'22

INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2021

HUB24

CONTENTS

We've delivered record net inflows and strong financial results, including an increase of 80% in Group underlying EBITDA, whilst continuing to deliver on our strategic initiatives and ensuring we are well-positioned to capitalise on emerging opportunities. We are very excited about the recent acquisition of Class and how together we can lead change in the wealth industry and enhance value for our customers and shareholders.

APPENDIX 4D – HALF-YEAR ENDED 31 DECEMBER 2021 UNDER ASX LISTING RULE 4.2A.3

RESULTS FOR THE ANNOUNCEMENT TO THE MARKET

CURRENT PERIOD: 1 JULY 2021 TO 31 DECEMBER 2021
PRIOR CORRESPONDING PERIOD:1 JULY 2020 TO 31 DECEMBER 2020

KEY INFORMATION

	Half year ended 31 December 2021	Half year ended 31 December 2020	% change
	$'000	$'000	
Income from ordinary activities	81,608	49,040	66%
Net profit/(loss) after tax for the period attributable to equity holders	8,393	6,115	37%
	Cents	Cents	
Basic earnings per share	12.27	9.56	28%
Diluted earnings per share	11.86	9.32	27%

DIVIDENDS

	Amount per security (cents)	Franked per security (%)
Interim dividend (per share)	7.5	100

Subsequent to half year ended 31 December 2021 the directors have determined a fully franked interim dividend of 7.5 cents per share (a fully franked 4.5 cents per share interim dividend was paid following the half year ended December 2020).

Dates for the dividend are as follows:

Ex-date	18 March 2022
Record date	21 March 2022
Dividend payment date	18 April 2022

EXPLANATION OF RESULTS

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

	Half year ended 31 December 2021	Half year ended 31 December 2020
Net tangible assets (per fully paid ordinary share)	$1.24	$1.50

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 ended 31 December 2021.

Subsequent to 31 December 2021, HUB24 Limited completed the acquisition of Class Limited and its wholly owned subsidiaries. Please refer to note 8.2 for more information.

AUDITOR REVIEW

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

FINANCIAL HIGHLIGHTS 1HFY22

TOTAL GROUP INCOME
$81.6m
↑ 72%

GROUP UNDERLYING EBITDA[1]
$29.7m
↑ 80%

GROUP UNDERLYING NPAT[2]
$14.2m
↑ 103%

GROUP COST TO INCOME RATIO
63.6%
1HFY21: 64.5%

FULLY FRANKED INTERIM DIVIDEND

7.5 cents per share

1HFY21 DIVIDEND: 4.5 CENTS PER SHARE
↑ 67%

DILUTED EARNINGS PER SHARE

11.86 cents
↑ 27%

PLATFORM NETFLOWS **$6.7b** ↑ 116%[3]

PLATFORM FUA OF **$50.0b** ↑ 128%[3]

PARS FUA OF **$18.3b** ↑ 97%[4]

NUMBER OF ADVISORS
3,402
↑ 49%

NUMBER OF PARS ACCOUNTS
8,020
↑ 33%

PLATFORM SEGMENT REVENUE
$77.3m
↑ 76%

All percentage changes shown above are relative to 1HFY21.

1 Group Underlying EBITDA from continuing operations up 76% to $29.7 million (1HFY21: $16.9 million). Refer to Note 2.1 for more information.
2 Refer to Directors Report for more information on Group Underlying NPAT.
3 Custodial FUA Administration Services.
4 Non-custodial FUA as Portfolio Administration and Reporting Services (PARS).

DIRECTORS' REPORT

The Directors present their interim report together with the financial report, 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 2021 ("1HFY22"). 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 Anthony McDonald
Mr Paul Rogan
Ms Ruth Stringer
Ms Catherine Kovacs (appointed 19 July 2021)

COMPANY SECRETARIES

Ms Kitrina Shanahan
Mr Andrew Brown

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

HUB24 Limited ABN 87 124 891 685 is a financial services company that was established in 2007 and is a leading provider of wealth management superannuation investment platforms, technology and data solutions to the Australian market.

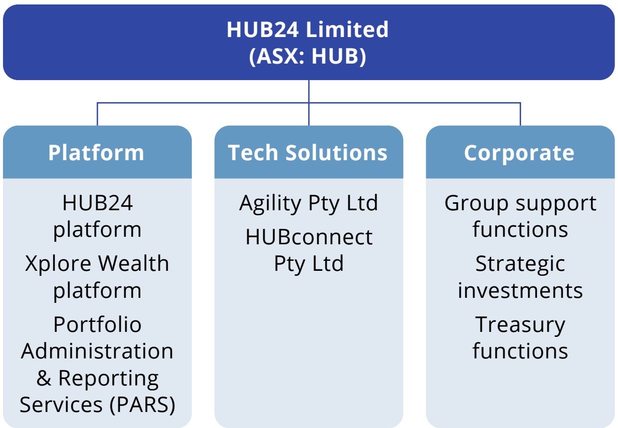
Initial products were launched to market from 2010 growing to $1 billion in Funds Under Administration (FUA) in 2014. Since that time the business has grown to over $68.3 billion in FUA (as at 31 December 2021) and employs 460 people on a full-time equivalent (FTE) basis.

HUB24's head office is based in Sydney and operates in all Australian states and territories.

HUB24 is listed on the Australian Securities Exchange (ASX:HUB). HUB24's market capitalisation was approximately $1.9 billion as at 18 February 2022.

PRINCIPAL ACTIVITIES

HUB24 operates via two core revenue generating segments and a Corporate segment as shown in the diagram below:



PLATFORM

The Platform segment comprises the HUB24 investment and superannuation platform (HUB24 platform), the Xplore Wealth investment and superannuation platform (Xplore Wealth platform) and Portfolio Administration & Reporting Services (PARS).

The HUB24 and Xplore Wealth platforms are used by financial advisers to efficiently administer their clients' investments by providing custodial services, and PARS is a non-custody portfolio service which provides administration, corporate action management and tax reporting services for stockbrokers and financial advisers.

HUB24's platform offers broad product choice and a market-leading experience for advisers and their clients. In February 2021, HUB24 was announced as the Best Platform Overall, and having the Best Platform Managed Accounts Functionality for the 5th year running by Investment Trends in the 2020 Platform Competitive Analysis and Benchmarking Report. It serves a growing number of respected and high-profile financial services companies.

The Xplore Wealth platform, acquired by HUB24 in March 2021, consolidates HUB24's leadership position as a Specialist Platform Provider (SPP) and brings complementary capabilities including managed accounts, superannuation services and PARS. Xplore's products and services are used by financial advisers, boutique financial advice businesses, stockbrokers and institutional clients to look after their clients investment needs.

In December 2020, HUB24 acquired the servicing rights to Ord Minnett Pty Limited's PARS. This acquisition included software, related intellectual property and the transition of an experienced team of 12 FTE.

The PARS capability acquired via the Xplore Wealth and Ord Minnett transactions facilitated HUB24 now being a leader in the non-custodial asset administration segment.

TECH SOLUTIONS

HUB24 provides technology and data services through HUBconnect Pty Ltd (HUBconnect) and Agility Applications Pty Ltd (Agility).

Tech Solutions provides technology and data services to the wealth industry, bringing innovative solutions to support licensees, advisers and stockbrokers to deliver services to their clients. The technology solutions division benefits from Agility's years of experience of managing data for an established customer base.

HUB24 is a strategic shareholder in Diverger Limited (Diverger), an ASX listed company previously known as Easton Investments Limited (ASX: DVR), which is a diversified financial services business servicing the needs of financial advisers and accountants. Under a Technology Partnership & Distribution agreement Diverger is a cornerstone client for HUBconnect's data and technology services.

