in relation to FY17 and the percentage that was forfeited because the group and individual stretch performance criteria did not meet the agreed stretch targets.

Name	Entitlement	CURRENT YEAR STI ENTITLEMENT	
		Awarded	Forfeited
A. Alcock	75%	85.4%	14.6%
M. Ballinger	30%	68.9%	31.1%
J. Entwistle	75%	87.1%	12.9%
W. Gillett	100%	48.9%	51.1%
		% of salary	
J. Gioffre	Discretionary	24.2%	-
M. Haes	Discretionary	39.9%	-

For personal use only

## REMUNERATION EXPENSES FOR KMP

2017	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 & Rights		
\$								
<b>Non-executive directors</b>								
B. Higgins	132,275	-	-	-	-	-	150,406	0%
I. Litster	66,137	-	-	-	-	-	66,137	0%
V. Webber	74,277	-	-	-	-	-	74,277	0%
A. McDonald	74,612	-	-	-	-	-	74,612	0%
<b>Subtotal non-executive directors</b>	<b>347,302</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,131</b>	<b>365,433</b>	
<b>Key management personnel</b>								
A. Alcock	401,089	265,487	19,565	6,236	-	181,551	873,929	30%
M. Ballinger	210,751	50,000	19,565	3,298	1,000	38,646	323,260	15%
J. Entwistle	329,765	222,105	19,565	5,085	1,000	120,394	697,913	32%
W. Gillett	252,114	130,000	19,565	4,642	1,000	68,552	475,871	27%
J. Gioffre	227,436	55,000	19,565	4,791	1,000	37,351	345,142	16%
M. Haes	250,562	100,000	19,565	9,351	1,000	54,197	434,675	23%
<b>Subtotal key management personnel</b>	<b>1,671,718</b>	<b>822,592</b>	<b>117,390</b>	<b>33,403</b>	<b>5,000</b>	<b>500,691</b>	<b>3,150,790</b>	
<b>Total</b>	<b>2,019,019</b>	<b>822,592</b>	<b>117,390</b>	<b>33,403</b>	<b>5,000</b>	<b>518,822</b>	<b>3,516,223</b>	

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

For personal use only

## 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. McDonald <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 H Robertson resigned as a Director on 29 February 2016.

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

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

	FIXED REMUNERATION		AT RISK – STI		AT RISK – LTI	
	2017	2016	2017	2016	2017	2016
<b>Non-executive directors</b>						
Bruce Higgins	88%	63%	-	-	12%	37%
Ian Litster	100%	100%	-	-	-	-
Anthony McDonald	100%	100%	-	-	-	-
Vaughan Webber	100%	100%	-	-	-	-
<b>Other KMP</b>						
Andrew Alcock	49%	32%	30%	55%	21%	13%
Mark Ballinger	70%	63%	19%	31%	11%	6%
Jason Entwistle	51%	33%	32%	55%	17%	12%
Wes Gillett	59%	36%	27%	53%	14%	11%
Joseph Gioffre	89%	94%	-	-	11%	6%
Matthew Haes	88%	92%	-	-	12%	8%



## 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 KMP 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 relevant KMP remuneration).

The major provisions of the agreements relating to remuneration are set out below. Salaries set out below are for FY17 and are subject to review annually by the Remuneration and Nomination 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	\$414,500	Up to 75% of base salary <sup>1</sup>	106,464 options, 34,851 rights <sup>2</sup>	Ongoing – commenced 29 July 2013	6 months
<b>Mark Ballinger</b> Head of Business Program	\$242,000	Up to 30% of base salary	20,719 options, 6,783 rights <sup>3</sup>	Ongoing – commenced 10 September 2013	3 months
<b>Jason Entwistle</b> Director, Strategic Development	\$340,000	Up to 75% of base salary <sup>1</sup>	87,329 options, 28,587 rights <sup>3</sup>	Ongoing – commenced 1 August 2013	6 months
<b>Wesley Gillett</b> Head of Product and Distribution	\$266,000	Up to 100% of base salary <sup>1</sup>	27,329 options, 8,946 rights <sup>3</sup>	Ongoing – Commenced 19 April 2013	3 months
<b>Joseph Gioffre</b> Head of Operations	\$245,000	Discretionary	20,976 options, 6,783 rights <sup>3</sup>	Ongoing – commenced 3 July 2012	1 month
<b>Matthew Haes</b> Chief Financial Officer and Company Secretary	\$275,000	Discretionary	28,253 options, 9,249 rights <sup>3</sup>	Ongoing – commenced 26 June 2012	1 month

**Note 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.

**Note 2** Options and PARs for Andrew Alcock granted in November 2016, have a one year sale restriction after date of issue of shares. Vesting is no earlier than 36 months from date of issue subject to achieving two performance conditions (1. Absolute Total Shareholder return target; and 2. Growth in Funds Under Administration target).

**Note 3** Options and PARs for Jason Entwistle, Wesley Gillett, Matthew Haes, Joseph Gioffre and Mark Ballinger granted in November 2016 have a one year sale restriction after vesting and exercise. Vesting is no earlier than 36 months from the date of issue subject to achieving two performance conditions (1. Absolute Total Shareholder return target; and 2. Growth in Funds Under Administration target).

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

For personal use only

## 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%	165,000	Nil	100,000	65,000
8 Aug 2013	8 Aug 2017	\$0.8438	\$0.45	Yes	100%	1,440,000	Nil	360,000	680,000
8 Aug 2013	8 Aug 2017	\$0.8438	\$0.43	Yes	100%	510,000	Nil	510,000	Nil
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	420,000	Nil	Nil	420,000
7 Dec 2015	7 Dec 2020	\$2.46	\$1.60	No	Nil	150,000	Nil	Nil	150,000
29 Nov 2016	29 Nov 2016	\$4.46	\$2.33	No	Nil	Nil	418,639	Nil	418,639
29 Nov 2016	29 Nov 2016	\$5.17	\$2.34	No	Nil	Nil	50,000	Nil	50,000

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 fully vested during FY17 and all options have been exercised as at the date of this report.

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 fully vested during FY17 and were exercised.

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 17 October 2014. 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 option 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.

For personal use only

Options granted 29 November 2016 to executives and staff vest subject to the following two performance conditions:

#### PERFORMANCE CONDITION 1

- The CAGR in FUA over the three year period until 30 June 2019 must be at least 28% p.a. Proportional vesting will occur between a CAGR of 28% (0% vesting) to 45% (100% vesting).

#### PERFORMANCE CONDITION 2

- The CAGR in the ATSR over the three year period until approximately 31 August 2019 must be at least 12.5% p.a. Proportional vesting will occur between a CAGR of 12.5% (0% vesting) to 17.5% (100% vesting).
- Any unvested options from the three year vesting date will be retested over a four year period and if remain unvested after this test will lapse.

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	2017	2020	106,464	\$198,449	Nil	Nil
	2016	2019	150,000	\$240,000	Nil	Nil
	2015	2018	200,000	\$39,700	Nil	Nil
	2014	2017	600,000	\$269,600	200,000	Nil
Mark Ballinger	2017	2020	20,719	\$38,620	Nil	Nil
	2016	2019	60,000	\$57,000	Nil	Nil
	2015	2018	100,000	\$19,350	Nil	Nil
Jason Entwistle	2017	2020	87,329	\$203,477	Nil	Nil
	2016	2019	120,000	\$114,000	Nil	Nil
	2015	2018	160,000	\$30,960	Nil	Nil
	2014	2017	480,000	\$215,680	160,000	Nil
Wes Gillett	2017	2020	27,329	\$50,941	Nil	Nil
	2016	2019	90,000	\$85,500	Nil	Nil
	2015	2018	120,000	\$23,220	Nil	Nil
	2014	2017	360,000	\$161,760	120,000	Nil
Joseph Gioffre	2017	2020	20,976	\$39,099	Nil	Nil
	2016	2019	60,000	\$57,000	Nil	Nil
	2015	2018	80,000	\$15,480	Nil	Nil
	2014	2015	80,000	\$35,760	Nil	Nil
Matthew Haes	2017	2020	28,253	\$52,664	Nil	Nil
	2016	2019	90,000	\$85,500	Nil	Nil
	2015	2018	120,000	\$23,220	Nil	Nil
	2014	2015	115,000	\$51,405	Nil	Nil
Bruce Higgins	2014	2017	510,000	\$220,405	170,000	Nil

For personal use only

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 remuneration 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, probability of service condition being met, expected price volatility of the underlying share price and the risk free rate for the term of the option.

1,170,000 options have been exercised by KMP during FY17.

Options granted carry no dividends or voting rights.

#### PERFORMANCE RIGHTS (PARS)

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

Grant date	29 Nov 16
Expiry date	Nil
Value per right at grant date	\$4.07
Performance achieved	No
% vested	Nil
Balance at start of year	Nil
Issued during year	137,043
Exercised during year	Nil
Balance at end of year	137,043

PARs granted 29 November 2016 to executives and staff vest subject to the following two performance conditions:

#### PERFORMANCE CONDITION 1

- The CAGR in FUA over the three year period until 30 June 2019 must be at least 28% p.a. Proportional vesting will occur between a CAGR of 28% (0% vesting) to 45% (100% vesting).

