

HUB²⁴

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INTERIM FINANCIAL REPORT FOR THE HALF-YEAR 31 DECEMBER 2019

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APPENDIX 4D: HALF-YEAR 31 DECEMBER 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 31 December 2019 \$	Half-year ended 31 December 2018 \$		% change
Revenue from ordinary activities	53,896,545	48,495,903	Up	11.1%
Net profit/(loss) after tax for the year attributable to members	6,032,469	3,181,960	Up	89.6%
Basic earnings per share	9.64	5.14	Up	87.5%
Diluted earnings per share	9.41	5.03	Up	87.1%

DIVIDENDS

Subsequent to the half-year ended 31 December 2019 the directors have declared an interim dividend of 3.5 cents unfranked per share (31 December 2018: 2.0 cents unfranked per share).

Dates for the dividend are as follows:

Ex-date	13 March 2020
Record date	16 March 2020
Dividend payment date	17 April 2020

EXPLANATION OF RESULTS

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

	31 December 2019	31 December 2018
Net tangible assets per fully paid ordinary share	\$0.52	\$0.42

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

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

AUDITOR REVIEW

The report is based on the consolidated half-year report that has been reviewed by the Group's auditors, Deloitte Touche Tohmatsu.

CORPORATE INFORMATION



HUB24 LIMITED

ACN 124 891 685



PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2, 7 Macquarie Place
Sydney NSW 2000



AUDITOR

Deloitte Touche Tohmatsu

Grosvenor Place
225 George Street
Sydney NSW 2000



DIRECTORS

Mr Bruce Higgins (Chairman)
Mr Andrew Alcock (Managing
Director)
Mr Ian Litster
Mr Anthony McDonald
Mr Paul Rogan
Ms Ruth Stringer



COMPANY SECRETARIES

Mr Mark Goodrick
Mr Paul Howard



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)*

DIRECTORS' REPORT

Your Directors present their interim report together with the financial statements, on the Consolidated group (referred to hereafter as “the Group” or “HUB24”) consisting of HUB24 Limited (referred to hereafter as “the company”) and the entities it controlled for the half-year ended 31 December 2019 (“1HFY20”). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

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

Mr Bruce Higgins (Chairman)
 Mr Andrew Alcock (Managing Director)
 Mr Ian Litster
 Mr Anthony McDonald
 Mr Paul Rogan
 Ms Ruth Stringer (appointed 1 February 2020)

COMPANY SECRETARIES

Mr Mark Goodrick
 Mr Paul Howard

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

HUB24 Group operates the HUB24 investment and superannuation platform, provides financial advice to clients through financial advisers authorised by Paragem Pty Ltd and provides application and technology products through Agility Applications Pty Ltd.

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

Paragem (the Licensee) provides boutique dealer group licensee services to financial planning businesses. It comprises a network of 36 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 application and technology products to the financial services industry, currently servicing approximately 45% of Australia's stockbroking market. It earns software license and consulting fees from data, software and infrastructure.

PRINCIPAL ACTIVITIES

The principal activities during the half 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.

REVIEW AND RESULTS OF OPERATIONS

The key items regarding the Group performance for 1HFY20 were:

Funds Under Administration

- Funds Under Administration (FUA) growth in the Platform segment from \$10.0 billion at 31 December 2018 to \$15.8 billion at 31 December 2019, an increase of 57.6%

Revenue

- The Group recorded an 11.1% increase in revenue to \$53,896,545 for 1HFY20 (\$48,495,903 for 1HFY19)

- Platform revenue increased by 37.7% to \$35,052,843 for 1HFY20 (\$25,450,110 for 1HFY19)

EBITDA

- The Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which increased by 71.1% to \$11,667,975 for 1HFY20 (\$6,818,972 in 1HFY19)
- This EBITDA performance included Platform expenses (direct, operating and growth expenses) increasing by 21.6% to \$21,221,505 (\$17,452,407 for 1HFY19)

Net Profit After Tax

- Statutory Net Profit After Tax (NPAT) was up 89.6% to \$6,032,469 for 1HFY20 (\$3,181,960 for 1HFY19)

Cash flows

- The Group recorded a 190.4% increase in net cash flow from operating activities to \$9,919,174 for 1HFY20 (\$3,415,507 for 1HFY19).

DIVIDENDS

The Board's dividend policy targets a payout ratio between 40% and 60% of the Group's annual underlying net profit after tax over the medium term subject to prevailing market conditions and alternate uses of capital.

Subsequent to the end of the half-year, the directors declared an unfranked interim dividend of 3.5 cents per share estimated to be paid in April 2020 (2.0 cents unfranked per share for 1HFY19).

CORPORATE

The following options, performance rights and shares were issued in accordance with schemes approved by shareholders:

- 331,332 share options were issued to staff and executives in the six months to 31 December 2019 (375,704 in 1HFY19)
- 132,680 performance rights were issued to staff, executives and directors in the six months to 31 December 2019 (570,942 in 1HFY19)
- 391,182 shares were issued for options exercised by staff and executives in the six months to 31 December 2019 (600,000 in 1HFY19)
- 75,533 shares were issued for performance award rights exercised by staff and executives in the six months to 31 December 2019 (nil in 1HFY19).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS OCCURRING AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since 31 December 2019 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

With the continued growth in FUA on the HUB24 investment and superannuation platform and continuing success of its supporting businesses, the company expects its financial results to continue improving with scale.

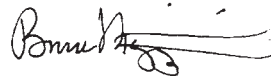
ENVIRONMENTAL REGULATION AND PERFORMANCE

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration for the consolidated group, as required under section 307C of the *Corporations Act 2001*, is set out on page 7.