REVIEW AND RESULTS OF OPERATIONS

The key items regarding the Group's performance for 1HFY22 were:

FUNDS UNDER ADMINISTRATION

- Total Funds Under Administration (FUA) increased to $68.3 billion ($31.3 billion at 31 December 2020), an increase of 118%
- Platform[1] FUA increased to $50.0 billion ($22.0 billion at 31 December 2020), an increase of 128%
- PARS[2] FUA increased to $18.3 billion ($9.3 billion at 31 December 2020), an increase of 97%

INCOME

- The Group recorded a 72% increase in total income from continuing operations[3] to $81.6 million (1HFY21: $47.5 million)
- Platform segment revenue increased by 76% to $77.3 million (1HFY21: $43.8 million)

EBITDA

- The Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Abnormal items (refer to note 2.1), which increased by 80% to $29.7 million (1HFY21: $16.5 million)
- Underlying EBITDA performance included Group expenses increasing by 70% to $51.9 million (1HFY21: $30.6 million)

UNDERLYING NET PROFIT AFTER TAX

- Underlying Net Profit After Tax[4] increased 103% to $14.2 million for 1HFY22 (1HFY21: $7.0 million)
- Abnormal items of $8.3 million (pre tax) (1HFY21: $1.8 million) includes $3.2 million in relation to implementation costs relating to the Xplore acquisition and $5.1 million in relation to acquisition amortisation relating to both the Xplore and Ord Minnett acquisitions.

Reconciliation of Underlying NPAT to Statutory NPAT	Half-year ended 31 Dec 2021 $ million	Half-year ended 31 Dec 2020 $ million
Underlying NPAT	**14.2**	**7.0**
Strategic transaction and due diligence costs	(3.2)	(1.8)
Acquisition amortisation	(5.1)	-
Fair value gain on contingent consideration	-	1.6
Agility consideration share based payment expense	-	(1.1)
Tax effect on abnormal items	2.5	0.4
Statutory NPAT	**8.4**	**6.1**

1 Platform FUA refers to the custodial portfolio.

2 PARS FUA refers to the non-custodial portfolio.

3 Group income includes operating revenue, fair value gain on contingent consideration, interest and other income. Refer to the Consolidated Statement of Profit or Loss.

4 Underlying Net Profit After Tax excludes the fair value gain on deferred consideration and abnormal costs and is the basis for the Board's dividend policy which targets a payout ratio of 40–60%.

STATUTORY NPAT

- Statutory Net Profit After Tax (NPAT) was up 37% to $8.4 million (1HFY21: $6.1 million).

CASH FLOWS

- The Group recorded a 50% increase in net cash flow from operating activities to $15.1 million (1HFY21: $10.1 million). Underlying operating cash flows were $18.3 million when adjusted for implementation costs included in abnormal items of $3.2 million (an increase of 56% on 1HFY21).

CORPORATE

Strategic transactions

Subsequent to 31 December 2021, the acquisition of Class Limited (Class) by way of a scheme of arrangement was completed on 16 February 2022.

Class are industry leaders in developing and distributing cloud-based accounting, investment reporting, document and corporate compliance and administration software. The acquisition is expected to accelerate HUB24's platform of the future strategy, consolidating the Group's position as a leading provider of integrated platforms, technology and data solutions for financial professionals and their clients, and enhance the Group's purpose of empowering better financial futures together.

A joint project team has been established to develop a product strategy and roadmap that leverages joint business opportunities and collaborate on solutions to simplify the implementation of strategic, tax and investment advice.

Class will continue to operate as a distinct business unit within the HUB24 Group.

Capital management initiatives

During 1HFY22, the Group purchased $5 million additional treasury shares to service the Group's Employee Share Plans.

Options and performance rights

The following options, performance rights and shares were issued in accordance with schemes approved by shareholders. These schemes contain ambitious targets, including Group FUA targets of greater than $100 billion by FY24, in order to incentivise and align key staff towards HUB24 achieving its strategic objectives:

- No share options were issued to staff and executives in the six months to 31 December 2021 (33,558 in 1HFY21)
- 207,894 performance rights were issued to staff, executives and directors in the six months to 31 December 2021 (301,395 in 1HFY21)
- 271,870 shares were issued for options exercised by staff and executives in the six months to 31 December 2021 (437,770 in 1HFY21)
- 19,570 shares were issued for performance award rights exercised by staff and executives in the six months to 31 December 2021 (136,317 in 1HFY21).

Significant changes in the state of affairs

Apart from the strategic transaction mentioned previously, there have been no other significant changes in the nature or state of affairs of the consolidated group.

Dividends

Subsequent to 31 December 2021, the Directors have determined an interim dividend of 7.5 cents per share fully franked to be paid on 18 April 2022.

The interim franked dividend of 7.5 cents per share represents a 67% increase in interim dividends for shareholders (1HFY21: 4.5 cents per share franked interim dividend paid) and a payout ratio of 42% of Underlying NPAT (1HFY21 40%).

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.

Significant events occurring after balance sheet date

As disclosed above, subsequent to 31 December 2021, the following items have occurred:

- the Group completed the acquisition of Class (ASX: CL1) by way of a scheme of arrangement for $284 million via a combination of HUB24 scrip and cash consideration at an effective Class share price of $2.26. The Class scheme was completed on the 16th February
- Directors have determined a fully franked interim dividend of 7.5 cents per share (a fully franked interim dividend of 4.5 cents per share was determined in 1HFY21).

No other significant matter or circumstance has arisen since 31 December 2021 that has 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.

Likely developments and expected results

With the continued growth in FUA onto the HUB24 investment and superannuation platform and continuing success of its supporting businesses, combined with the acquisition of Class and the opportunities this enables, the Group 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 10.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, amounts have been rounded off in the Directors' Report and the Interim Financial Report to the nearest thousand dollars or, in certain cases, to dollars where indicated.

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

Bruce Higgins
Chairman

Sydney
22 February 2022

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

Tel: +61 (0) 2 9322 7000
www.deloitte.com.au

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

22 February 2022

Dear Directors

Auditor's Independence Declaration to 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 half year financial report of HUB24 Limited for the half-year ended 31 December 2021, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 22 February 2022

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021 $'000	31 Dec 2020* $'000
Income			
Revenue	2.2	80,267	47,057
Fair value gain on contingent consideration		-	1,568
Interest and other income		802	415
Share of profit from associates		539	-
Total income		**81,608**	**49,040**
Expenses			
Platform and custody fees[1]		(10,663)	(6,072)
Employee related expenses	2.3	(33,584)	(19,660)
Depreciation and amortisation expense	2.3	(8,333)	(2,754)
Administrative expenses[1]	2.3	(10,840)	(6,688)
Share based payments expense		(5,970)	(4,127)
Interest expense – lease liability	3.4.2	(115)	(100)
Interest expense – other		(128)	-
Total expenses		**(69,633)**	**(39,401)**
Profit before income tax from continuing operations		**11,975**	**9,639**
Profit before income tax from discontinued operations		**-**	**(405)**
Income tax expense	5.1	(3,582)	(3,119)
Profit after income tax for the period		**8,393**	**6,115**
Total comprehensive income for the half-year attributable to ordinary equity holders of HUB24 Limited		**8,393**	**6,115**

		Cents	Cents
Earnings per share, attributable to ordinary equity holders of HUB24 Limited			
Basic earnings per share	2.4	12.27	9.56
Diluted earnings per share	2.4	11.86	9.32
Earnings per share from continuing operations, attributable to ordinary equity holders of HUB24 Limited			
Basic earnings per share – continuing operations	2.4	12.27	10.20
Diluted earnings per share – continuing operations	2.4	11.86	9.95

*Prior period comparatives have been restated to move the Licensee segment to discontinued operations.

1 Prior period comparatives have been reclassified for presentation purposes and consistency with the current period disclosures between platform and custody fees and administrative expenses.