#### PERFORMANCE CONDITION 2

- The CAGR in the ATSR over the three year period until approximately 31 August 2019 must be at least 12.5% p.a. Proportional vesting will occur between a CAGR of 12.5% (0% vesting) to 17.5% (100% vesting).
- Any unvested PARs from the three year vesting date will be retested over a four year period and if remain unvested after this test will lapse.

NAME	FINANCIAL YEAR OF GRANT	FINANCIAL YEARS IN WHICH RIGHTS MAY VEST	NUMBER OF RIGHTS GRANTED	VALUE OF RIGHTS AT GRANT DATE	NUMBER OF RIGHTS VESTED DURING THE YEAR	NUMBER OF RIGHTS LAPSED/ FORFEITED DURING THE YEAR
Andrew Alcock	2017	2020	34,851	\$113,475	Nil	Nil
Mark Ballinger	2017	2020	6,783	\$22,085	Nil	Nil
Jason Entwistle	2017	2020	28,587	\$93,079	Nil	Nil
Wes Gillett	2017	2020	8,946	\$29,128	Nil	Nil
Joseph Gioffre	2017	2020	6,867	\$22,359	Nil	Nil
Matthew Haes	2017	2020	9,249	\$30,115	Nil	Nil

The assessed fair value at grant date of the PARs 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 remuneration report under the heading "share based payments – options and rights". Fair values at grant date are independently determined using Hoadley's 1 Hybrid ESO model that takes into account the term of the right, share price at grant date, probability of service condition being met, expected volatility of the underlying share price and the risk free rate.

No PARs have been exercised by KMP during FY17.

PARs granted carry no dividends or voting rights.

## E. Additional information

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

	2017	2016	2015	2014 restated
Underlying EBITDA* (\$m)	5,119	(840)	(4,385)	(7,236)
Funds Under Administration* (\$b)	5.5	3.3	1.7	0.9
Profit/(loss) after income tax (\$m)	18,874	(1,187)	(6,457)	(8,548)

\*Unaudited

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

\$'000	2017	2016	2015	2014
Share price at financial year end	6.24	3.68	1.20	0.82
Basic earnings per share	0.349	(0.026)	(0.133)	(0.196)

## 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	165,400	-	191,483	356,883
Mark Ballinger	21,833	224	2,638	25,695
Jason Entwistle	1,048,235	224	(148,622)	899,837
Wes Gillett	77,470	224	297,601	375,295
Joseph Gioffre	41,336	224	33,543	75,103
Matthew Haes	42,421	224	51,424	94,069
Bruce Higgins	566,811	-	420,000	986,811
Ian Litster	3,588,751	-	-	3,588,751

### OPTIONS

The number of options over ordinary shares in the company held during FY17 by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

For personal use only

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	950,000	106,464	200,000	-	856,464
Mark Ballinger	160,000	20,719	-	-	180,719
Jason Entwistle	760,000	87,329	-	-	847,329
Wes Gillett	570,000	27,329	360,000	-	237,329
Joseph Gioffre	190,000	20,976	50,000	-	160,976
Matthew Haes	325,000	28,253	50,000	-	303,253

### PERFORMANCE RIGHTS (PARS)

The number of PARS over ordinary shares in the company held during FY17 by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

PARS OVER ORDINARY SHARES	BALANCE AT START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/OTHER	BALANCE AT END OF THE YEAR
Andrew Alcock	-	34,851	-	-	34,851
Mark Ballinger	-	6,783	-	-	6,783
Jason Entwistle	-	28,587	-	-	28,587
Wes Gillett	-	8,946	-	-	8,946
Joseph Gioffre	-	6,867	-	-	6,867
Matthew Haes	-	9,249	-	-	9,249

### 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 29 November 2016).

The following fees, including superannuation, apply for non-executive directors:

Chairman	\$133,900 p.a.
Other non-executive directors	\$66,950 p.a.

The Chair of the Audit, Risk and Compliance Committee and the Chair of the Remuneration and Nomination Committee each receive an additional \$8,240 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 FY17 and FY16 is detailed in the Remuneration of KMP section of this remuneration report.

Directors' total compensation in aggregate decreased by 2.3% over the prior financial year due to movements in the number of directors.

This concludes the remuneration report which has been audited.

### NON-AUDIT SERVICES

Tax, compliance and consulting services of \$370,015 were paid to Deloitte Touche Tohmatsu (2016: \$108,475). 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

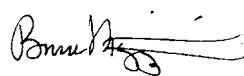
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

A copy of the independence declaration by the lead auditor under section 307C is included on page 38 of this annual report.

Signed in accordance with a resolution of the Directors.



**Bruce Higgins**  
Chairman of Directors

Sydney, 28 August 2017

For personal use only

# 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

28 August 2017

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 2017, 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*

DELOITTE TOUCHE TOHMATSU

*Declan O'Callaghan*

Declan O'Callaghan  
Partner  
Chartered Accountant

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

For personal use only



For personal use only

# FINANCIAL STATEMENTS

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Note	CONSOLIDATED	
		2017 \$	2016 \$
<b>Revenue from continuing operations</b>			
Revenue	6(a)	61,968,564	43,272,544
Fair value gain on contingent consideration	11	925,407	-
Interest and other income		875,289	383,962
		<b>63,769,260</b>	<b>43,656,506</b>
<b>Expenses</b>			
Platform and custody fees		(4,458,085)	(3,111,928)
Licensee fees		(29,527,490)	(26,161,096)
IT services		(2,986,619)	-
Employee benefits expenses	6(b)	(14,703,184)	(11,265,041)
Property and occupancy costs		(795,501)	(560,713)
Depreciation and amortisation expense	6(c)	(1,423,529)	(784,324)
Administrative expenses	6(d)	(6,123,514)	(4,085,681)
		<b>(60,017,922)</b>	<b>(45,968,783)</b>
Profit/(loss) before income tax expense from continuing operations		3,751,338	(2,312,277)
Income tax benefit	7(a)	15,122,793	1,125,149
Profit/(loss) after income tax from continuing operations		18,874,131	(1,187,128)
Profit/(loss) after income tax from discontinued operations		-	-
<b>Profit/ (loss) after income tax for the year</b>		<b>18,874,131</b>	<b>(1,187,128)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive profit/(loss) for the year</b>		<b>18,874,131</b>	<b>(1,187,128)</b>
<b>Total comprehensive profit/(loss) for the year attributable to ordinary equity members of HUB24 Limited</b>		<b>18,874,131</b>	<b>(1,187,128)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share from continuing operations, attributable to ordinary equity members of HUB24 Limited</b>			
Basic earnings per share	22	34.95	(2.26)
Diluted earnings per share		33.15	(2.26)
<b>Earnings per share for profit attributable to ordinary equity members of HUB24 Limited</b>			
Basic earnings per share	22	34.95	(2.26)
Diluted earnings per share		33.15	(2.26)

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 2017

	Note	CONSOLIDATED	
		2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	10,836,646	9,267,163
Trade and other receivables	8	6,874,626	4,018,262
Other current assets		644,566	491,396
<b>Total current assets</b>		<b>18,355,838</b>	<b>13,776,821</b>
<b>Non-current assets</b>			
Office equipment	9	778,268	152,414
Deferred tax assets	7c	15,776,822	943,875
Intangible assets	10	28,085,430	13,716,522
Security deposits and guarantees	19	115,670	259,036
<b>Total non-current assets</b>		<b>44,756,190</b>	<b>15,071,847</b>
<b>Total assets</b>		<b>63,112,028</b>	<b>28,848,668</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	8,104,155	1,792,076
Current provisions	12	3,747,617	2,457,095
Deferred revenue from research and development claim		88,897	88,897
<b>Total current liabilities</b>		<b>11,940,669</b>	<b>4,338,068</b>
<b>Non-current liabilities</b>			
Non-current provisions	13	729,543	359,114
Other non-current liabilities	14	6,826,376	5,188,953
<b>Total non-current liabilities</b>		<b>7,555,919</b>	<b>5,548,067</b>
<b>Total liabilities</b>		<b>19,496,588</b>	<b>9,886,135</b>
<b>Net assets</b>		<b>43,615,440</b>	<b>18,962,533</b>
<b>EQUITY</b>			
Issued capital	15	89,148,977	83,080,332
Reserves	16	4,106,404	4,396,272
Accumulated losses		(49,639,941)	(68,514,071)
<b>Total equity</b>		<b>43,615,440</b>	<b>18,962,533</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 2017

	CONSOLIDATED			
	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
<b>As at 1 July 2016</b>	<b>83,080,332</b>	<b>4,396,272</b>	<b>(68,514,071)</b>	<b>18,962,533</b>
Total comprehensive profit for the year	-	-	18,874,131	<b>18,874,131</b>
<b>Transactions with equity members in their capacity as equity members</b>				
Shares issued for Agility acquisition	3,807,766			<b>3,807,766</b>
Cost of share issue expense (net of tax)	(8,223)	-	-	<b>(8,223)</b>
<b>Shares issued to employees</b>				
- Share based payments*	2,206,102	(806,275)	-	<b>1,399,827</b>
- Share ownership plan	63,000	-	-	<b>63,000</b>
Options granted - employees	-	737,435	-	<b>737,435</b>
Share based payments - Paragem option holders	-	(221,028)	-	<b>(221,028)</b>
<b>As at 30 June 2017</b>	<b>89,148,977</b>	<b>4,106,404</b>	<b>(49,639,941)</b>	<b>43,615,440</b>
* Share based payments includes shares issued to the executive team in lieu of short term incentive bonus payments of \$297,002 for the year ended 30 June 2016. Also included is \$1,102,826 received for the exercise of options by employees and \$806,275 transferred from the share based payment reserve for the options exercised. Refer to Note 15 for further details.				
<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>				
Capital raising	-	-	-	-
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>
Share based payments - 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.				