Signed in accordance with a resolution of the directors of HUB24 Limited:



Bruce Higgins
Chairman

Sydney
24 February 2020



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

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225 George Street
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The Board of Directors
HUB24 Limited
Level 2, 7 Macquarie Place
Sydney NSW 2000

24 February 2020

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 review of the financial statements of HUB24 Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and Deloitte Network

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated	
		Half-year ended 31 Dec 2019 \$	Half-year ended 31 Dec 2018 \$
Revenue from continuing operations			
Revenue	3	52,707,179	47,188,839
Fair value gain on contingent consideration	14	723,113	721,643
Fair value gain on right-of-use asset		5,772	-
Interest and other income		460,481	585,421
		53,896,545	48,495,903
Expenses			
Platform and custody fees		(3,476,353)	(2,947,982)
Licensee fees		(13,963,243)	(17,526,581)
Employee benefits expense	3	(19,049,006)	(15,547,495)
Property and occupancy costs		(172,891)	(1,105,494)
Depreciation and amortisation expense	3	(2,494,238)	(1,290,095)
Administrative expenses	3	(6,020,187)	(5,806,582)
Interest expense on lease liability	9	(114,044)	-
		(45,289,962)	(44,224,229)
Profit before income tax		8,606,583	4,271,674
Income tax (expense)/benefit	6	(2,574,114)	(1,089,714)
Profit after income tax for the half-year		6,032,469	3,181,960
Other comprehensive income		-	-
Total comprehensive income for the half-year		6,032,469	3,181,960
Total comprehensive income for the half-year attributable to ordinary equity members of HUB24 Limited		6,032,469	3,181,960
			Cents
Earnings per share for profit attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share	5	9.64	5.14
Diluted earnings per share	5	9.41	5.03

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Consolidated	
		31 Dec 2019	30 June 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		21,919,524	18,465,847
Trade and other receivables		8,564,937	7,565,465
Other current assets		1,170,544	780,997
Total current assets		31,655,005	26,812,309
Non-current assets			
Intangible assets	7	38,822,878	37,068,563
Deferred tax assets (net of deferred tax liability)	6	7,126,029	9,685,343
Right of use asset	9	6,281,240	-
Other non-current assets	10	3,500,000	2,000,000
Office equipment	8	1,767,008	1,955,564
Total non-current assets		57,497,155	50,709,470
Total assets		89,152,160	77,521,779
Liabilities			
Current liabilities			
Current provisions	12	4,317,876	5,053,154
Trade and other payables	11	2,884,454	3,363,071
Lease liabilities	9	1,796,951	-
Deferred income		200,685	259,419
Total current liabilities		9,199,966	8,675,644
Non-current liabilities			
Lease liabilities	9	5,056,816	-
Other non-current liabilities	14	1,816,011	2,146,200
Non-current provisions	13	1,090,279	1,001,090
Deferred income		631,526	775,303
Total non-current liabilities		8,594,632	3,922,593
Total liabilities		17,794,598	12,598,237
Net assets		71,357,562	64,923,542
Equity			
Issued capital	15	99,773,340	98,187,400
Profit reserve	16	23,209,414	13,014,445
Reserves	16	5,726,230	5,256,545
Accumulated losses		(57,351,422)	(51,534,848)
Total equity		71,357,562	64,923,542

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2019

Consolidated	Attributable to owners of HUB24 Limited				Total \$
	Issued capital \$	Reserves \$	Profit reserves \$	Accumulated losses \$	
Opening balance as at 1 July 2019	98,187,400	5,256,545	13,014,445	(51,534,848)	64,923,542
Opening balance adjustment on adoption of new accounting standard	-	-	-	(26,747)	(26,747)
Restated total equity at the beginning of the financial period	98,187,400	5,256,545	13,014,445	(51,561,595)	64,896,795
Comprehensive income for the half-year	-	-	-	6,032,469	6,032,469
Transfer to profit reserves	-	-	11,822,296	(11,822,296)	-
Total comprehensive income for the half-year	-	-	11,822,296	(5,789,827)	6,032,469
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	-	(1,627,327)	-	(1,627,327)
Capital raising costs	(9,075)	-	-	-	(9,075)
Options granted – employees	-	868,829	-	-	868,829
Share based payments*	1,383,015	(399,144)	-	-	983,871
Issue of treasury shares to employees	212,000	-	-	-	212,000
	1,585,940	469,685	(1,627,327)	-	428,298
Balance at 31 December 2019	99,773,340	5,726,230	23,209,414	(57,351,422)	71,357,562

*Share based payments includes \$983,872 received for the exercise of options by employees, \$399,144 transferred from the share based payment reserve from the options exercised.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Consolidated	Attributable to owners of HUB24 Limited				Total \$
	Issued capital \$	Reserves \$	Profit reserves \$	Accumulated losses \$	
Opening balance at 1 July 2018	96,183,908	3,942,850	5,088,013	(47,349,205)	57,865,566
Comprehensive income for the half-year	-	-	-	3,181,960	3,181,960
Transfer to profit reserves	-	-	5,846,425	(5,846,425)	-
Total comprehensive income for the half-year	-	-	5,846,425	(2,664,465)	3,181,960
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	-	(2,168,210)	-	(2,168,210)
Capital raising costs	(8,044)	-	-	-	(8,044)
Options granted - Employees	-	638,215	-	-	638,215
Share based payments*	1,062,940	(238,140)	-	-	824,800
Issue of treasury shares to employees	171,000	-	-	-	171,000
	1,225,896	400,075	(2,168,210)	-	(542,239)
Balance at 31 December 2018	97,409,804	4,342,925	8,766,228	(50,013,670)	60,505,287