The *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 2021

	Notes	31 Dec 2021 $'000	30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		59,525	63,461
Trade and other receivables	3.1	24,157	16,633
Other current assets		2,279	2,570
Total current assets		**85,961**	**82,664**
Non-current assets			
Investment in associates		14,974	14,519
Intangible assets	3.5	102,846	103,976
Loans	4.2	15,405	7,550
Right of use assets	3.4.1	5,232	6,093
Deferred tax assets (net of deferred tax liabilities)	5.2	9,865	12,761
Office equipment		1,415	1,445
Total non-current assets		**149,737**	**146,354**
Total assets		**235,698**	**229,018**
Liabilities			
Current liabilities			
Borrowings	4.1	3,125	3,125
Provisions	3.3	19,899	16,118
Trade and other payables	3.2	6,684	9,095
Lease liabilities	3.4.2	2,175	2,204
Other		300	316
Total current liabilities		**32,183**	**30,858**
Non-current liabilities			
Lease liabilities	3.4.2	3,691	4,550
Provisions	3.3	2,109	2,348
Borrowings	4.1	9,375	9,375
Deferred income		634	776
Other non-current liabilities		41	41
Total non-current liabilities		**15,850**	**17,090**
Total liabilities		**48,033**	**47,948**
Net assets		**187,665**	**181,070**
Equity			
Issued capital	4.3.1	197,189	199,214
Profit reserve	4.3.3	49,967	45,342
Reserves	4.3.2	15,502	11,507
Retained earnings		(74,993)	(74,993)
Total equity		**187,665**	**181,070**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

$'000	Issued capital $	Reserves $	Profit reserves $	Retained earnings $	Total $
Opening balance as at 1 July 2021	199,214	11,507	45,342	(74,993)	181,070
Total comprehensive income for the period	-	-	-	8,393	8,393
Transfer to profit reserves	-	-	8,393	(8,393)	-
Transactions with owners in their capacity as owners:					
Dividends paid on ordinary shares	-	-	(3,768)	-	(3,768)
Capital raising costs	(10)	-	-	-	(10)
Shares issued	1,418	-	-	-	1,418
Xplore settlement consideration adjustment	(1,503)	-	-	-	(1,503)
Options and rights exercised[1]	1,975	(1,975)	-	-	-
Options and rights granted – employees	-	5,970	-	-	5,970
Additional paid up capital	1,107	-	-	-	1,107
Treasury shares[2]	(5,014)	-	-	-	(5,014)
Balance as at 31 December 2021	**197,189**	**15,502**	**49,967**	**(74,993)**	**187,665**

1 Options and rights exercised includes$1,975k transferred from the share based payment reserve from the options and PARs exercised.
2 Please refer to section 4.3.1 for more information.

$'000	Issued capital $	Reserves $	Profit reserves $	Retained earnings $	Total $
Opening balance as at 1 July 2020	100,146	8,823	40,847	(74,993)	74,823
Total comprehensive income for the period	-	-	-	6,115	6,115
Transfer to profit reserves	-	-	2,747	(2,747)	-
Transactions with owners in their capacity as owners:					
Dividends paid on ordinary shares	-	-	(2,200)	-	(2,200)
Capital raising costs	(1,278)	-	-	-	(1,278)
Options and rights exercised[1]	3,619	(1,604)	-	-	2,015
Options and rights granted – employees	-	2,373	-	-	2,373
Share based payments – Agility	1,568	(425)	-	-	1,144
Capital raise	70,000	-	-	-	70,000
Issue of treasury shares to employees	228	(228)	-	-	-
Balance as at 31 December 2020	**174,283**	**8,940**	**41,395**	**(71,625)**	**152,992**

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

1 Options and rights exercised includes $1,769,306 received for the exercise of options by employees, $1,603,781 transferred from the share based payment reserve from the options and PARs exercised.

The *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 2021

	31 Dec 2021 $'000	31 Dec 2020* $'000
Cash flows from operating activities		
Receipts from customers	72,877	49,261
Payments to suppliers and employees	(54,957)	(37,685)
Strategic transactions & due diligence costs	(3,197)	(1,653)
Interest received	526	375
Interest paid on lease liability	(115)	(96)
Short-term lease payments	(56)	(130)
Net cash inflow from operating activities	**15,078**	**10,072**
Cash flows from investing activities		
Payments for office equipment	(358)	(131)
Payment for acquisitions net of cash acquired	-	(10,500)
Payments for intangible assets	(3,659)	(3,080)
Dividends received from investment in associate	83	-
Net cash outflow from investing activities	**(3,934)**	**(13,711)**
Cash flows from financing activities		
ORFR loan facility advance	(7,855)	(7,550)
Payment of dividends	(3,768)	(2,200)
Payments for capital raising costs	(10)	(1,826)
Proceeds from capital raising	-	70,000
Proceeds from share options exercised by employees	2,742	1,751
Payments for treasury share buy-backs	(5,012)	-
Principal elements of lease payments	(1,177)	(893)
Net cash (outflow) from financing activities	**(15,080)**	**59,282**
Net increase in cash and cash equivalents	**(3,936)**	**55,643**
Movement in Cashflows from discontinued operations	-	413
Closing cash held as asset for sale	-	(4,590)
Cash and cash equivalents at beginning of year	63,461	33,809
Cash and cash equivalents at end of period	**59,525**	**85,275**

*Some prior period comparatives have been restated to move the Licensee segment to discontinued operations..

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1. OVERVIEW

1.1 BASIS OF PREPARATION

This general purpose consolidated financial report for the half year ended 31 December 2021 (Interim Report) has been prepared in accordance with AASB 134 Interim Financial Reporting as issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for profit orientated companies. 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 Interim Report does not include all the notes normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with HUB24's Annual Report for the financial year ended 30 June 2021 and any public announcements made by HUB24 Limited and its controlled entities during the reporting period in accordance with the continuous disclosure requirements issued by the Australian Securities Exchange (ASX).

The Interim Report includes the four primary statements, namely the consolidated statement of profit and loss, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows as well as associated notes which the directors believe is required to understand the financial statements and is material and relevant to the performance and results to the Group. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. **Overview** contains information that impacts the Interim Report as a whole;
2. **Group Performance** brings together the results and operating segment disclosures relevant to the Group's activities;
3. **Financial Position** provides disclosure on the Group's assets and liabilities;
4. **Capital structure and financing** provides information about the debt and equity components of the Group's capital, and commentary on the Group's exposure to various financial and capital risks, including the potential impact on the results and how the Group manages these risks;
5. **Income Tax** includes disclosures relating to the Group's tax expense and balances;
6. **Group structure** includes disclosures in relation to transactions impacting the Group structure;
7. **Employee remuneration** provides commentary on the Group's share based payment expenses;
8. **Other** includes additional disclosures required to comply with Australian Accounting Standards.

Where applicable within each note, disclosures are further analysed as follows:

- **Overview** provides some context to assist users in understanding the disclosures.
- **Disclosures** (both numbers and commentary) provide analysis of balances as required by Australian Accounting Standards.
- **Accounting policies** summarises the accounting policies relevant to an understanding of the numbers.
- **Critical accounting judgements and estimates** explains the key estimates and judgements applied by HUB24 in determining the numbers.

New and amended accounting standards and interpretations

New and amended Accounting Standards and Interpretations issued by the AASB that are now effective are detailed in note 8.1. These Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group. The Group has not adopted any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

The company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Group has elected to round off amounts in the Interim Report (and subsequent reports) for the current period and prior comparative period to the nearest thousand dollars or, in certain cases, to dollars in accordance with that instrument.

Going concern

The financial report has been prepared on a going concern basis. The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

1.2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management regularly 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 key areas in which critical estimates and judgements are applied are as follows:

- provisions for restructuring and third party claims (note 3.3)
- recognition of intangible assets and impairment testing (note 3.5)
- recoverability of deferred tax assets (note 5.2); and
- share based payments (note 7.1).

2. GROUP PERFORMANCE

OVERVIEW

This section provides analysis and commentary on the Group's operating activities.

The HUB24 and Xplore Wealth platforms are used by financial advisers to efficiently administer their clients' investments held through a custodial agreement, and PARS is a non-custody portfolio service which provides administration, corporate action management and tax reporting services for stockbrokers and financial advisers.

HUB24 provides technology and data services through HUBconnect Pty Ltd (HUBconnect) and Agility Applications Pty Ltd (Agility). Tech Solutions provides technology and data services to the wealth industry, bringing innovative solutions to support licensees, advisers and stockbrokers to deliver services to their clients. The business benefits from Agility's years of experience of managing data for a large installed customer base of stockbrokers.

2.1. OPERATING SEGMENTS

OVERVIEW

Information is provided by operating segment to assist the understanding of the Group's performance. The operating segments are consistent with the basis on which information is provided to the Group Executive for measuring performance, being the basis upon which the Group's operating activities are managed within the various markets in which HUB24 operates. The Board and Group Executive reviews segment revenues and profits (Underlying EBITDA) on a monthly basis.