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 2017

	Note	CONSOLIDATED	
		2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		65,195,263	47,200,662
Payments to suppliers and employees (inclusive of GST)		(61,882,882)	(46,867,316)
Interest received		622,999	407,590
Receipts from superfund expense recovery		127,427	563,297
<b>Net cash inflow/(outflow) from operating activities</b>	<b>18</b>	<b>4,062,807</b>	<b>1,304,233</b>
<b>Cash flows from investing activities</b>			
Receipts from return of security deposits		253,866	-
Payments for office equipment		(339,321)	(102,794)
Payments for acquisition of shares in subsidiary	28	(2,793,335)	(1,000,000)
Cash received from acquisitions	28	1,538,755	-
Payments for intangible assets		(2,133,866)	(1,461,647)
Payments for security deposits		(110,500)	(2,582)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(3,584,401)</b>	<b>(2,567,023)</b>
<b>Cash flows from financing activities*</b>			
ORFR loan facility advance		-	(2,000,000)
Payments for capital raising costs		(11,750)	-
Proceeds from share options exercised by employees		1,102,826	421,128
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1,091,076</b>	<b>(1,578,872)</b>
Net increase/(decrease) in cash and cash equivalents		1,569,483	(2,841,662)
Cash and cash equivalents at beginning of year		9,267,163	12,108,825
<b>Cash and cash equivalents at end of year</b>	<b>18</b>	<b>10,836,646</b>	<b>9,267,163</b>

\* Shares issued to the executive team in lieu of short term incentive bonus payments for \$297,002 (\$518,750 for the year ended 30 June 2016) 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 year ended 30 June 2017

## 1. Corporate information

The Annual Report of HUB24 Limited (the company or parent entity) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 28 August 2017 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 (ASX: HUB).

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.

## 2. Summary of significant accounting policies (continued)

### 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, certain 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 2017. 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.

For personal use only

## 2. Summary of significant accounting policies (continued)

### 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 directors of the Company anticipate that the application of AASB 9 in the future may not 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 9 until the company performs a detailed review.

### 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 not 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 directors of the Company anticipate that the application of AASB 15 in the future may not 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 15 until the company performs a detailed review.



### 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 advisers 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.

For personal use only

### 3. Financial risk management objectives and policies (continued)

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 maturity 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 11)
- business combination (Note 28).

### 5. Operating segments

#### IDENTIFICATION OF REPORTABLE SEGMENTS

The consolidated entity is organised into three operating segments: platform, licensee and IT services.

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.

#### KEY ACCOUNTING POLICIES

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:

For personal use only

## 5. Operating segments (continued)

### 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. 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.

### IT services

Provision of application and technology products for the financial services sector. Fees are generated from license and consulting services relating to data management, software and infrastructure.

### Corporate

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

	CONSOLIDATED – 2017				
	Platform \$	Licensee \$	IT Services \$	Corporate \$	Total \$
<b>Revenue</b>					
Sales to external customers	26,348,718	30,810,493	4,701,436	-	61,860,647
<b>Total revenue</b>	<b>26,348,718</b>	<b>30,810,493</b>	<b>4,701,436</b>	<b>-</b>	<b>61,860,647</b>
<b>Segment result</b>	<b>5,068,476</b>	<b>315,093</b>	<b>243,687</b>	<b>(507,626)</b>	<b>5,119,629</b>
<b>Other non-operating items</b>					
Interest revenue	451,796	-	4,757	418,737	875,289
Non-recurring revenue	107,917	-	-	-	107,917
Fair value gain – contingent consideration	-	-	-	925,407	925,407
Share based payments – employees	-	-	-	(800,435)	(800,435)
Share based payments – Paragem option holders	-	-	-	221,027	221,027
Other interest expense	-	-	(2,112)	(385,774)	(387,886)
Depreciation and amortisation	(1,229,982)	(2,131)	(191,416)	-	(1,423,529)
Payroll tax – employee options	-	-	-	(337,018)	(337,018)
Transaction costs	-	-	-	(549,066)	(549,066)
<b>Profit before income tax</b>	<b>4,398,207</b>	<b>312,962</b>	<b>54,915</b>	<b>(1,014,746)</b>	<b>3,751,338</b>
Income tax benefit	-	-	-	15,122,793	15,122,793
<b>Profit after income tax</b>	<b>4,398,207</b>	<b>312,962</b>	<b>54,915</b>	<b>14,108,047</b>	<b>18,874,131</b>
<b>Reconciliation to revenue from ordinary activities</b>					
Sales to external customers					61,860,647
Non-recurring revenue					107,917
Fair value gain on contingent consideration					925,407
Interest revenue					875,289
<b>Revenue from ordinary activities</b>					<b>63,769,260</b>

For personal use only

## 5. Operating segments (continued)

	CONSOLIDATED – 2016				
	Platform \$	Licensee \$	IT Services \$	Corporate \$	Total \$
<b>Revenue</b>					
Sales to external customers	15,410,448	27,254,746	-	-	42,665,194
<b>Total sales revenue</b>	<b>15,410,448</b>	<b>27,254,746</b>	<b>-</b>	<b>-</b>	<b>42,665,194</b>
<b>Total revenue</b>	<b>15,410,448</b>	<b>27,254,746</b>	<b>-</b>	<b>-</b>	<b>42,665,194</b>
<b>Segment result</b>	<b>(576,927)</b>	<b>202,171</b>	<b>-</b>	<b>(465,475)</b>	<b>(840,231)</b>
<b>Other non-operating items</b>					
Interest revenue	170,484	-	-	213,478	383,962
Non-recurring revenue	607,350	-	-	-	607,350
Share based payments – employees	-	-	-	(754,760)	(754,760)
Share based payments – Paragem option holders	-	-	-	(557,667)	(557,667)
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>(580,140)</b>	<b>198,894</b>	<b>-</b>	<b>(1,931,031)</b>	<b>(2,312,277)</b>
Income tax benefit	-	-	-	1,125,149	1,125,149
<b>Profit after income tax</b>	<b>(580,140)</b>	<b>198,894</b>	<b>-</b>	<b>(805,882)</b>	<b>(1,187,128)</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>

### MAJOR CLIENTS

During the year ended 30 June 2017, HUB24's largest client accounted for approximately 16% or \$9.9 million in revenue to the consolidated group. The client is a financial advice business and is serviced by the Licensee segment.

Platform segment: no client contributed 10% in external revenue to the segment.

Licensee segment: one client contributed more than 10% to the segment, with a contribution of 32% or \$9.9 million in external revenue.

IT Services: two clients each contributed more than 10% to the segment, with a 65% or \$3.1 million and 10.3% or \$0.5 million external revenue contribution.

## 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:

## 6. Revenue and expenses from continuing operations (continued)

### 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.

### IT service fees

- Licence fee revenue is measured at the fair value of the contracted consideration received or receivable on licensed software services provided to clients.
- Consulting IT Services fee revenue is measured at the fair value of the consideration received or receivable on advice provided to clients on a time and materials basis.

### Finance income

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

	CONSOLIDATED	
	2017	2016
	\$	\$
<b>(a) Revenue</b>		
Platform fees	26,456,635	16,017,798
Licensee fees	30,810,493	27,254,746
IT services fees	4,701,436	-
	<b>61,968,564</b>	<b>43,272,544</b>
<b>Expenses</b>		
<b>(b) Employee benefits expenses</b>		
Wages and salaries (including super and payroll tax)	10,465,966	8,198,987
Share based payments expense – employees	800,435	754,760
Other employee benefits expenses	3,436,783	2,311,294
	<b>14,703,184</b>	<b>11,265,041</b>
<b>(c) Depreciation and amortisation</b>		
Depreciation of office equipment	325,683	78,982
Amortisation of intangible assets	1,097,846	705,342
	<b>1,423,529</b>	<b>784,324</b>

For personal use only

## 6. Revenue and expenses from continuing operations (continued)

	CONSOLIDATED	
	2017	2016
	\$	\$
<b>(d) Administrative expenses</b>		
Corporate fees	354,144	270,953
Professional and consultancy fees	1,187,445	709,560
Information services and communication	1,016,290	659,381
Travel and entertainment	716,923	327,557
Share based payments – Paragem option holders	(221,027)	557,667
Transaction costs	549,066	220,902
Other interest expense	387,886	145,706
Superfund administrative fees	1,340,434	613,033
Other administrative expenses*	792,353	580,922
	<b>6,123,514</b>	<b>4,085,681</b>

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

## 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.

For personal use only

## 7. Income tax (continued)

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 prior period income tax losses, research and development tax offsets and deductible temporary differences to the extent that Directors consider that it is probable that future taxable profits will be available to offset these amounts.

The deferred tax asset has been recognised as at 30 June 2017 based on the following management judgements:

- the company has experienced its first full year of profitability with consistent growth, margins and profit line trends over the last 4 years;
- acquisition of Agility and increased profitability potential and access to broader markets;
- for the year ended 30 June 17 the company has met its internal targets and with increasing exposure and industry recognition it expects its growth trajectory to continue.