*Share based payments includes \$824,800 received for the exercise of options by employees, \$238,140 transferred from the share based payment reserve from the options exercised.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	Half-year ended 31 Dec 2019 \$	Half-year ended 31 Dec 2018 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	56,028,640	50,962,857
Payments to suppliers and employees (inclusive of GST)	(46,203,364)	(47,701,815)
Interest received	268,587	154,465
Interest paid on lease liability	(114,044)	-
Short term lease payments	(60,645)	-
Net cash inflow from operating activities	9,919,174	3,415,507
Cash flows from investing activities		
Payments for office equipment	(193,963)	(263,999)
Payment for acquisitions (net of cash acquired)	(300,000)	-
Payments for intangible assets	(3,007,280)	(3,266,700)
Net cash (outflow) from investing activities	(3,501,243)	(3,530,699)
Cash flows from financing activities		
ORFR loan facility advance	(1,500,000)	-
Payments for capital raising costs	(12,964)	(11,492)
Dividends paid	(1,627,327)	(2,168,210)
Proceeds from issues of shares and other equity securities	983,872	800,200
Repayment of lease principal payments	(807,835)	-
Net cash (outflow) from financing activities	(2,964,254)	(1,379,502)
Net increase/(decrease) in cash and cash equivalents	3,453,677	(1,494,694)
Cash and cash equivalents at the beginning of the financial year	18,465,847	16,958,996
Cash and cash equivalents at end of the half-year	21,919,524	15,464,302

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

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1. CORPORATE INFORMATION

The Half-Year Report of HUB24 Limited and its controlled entities (“the Group” or “HUB24”) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Board of Directors on 24 February 2020 and covers the company as an individual entity as well as the Group consisting of the company and its subsidiaries as required by the *Corporations Act 2001*.

HUB24 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

This general purpose interim financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’.

These half-year financial statements do not include all the notes of the type normally included in the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. Accordingly, it is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by HUB24 Limited and its controlled entities during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules and the *Corporations Act 2001*.

PARENT ENTITY FINANCIAL INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only.

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 ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. These Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

New and amended accounting standards effective for the current half-year

The Group’s assessment of the impact of new accounting standards and interpretations is set out below.

(i) AASB 16 Leases

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for June 2019 has not been restated. The new accounting policies that have been applied from 1 July 2019 are disclosed below.

AASB 16 introduced a single, on-balance sheet accounting model for lessees, which replaced AASB 117 Leases and AASB Interpretation 4 “Determining Whether an Arrangement contains a Lease”. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying asset, and lease liabilities, representing its obligation to make lease payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Expedients applied

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

In applying AASB16 for the first time, the Group has used the following practical expedients permitted by the standard:

- i. applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ii. relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019;
- iii. accounting for operating leases with a lease term of less than 12 months as short-term leases excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- iv. exemption for leases where the value of the underlying leased asset is deemed to be low-value; and
- v. use of hindsight with regards to the determination of the lease term.

The Group has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and *Interpretation 4 – Determining whether an Arrangement contains a Lease*.

Impact on transition*

The impact on transition is summarised below:

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

		1 July 2019 \$
Right-of-use assets	Increase by	7,159,927
Deferred tax assets	Decrease by	11,467
Current provisions	Decrease by	361,646
Non-current provisions	Decrease by	110,047
Lease liabilities	Increase by	7,669,834

The net impact on accumulated losses on 1 July 2019 was an increase of \$26,747.

*For the impact of AASB16 on the profit and loss for the period, see Note 9.

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.05%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Measurement of lease liabilities

	1 July 2019 \$
Operating lease commitments disclosed as at 30 June 2019	8,107,097
Discounted using the lessee's incremental borrowing rate at the date of initial application	(624,938)
Add/(less): contracts reassessed as lease contracts	187,675
Lease liability recognised as at 1 July 2019	7,669,834
Of which are:	
Current lease liabilities	1,812,179
Non-current lease liabilities	5,857,655

SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements have been prepared using all other accounting policies used in the annual financial statements for the year ended 30 June 2019, unless otherwise stated.

GOING CONCERN

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (\$), which is HUB24 Limited's functional and presentation currency.

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.

3. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	Consolidated	
	Half-year ended 31 Dec 2019 \$	Half-year ended 31 Dec 2018 \$
(a) Revenue		
Platform fees*	35,052,843	25,450,110
Licensee fees	14,584,742	18,273,098
IT Services fees	3,069,594	3,465,631
	52,707,179	47,188,839
Expenses		
(b) Employee benefits expenses		
Wages and salaries (including superannuation and payroll tax)	14,166,919	11,870,061
Share based payments expense – employees	1,080,829	809,215
Other employee benefits expenses	3,801,258	2,868,219
	19,049,006	15,547,495
(c) Depreciation and amortisation		
Depreciation of right-of-use assets	876,257	-
Depreciation of office equipment	365,016	348,962
Amortisation of intangible assets	1,252,965	941,133
	2,494,238	1,290,095
(d) Administrative expenses		
Corporate fees	513,924	399,712
Professional and consultancy fees	996,191	942,798
Information services and communication	1,729,772	1,426,953
Travel and entertainment	640,539	689,317
Discount on consideration	42,924	261,612
Superfund administrative fees	790,976	664,285
Other administrative expenses*	1,305,861	1,421,905
	6,020,187	5,806,582

*Prior comparatives have been reclassified for presentation purposes and consistency with the current period.

4. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

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

The CODM reviews segment profits (Underlying 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 Group's operations are based in Australia. The principal products and services for each of the operating segments are as follows:

PLATFORM FEES

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

LICENSEE FEES

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 SERVICE FEES

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.

4. OPERATING SEGMENTS (CONTINUED)

CORPORATE (CONTINUED)

Consolidated Half-year ended 31 December 2019	Platform \$	Licensee \$	IT Services \$	Corporate S	Total \$
Revenue					
Sales to external customers	35,005,855	14,583,848	3,069,594	-	52,659,297
Interest revenue	-	-	-	268,587	268,587
Expenses	(21,221,505)	(14,776,508)	(3,712,996)	(1,548,900)	(41,259,909)
Underlying EBITDA	13,784,350	(192,660)	(643,402)	(1,280,313)	11,667,975
Other non-operating items					
Interest expense	(108,626)	-	(5,418)	-	(114,044)
Non-recurring revenue	46,988	894	-	-	47,882
Fair value gain – contingent consideration	-	-	-	723,113	723,113
Fair value gain – right-of-use asset	(2,120)	-	7,892	-	5,772
Share based payments – Employee (including payroll tax)	-	-	-	(1,088,956)	(1,088,956)
Discount on contingent consideration	-	-	-	(42,924)	(42,924)
Abnormal items	(73,459)	(5,209)	(19,329)	0	(97,997)
Depreciation and amortisation	(2,226,041)	(39,095)	(229,102)	-	(2,494,238)
	(2,363,258)	(43,410)	(245,957)	(408,767)	(3,061,392)
Profit before income tax	11,421,092	(236,070)	(889,359)	(1,689,080)	8,606,583
Income tax (expense)/benefit	-	-	-	(2,574,114)	(2,574,114)
Profit after income tax	11,421,092	(236,070)	(889,359)	(4,263,194)	6,032,469
Reconciliation to revenue from ordinary activities					
Sales to external customers					52,659,297
Interest revenue					268,587
Non-recurring revenue					47,882
Fair value gain – contingent consideration					723,113
Fair value gain – right-of-use asset					5,772
Sublease rental income					33,833
Waived service fees					158,061
Revenue from ordinary activities					53,896,545

*Includes provision for doubtful debts, waived Service fees are within abnormal items for segment allocation purposes.

4. OPERATING SEGMENTS (CONTINUED)

Consolidated Half-year ended 31 December 2018	Platform \$	Licensee \$	IT Services \$	Corporate \$	Total \$
Revenue					
Sales to external customers	25,403,237	18,273,098	3,465,631	-	47,141,966
Interest revenue	-	-	-	325,863	325,863
Expenses	(17,452,407)	(18,352,338)	(3,714,265)	(1,129,947)	(40,648,957)
Underlying EBITDA	7,950,830	(79,240)	(248,634)	(804,084)	6,818,872
Other non-operating items					
Non-recurring revenue	46,873	-	-	-	46,873
Fair value gain – contingent consideration	-	-	-	721,643	721,643
Share based payments – Employee (including payroll tax)	-	-	-	(1,107,994)	(1,107,994)
Discount on contingent consideration	-	-	-	(263,451)	(263,451)
Abnormal items*	(653,668)	-	(506)	-	(654,174)
Depreciation and amortisation	(1,166,170)	(4,179)	(119,746)	-	(1,290,095)
	(1,772,965)	(4,179)	(120,252)	(649,802)	(2,547,198)
Profit before income tax	6,177,865	(83,419)	(368,886)	(1,453,886)	4,271,674
Income tax (expense)/benefit	-	-	-	(1,089,714)	(1,089,714)
Profit after income tax	6,177,865	(83,419)	(368,886)	(2,543,600)	3,181,960
Reconciliation to revenue from ordinary activities					
Sales to external customers					47,141,966
Interest revenue					325,863
Non-recurring revenue					46,873
Fair value gain – contingent consideration					721,643
Sublease rental income					101,498
Waived service fees					158,060
Revenue from ordinary activities					48,495,903

*Includes one-off project related costs, expiring IT service contract costs, waived service fees are within abnormal items for segment allocation purposes.

5. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share.

Diluted earnings per share includes all options issued for employees with the exception of one tranche (24,667 options issued on 12 December 2018). The average share price used for the calculations exceeds the exercise price for all options on issue with the exception of the above noted 12 December 2018 issue.

	Consolidated	
	Half-year ended 31 Dec 2019 \$	Half-year ended 31 Dec 2018 \$
Earnings		
Profit/(Loss) after income tax	6,032,469	3,181,960
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	6,032,469	3,181,960

	Consolidated	
	Half-year ended 31 Dec 2019 Number	Half-year ended 31 Dec 2018 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	62,575,701	61,906,112
Adjustments for calculation of diluted earnings per share:		
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,507,996	1,380,703
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	64,083,697	63,286,815

	Consolidated	
	Half-year ended 31 Dec 2019 Cents	Half-year ended 31 Dec 2018 Cents
Earnings per share attributable to ordinary equity members of HUB24 Limited		
Basic earnings per share	9.64	5.14
Diluted earnings per share	9.41	5.03

6. INCOME TAX

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 continues to be recognised as at 31 December 2019 based on the following management judgements:

- The Group continues to be profitable with consistent growth, margins and profit line trends over the last 6 financial years;
- For the half-year ended 31 December 2019, the Group has increased profit performance and expects to remain profitable.