This note presents the results of continuing operations only. The results of discontinued operations are presented in note 6.1. The Group's operating segments are as follows:

Platform

Provision and development of investment and superannuation platform services to financial advisers, stockbrokers, accountants and their clients. This segment includes both custody and non-custody products, and as noted above, incorporates the HUB24, Xplore and PARS businesses.

Tech Solutions

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

Provision of support services to the two operating segments which includes property, strategy, finance, risk and compliance, legal, human resources, and other corporate services. Investments in associates are also recognised within this segment.

Changes during the period ended 31 December 2020

The sale of Paragem Pty Ltd (Paragem) has led to the discontinuation of the Licensee segment, with the transfer of control of Paragem to Diverger occurring on 1 February 2021. The results of Paragem are disclosed in note 6.1.

The changes to operating segments in the prior period have been restated.

Period ended 31 December 2021 ($'000)	Platform	Tech Solutions	Corporate	Total
Sales to external customers	77,278	2,989	-	80,267
Share of profit from associates	-	-	539	539
Other income	-	-	802	802
Expenses	(47,274)	(2,154)	(2,462)	(51,890)
Underlying EBITDA	**30,004**	**835**	**(1,121)**	**29,718**
Interest expense other	-	-	(115)	(115)
Interest expense on lease liability	-	-	(128)	(128)
Share based payment expense	-	-	(5,970)	(5,970)
Abnormal items[1]	(3,197)	-	-	(3,197)
Depreciation and amortisation	(8,204)	(129)	-	(8,333)
Profit/(Loss) before income tax	**18,603**	**706**	**(7,334)**	**11,975**
Income tax expense	-	-	(3,582)	(3,582)
Profit/(loss) after income tax	**18,603**	**706**	**(10,916)**	**8,393**
Reconciliation of income from ordinary activities from continuing operations				
Sales to external customers	-	-	-	80,267
Share of profit from associates	-	-	-	539
Other income	-	-	-	802
Income from ordinary activities from continuing operations	**-**	**-**	**-**	**81,608**

1 Includes strategic transactions and project costs of $3.2m. Refer to page 7 within the Directors' report for more information.

Period ended 31 December 2020 ($'000)	Platform	Tech Solutions	Corporate	Total
Sales to external customers	43,771	3,286	-	47,057
Other income	-	-	368	368
Expenses	(26,389)	(2,400)	(1,813)	(30,603)
Underlying EBITDA	**17,382**	**886**	**(1,445)**	**16,822**
Interest expense on lease liability	(97)	(3)	-	(100)
Non-recurring revenue	47	-	-	47
Fair value gain – contingent consideration	-	-	1,568	1,568
Share based payments	-	-	(4,127)	(4,127)
Abnormal items[1]	-	-	(1,818)	(1,818)
Depreciation and amortisation	(2,558)	(196)	-	(2,754)
Profit/(loss) before income tax	**14,774**	**687**	**(5,822)**	**9,639**
Loss before income tax on discontinued operations	-	-	(405)	(405)
Income tax expense	-	-	(3,119)	(3,119)
Profit/(loss) after income tax	**14,774**	**687**	**(9,346)**	**6,115**
Reconciliation of income from ordinary activities from continuing operations				
Sales to external customers	-	-	-	47,057
Interest income	-	-	-	368
Non-recurring revenue	-	-	-	47
Fair value gain – contingent consideration	**-**	**-**	**-**	1,568
Income from ordinary activities from continuing operations	**-**	**-**	**-**	**49,040**

1 Includes strategic transactions and project costs of $1.8m.

2.2. REVENUE FROM CONTINUING OPERATIONS

OVERVIEW

Platform revenue comprises fees charged for providing custodial and non-custodial wealth management services to customers. Such services include:

- Custodial platform services via superannuation, MIS, and IDPS products;
- MDA solutions that incorporate specific requirements of advisory firms, wealth managers and stockbrokers into a private label service;
- Superannuation administration services through DIY Master Pty Ltd (acquired through the Xplore acquisition)]; and
- Non-custodial portfolio administration and reporting services.

Tech Solutions revenue mainly comprises fees charged for the provision and maintenance of existing licenses.

	31 Dec 2021 $'000	31 Dec 2020 $'000
Platform fees	77,278	43,771
Tech Solutions fees	2,989	3,286
	80,267	**47,057**

ACCOUNTING POLICIES

Platform fees

- Platform fees are recognised are accrued daily, and paid monthly in arrears. FUA fee revenue is the consideration receivable on the value of client account balances. Transaction fee revenue is the consideration arising on the date of the transaction.

Tech solutions fees

- Comprise amounts charged to customers for advice provided on a time and materials basis. Licence fee revenue is recognised at the fair value of the contracted consideration received or receivable on licensed software services, and recognised in accordance with the delivery of agreed services, within a period of 1-6 months.

2.3. EXPENSES FROM CONTINUING OPERATIONS

	31 Dec 2021 $'000	31 Dec 2020[1] $'000
(a) Employee benefits expenses		
Wages and salaries (including superannuation and payroll tax)	25,712	15,709
Other employee benefits expenses	7,626	3,769
Travel and entertainment	246	182
	33,584	**19,660**
(b) Depreciation and amortisation		
Depreciation of right-of-use assets	1,150	911
Depreciation of office equipment	398	364
Amortisation of intangible assets	6,785	1,479
	8,333	**2,754**

(c) Administrative expenses		
Corporate fees	1,173	769
Professional and consultancy fees	2,001	1,312
Information services and communication	3,387	2,150
Property and occupancy costs	184	148
Abnormal items[2]	3,197	1,818
Other administrative expenses	898	492
	10,840	**6,689**

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

2 Abnormal items include administrative and resourcing costs related to strategic transactions and project costs.

2.4. EARNINGS PER SHARE

OVERVIEW

Earnings per share (EPS) is the amount of profit or loss after income tax attributable to each share. Diluted EPS adjusts the EPS for the impact of shares that are not yet issued but which may be in the future, such as shares potentially issuable from rights, options and employee share-based payments plans.

	31 Dec 2021 Cents	31 Dec 2020 Cents
Earnings per share, attributable to ordinary equity holders of HUB24 Limited		
Basic earnings per share	12.27	9.56
Diluted earnings per share	11.86	9.32
Earnings per share from continuing operations, attributable to ordinary equity holders of HUB24 Limited		
Basic earnings per share from continuing operations	12.27	10.20
Diluted earnings per share from continuing operations	11.86	9.95

2.4.1 Reconciliation of earnings used for earnings per share measures

Earnings per share is based on profit or loss after income tax attributable to ordinary equity holders of the Company, as follows:

	31 Dec 2021 $'000	31 Dec 2020 $'000
Profit after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share from continuing operations	8,393	6,528
Profit after tax from continuing operations	8,393	6,115

2.4.2 Reconciliation of weighted average number of ordinary shares

	31 Dec 2021 Number	31 Dec 2020 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	68,401,055	63,973,993
Weighted average number of dilutive potential ordinary shares relating to shares issued under the Plans	2,360,783	1,629,213
Weighted average number of ordinary shares used in calculating diluted earnings per share	70,761,838	65,603,206

3. FINANCIAL POSITION

3.1 TRADE AND OTHER RECEIVABLES

OVERVIEW

Trade and other receivables are principally amounts owed to HUB24 by Platform or Tech Solutions customers. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level.

	31 Dec 2021 $'000	30 June 2021 $'000
Trade receivables[1]	21,452	14,877
Other receivables	2,705	1,756
	24,157	**16,633**

1 Net of a provision of doubtful debts of $64k (1HFY21: $38k).

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.

The Group's impairment model calculates expected credit losses on trade receivables using a provision matrix. Under the model, historic provision rates with current and forward looking estimates are used.

3.2 TRADE AND OTHER PAYABLES

OVERVIEW

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

	31 Dec 2021 $'000	30 June 2021 $'000
Trade payables	357	685
Other payables	6,327	8,410
Total trade and other payables	**6,684**	**9,095**

ACCOUNTING POLICIES

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

3.3 PROVISIONS

OVERVIEW

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.