The company assumes there will be ongoing compliance with relevant tax legislation.

	CONSOLIDATED	
	2017 \$	2016 \$
<b>(a) Income tax expense/(benefit)</b>		
Recognition of opening DTA	-	(836,037)
Recognition of opening DTL	-	226,240
Deferred tax expense/(benefit)	(15,122,793)	(186,039)
Other adjustments	-	(329,313)
<b>Income tax expense/(benefit)</b>	<b>(15,122,793)</b>	<b>(1,125,149)</b>

## 7. Income tax (continued)

	CONSOLIDATED	
	2017 \$	2016 \$
<b>Deferred tax included in income tax expense/(benefit) comprises:</b>		
Decrease/(increase) in deferred tax assets	(15,005,666)	(189,531)
(Decrease)/increase in deferred tax liabilities	172,722	3,492
Deferred tax – debited/(credited) directly to goodwill on acquisition	(293,374)	-
Deferred tax – debited/(credited) directly to equity	3,525	-
	<b>(15,122,793)</b>	<b>(186,039)</b>
<b>(b) Reconciliation of income tax expense/(benefit) to pre tax accounting profit/(loss)</b>		
Profit/(loss) from continuing operations before income tax	3,751,338	(2,312,277)
	<b>3,751,338</b>	<b>(2,312,277)</b>
Prima facie income tax at 30%	1,125,401	(693,684)
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income</b>		
Research and development government grant	-	(28,271)
Entertainment – non-deductible	34,009	19,690
Fines and penalties – non-deductible	781	1,860
Other expenses – non-deductible	98,412	-
Employee share plan costs – non-deductible	240,131	393,728
Other income – non-assessable	(304,291)	-
Research and development rebate benefit	-	(133,987)
	<b>1,194,443</b>	<b>253,020</b>
Recognition of opening DTA	-	(836,037)
Recognition of opening DTL	-	226,240
Temporary differences brought to account	(16,031,954)	-
Temporary difference movement variance	505,375	-
Movement in balance of non-refundable carry forward tax offsets	(790,657)	-
Non-recognition of deferred tax asset	-	254,625
Other adjustments	-	(329,313)
	<b>(16,317,236)</b>	<b>(684,485)</b>
<b>Income tax expense/(benefit)</b>	<b>(15,122,793)</b>	<b>(1,125,149)</b>
<b>Other disclosure items</b>		
Deferred tax – debited/(credited) directly to equity	(3,525)	-



## 7. Income tax (continued)

	CONSOLIDATED	
	2017	2016
	\$	\$
<b>(c) Deferred tax asset</b>		
<b>Deferred tax asset comprises temporary differences attributable to:</b>		
Intangibles – other	1,660,201	2,296,636
Accrued expenses	139,589	131,448
Provisions	1,300,275	844,863
Carry forward tax losses	9,927,855	13,836,991
Non-refundable carry forward tax offsets	3,174,370	-
Capital raising costs (S40-8880)	89,883	162,155
Non-recognition of deferred tax asset	-	(16,133,626)
Other adjustments	-	148,040
	<b>16,292,173</b>	<b>1,286,506</b>
<b>Movements</b>		
Opening balance	1,286,506	-
Other adjustments Dealer Network	-	148,040
Recognition of opening deferred tax asset	-	836,037
Recognition of opening deferred tax asset in equity	-	174,326
Intangibles – other	1,512,161	-
Accrued expenses	8,141	-
Provisions	363,586	-
Carry forward tax losses	9,927,855	-
Non-refundable carry forward tax offsets	3,174,370	-
Capital raising costs	(72,272)	128,103
Acquired DTA on current year acquisition	91,826	-
<b>Closing balance</b>	<b>16,292,173</b>	<b>1,286,506</b>

For personal use only

## 7. Income tax (continued)

	CONSOLIDATED	
	2017	2016
	\$	\$

**(d) Deferred tax liability**

<b>Deferred tax liability comprises temporary differences attributable to:</b>		
Accounts receivable – other	-	81,692
DTL on intangibles	515,351	148,040
Non-recognition of deferred tax liability (Section 40-880)	-	112,898
	<b>515,351</b>	<b>342,630</b>
<b>Movements</b>		
Opening balance	342,630	-
Recognition of other deferred tax liability	-	226,240
Accounts receivable – other	(81,691)	-
DTL on acquired Customer Relationships	372,328	-
Other intangibles	(5,017)	-
Credited/(charged) to profit or loss	(112,899)	3,492
Non-recognition of deferred tax liability	-	112,898
<b>Closing balance</b>	<b>515,351</b>	<b>342,630</b>

**(e) Other disclosure items**

Capital raising costs in equity (S40-8880)	(3,525)	-
<b>Closing balance</b>	<b>(3,525)</b>	<b>-</b>

**TAX CONSOLIDATION****Members of the tax consolidated entity and the tax sharing arrangement**

The company and its 100% owned Australian resident subsidiaries have formed a tax consolidated entity. HUB24 Limited is the head entity of the tax consolidated entity. Members of the consolidated entity have entered into a tax sharing agreement.

**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.

For personal use only

## 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	
	2017	2016
	\$	\$
Trade receivables	4,859,911	1,585,579
ORFR loan facility	2,000,000	2,000,000
Other receivables	14,715	432,683
	<b>6,874,626</b>	<b>4,018,262</b>

#### ORFR loan facility

HUB24 has advanced a loan of \$2 million to Diversa Ltd, the parent entity of The Trust Company (Superannuation) Limited as Trustee for the HUB24 Super Fund ("The Fund"), under a \$5 million 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 31 December 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.

For personal use only

## 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	
	2017	2016
	\$	\$

### (a) Impairment tests for intangible assets

Investment platform	8,540,719	7,261,779
Goodwill	15,336,909	5,852,019
Dealer network	433,041	493,466
Managed fund client list	43,703	58,271
Software	124,744	50,987
Agility client book	1,241,094	-
Agility Connect software	2,365,220	-
	<b>28,085,430</b>	<b>13,716,522</b>

For personal use only

## 9. Non-current assets – office equipment (continued)

	CONSOLIDATED	
	2017 \$	2016 \$
<b>Computer equipment</b>		
At cost	1,326,401	246,262
Accumulated depreciation	(754,189)	(168,327)
	<b>572,212</b>	<b>77,935</b>
<b>Office furniture and fittings</b>		
At cost	371,703	146,466
Accumulated depreciation	(165,647)	(71,987)
	<b>206,056</b>	<b>74,479</b>
<b>Total office equipment</b>		
Cost	1,698,104	392,728
Accumulated depreciation	(919,836)	(240,314)
<b>Total net carrying amount</b>	<b>778,268</b>	<b>152,414</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	77,935	49,893
Acquisitions through business combinations	493,561	-
Other additions	239,057	67,819
Disposals	(73)	-
Depreciation expense	(238,269)	(39,777)
<b>Net carrying amount</b>	<b>572,211</b>	<b>77,935</b>
<b>Office furniture and fittings</b>		
Carrying amount at beginning	74,479	78,709
Acquisitions through business combinations	118,654	-
Other additions	100,337	34,975
Depreciation expense	(87,414)	(39,205)
<b>Net carrying amount</b>	<b>206,056</b>	<b>74,479</b>
<b>Leased assets</b>		
Carrying amount at beginning	152,414	128,602
Acquisitions through business combinations	612,215	-
Other additions	339,394	102,794
Disposals	(73)	-
Depreciation	(325,683)	(78,982)
<b>Net carrying amount</b>	<b>778,267</b>	<b>152,414</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.

For personal use only

## 10. Non-current assets – intangible assets (continued)

### 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	
	2017	2016
	\$	\$
<b>Investment platform</b>		
At cost	28,868,467	26,814,812
Accumulated amortisation and impairment	(20,327,748)	(19,553,033)
<b>Net carrying amount</b>	<b>8,540,719</b>	<b>7,261,779</b>
<b>Goodwill</b>		
At cost	15,336,909	5,852,019
<b>Net carrying amount</b>	<b>15,336,909</b>	<b>5,852,019</b>
<b>Dealer network</b>		
At cost	604,244	604,244
Accumulated amortisation and impairment	(171,203)	(110,778)
<b>Net carrying amount</b>	<b>433,041</b>	<b>493,466</b>
<b>Managed fund client list</b>		
At cost	72,839	72,839
Accumulated amortisation and impairment	(29,136)	(14,568)
<b>Net carrying amount</b>	<b>43,703</b>	<b>58,271</b>
<b>Software</b>		
At cost	191,629	80,693
Accumulated amortisation	(66,885)	(29,706)
<b>Net carrying amount</b>	<b>124,744</b>	<b>50,987</b>
<b>Agility client book</b>		
At cost	1,284,000	-
Accumulated amortisation and impairment	(42,906)	-
<b>Net carrying amount</b>	<b>1,241,094</b>	-
<b>Agility Connect software</b>		
At cost	2,540,970	-
Accumulated amortisation and impairment	(175,750)	-
<b>Net carrying amount</b>	<b>2,365,220</b>	-
<b>Total net carrying amount</b>	<b>28,085,430</b>	<b>13,716,522</b>