6. INCOME TAX (CONTINUED)

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

According to management estimates, full tax loss recoupment is probable in the short term. As a sensitivity measure, at 60% of these forecasts for taxable income, full tax loss recoupment is still estimated to occur in the short term.

The Group assumes and will continue to ensure that there will be ongoing compliance with relevant tax legislations

Research and development expenditure

The income tax calculation for the period ended 31 December 2019, included in the financial statements is based upon a number of estimates. A material estimate of this calculation relates to research and development (R & D) expenditure. Remuneration expenses of the development team are the largest component of the R & D expenditure, which for the half-year ended 31 December 2019, comprise 85% of the total estimated R & D claim. This percentage allocation is consistent with the actual R & D claim lodged for the financial year ended 30 June 2018.

	Consolidated	
	Half-year ended 31 Dec 2019 \$	Half-year ended 31 Dec 2018 \$
(a) Income tax expense/(benefit)		
Deferred tax expense/(benefit)	2,574,114	1,089,714
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	697,678	1,109,555
(Decrease)/increase in deferred tax liabilities	1,861,083	(23,289)
Deferred tax – debited/(credited) directly to equity	15,353	3,448
	2,574,114	1,089,714
(b) Reconciliation of income tax expense/(benefit) to pre tax accounting profit/(loss)		
Profit from continuing operations before income tax expense	8,606,584	4,271,674
Prima facie income tax at 30%	2,581,975	1,281,501
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment – non-deductible	28,544	22,106
Employee share plan costs – non-deductible	260,649	242,765
Tax offset utilised	(732,259)	-
Other expenses – non-deductible	61,597	-
Interest – non-deductible	34,213	-
Other income – non-assessable*	(279,418)	(229,826)
	1,955,301	1,316,546
Temporary difference (R&D)	618,813	(226,832)
Income tax expense	2,574,114	1,089,714
Other disclosure items		
Deferred tax – debited/(credited) directly to equity	(15,353)	(3,448)

*Prior comparatives have been reclassified for presentation purposes and consistency with the current period.

6. INCOME TAX (CONTINUED)

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
(c) Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Intangibles – other	670,256	1,051,116
Accrued expenses	82,286	79,181
Provisions	1,647,667	1,822,074
Carry forward tax losses	670,678	2,631,859
Non-refundable carry forward tax offsets	4,261,738	4,485,951
Sundry deferred tax asset	21,479	38,284
Lease liabilities – right-of-use assets	2,056,130	-
	9,410,234	10,108,465
Movements:		
Opening balance	10,108,465	13,830,989
Lease liabilities – right-of-use assets – recognition	2,331,063	-
Prior period deferred tax under/(over) provision	-	(346,954)
Intangibles – other	(380,860)	(488,081)
Accrued expenses	3,105	(25,636)
Provisions	(174,407)	330,059
Carry forward tax losses	(1,961,181)	(4,012,583)
Non-refundable carry forward tax offsets	(224,213)	846,239
Sundry deferred tax asset	(16,805)	(25,568)
Lease liabilities – right-of-use assets	(274,933)	-
	9,410,234	10,108,465
(d) Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Deferred tax liability on intangibles	399,833	423,122
Other depreciable assets – right-of-use assets	1,884,372	-
	2,284,205	423,122
Movements:		
Opening balance	423,122	469,701
Other depreciable assets – right-of-use assets – recognition	2,147,978	-
Other depreciable assets – right-of-use assets	(263,606)	-
Other intangibles	(23,289)	(46,579)
Closing balance	2,284,205	423,122
Other disclosure items:		
Capital raising costs in Equity	(15,353)	(5,842)
Deferred tax asset (net of deferred tax liability)	7,126,029	9,685,343

6. INCOME TAX (CONTINUED)

TAX CONSOLIDATION

Members of the tax consolidated entity and the tax sharing arrangement

The Group 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 Group 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 group 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 group. 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 and liabilities arising from unused tax losses and unused tax credits (if any) assumed from controlled entities in the tax consolidated group.

7. INTANGIBLE ASSETS

KEY ESTIMATES AND JUDGEMENTS

The Group 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 Group and to the particular asset that may lead to impairment.

No key estimate or underlying assumptions have been altered, from what was disclosed in the full year financial statements, as at 30 June 2019.

Consolidated	Investment platform \$	Goodwill \$	Agility Connect software \$	Agility customer relationship \$	Other* \$	Total \$
Half-year ended 31 December 2019						
At cost	28,818,948	16,325,588	2,540,970	1,284,000	1,694,087	50,663,593
Accumulated amortisation and impairment	(9,943,957)	-	(938,509)	(240,487)	(717,762)	(11,840,715)
Total net carrying amount	18,874,991	16,325,588	1,602,461	1,043,513	976,325	38,822,878
Reconciliations of the carrying amount at the beginning and end of the half-year:						
Opening carrying amount	16,918,982	16,325,588	1,762,707	1,083,648	977,638	37,068,563
Other additions	2,894,116	-	-	-	113,164	3,007,280
Amortisation charge	(938,107)	-	(160,246)	(40,135)	(114,477)	(1,252,965)
Closing carrying amount	18,874,991	16,325,588	1,602,461	1,043,513	976,325	38,822,878

*Other is comprised of the Dealer network, Managed fund client list and Software intangibles.