Employee benefits

Short and long-term benefits

Liabilities for wages and salaries, short term incentives, including non-monetary benefits and annual leave expected to be settled within 12 months (short term) and long service leave after 12 months (long term) 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.

Deferred short term incentive

The provision represents the deferred portion of STI bonus of senior staff members relating to the financial year ending 30 June 2022 that is payable by 30 September 2022.

Lease make good

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

Third party claims

The estimate of ongoing claims made by third parties in respect of Platform services.

Restructuring Provision

The Group has recognised $422k in 1HFY22 for the review of Xplore products and compliance obligations (FY21: $725k).

	31 Dec 2021 $'000	30 June 2021 $'000
Current Liabilities		
Employee benefits – annual leave	4,448	3,772
Employee benefits – other	5,257	6,012
Tax provision	9,426	5,241
Third party claims	295	317
Restructuring provision	422	725
Lease make good provision	51	51
Current Liabilities	**19,899**	**16,118**
Non-current Liabilities		
Employee benefits – long service leave	2,044	1,882
Employee benefits – deferred short term incentive	-	401
Lease make good provision	65	65
Non-current liabilities	**2,109**	**2,348**
Total Provisions	**22,008**	**18,466**

3.4 RIGHT OF USE ASSETS AND LEASE LIABILITIES

OVERVIEW

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 Leases, the Group will recognise for all leases with a term of more than 12 months except for those leases where the underlying asset is deemed to be of a low-value:

- a right-of-use asset representing its right to use the underlying asset; and
- a lease liability.

3.4.1 Right of use assets

	31 Dec 2021 $'000	30 June 2021 $'000
Total right-of-use assets	**5,232**	**6,093**

The additions to right of use assets during 1HFY22 were $0.03m (1HFY21 $2.1m). An extension of a three year property lease was signed in November 2021, while related lease incentives began in December 2021.

	31 Dec 2021 $'000
Right of use	
Cost at Fair Value	10,127
Accumulated Depreciation	(4,895)
Net Book amount	**5,232**
Reconciliations of the carrying amounts at the beginning and end of the period:	
Opening net book amount	6,093
Additions	289
Disposals	-
Depreciation charge	(1,150)
Closing net book amount	**5,232**

3.4.2 Lease liabilities

	31 Dec 2021 $'000	30 June 2021 $'000
Current	2,175	2,204
Non-current	3,691	4.550
	5,866	**6,754**

	31 Dec 2021 $'000
Reconciliations of the carrying amounts at the beginning and end of the period:	
Opening net book amount	6,754
Additions	260
Lease payment	(1,263)
Interest payment	115
Closing net book amount	**5,866**

31 December 2021 $'000	Future value of minimum lease payments	Interest	Present value of minimum lease payments
Within 1 year	2,322	(147)	2,175
After 1 year and less than 5 years	3,795	(104)	3,691
More than 5 years	-	-	-
Total	**6,117**	**(251)**	**5,866**

30 June 2021 $'000	Future value of minimum lease payments	Interest	Present value of minimum lease payments
Within 1 year	2,382	(178)	2,204
After 1 year and less than 5 years	4,715	(165)	4,550
More than 5 years	-	-	-
Total	**7,097**	**(343)**	**6,754**

ACCOUNTING POLICIES

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 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.

The Consolidated statement of profit or loss and the related Notes to the Financial Statements show the following amounts relating to leases:

	31 Dec 2021 $'000	31 Dec 2020 $'000
Depreciation charge on right-of-use assets	1,150	911
Interest expense on lease liabilities	115	100
Expenses relating to short-term leases	56	130
	1,321	**1,141**

The total cash outflow for leases in the half-year ended 31 December 2021 was $1,263k (1HFY21: $998k).

3.5 INTANGIBLE ASSETS

OVERVIEW

Intangible assets are assets with no physical substance. The most significant classes of intangible assets of the Group by cash generating unit are detailed below:

Investment Platform CGU	PARS CGU	Tech Solutions CGU	Other
Investment Platform	PARS customer relationships	Agility connect software	Dealer network
Managed fund client list		Agility customer relationship	Managed funds client list
Software		HUBconnect	Xplore client list
Goodwill on acquisitions			Xplore software intangibles

$'000	Investment platform	Goodwill	Agility Connect software	Agility customer relationship	Other	Total
Half-year ended 31 December 2021						
At cost	87,263	43,590	2,541	1,284	17,997	152,675
Accumulated amortisation and impairment	(40,796)	-	(2,025)	(1,028)	(5,979)	(49,829)
Total net carrying amount	**46,467**	**43,590**	**516**	**256**	**12,017**	**102,846**
Reconciliations of the carrying amount at the beginning and end of the half-year:						
Opening carrying amount	37,447	63,768	602	299	1,861	103,976
Other additions	3,559	-	-	-	100	3,659
Finalisation of Xplore PPA	11,214	(20,178)	-	-	10,960	1,996
Amortisation charge	(5,753)	-	(86)	(43)	(903)	(6,785)
Closing carrying amount	**46,467**	**43,590**	**516**	**256**	**12,017**	**102,846**

$'000	Investment platform	Goodwill	Agility Connect software	Agility customer relationship	Other[4]	Total
Year ended 30 June 2021						
At cost	69,482	63,768	2,541	1,284	5,435	142,510
Accumulated amortisation and impairment	(32,036)	-	(1,939)	(985)	(3,575)	(38,535)
Total net carrying amount	**37,446**	**63,768**	**602**	**299**	**1,861**	**103,976**
Reconciliations of the carrying amount at the beginning and end of the half-year:						
Opening carrying amount	21,417	16,326	774	384	1,063	39,963
Other additions[1]	5,421	24,152	-	-	33	29,607
Acquired assets[2,3]	14,010	23,290	-	-	1,424	38,725
Disposals through business sale	-	-	-	-	(211)	(211)
Amortisation and impairment from Acquisition	(3,402)	-	-	-	-	(3,402)
Amortisation and impairment expenses	-	-	(172)	(85)	(448)	(706)
Closing carrying amount	**37,446**	**63,768**	**602**	**299**	**1,861**	**103,976**

1 Goodwill other additions $24 million relates to the goodwill reflected in the provisional fair value for the purchase price accounting (PPA) for the acquisition of the Xplore businesses. The PPA has since been finalised in 1HFY22.

2 Investment Platform 'Addition through acquisition' $14 million consist ofthe Ord Minnett PARS customer contract $10.7 million and Xplore Platform $3.3 million.

3 Goodwill addition through acquisition $23 million relates to the consolidation of the Xplore subsidiaries into the HUB24 Group.

4 Other is comprised of Managed fund client list, Software intangibles, and Xplore Client Book.

ACCOUNTING POLICIES

Intangible assets are measured at cost less accumulated amortisation and impairment. Intangibles with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits, recognised in amortisation expense.

Intangible assets with indefinite useful lives are tested for impairment annually (rather than amortised), either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill below. The useful 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 accounted for on a prospective basis.

3.5.1 Impairment testing of intangible assets

OVERVIEW

An intangible asset's recoverable value is the greater of its value in use and its fair value less cost to sell.

For intangible assets with a finite life, if there are indicators that the intangible asset's recoverable value has fallen below its carrying value (e.g. due to changing market conditions), an impairment test is performed and a loss is recognised for the amount by which the carrying value exceeds the asset's recoverable value.

Intangible assets that have an indefinite useful life, such as goodwill, are tested annually for impairment or more frequently where there is an indication that the carrying amount may not be recoverable.

Goodwill is allocated to cash-generating units (CGU) and are expected to benefit from synergies arising from the acquisition giving rise to the goodwill. Cash-generating units reflect the level at which goodwill is monitored for impairment by management. As the Group acquires or disposes of operations, or reorganises the way that operations are managed, reporting structures may change, giving rise to a reassessment of cash-generating units and the allocation of goodwill to those cash-generating units.