## 10. Non-current assets – intangible assets (continued)

	CONSOLIDATED	
	2017 \$	2016 \$
<b>RECONCILIATIONS OF THE CARRYING AMOUNT AT THE BEGINNING AND END OF THE FINANCIAL YEAR:</b>		
<b>Investment platform</b>		
Opening carrying amount	7,261,779	6,538,107
Other additions	2,053,655	1,339,661
Amortisation charge	(774,715)	(615,989)
<b>Closing carrying amount</b>	<b>8,540,719</b>	<b>7,261,779</b>
<b>Goodwill</b>		
Opening carrying amount	5,852,019	5,846,822
Acquisitions through business combinations	9,484,890	5,197
<b>Closing carrying amount</b>	<b>15,336,909</b>	<b>5,852,019</b>
<b>Dealer network</b>		
Opening carrying amount	493,466	553,890
Amortisation charge	(60,425)	(60,424)
<b>Closing carrying amount</b>	<b>433,041</b>	<b>493,466</b>
<b>Managed fund client list</b>		
Opening carrying amount	58,271	-
Other additions	-	72,839
Amortisation charge	(14,568)	(14,568)
<b>Closing carrying amount</b>	<b>43,703</b>	<b>58,271</b>
<b>Software</b>		
Opening carrying amount	50,987	33,362
Acquisitions through business combinations	23,030	-
Other additions	80,211	31,986
Amortisation charge	(29,484)	(14,361)
<b>Closing carrying amount</b>	<b>124,744</b>	<b>50,987</b>
<b>Customer relationships</b>		
Opening carrying amount	-	-
Acquisitions through business combinations	1,284,000	-
Amortisation charge	(42,906)	-
<b>Closing carrying amount</b>	<b>1,241,094</b>	-
<b>Connect software</b>		
Opening carrying amount	-	-
Acquisitions through business combinations	2,540,970	-
Amortisation charge	(175,750)	-
<b>Closing carrying amount</b>	<b>2,365,220</b>	-



## 10. Non-current assets – intangible assets (continued)

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

### INVESTMENT PLATFORM (INCLUDED WITHIN INVESTMENT PLATFORM CGU)

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.

### DEALER NETWORK (INCLUDED WITHIN LICENSEE CGU)

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. Cash flows beyond the five year period are extrapolated using a terminal value.

### CUSTOMER RELATIONSHIPS (INCLUDED WITHIN IT SERVICES CGU)

The fair market value of the Customer Relationships intangible has been determined based on a multi-period excess earnings methodology using a discounted cash flow. Customer relationships has been allocated to the IT Services CGU with an implied useful life of 16 years.

The recoverable amount of the Customer Relationships intangible has been assessed for indicators of impairment as at 30 June 2017. Based upon this assessment the carrying value of the intangible is not considered to be impaired.

### CONNECT SOFTWARE (INCLUDED WITHIN IT SERVICES CGU)

The fair market value of the Connect Software intangible has been determined based on a multi-period excess earnings methodology using a discounted cash flow. Connect Software has been allocated to the IT Services CGU with an implied useful life of 8 years.

The recoverable amount of the Connect Software intangible has been assessed for indicators of impairment as at 30 June 2017. Based upon this assessment the carrying value of the intangible is not considered to be impaired.

### GOODWILL – LICENSEE (INCLUDED WITHIN INVESTMENT PLATFORM CGU)

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.

The recoverable amount of the goodwill generated has been determined based on a value-in-use calculation using a discounted cash flow over a five year projection period. Cash flows beyond the five year period are extrapolated using a terminal value.

### GOODWILL – IT SERVICES (INCLUDED WITHIN INVESTMENT PLATFORM CGU)

Goodwill recognised as part of the Agility acquisition has been allocated to the Investment Platform CGU, while the Customer Relationships and Connect Software intangible has been identified as part of the IT Services CGU with a finite life.

### KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS – INVESTMENT PLATFORM CGU

The cash generated by the Investment Platform CGU has been segregated between the cash generated by the Paragem dealer group, the cash expected to be generated by the acquisition of Agility 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.

For personal use only

## 10. Non-current assets – intangible assets (continued)

The goodwill recognised as a result of the Agility acquisition has been assessed for indicators of impairment as at 30 June 2017. Based upon this assessment the carrying value of goodwill associated with the acquisition of Agility is not considered to be impaired.

### 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 22% 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 15.5%. (2016:16.5%) 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%. (2016:2.5%).
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. (13 years and 5 months from 30 June 2017.)

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 (17.5% instead of 15.5%), there would be no impairment of the intangible asset.

### KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS - GOODWILL INTANGIBLE LICENSEE

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 of funds under administration is currently estimated at 85% of performance targets (refer Note 11). Management have estimated the future transfer of funds to the platform 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 15.5%. (2016:16.5%) 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 2.5%. (2016:2.0%).
5. Period over which cashflows have been discounted – Management have used a period of five years to discount projected cashflows for its value-in-use calculations.

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.

For personal use only

## 10. Non-current assets – intangible assets (continued)

### IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS – GOODWILL INTANGIBLE LICENSEE

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 (17.5% instead of 15.5%) 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 advisers, 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 and 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.

### KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS – CUSTOMER RELATIONSHIP

1. The long term growth in revenue is estimated at 3% reflecting that the contractual element of this revenue is in line with CPI.
2. An EBITA margin of 10.0% is estimated and is also considered a key assumption used in calculating future cashflows. The rate is considered by management to be reasonable based upon the actual and anticipated performance of the asset.
3. Pre-tax discount rate – The pre-tax discount rate used for the company's value-in-use calculations is 16%. This has been determined based on the weighted average cost of capital for the IT Services CGU.
4. Period over which cashflows have been discounted – Management have used a period of 16 years to discount projected cashflows for its value-in-use calculations.

There were no other key assumptions used in the Customer Relationship value-in-use calculation prepared at the date of acquisition. Indicators of impairment have been reviewed as part of the financial year end with no issues noted.

Based on the above the value-in-use of the Customer Relationship Intangible exceeds the carrying value and is not considered impaired.

## 10. Non-current assets – intangible assets (continued)

### KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS – CONNECT SOFTWARE

1. Growth in revenue is estimated at 5% based on license fees and a key assumption used in calculating future cashflows.
2. An EBITA margin of 15.0% is estimated for the Connect Software Intangible and is also considered a key assumption used in calculating future cashflows. The rate is considered by management to be reasonable based upon the actual and anticipated performance of the asset.
3. Pre-tax discount rate – The pre-tax discount rate used for the company's value-in-use calculations is 16.0%. This has been determined based on the weighted average cost of capital for IT Services CGU.
4. Period over which cashflows have been discounted – Management have used a period of 8 years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given industry practice.

There were no other key assumptions used in the Connect Software Intangible value-in-use calculation. Indicators of impairment have been reviewed as part of the financial year end with no issues noted.

Based on the above the value-in-use of the Connect Software Intangible exceeds the carrying value and is not considered impaired.

## 11. Current liabilities – trade and other payables

### KEY ACCOUNTING POLICIES

Trade, Deferred Consideration 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	
	2017 \$	2016 \$
Trade creditors	592,441	858,174
Deferred contingent consideration – Paragem	3,383,099	-
Deferred contingent consideration – Agility	1,876,113	-
Unwind of discount on deferred consideration – Agility	61,944	-
Sundry creditors	2,190,559	933,902
	<b>8,104,155</b>	<b>1,792,076</b>

The reduction in the Paragem deferred contingent consideration has resulted in a fair value gain of \$925,407 for the year ended 30 June 2017.

### CONTINGENT CONSIDERATION – PARAGEM

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

On 3 September 2014 HUB24 Limited acquired 100% of the issued shares in Paragem, an Australian Financial Services licensee, for consideration of up to \$8 million in cash and shares, comprising \$2 million in upfront consideration and up to \$6 million in contingent consideration.

The contingent consideration arrangement relating to the Vendor and Option holders requires the company to issue the former equity owners of Paragem 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 30 June 2016, estimated to be \$4.3 million in purchase consideration and \$1.7 million remuneration for post transaction services based on management's judgement that 100% of the performance criteria will be met.

## 11. Current liabilities – trade and other payables (continued)

Management's estimate of the performance over the earnout period until 30 September 2017 against set criteria requires significant judgement. As at 30 June 2017 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 \$4.7 million (\$3.9 million in purchase consideration and \$0.9 million remuneration for post transaction services).

The impact upon the financial statements for the year ended 30 June 2017 of the change to management's estimate are as follows:

Contingent consideration – Paragem	Decrease by \$925,407
Fair value gain on contingent consideration (profit and loss)	Increase by \$925,407
Share based payments reserve	Decrease by \$221,027
Share based payment expense – Option Holders (profit and loss)	Decrease by \$221,027

### CONTINGENT CONSIDERATION – AGILITY

Refer to Note 28 for further details on the Agility contingent consideration.