Consolidated	Investment platform \$	Goodwill \$	Agility Connect software \$	Agility customer relationship \$	Other* \$	Total \$
Year ended 30 June 2019						
At cost	25,924,832	16,325,588	2,540,970	1,284,000	1,580,278	47,655,668
Accumulated amortisation and impairment	(9,005,850)	-	(778,263)	(200,352)	(602,640)	(10,587,105)
Net carrying amount	16,918,982	16,325,588	1,762,707	1,083,648	977,638	37,068,563

7. INTANGIBLE ASSETS (CONTINUED)

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

Consolidated	Investment platform \$	Goodwill \$	Agility Connect software \$	Agility customer relationship \$	Other* \$	Total \$
Reconciliations of the carrying amount at the beginning and end of the financial year:						
Opening carrying amount	11,842,102	16,325,588	2,083,199	1,163,918	608,511	32,023,318
Other additions	6,326,781	-	-	-	577,921	6,904,702
Amortisation charge	(1,249,901)	-	(320,492)	(80,270)	(208,794)	(1,859,457)
Closing carrying amount	16,918,982	16,325,588	1,762,707	1,083,648	977,638	37,068,563

*Other is comprised of the Dealer network, Managed fund client list and Software intangibles.

Intangible assets are allocated to the consolidated entity's cash-generating units (CGUs) as required by AASB136. Intangibles are associated with a CGU as listed below:

Investment Platform CGU	Licensee CGU	IT Services CGU
Investment Platform	Dealer network	Agility connect software
Managed fund client list	Software	Agility customer relationship
Software		Software
Goodwill on acquisition of Paragem, Agility and DIY		

8. OFFICE EQUIPMENT

KEY ESTIMATES AND JUDGEMENTS

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.

Consolidated Half-year ended 31 December 2019	Computer equipment \$	Office furniture and fittings \$	Total \$
Cost or fair value	2,062,849	2,001,835	4,064,684
Accumulated depreciation	(1,522,820)	(774,856)	(2,297,676)
Net book amount	540,029	1,226,979	1,767,008
Reconciliations of the carrying amounts at the beginning and end of the half-year:			
Opening net book amount	614,035	1,341,529	1,955,564
Additions	126,183	67,781	193,964
Disposals	(16,106)	(1,398)	(17,504)
Depreciation charge	(184,083)	(180,933)	(365,016)
Closing net book amount	540,029	1,226,979	1,767,008

8. OFFICE EQUIPMENT (CONTINUED)

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

Consolidated Year ended 30 June 2019	Computer equipment \$	Office furniture and fittings \$	Total \$
Cost or fair value	2,053,399	1,935,641	3,989,040
Accumulated depreciation	(1,439,364)	(594,112)	(2,033,476)
Net book amount	614,035	1,341,529	1,955,564
Reconciliations of the carrying amounts at the beginning and end of the financial year:			
Opening net book amount	739,308	1,475,033	2,214,341
Additions	262,076	196,274	458,350
Disposals	(2,264)	-	(2,264)
Depreciation charge	(385,085)	(329,778)	(714,863)
Closing net book amount	614,035	1,341,529	1,955,564

9. RIGHT OF USE ASSETS

KEY ACCOUNTING POLICY

The Group leases various property and equipment. Lease agreements are negotiated on an individual basis with bespoke terms and conditions and are typically made for fixed periods of 2 years to 7 years.

Under AASB 16, as a lessee the Group will recognise a right-of-use asset, representing its right to use the underlying asset, and a lease liability, for all leases with a term of more than 12 months, exempting those leases where the underlying asset is deemed to be of a low-value.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, i.e. when the underlying asset is first available for use.

The right-of-use asset includes initial direct costs and estimates of costs to dismantle or remove the underlying leased asset. The right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate, being the rate that the lessee would pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether purchase; renewal or termination options are reasonably certain to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes purchase, renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the value of lease liabilities and right-of-use assets recognised.

Modifications to lease arrangements

In the event that there is a modification to a lease arrangement, a determination of whether the modification results in a separate lease arrangement being recognised needs to be made.

9. RIGHT OF USE ASSETS (CONTINUED)

KEY ACCOUNTING POLICY (CONTINUED)

Where the modification does result in a separate lease arrangement needing to be recognised, due to an increase in the scope of a lease through additional underlying leased assets and a commensurate increase in lease payments, the measurement requirements as described above need to be applied.

Where the modification does not result in a separate lease arrangement, from the effective date of the modification, the Group will remeasure the lease liability using the redetermined lease term, lease payments and applicable discount rate. A corresponding adjustment will be made to the carrying amount of the associated right-of-use asset. Additionally, where there has been a partial or full termination of a lease, the Group will recognise any resulting gain or loss in the income statement.

Amounts recognised in the balance sheet

This note provides information for leases where the Group is a lessee.

The Statement of Financial Position shows the following amounts relating to leases:

	Consolidated	
	31 Dec 2019	1 July 2019*
	\$	\$
Leased property and equipment	6,281,240	7,159,927
Total right-of-use assets	6,281,240	7,159,927

There were no new additions to the right-of-use assets during the half year ended 31 December 2019.

	Consolidated	
	31 Dec 2019	1 July 2019*
	\$	\$
Current	1,796,951	1,812,179
Non-current	5,056,816	5,857,655
Total lease liabilities	6,853,767	7,669,834

	Future value of minimum lease payments	Interest	Present value of minimum lease payments
	\$	\$	\$
Within 1 year	1,866,412	69,461	1,796,951
After 1 year and less than 5 years	4,406,752	262,564	4,144,188
More than 5 years	1,091,845	179,217	912,628
Total	7,365,009	511,242	6,853,767

*For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to note 2.