ACCOUNTING POLICIES

Impairment testing of goodwill and intangible assets

The recoverable amount of goodwill and other intangible assets with an indefinite useful life have been determined based on a value-in-use calculation derived from cash flow forecasts for each CGU. Cash flow forecasts are based on a combination of extrapolated performance to date and management's expectations of future performance based on prevailing and anticipated market factors. Cash flows beyond the 5 year period are extrapolated using a terminal value. The cash flows are then used to calculate the Net Present Value and compared to the carrying value.

Key assumptions by each CGU are detailed below:

CGU Investment Platform

Cash generated by the Investment Platform has been used to assess the recoverable amount for all intangible assets associated with the Investment Platforms CGU.

Assumptions

1. Growth in FUA on the platform – Growth in the number of client accounts and consequently FUA. Management have estimated future FUA on the platform at a 5 year CAGR of 22% (FY21: 22%) with reference to current client transition rates, industry data and pipeline monitoring.
2. Post-tax discount rate – 10% (FY21: 10%) which approximates the weighted average cost of capital of the Investment Platform

3. Terminal growth rate – 2.5% (FY21: 2.5%).
4. Period over which cashflows have been discounted is 5 years.

Sensitivities of assumptions

If the projected earnings on client account balances used in the value-in-use calculation for the investment platform CGU are 3% 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 was 3% higher than management estimates, there would be no impairment of the intangible asset.

CGU Technology Solutions (Agility Customer Relationship and Connect Software)

Assumptions

1. Growth in Connect licenses, consulting income and IT infrastructure support. Management have estimated revenue growth of the Tech Solutions CGU as a 5 year CAGR of 4% with reference to current client license rates, industry data and pipeline monitoring.
2. Post-tax discount rate –12% (FY21: 12%). This has been determined based on the weighted average cost of capital for the Tech Solutions CGU.
3. Terminal growth rate –1.5%. (FY21: 1.5%).
4. Period over which cashflows have been discounted – 5 years.

Sensitivities of assumptions

If the projected revenues used in the value-in-use calculation for the Technology Solutions 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 CGU had been 2% higher than management estimates there would be no impairment of intangible assets.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimate of useful life

Management have assessed the remaining useful life of the investment platform and applications based upon the separate components. The three components' 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 life adopted could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are deemed shorter than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold will be written down or off.

Capitalisation of development costs

The Group capitalises project development costs eligible for capitalisation in relation to the Platform and Tech Solutions. The capitalised costs are all directly attributable costs necessary to create, produce, and prepare assets to be capable of operating in the manner intended and are amortised over the asset's useful life.

4. CAPITAL STRUCTURE AND FINANCING

OVERVIEW

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 Group, 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 Group's activities. The Group, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees and consultants understand their roles and obligations.

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the financial assets of the Group, which comprise cash and cash equivalents and principally, trade and loan receivables.

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

It is the Group'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. In addition, credit risk exposures and receivable balances are monitored on an ongoing basis with the objective that the Group's exposure to bad debts is not significant. Management has assessed the expected credit losses on trade receivables and have used a provision matrix to measure the Group's impairment losses.

The Group also has credit risk in respect of its debtors. In the case of most transactions, revenue is generally earned over a period of several months due to the complexity and size of the work involved. The Group manages this risk by entering into contractual agreements with its counterparties, obtaining external legal advice where necessary, at the start of each transaction.

The Group provides financial guarantees to wholly-owned subsidiaries and has provided a guarantee to ANZ with regards to the borrowing facilities in operation during the period.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always maintain banking/credit facilities and typically ensures that it has sufficient cash on demand, or access to banking facilities (e.g. overdrafts) to meet operational expenses for a period of 90 days, excluding the potential impact of extreme circumstances that cannot be reasonably predicted.

Group forecasts and actual cash flows are continuously monitored, matching the maturity of assets and liabilities, to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market Risk

Market risk is the risk that changes in market prices will affect the Group's income and include price risk.

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 Group, through its licensed subsidiaries, fully complied with the minimum regulatory capital requirements for IDPS Operators and providers of custodial services for the period ended 31 December 2021 so as to ensure ongoing capital adequacy. Refer to note 4.2 for information on the Group's ORFR requirements.

As part of broader capital management plans, the Group has a $12.5 million amortising bank loan facility (refer to note 4.1) and a $5 million overdraft facility which remained undrawn during the period.

There were no other changes in the Group's approach to capital management during the period.

Interest Rate Risk

Interest rate risk is the risk that the cash rate set by the Reserve Bank of Australia (RBA) changes potentially affecting the Group's income and includes price risk.

Foreign Exchange Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flow of an exposure will fluctuate because of a change in foreign currency rates. The Group's exposure to the risk of a change in foreign currency relate primarily to the Group's operating activities (when revenue and expenses are denominated in a foreign currency).

4.1 BORROWINGS

OVERVIEW

The Group secured an amortising loan facility that contributed towards funding the strategic transactions announced during the year ended 30 June 2021.

A $5 million overdraft facility is available to the Group to assist with working capital requirements.

Amortising Loan Facility

	31 Dec 2021 $'000	30 June 2021 $'000
Current	3,125	3,125
Non-current	9,375	9,375
	12,500	**12,500**

The amortising ANZ bank loan facility was fully drawn down on 18 February 2021 with principal repayments of $3.125 million payable every calendar year in February, and the amount outstanding at termination date (23 November 2023) payable. The loan facility may not be redrawn once it has been repaid. The Group incurs a commitment fee of 0.40% per annum and an interest rate of 1 month BBSY + 1.95% applied to any drawn balances paid quarterly.

The loan facility is guaranteed by HUB24 Limited and the following operating subsidiaries: Agility Applications Pty Ltd; HUB24 Management Services Pty Ltd; HUB24 Administration Pty Ltd; HUB24 Custodial Services Ltd; HUB24 Services Pty Ltd; HUBconnect Pty Ltd; and Xplore Wealth Pty Ltd. Regulatory capital requirements are excluded from the collateral and guarantee commitments.

Overdraft facility

The overdraft facility was undrawn throughout the period. The Group incurs a commitment fee of 0.60% per annum to maintain the overdraft facility with an interest rate of 1 month BBSY + 1.25% applied to any drawn balances and paid quarterly.

The loan facility and overdraft facility have common and referrable security charges with each facility.

4.2 LOANS

	31 Dec 2021 $'000	30 June 2021 $'000
Non-current	**15,405**	**7,550**

The Group advanced a loan to HTFS Holdings Pty Ltd, a wholly owned subsidiary of EQT Holdings Limited, who used the proceeds to subscribe for capital in HTFS Holdings Nominees Pty Ltd, another wholly owned subsidiary of EQT Holdings Limited (ASX:EQT), which is the Trustee for the HUB24 Super Fund ("the Fund").

The loan agreement is entered into on an arm's length basis and on commercial terms at an interest rate of 10% per annum. Repayment of the loan is subject to the Trustee continuing to meet its obligations to the Fund, including making good any losses from operational risk events.

The capital received by the Trustee is reserved for the purpose of meeting the Operational Risk Financial Requirement (ORFR) for the Fund in accordance with APRA Prudential Standard SPS114.

4.3 CONTRIBUTED EQUITY AND RESERVES

OVERVIEW

Ordinary shares in the Company rank after all creditors, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

During the current period, the Group issued share capital and purchased shares on market (treasury shares) for the purposes of settling employee share scheme options and performance rights, utilising a share based payments reserve for this purpose. The Group has discretion in settling employee share scheme options and performance rights via the issuance of treasury shares or via issuance of new ordinary shares.