## 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.

For personal use only

## 12. Current liabilities – provisions (continued)

### 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	
	2017	2016
	\$	\$
Employee benefits – annual leave	932,813	564,716
Employee benefits – short term incentive	1,947,265	1,449,026
Lease make good	122,892	-
Rental lease liability	38,193	-
Broking claims – discontinued stockbroking operation	420,150	443,353
Employee benefits – payroll tax Options	89,283	-
Other sundry provisions	197,021	-
	<b>3,747,617</b>	<b>2,457,095</b>

#### Movements in provisions

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

	CONSOLIDATED	
	2017	2016
	\$	\$
<b>Discontinued stockbroking operation</b>		
Carrying amount at the start of the year	443,353	680,219
Additional provisions recognised	-	184,845
Amounts paid during the year	(23,203)	(421,711)
<b>Carrying amount at the end of the year</b>	<b>420,150</b>	<b>443,353</b>

## 13. Non-current liabilities – provisions

	CONSOLIDATED	
	2017	2016
	\$	\$
Employee benefits – long service leave	569,903	194,209
Lease make good	48,066	102,948
Rental lease liability	111,574	61,957
	<b>729,543</b>	<b>359,114</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:

## 13. Non-current liabilities – provisions (continued)

2017	CONSOLIDATED	
	Lease make good \$	Rental lease liability \$
Carrying amount at the start of the year	102,948	61,957
Additional provisions recognised	68,010	87,810
<b>Carrying amount at the end of the year</b>	<b>170,958</b>	<b>149,767</b>

## 14. Non-current liabilities – other

	CONSOLIDATED	
	2017 \$	2016 \$
Contingent consideration – Agility	5,710,995	-
Contingent consideration – Paragem	-	4,246,287
Unwind of discount on deferred consideration – Agility	261,612	-
Deferred revenue from research and development claim	853,769	942,666
	<b>6,826,376</b>	<b>5,188,953</b>

**CONTINGENT CONSIDERATION – PARAGEM**

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

**CONTINGENT CONSIDERATION – AGILITY**

Refer to note 28 for further details.

**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.

For personal use only

## 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			
	2017 Number	2016 Number	2017 \$	2016 \$
<b>(a) Issued and paid up capital</b>				
Ordinary shares, fully paid	54,980,675	52,890,711	89,213,158	83,154,042
<b>(b) Other equity securities</b>				
Treasury shares	(94,949)	(109,061)	(64,181)	(73,720)
<b>Total capital</b>	<b>54,885,726</b>	<b>52,781,650</b>	<b>89,148,977</b>	<b>83,080,322</b>
<b>Movements in issued and paid up capital</b>				
Beginning of the financial year	52,890,711	52,058,181	83,154,042	82,164,163
Shares issued	2,089,964	832,530	5,207,603	961,543
Transfer from share based payment reserve			806,275	-
Additional paid up capital			53,461	28,336
<b>Total shares</b>	<b>54,980,675</b>	<b>52,890,711</b>	<b>89,221,381</b>	<b>83,154,042</b>
Capital raising costs	-	-	(8,223)	-
<b>End of the financial year</b>	<b>54,980,675</b>	<b>52,890,711</b>	<b>89,213,158</b>	<b>83,154,042</b>
<b>Movement in other equity securities – treasury shares</b>				
Beginning of the financial year	109,061	141,111	73,720	95,384
Employee share issue	(14,112)	(32,050)	(9,539)	(21,664)
<b>End of the financial year</b>	<b>94,949</b>	<b>109,061</b>	<b>64,181</b>	<b>73,720</b>

### 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 \$96,002 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.

On 3 January 2017, the company issued 739,372 ordinary shares for the acquisition of Agility for consideration of \$3,807,766.

For personal use only



## 15. Issued capital (continued)

On 19 April 2017, the company issued 200,000 ordinary shares for options exercised by the Managing Director of the company for consideration of \$168,760.

On 2 May 2017, the company issued 120,000 ordinary shares for options exercised by employees of the company for consideration of \$101,256.

### 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 assigned 14,112 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

## 16. Reserves

	CONSOLIDATED	
	2017	2016
	\$	\$
Share based payments share reserve	4,106,404	4,396,272

Represents the share based payments expense under the employee and adviser share plans.

Movements in share based payments share reserves		
Opening balance	4,396,272	3,133,845
Reserve reclassified to share capital through options issued	(806,276)	-
Employee share based payment expense	800,435	754,760
Share based payments to Paragem advisers	(221,027)	557,667
Shares issued through HUB24 Share Ownership Trust	(63,000)	(50,000)
<b>Closing balance</b>	<b>4,106,404</b>	<b>4,396,272</b>

## 17. Dividend franking account

Franking credits available to shareholders of the company for subsequent financial years are \$nil (2016: \$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.

For personal use only

## 18. Reconciliation of cashflows (continued)

	CONSOLIDATED	
	2017 \$	2016 \$
<b>(a) Reconciliation of the net profit/(loss) after tax to cash flow from operations</b>		
Net profit/(loss) after tax for the year	18,874,131	(1,187,128)
<b>Non-cash items</b>		
Depreciation and amortisation	1,423,529	784,324
Income tax benefit	(15,122,793)	-
Fair value gain on contingent consideration	(925,407)	-
Deferred revenue	(88,897)	(157,646)
Share based payments expense – employee	800,435	754,760
Share based payments expense – Paragem option holders	(221,027)	557,667
Shares issued to executive for short term incentive	297,002	518,750
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(2,856,364)	174,117
(Increase)/decrease in deferred tax assets	(14,832,947)	(943,875)
(Increase)/decrease in other assets	(153,170)	(77,599)
Increase/(decrease) in trade and other payables	7,175,541	544,755
Increase/(decrease) in provisions	1,567,161	336,107
<b>Net cash flow from operating activities</b>	<b>(4,062,806)</b>	<b>1,304,233</b>

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

<b>Cash and cash equivalents comprises:</b>		
Cash on hand and at bank	10,836,646	9,267,163

**(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	
	2017 \$	2016 \$
Within 1 year	675,502	477,773
After 1 year and less than 5 years	886,023	316,581
More than 5 years	-	-
<b>Total minimum lease payments</b>	<b>1,561,525</b>	<b>794,354</b>

## 19. Commitments and contingencies (continued)

The above relates to lease commitments for five premises with lease terms between 1 and 3 years. The remaining commitments relate to office equipment with lease terms between 3 and 5 years

Lease payments recognised as an expense in the current year amount to \$747,847 (FY16 \$477,773).

Security deposits and guarantees for five leased properties amount to \$115,670 in rental bonds (FY16 \$259,036), 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	
	2017	2016
	\$	\$
<b>Contingent assets and liabilities</b>		
Nil (2016: 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 three plans in place to provide these benefits:

- the Employee Share Option Plan (ESOP);
- the Performance Rights (PARs); 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.

For personal use only

## 20. Share based payments plan (continued)

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 monte carlo simulation 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 \$579,408, \$800,435 relating to employee option plans was offset by \$221,027 credit relating to the Paragem Option holders. (2016: \$1,312,427).

The share-based payment plans are described below.

For personal use only

## 20. Share based payments plan (continued)

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

#### 1. Share based payment plans issued during the year ended 30 June 2017

	29 November 2016 SOP	29 November 2016 PRP (Rights)	29 November 2016 SOP
Number of options	418,639	137,043	50,000
Issue Date	29 Nov 2016	29 Nov 2016	29 Nov 2016
Expiry Date	29 Nov 2021	29 Nov 2031	29 Nov 2021
Expected Vesting Period	3 years	3 years	3 years
Exercise Price	\$4.46	N/A	\$5.17
<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] 50% vesting on the achievement of Performance condition 1. Absolute Total Shareholder Return (ATSR) CAGR in excess of 17.5% over three years, proportional vesting between 12.5% and 17.5%.	[II] Achieve share price hurdle of greater than 52% greater than exercise price for 20 consecutive days in the period between 36 months from the issue date and expiry of options.	
III. FUA	[III] 50% vesting on the achievement of Performance condition 2. Growth in Funds Under Administration (FUA) CAGR in excess of 45% over three years, proportional vesting between 28% and 45%.	N/A	
Disposal restrictions	Restriction on sale of shares for 12 months from exercise, without Board approval and no trading in 'blackout' periods.		

<b>Tax exempt share plan – employees</b>	
Number of Shares Issued	14,112
Issue Date	1 September 2016
Issue Price	\$4.46
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.

## 20. Share based payments plan (continued)

### 2. Share based payment plans issued prior to 1 July 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).		
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 and no trading in 'blackout' periods.		

<b>Tax exempt share plan – employees</b>	
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.

	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).			

## 20. Share based payments plan (continued)

	7 August 2013 SOP	17 October 2014 SOP	4 December 2014 SOP CEO	4 December 2014 SOP Paragem
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.		Share price hurdle*
III. Performance	As determined by the Board in its sole discretion			
Disposal restrictions	Restriction on sale of shares for 12 months from exercise, without Board approval and 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.		

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

\* Market – Share price hurdle in 3 tranches:

- 4 Dec 15 – 4 Dec 19: 1/3 of options subject to 20% share price hurdle
- 4 Dec 16 – 4 Dec 19: 1/3 of options subject to 40% share price hurdle
- 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	
Exercise Price	\$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>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>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>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>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>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>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.	