Amounts recognised in the statement of profit or loss

The Statement of Profit or Loss and the related Notes to the Financial Statements show the following amounts relating to leases:

9. RIGHT OF USE ASSETS (CONTINUED)

KEY ACCOUNTING POLICY (CONTINUED)

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Depreciation charge of right-of-use assets	876,257	-
Interest expense on lease liabilities	114,044	-
Expenses relating to short-term leases	60,645	-
Fair value gain on right-of-use asset	5,772	-

The total cash outflow for lease payments (interest & principal) in the half-year ended 31 December 2019 was \$921,879.

10. OTHER NON-CURRENT ASSETS

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Loan receivable	3,500,000	2,000,000

ORFR LOAN FACILITY

HUB24 has advanced a loan to Sargon Superannuation Holdings SPV Pty Ltd, who has in turn used it to subscribe for capital in Diversa Trustees Limited, the Trustee for the HUB24 Super Fund ("the Fund"). The \$5 million Loan Agreement was entered into on an arm's length basis and on commercial terms at an interest rate of 17% per annum (revised to 15% per annum on 1 July 2019).

The capital received by Diversa Trustees Limited is reserved for the purpose of meeting the Operational Risk Financial Requirement ("ORFR") for the Fund in accordance with APRA Prudential Standard SPS114. The ORFR requirement increases as the Fund increases in size.

Whilst Diversa Trustees Limited is ultimately owned by Sargon Capital Pty Limited (which recently put certain subsidiaries into administration, including Sargon Superannuation Holdings SPV Pty Ltd), at the date of this report Diversa Trustees Limited was neither in administration nor receivership and was still functioning as independent trustee of the Fund. HUB24 continues to actively monitor the situation.

11. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Trade creditors	131,641	168,647
Deferred contingent consideration – Agility	175,000	525,000
Key contract consideration – Agility	-	300,000
Sundry creditors	2,577,813	2,369,424
Total trade and other payables	2,884,454	3,363,071

DEFERRED CONTINGENT CONSIDERATION – AGILITY

On 3 January 2017 HUB24 Limited acquired 100% of the issued shares in Agility Pty Ltd, 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).

11. TRADE AND OTHER PAYABLES (CONTINUED)

DEFERRED CONTINGENT CONSIDERATION – AGILITY (CONTINUED)

As at 31 December 2019, the following payments have been made in relation to the deferred consideration and were subject to performance conditions and warranty claims being met:

- \$200,000 paid on 14 July 2017
- \$1,500,000 paid on 5 January 2018
- \$822,469 paid on 2 April 2019 comprised of \$411,250 in cash and 31,669 ordinary shares valued at \$12.98 per share
- \$300,000 paid on 19 July 2019.

As a result of reprioritising Agility resources towards the Group's strategic objectives, the current portion of deferred consideration was revised from \$525,000 as at 30 June 2019 to \$175,000 as at 31 December 2019. This revision led to a fair value gain on deferred consideration of \$350,000 for the half-year ending 31 December 2019.

As at 31 December 2019, a further \$350,000 is payable with \$175,000 payable in cash post the release of the 31 December 2019 half-year financial results and \$175,000 settled through the issuance of HUB24 ordinary shares post the release of the 31 December 2020 half-year financial results.

12. CURRENT PROVISIONS

PROVISIONS

Provisions are recognised when the Group 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: 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.
- Superannuation 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.

LEASE MAKE GOOD

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

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Employee benefits – Annual leave	1,653,266	1,613,540
Employee benefits – Short term incentive	2,639,728	3,053,086
Lease make good provision	24,882	24,882
Rental lease liability	-	361,646
	4,317,876	5,053,154

12. CURRENT PROVISIONS (CONTINUED)

LEASE MAKE GOOD (CONTINUED)

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

Consolidated	Rental lease liability \$	Lease make good \$
Half-year ended 31 December 2019		
Carrying amount at the start of the year	361,646	24,882
Additional provisions recognised/(released)	(361,646)	-
Carrying amount at end of the half-year	-	24,882
Year ended 30 June 2019		
Carrying amount at the start of the year	239,156	45,988
Additional provisions recognised/(released)	122,490	-
Amounts paid during the year	-	(21,106)
Carrying amount at end of the year	361,646	24,882

13. NON-CURRENT PROVISIONS

	Consolidated	
	31 Dec 2019 \$	30 June 2019 \$
Employee benefits – long service leave	974,728	775,492
Lease make good provision	115,551	115,551
Rental lease liability	-	110,047
	1,090,279	1,001,090

LEASE MAKE GOOD

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

MOVEMENTS IN PROVISIONS

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

Consolidated	Lease make good \$	Rental lease liability \$
Half-year ended 31 December 2019		
Carrying amount at start of year	115,551	110,047
Additional provisions recognised/(released)	-	(110,047)
Carrying amount at end of the half-year	115,551	-
Year ended 30 June 2019		
Carrying amount at start of year	70,185	117,741
Additional provisions recognised/(released)	45,366	(7,694)
Carrying amount at end of the year	115,551	110,047

14. OTHER NON-CURRENT LIABILITIES

DEFERRED CONTINGENT CONSIDERATION – AGILITY

Management's estimate of the performance over the earnout period until 31 December 2020 against set criteria requires significant judgement. As at 31 December 2019 management estimate that 40% of the revised performance criteria will be met over the period until 31 December 2020, resulting in a total fair value deferred contingent consideration of \$2.0 million (30 June 2019, estimated to be \$2.7 million in total purchase consideration based on management's judgement that 53% of the performance criteria would be met).