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

4.3.1 Contributed equity

	31 Dec 2021 Number	31 Dec 2020 Number	31 Dec 2021 $'000	31 Dec 2020 $'000
Issued and paid-up capital				
Ordinary shares, fully paid	68,624,619	66,954,435	201,295	174,283
Treasury shares	(141,981)	(598)	(4,106)	-
Total issued and paid up capital	**68,482,638**	**66,953,837**	**197,189**	**174,283**
Movements in issued and paid up capital				
Beginning of the financial year	68,333,179	62,846,130	204,227	100,173
Shares issued	291,440	4,108,305	1,418	73,338
Xplore settlement consideration adjustment	-	-	(1,503)	-
Transfer from share based payment reserve	-	-	1,975	1,604
Additional paid up capital	-	-	1,107	446
Treasury shares issued from Trust*	-	-	(5,919)	-
Total shares	**68,624,619**	**66,954,435**	**201,305**	**175,561**
Capital raising costs	-	-	(10)	(1,278)
End of the half-year	**68,624,619**	**66,954,435**	**201,295**	**174,283**
Movement in Treasury shares				
Beginning of the financial year	212,158	39,636	5,013	27
Employee share issue	(242,484)	(39,038)	(5,919)	(27)
Shares purchased on-market	172,307	-	5,012	-
End of the half-year	**141,981**	**598**	**4,106**	**-**

*Number of treasury shares transferred from trust to satisfy options and rights exercised was 242,484 in 1HFY22 (39,038 1HFY21).

4.3.2 Share based payment reserves

	31 Dec 2021 $'000	30 June 2021 $'000
Share based payments share reserve	15,502	11,507
Movement in reserve		
Opening balance	11,507	8,823
Reserve reclassified to share capital through exercised options and rights	(1,975)	(1,604)
Employee share based payment expense	5,970	4,516
Shares issued through HUB24 Share Ownership Trust	-	(228)
	15,502	**11,507**

4.3.3 Profit reserves

OVERVIEW

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

	31 Dec 2021 $'000	30 June 2021 $'000
Opening balance	45,342	40,847
Transfer to profit reserves	8,393	9,769
Dividends paid on ordinary shares	(3,768)	(5.275)
	49,967	**45,342**

4.4 DIVIDENDS

OVERVIEW

The Group's dividend policy is a target payout ratio of 40% - 60% of the Group's Underlying Net Profit After Tax.

Our dividend policy is designed to ensure we reward shareholders relative to underlying net profit after tax and maintain sufficient capital for future investment and growth of the business, subject to market conditions.

	31 Dec 2021 $'000	30 June 2021 $'000	31 Dec 2020 $'000
Dividend cents per share	7.5	5.5	4.5
Franking percentage	100	100	100
Payout ratio[1]	42%	47%	40%
Payment Date	18 April 2022	15 October 2021	19 April 2021

1 The 2022 Interim dividend payout ratio includes Class shareholders as part of the scheme of arrangement terms.

The Board has determined a fully franked interim dividend of 7.5 cents per share.

5. INCOME TAX

OVERVIEW

Income tax expense or credit is the accounting tax outcome for the period and is calculated as the tax payable on the current period taxable income based on the applicable income tax rate for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The relationship between accounting profit or loss and income tax expense or credit is provided in the reconciliation of prima facie tax to income tax expense or benefit (refer to note 5.1). Income tax expense does not equate to the amount of tax actually paid to tax authorities, as it is based upon the accrual accounting concept.

Accounting income and expenses do not always have the same recognition pattern as taxable income and expenses, creating a timing difference as to when a tax expense or benefit can be recognised. These differences usually reverse over time but, until they do, a deferred tax asset or liability is recognised on the balance sheet. Note 5.2 details the composition and movements in deferred tax balances and the key management assumptions applied in recognising tax losses.

5.1 RECONCILIATION OF PRIMA FACIE TAX TO INCOME TAX EXPENSE

	31 Dec 2021 $'000	31 Dec 2020 $'000
(a) Income tax expense		
Current tax expense	4,185	885
Deferred tax expense/(benefit)	(603)	2,234
	3,582	**3,119**
Deferred tax included in income tax expense comprises:		
Current tax expense	4,185	885
Decrease/(increase) in deferred tax assets	(819)	1,927
Increase in deferred tax liabilities	216	307
	3,582	**3,119**
(b) Reconciliation of income tax expense to pre-tax accounting profit		
Profit from continuing operations before income tax expense	11,975	9,639
Prima facie income tax at 30%	3,593	2,892
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	390	964
Non-assessable income	-	(484)
Tax credits (carry forward losses, franking credits and R&D tax credits)	(25)	(260)
Prior period deferred tax under/(over) provision	(376)	
Tax on discounted operations	-	7
Income tax expense	**3,582**	**3,119**

ACCOUNTING POLICIES

Current tax assets and liabilities 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 legislation used to compute the amount are those that are enacted or substantively enacted by the reporting date.

5.2 DEFERRED TAX

	31 Dec 2021 $'000	30 June 2021 $'000
(a) Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Intangibles – other	781	1,763
Accrued expenses	526	243
Provisions	3,961	3,660
Depreciable assets	-	384
Blackhole expenses	783	-
Carry forward tax losses	5,820	5,965
Employee share costs	1,232	-
Lease liabilities	1,760	2,026
	14,863	**14,041**
Movements:		
Opening balance	14,041	6,923
Additions acquired through acquisition	-	8,421
Capital raising costs in Equity	3	(548)
Recognised in the Statement of profit or loss	819	(755)
Closing balance	**14,863**	**14,041**
(b) Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Deferred tax liability on intangibles	3,390	90
Right-of-use assets	1,570	1,190
Investments	20	-
Depreciable assets	19	-
	4,998	**1,280**
Movements:		
Opening balance	1,279	1,822
Xplore PPA impacts	3,503	-
Recognised in the Statement of profit or loss	216	(542)
Closing balance	**4,998**	**1,280**
(c) Other disclosure items		
Deferred tax asset (net of deferred tax liability)	**9,865**	**12,761**

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Deferred tax assets are recognised for prior periods 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 based on the following management judgements:

- The Group continues to generate consistent profitable growth, with improving margins and profit line trends;
- For the period ended 31 December 2021, the Group increased profits and is expected to remain profitable.

The income tax calculation is based upon a number of estimates. A material item relates to the estimate of Research and Development (R&D) expenditure. Remuneration expenses of the development team are the largest component of the R&D expenditure, which, comprise 73% of the total estimated R & D claim for the year ended 30 June 2021. This percentage allocation is broadly consistent with the actual R & D claim for the year ended 30 June 2020.

The Group assumes and will continue to monitor that there will be ongoing compliance with relevant tax legislation.

6. GROUP STRUCTURE

6.1 DISCONTINUED OPERATIONS

In the financial year ended 30 June 2021, the licensee business Paragem Pty Ltd was classified as a discontinued operation and was disposed of prior to 2022. The sale included a capital return of $3.2 million, and an accounting gain of $1.4 million was recorded in the financial accounts to 30 June 2021. The operating loss before income tax from discontinued operations was $0.4 million.

Summarised information relating to the 31 December 2020 period shown below:

	31 Dec 2020 $'000
Statement of profit or loss	
Revenue	15,053
Expenses	(15,458)
Loss before income tax from discontinued operation	**(405)**
Income tax expense	(7)
Loss after income tax from discontinued operations	**(412)**

6.2 BUSINESS COMBINATIONS

On 2 March 2021 HUB24 Limited completed the acquisition of investment platform provider Xplore Wealth Limited (Xplore).

Xplore brings highly complementary expertise and scale to HUB24 for both high-net worth customers as well as portfolio administration and reporting services (PARS).

The transaction, which includes the acquisition of an experienced team of 81 employees, software and related intellectual property, was completed for an upfront cash consideration of $29.8 million and issuance of 1.4 million ordinary shares to Xplore shareholders plus additional upfront cash consideration of $0.4 million to Xplore Option holders.

A purchase price allocation (PPA) assessment has been completed with the outcomes included in the 31 December 2021 interim financial report.

	$'000
Purchase consideration	
Cash paid – at completion	29,764
Cash settlement for Xplore options	412
HUB24 shares issued (scrip issue)	28,251
Total purchase consideration	**58,427**

	Fair Value $'000
The completed fair values of the acquisition are as follows:	
Cash balances acquired	3,175
Net operating assets acquired	5,092
Intangibles identified	26,611
Net identifiable assets acquired	**34,878**
Deferred tax on intangible assets identified	(3,717)
Goodwill	27,266
Net assets acquired	**58,427**

7. EMPLOYEE REMUNERATION

7.1 SHARE BASED PAYMENTS

OVERVIEW

Share-based payments are equity-based compensation schemes provided to employees, executives, and directors.