## 20. Share based payments plan (continued)

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:

	2017			2016		
	Number	WAEP	WASP	Number	WAEP	WASP
Outstanding at the beginning of the year	5,045,000	-	-	5,296,375	-	-
Granted during the year	468,639	\$4.56	-	820,000	\$2.55	-
Forfeited during the year	-	-	-	10,000	-	-
Exercised during the year	1,284,000	\$0.86	\$5.31	500,000	\$0.84	\$3.19
Expired during the year	-	-	-	561,375	-	-
Outstanding at the end of the year	4,229,639	-	-	5,045,000	-	-
Exercisable at the end of the year	1,679,000	-	-	1,625,000	-	-

The outstanding balance as at 30 June 2017 is represented by:

- 175,000 options over ordinary shares with an exercise price of \$0.8424 each, fully vested expiring 14 October 2017.
- 880,000 options over ordinary shares with an exercise price of \$0.8438 each, fully vested expiring 8 August 2017.
- 960,000 options over ordinary shares with an exercise price of \$0.98 each, yet to vest expiring 17 October 2019.
- 936,000 options over ordinary shares with an exercise price of \$1.156 each, 2/3 vested expiring 4 December 2019.
- 610,000 options over ordinary shares with an exercise price of \$2.46 each, yet to vest expiring 14 October 2020.
- 150,000 options over ordinary shares with an exercise price of \$2.46 each, yet to vest expiring 7 December 2020.
- 50,000 options over ordinary shares with an exercise price of \$3.98 each, yet to vest expiring 30 March 2021.
- 418,639 options over ordinary shares with an exercise price of \$4.46 each, yet to vest expiring 29 November 2021.
- 50,000 options over ordinary shares with an exercise price of \$5.17 each, yet to vest expiring 29 November 2021.





## 20. Share based payments plan (continued)

	14 Oct 2015 SOP	7 Dec 2015 SOP CEO	30 Mar 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

**(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 11 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.
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	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. If performance targets are not achieved, the shares to be issued will be adjusted to reflect the achieved percentage on 30 September 2017. No rights have vested or lapsed since being issued.

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 HUB24 shares in the 60 days preceding the vesting date.

**Deferred Share issue – Paragem Adviser 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	If at any time before 30 September 2017 the performance targets are achieved the rights will vest. No rights have vested or lapsed since being issued.

## 20. Share based payments plan (continued)

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 HUB24 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 2017 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

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

	CONSOLIDATED	
	2017	2016
	\$	\$
<b>Earnings per share from continuing and discontinuing operations</b>		
Profit/(loss) after income tax	18,874,131	(1,187,128)
Profit/(loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	18,874,131	(1,187,128)
	<b>Number</b>	<b>Number</b>
<b>Weighted average number of ordinary shares used in calculating basic and diluted earnings per share</b>		
Basic earnings per share	53,996,742	52,696,338
Diluted earnings per share	56,927,452	52,696,338
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	34.95	(2.26)
Diluted earnings per share	33.15	(2.26)
	<b>\$</b>	<b>\$</b>
<b>Earnings per share</b>		
Profit/(loss) after income tax	18,874,131	(1,187,128)
Profit/(loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	18,874,131	(1,187,128)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	53,996,742	52,696,338
Weighted average number of ordinary shares used in calculating diluted earnings per share	56,927,452	52,696,338
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	34.95	(2.26)
Diluted earnings per share	33.15	(2.26)

## 22. Earnings per share (continued)

### 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.

Diluted earnings per share exclude shares that will be issued in the future relating to the deferred consideration from the Paragem and Agility acquisition.

All options on issue are considered anti-dilutive for FY16, as the entity was loss-making. Refer to Note 20 for details of options on issue.

## 23. Auditors' remuneration

	CONSOLIDATED	
	2017 \$	2016 \$
<b>Amounts received or due and receivable by Deloitte Touche Tohmatsu</b>		
Audit and review of financial statements and other regulatory returns	200,000	120,000
Tax and other services	370,015	108,475
<b>Total audit and other fees</b>	<b>570,015</b>	<b>228,475</b>

For personal use only

## 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	
	2017	2016
<b>Operating entities</b>		
HUB24 Custodial Services Limited (formerly ANZIEX Ltd)	100	100
Firstfunds Ltd	100	100
HUB24 Share Ownership Trust	100	100
HUB24 Management Services Pty 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
Agility Applications Pty Ltd	100	-
<b>Non-operating entities</b>		
AT Pty Ltd*	100	100
HUB24 International Nominees Pty Ltd (formerly ANZIEX Nominees Ltd)	100	100
Investorfirst Securities Ltd*	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
HTH Nominees Pty Ltd	100	100

\* These companies are no longer trading and there is no intention that they will resume activities. The process to deregister these entities has commenced.

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	
	2017 \$	2016 \$
<b>Statement of profit or loss and other comprehensive income</b>		
Profit/(loss) after income tax	16,273,144	(6,089,578)
<b>Total comprehensive income</b>	<b>16,273,144</b>	<b>(6,089,578)</b>

## 25. Parent entity financial information (continued)

	CONSOLIDATED	
	2017 \$	2016 \$
<b>Statement of financial position</b>		
Total current assets	12,381,298	12,351,939
Total non-current assets	41,432,912	12,222,568
<b>Total assets</b>	<b>53,814,210</b>	<b>24,574,507</b>
Total current liabilities	5,880,760	431,528
Total non-current liabilities	6,888,321	5,188,952
<b>Total liabilities</b>	<b>12,769,081</b>	<b>5,620,480</b>
	<b>41,045,129</b>	<b>18,954,027</b>
<b>Equity</b>		
Issued capital	89,213,482	83,105,657
Reserves	3,163,081	3,452,949
Accumulated losses	(51,331,434)	(67,604,579)
<b>Total equity</b>	<b>41,045,129</b>	<b>18,954,027</b>

**CONTINGENT LIABILITIES**

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

**CAPITAL COMMITMENTS – OFFICE EQUIPMENT**

The parent entity had no capital commitments as at 30 June 2017 and 30 June 2016.

**FINANCIAL COMMITMENTS – LOAN RECEIVABLE**

The parent entity entered into a loan agreement for \$5 million 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%.

\$2 million 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 has been extended under the same terms and conditions to 31 December 2017.

**DEFERRED TAX ASSET**

In addition to its own current and deferred tax amounts, the parent 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. Refer to Note 7 for further details.

**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

### KEY MANAGEMENT PERSONNEL COMPENSATION

	CONSOLIDATED	
	2017 \$	2016 \$
Short term employment benefits	2,841,611	2,819,741
Post employment benefits	150,793	128,646
Share based payments	523,822	495,927
<b>Total compensation</b>	<b>3,516,226</b>	<b>3,444,314</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 2017, 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.

For personal use only

## 27. Financial instruments (continued)

### 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	
	2017 \$	2016 \$
<b>Cash and cash equivalents at end of period</b>	<b>10,836,646</b>	<b>9,267,163</b>
100 basis points increase in interest rate	108,366	92,672
50 basis points decrease in interest rate	(54,183)	(46,336)
<b>Net impact on profit/(loss) after tax</b>		
Profit/(loss) for the year	18,874,131	(1,187,128)
100 basis points increase in interest rate	18,982,497	(1,094,456)
50 basis points decrease in interest rate	18,819,948	(1,233,463)

### 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	
	2017 \$	2016 \$
Not later than one month	2,628,991	1,340,113
Later than 1 month not later than 3 months	154,010	101,275
Later than 3 months not later than 1 year	5,321,154	350,689
Later than 1 year	-	-
	<b>8,104,155</b>	<b>1,792,077</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.

For personal use only



## 27. Financial instruments (continued)

	0-1 MONTH \$	1-3 MONTHS \$	4-12 MONTHS \$	1-5 YEARS* \$	TOTAL \$
<b>30 June 2017</b>					
<b>Consolidated financial assets</b>					
Cash and cash equivalents	10,836,646	-	-	-	10,836,646
Trade and other receivables	4,386,137	475,190	2,013,299	-	6,874,626
	<b>15,222,783</b>	<b>475,190</b>	<b>2,013,299</b>	-	<b>17,711,272</b>
<b>Consolidated financial liabilities</b>					
Trade and other payables	2,628,991	154,010	5,321,154	-	8,104,155
	<b>2,628,991</b>	<b>154,010</b>	<b>5,321,154</b>	-	<b>8,104,155</b>
<b>Net maturity</b>	<b>12,593,792</b>	<b>321,181</b>	<b>(3,307,856)</b>	-	<b>9,607,116</b>
<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
	<b>11,166,828</b>	<b>102,231</b>	<b>2,016,366</b>	-	<b>13,285,425</b>
<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>9,826,717</b>	<b>956</b>	<b>1,665,677</b>	-	<b>11,493,349</b>

\* For the 1-5 year period the Agility deferred contingent consideration includes equity components payable 3 January 2020. Refer to Note 28 for further details.

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 2017:

	CONSOLIDATED	
	Carrying amount \$	Fair value amount \$
<b>Non-current assets</b>		
Rental bonds and guarantees	115,670	115,670
	<b>115,670</b>	<b>115,670</b>

For personal use only

## 27. Financial instruments (continued)

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
	<b>259,036</b>	<b>259,036</b>

## 28. Business combination

On 3 January 2017 HUB24 Limited acquired 100% of the issued shares in Agility, a specialist provider of application, data exchange and technology products and services to the financial services industry, for consideration of up to \$15 million in cash and shares, (fair value \$14,188,209).