In the circumstances where all performance criteria were 10% higher or lower than expected, the following impact would result:

Contingent purchase consideration	Increase/decrease by \$429,232
Fair value gain/loss	Increase/decrease by \$429,232

Consolidated Half-year ended 31 December 2019	Contingent consideration \$
Carrying amount at start of year	2,146,200
Unwinding of discount	42,924
Fair value gain on contingent consideration (profit and loss)*	(373,113)
Carrying amount at end of the half-year	1,816,011

*Refer to note 11 for (\$350,000) current liability fair value gain on contingent consideration (profit and loss).

Consolidated Year ended 30 June 2019	Contingent consideration \$
Carrying amount at start of year	2,926,872
Amounts reclassified/released during the year	(525,000)
Unwinding of discount	211,423
Fair value gain on contingent consideration (profit and loss)	(467,095)
Carrying amount at end of the year	2,146,200

15. ISSUED CAPITAL

	31 Dec 2019 Number	31 Dec 2018 Number	31 Dec 2019 \$	31 Dec 2018 \$
Issued and paid up capital				
Ordinary shares, fully paid	62,796,130	62,188,666	99,800,130	97,448,060
Other equity securities				
Treasury shares	(39,636)	(56,596)	(26,790)	(38,256)
Total issued and paid up capital	62,756,494	62,132,070	99,773,340	97,409,804
Movements in issued and paid up capital				
Beginning of the financial year	62,329,415	61,588,666	98,225,656	96,231,758
Shares issued	466,715	600,000	983,872	824,800
Transfer from share based payment reserve	-	-	399,144	238,140
Additional paid up capital	-	-	200,534	161,406
Total shares	62,796,130	62,188,666	99,809,206	97,456,104
Capital raising costs	-	-	(9,075)	(8,044)
End of the half-year	62,796,130	62,188,666	99,800,131	97,448,060

15. ISSUED CAPITAL (CONTINUED)

	31 Dec 2019 Number	31 Dec 2018 Number	31 Dec 2019 \$	31 Dec 2018 \$
Movement in other equity securities – treasury shares				
Beginning of the financial year	56,596	70,789	38,256	47,850
Employee share issue	(16,960)	(14,193)	(11,466)	(9,594)
End of the half-year	39,636	56,596	26,790	38,256

ORDINARY SHARES FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

On 31 July 2019, the Group issued 260,000 ordinary shares for options exercised by employees of the Group for consideration of \$478,800.

On 4 November 2019, the Group issued 202,169 ordinary shares for options and performance rights (PARs) exercised by employees of the Group for consideration of \$489,796.

On 25 November 2019, the Group issued 4,546 ordinary shares for options and PARs exercised by employees of the Group for consideration of \$15,276.

ORDINARY SHARES FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

On 22 August 2018, the Group issued 160,000 ordinary shares for options exercised by employees of the Group for consideration of \$156,800.

On 31 August 2018, the Group issued 200,000 ordinary shares for options exercised by employees of the Group for consideration of \$196,000.

On 8 October 2018, the Group issued 80,000 ordinary shares for options exercised by employees of the Group for consideration of \$78,400.

On 12 November 2018, the Group issued 60,000 ordinary shares for options exercised by employees of the Group for consideration of \$147,600.

On 28 November 2018, the Group issued 75,000 ordinary shares for options exercised by employees of the Group for consideration of \$184,500.

On 10 December 2018, the Group issued 15,000 ordinary shares for options exercised by employees of the Group for consideration of \$36,900.

On 31 December 2018, the Group issued 10,000 ordinary shares for options exercised by employees of the Group for consideration of \$24,600.

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 the HUB24 Employee Share Ownership Plan.

On 10 October 2019, the company transferred 16,960 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

On 7 September 2018, the company transferred 14,193 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

16. RESERVES

GENERAL RESERVES

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Share based payments share reserve	5,726,230	5,256,545
Movement in reserve		
Opening balance	5,256,545	3,942,850
Reserve reclassified to share capital through options exercised	(399,144)	(341,766)
Employee share based payment expense	1,080,829	1,826,461
Shares issued through HUB24 Share Ownership Trust	(212,000)	(171,000)
Closing balance	5,726,230	5,256,545

PROFIT RESERVES

To the extent possible under the *Corporations Act 2001* and applicable tax laws, the profits reserve is preserved for future dividend payments.

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Profit reserve	23,209,414	13,014,445
Movement in profit reserve		
Opening balance	13,014,445	5,088,013
Transfer to profit reserves	11,822,296	11,349,598
Dividends provided for or paid	(1,627,327)	(3,423,166)
Closing balance	23,209,414	13,014,445

17. SIGNIFICANT EVENTS AFTER REPORT DATE

Subsequent to the half-year ended 31 December 2019, the Board has declared a dividend of 3.5 cents per share unfranked (2.0 cents per share unfranked following the half-year ended 31 December 2018).

No other significant matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

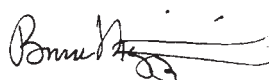
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

IN THE DIRECTORS' OPINION:

- a. the financial statements and notes set out on pages 9 to 34 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 31 December 2019 and of its performance for the half-year ended on that date, and
 - ii. complying with Accounting standard AASB 134 Interim Financial Reporting, Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) this declaration has been made after receiving the declarations by the Chief Executive Officer and Chief Financial Officer required by section 305(5) of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors.



Bruce Higgins
Chairman

Sydney
24 February 2020



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

We have reviewed the accompanying half-year financial report of HUB24 Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 35.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and Deloitte Network

Deloitte.

Conclusion

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 24 February 2020

HUB²⁴