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Total \$
<b>Purchase consideration</b>	
Cash paid – at completion	2,793,335
Shares issued – at completion	3,807,766
Deferred consideration	1,876,113
Contingent consideration – 1st performance period (31 December 2018)	2,938,667
Contingent consideration – 2nd performance period (31 December 2019)	2,772,328
<b>Total purchase consideration</b>	<b>14,188,209</b>

Deferred consideration refers to cash payments of up to \$2 million to be paid on 3 January 2018 subject to performance conditions and warranty claims.

Contingent consideration refers to capped earnout consideration of up to \$3.5 million in cash and \$3.5 million in HUB24 ordinary shares subject to certain conditions and performance hurdles to be met progressively over the next two and a half years.

The provisional fair values of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	1,538,755
Plant and equipment	612,215
Working capital	(910,451)
Deferred tax liability	(385,200)
Customer relationships	1,284,000
Connect software	2,564,000
<b>Net identifiable assets acquired</b>	<b>4,703,319</b>
Add: goodwill	9,484,890
	<b>14,188,209</b>

For personal use only

## 28. Business combination (continued)

The goodwill recognised reflects the value that is expected to be created on the HUB24 platform following the acquisition of Agility. HUB24's investment platform integrated with Agility's solution will assist stockbrokers to transition their clients and business model to a scalable and flexible wealth management offering.

### ACQUISITION RELATED COSTS

Agility acquisition related costs of \$404,196 are included in administrative expenses in the profit or loss.

### CONTINGENT CONSIDERATION

The contingent consideration arrangement requires the company to issue the former equity owners of Agility up to \$3.5 million in cash and \$3.5 million in HUB24 ordinary shares subject to certain conditions and performance hurdles.

The fair value of the contingent consideration arrangement is estimated to be \$5.7 million which assumes 100% of 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	Decrease by \$571,100
Goodwill	Decrease by \$571,100

### REVENUE AND PROFIT CONTRIBUTION

The acquired business contributed revenues of \$4,701,436 and EBITDA of \$243,687 to the group for the period from 3 January 2017 to 30 June 2017.

For personal use only

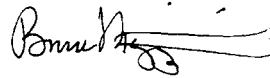
# DIRECTORS' DECLARATION

for the year ended 30 June 2017

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 2017 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, 28 August 2017

For personal use only

# 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  
Sydney NSW 1217 Australia  
DX: 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of HUB24 Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For personal use only

# Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Intangible Assets</b></p> <p>As at 30 June 2017 the carrying value of intangible assets totalling \$28 million which include the following as disclosed in note 10:</p> <ul style="list-style-type: none"> <li>• investment platform valued at \$8.5 million;</li> <li>• goodwill of \$15.4 million.</li> </ul> <p>Evaluation of the recoverable amount of intangible assets requires significant judgement due to the estimation of future cash flows, discount and terminal growth rates, and the period over which cash flows have been discounted.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ obtaining an understanding of the key controls associated with the preparation of the value-in-use models;</li> <li>▪ evaluating management’s methodologies and their documented basis for key assumptions, as outlined in note 10;</li> <li>▪ in conjunction with our valuation experts, we assessed and challenged the:                             <ul style="list-style-type: none"> <li>- reasonableness of long-term growth rates used in the forecast cash flows by comparing them to historical results, economic and industry forecasts; and</li> <li>- discount rate applied.</li> </ul> </li> <li>▪ testing the mathematical accuracy and integrity of the value-in-use models;</li> <li>▪ assessing the consistency of forecast cash flow models and Board approved budget;</li> <li>▪ performing sensitivity analysis around the key drivers of growth rates used in the cash flow forecasts and the discount rate used; and</li> <li>▪ assessing managements’ consideration of the sensitivity to a change in key assumptions that both individually or collectively would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions.</li> </ul> <p>We also assessed the appropriateness of the disclosures in note 10 to the financial statements.</p>
<p><b>Deferred tax asset relating to tax losses</b></p> <p>As at 30 June 2017 the Company has recorded a deferred tax asset of \$14.7 million relating to prior period tax losses incurred by the Company as disclosed in note 7.</p> <p>Significant judgement is required in determining the recoverability of this deferred tax asset which is dependent on the generation of sufficient future taxable profit to utilise these tax losses.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ challenging the appropriateness of management’s assumptions relating to the forecasts of future taxable profits;</li> <li>▪ evaluating the reasonableness of the assumptions underlying the preparation of these forecasts, including the consistency of the assumptions used with those used to evaluate the recoverable amount of intangible assets; and</li> <li>▪ reviewing the management’s deferred tax calculation for mathematical accuracy, in accordance with the applicable Australian Accounting Standards and Australian tax legislations.</li> </ul> <p>We also assessed the appropriateness of the disclosures in note 7 to the financial statements.</p>

For personal use only

# Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Purchase Price Accounting</b></p> <p>On 3 January 2017, HUB24 Limited acquired Agility Applications Pty Ltd for consideration of \$15 million. Consideration comprises \$2.8 million cash, \$3.8 million shares, \$1.9 deferred consideration and \$5.7 million contingent consideration, as disclosed in note 28.</p> <p>Management determined the fair value of net identifiable assets acquired to be \$4.7 million, with \$3.8 million relating to intangibles including the CONNECT reporting and interface software, and customer relationships in relation to licensing access fees.</p> <p>The identification and valuation of intangible assets on acquisition, valuation methodology, inputs and assumptions of the valuation model require significant judgement. In addition, the goodwill arising from the acquisition is highly dependent on the fair value of the identifiable asset acquired and liabilities assumed from Agility Applications Pty Ltd. at the acquisition date.</p>	<p>In conjunction with our internal corporate finance specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ reviewing management’s appointed expert valuation reports;</li> <li>▪ evaluating the independence, competence and objectivity of management’s appointed expert;</li> <li>▪ obtaining management’s assessment of the purchase price allocation and assessing that the transaction is eligible to be treated as a business combination and is recorded in accordance with the applicable Australian Accounting Standards;</li> <li>▪ evaluating the sales deed for significant clauses, to ensure it is consistent with management’s treatment;</li> <li>▪ assessing the appropriateness of identifiable assets acquired and the liabilities assumed at the acquisition date;</li> <li>▪ challenging management’s methodologies and calculations used to determine the fair value of assets acquired and liabilities acquired; and</li> <li>▪ reviewing the goodwill calculation for mathematical accuracy.</li> </ul> <p>We also assessed the appropriateness of the disclosure in note 28 to the financial statements.</p>

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2017, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Deloitte.

### *Responsibilities of the Directors for the Financial Report*

The directors of the Entity 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



For personal use only

## Deloitte.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report of HUB24 Limited included in pages 24 to 36 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of the HUB24 Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Entity 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.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 28 August 2017

## 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 18 August 2017.

### Distribution of equity securities

Ordinary share capital – 55,231,303 fully paid ordinary shares are held by 1,993 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	664	284,521	0.52
1,001–5,000	763	2,194,915	3.97
5,001–10,000	291	2,202,208	3.99
10,001–100,000	234	6,180,818	11.19
100,001 and over	41	44,368,841	80.33
<b>Totals</b>	<b>1,993</b>	<b>55,231,303</b>	<b>100.00</b>

Holding less than a marketable parcel of shares, based on the closing price \$6.29 on 18 August 2017, are 143 shareholders.

### Options

5,239,639 options and 137,043 performance rights are held. Options and performance rights do not carry a right to vote.

### Substantial shareholders – quoted ordinary securities

	Number fully paid	%
Thorney Holdings Pty Ltd & Related Parties	9,480,000	17.16
Acorn Capital Ltd	4,517,957	8.18
Ian Litster & Related Parties	3,588,751	6.50

## HUB24 Limited fully paid Ordinary Shares – Top 20 holdings as at 18 August 2017

Rank	Name	18 Aug 2017	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,666,343	19.31
2	NATIONAL NOMINEES LIMITED	5,858,193	10.61
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,471,732	6.29
4	UBS NOMINEES PTY LTD	3,063,603	5.55
5	BNP PARIBAS NOMS PTY LTD	2,800,240	5.07
6	PACIFIC CUSTODIANS PTY LIMITED	2,218,611	4.02
7	CITICORP NOMINEES PTY LIMITED	1,464,083	2.65
8	FINOOK PTY LTD	1,400,000	2.53
9	LITSTER & ASSOCIATES PTY LTD	1,376,023	2.49
10	CITICORP NOMINEES PTY LIMITED	1,259,446	2.28
11	WEALTHPLAN TECHNOLOGIES PTY LTD	1,188,545	2.15
12	JASFORCE PTY LTD	1,102,845	2.00
13	BNP PARIBAS NOMINEES PTY LTD	1,040,846	1.88
14	SKYLYX PTY LTD	774,793	1.40
15	MIRRABOOKA INVESTMENTS LIMITED	601,065	1.09
16	MATIMO PTY LTD	569,332	1.03
17	LITSTER & ASSOCIATES PTY LTD	537,888	0.97
18	EGG AU PTY LTD	517,356	0.94
19	MR BRUCE HIGGINS & MRS RUTH HIGGINS	510,000	0.92
20	LITSTER & ASSOCIATES PTY LTD	486,296	0.88
<b>Total</b>		<b>40,907,240</b>	<b>74.07</b>
<b>Balance of register</b>		<b>14,324,063</b>	<b>25.93</b>
<b>Grand total</b>		<b>55,231,303</b>	<b>100.00</b>

For personal use only





For personal use only