There are currently three plans in place to provide these benefits, collectively known as the Plans:

- The Employee Share Option Plan (ESOP);
- The Performance Rights (PARs); and
- The Employee Share Plan (ESP).

The Group can either issue shares from time to time, or meet any obligation via treasury shares acquired on-market. Any full-time or part-time employee of the Group or any equally-owned joint venture who is offered shares or options is eligible to participate in the Plans.

7.1.1 Recognised share-based payment expense

During the period ended 31 December 2021, the consolidated statement of profit and loss recognised $5,970k of equity-settled share-based payment transactions (1HFY21: $3,517K).

ACCOUNTING POLICIES

The cost of share based payments is recognised by expensing the fair value of options or rights granted, over the period during which the employees become unconditionally entitled to these benefits. Where the plan will be settled by issuing equity, the corresponding entry is an increase in the share based payment reserve.

At each subsequent reporting date until vesting, the vesting probability is assessed and upon board approval, the cumulative charge will be reflected to the statement of profit or loss and other comprehensive income and share based payment reserve. This takes into account factors such as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Calculating the fair value of share based payments can be complex. Independent consultants use Black-Scholes or similar option pricing models to value options and rights. This calculation includes any market performance conditions and the impact of any non-vesting conditions. Once the fair value has been determined at grant date, it is not revised.

The impact of any service and non-market vesting conditions is excluded from the fair value. Instead, this is included in assumptions about the number of options that are expected to vest. These assumptions are revised at the end of each reporting period. The impact of any revision to original estimates is recognised as an expense in the Consolidated Statement of profit and loss, with a corresponding adjustment to equity.

7.1.2 Types of share-based payment plans

This section includes share based payment plans that were issued during 1HFY22 or modified subsequent to 30 June 2021. For a full list of share plans, refer to the 30 June 2021 Annual Report.

1. Share based payment plans issued during the period ended 31 December 2021

Rights		
PARs (Rights)	**Issue Date**	**Number of Options issued**
MD	14 December 2021	35,901
KMP (excluding MD)	22 November 2021	49,458
Employees	22 November 2021	101,306
Vesting Terms		
Expiry Date	15 years after date of issue	
Expected Vesting Period	3 years	
Exercise Price	Nil	
Vesting Conditions		
I. Service	[I] Must be an employee at date of issue	
II. FUA	[II] Performance condition (a) 50% of the Performance Rights will be subject to, and will vest based on a calculated score (Score) that measures the achievement of a funds under administration (FUA) target that has been set for the three years ending on 30 June 2024. The Score will have regard to the relative growth in Platform (Custody) FUA and Portfolio Administration and Reporting Services (Non-Custody) FUA as well as the relative financial contribution of Custody FUA and Non-Custody FUA to HUB24's financial results. The Score is calculated as: Score = ((PR-PVC)/PFUA) x PFUA + CFUA ((CR-CVC)/CFUA) Where: • CFUA = Custodial FUA (divided by 1 billion) • PFUA = Non-custodial FUA (divided by 1 billion) • CR = Custodial Revenue • PR = Non-custodial Revenue • CVC = Custodial specified variable costs • PVC = Non-custodial specified variable costs The vesting is calibrated as follows: zero vesting will occur where the achievement is below a minimum score of 88.5 (a FUA increase of 70.6% over three years); 50% vesting will occur where the achievement reaches a score of 88.5 (an increase of 70.6% over three years); 100% vesting will occur where the achievement reaches a score of 100 (an increase of 94.5% over three years); and vesting between a score of 88.5 and 100 (for between 50% and 100% vesting) will be on a straight-line basis between these two levels.	
III. Market	[III] Performance condition (b) 50% of the Performance Rights will be subject to, and will vest on, the achievement of a hurdle measuring the Absolute Total Shareholder return (ATSR) of 10% to 15% per annum over the next three years. The vesting is calibrated as follows: 25% vesting occurs when a threshold vesting of 10% ATSR compounded annually is achieved; 100% vesting occurs when a threshold vesting of 15% ATSR compounded annually is achieved; and vesting between 10% and 15% ATSR will be on a straight-line basis between these two levels. **Thresholds** The determination of the ATSR thresholds will be based upon the 40 trading day VWAP for Shares spanning the full year results announcement on 24 August 2021 (20 days prior to and 20 days post results announcement). The 40 trading day VWAP for Shares on that basis (i.e. 27 July 2021 to 20 September 2021 was $27.92, therefore (in the absence of any dividends) the 10% threshold is $37.16 and the 15% threshold is $42.46, or $40.87 and $48.83 respectively when tested over a four year period.	
Disposal Restrictions	Restriction on sale of shares for 12 months from exercise, except to fund options exercised for associated tax liabilities.	

Rights – General Counsel & Head of Compliance	
PARs (Rights)	
Issue Date	22 November 2021
Number of Options Issued	3,979
Expiry Date	21 November 2036
Expected Vesting Period	3 years
Exercise Price	Nil
Vesting Conditions	
I. Service	[I] Must be an employee at date of issue
II. Growth	[II] Performance condition (a) Effectively undertake the role of General Counsel for the Hub24 business over the period from 1 July 2021 to 30 June 2024. (b) Effective protection of the business in relation to key legal, risk and compliance matters across the HUB24 group.
Disposal Restrictions	Restriction on sale of shares for 12 months from exercise, except to fund options exercised for associated tax liabilities.

Rights – Chief Financial Officer	
PARs	
Issue Date	22 November 2021
Number issued	17,250
Expiry date	21 November 2036
Expected Vesting Period	15 years
Exercise Price	Nil
Vesting Conditions	
I. Service	[I] Must be an employee at date of issue
II. FUA	[II] 100% of the Performance Rights will be subject to, and will vest on, the achievement of a hurdle measuring Platform (Custody) funds under administration (FUA) over the next two years. The vesting is calibrated as follows: zero vesting will occur if Custody FUA is below a minimum level of $63 billion by 30 June 2023); 50% vesting will occur if Custody FUA reaches $63 billion by 30 June 2023); 100% vesting will occur if Custody FUA reaches $70 billion by 30 June 2023); and vesting between $63 billion and $70 billion (between 50% and 100% vesting) will be on a straight-line basis between these two levels.
Disposal Restrictions	Restriction on sale of shares for 12 months from exercise, except to fund options exercised for associated tax liabilities.

Summary of options and rights 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 period:

	31 Dec 2021 Number	WAEP	WASP	30 June 2021 Number	WAEP	WASP
Summaries of options granted						
Outstanding at the beginning of the financial year	1,161,128	-	-	1,633,095	-	-
Granted during the period	-		-	91,384	$14.29	-
Forfeited during the period	(25,097)	-	-	(72,029)	-	-
Exercised during the period	(422,633)	$6.29	$30.39	(491,322)	$4.53	$21.34
Expired during the period	-	-	-	-	-	-
Outstanding at the end of the period	713,398	-	-	1,161,128	-	-
Exercisable at the end of the period	265,923	-	-	426,876	-	-

	31 Dec 2021 Number	WAEP	WASP	30 June 2021 Number	WAEP	WASP
Summaries of rights granted						
Outstanding at the beginning of the financial year	1,908,236	-	-	864,936	-	-
Granted during the period	207,893	-	-	1,130,667	-	-
Forfeited during the period	(6,557)	-	-	(23,481)	-	-
Exercised during the period	(82,755)	-	-	(63,886)	-	-
Expired during the period	-	-	-	-	-	-
Outstanding at the end of the period	2,026,817	-	-	1,908,236	-	-
Exercisable at the end of the period	140,985	-	-	131,798	-	-

7.2.3 Option pricing model

The fair value of all equity-settled options issued is estimated at the grant date using the Hoadley's 1 Hybrid ESO model (monte carlo simulation method).

The following table lists the inputs to the models used:

1. Share based payment plans issued during the period ended 31 December 2021

Options & Rights		
	Rights – KMP & Employees	Rights – MD
Dividend Yield (%)	0.23%	0.23%
Expected Volatility (%)	46.5%	46.5%
Risk-free Interest Rate (%)	1.38%	1.38%
Average Share price at Measurement Date ($)	30.17	26.18
Model used	Hoadleys/Black Scholes	Hoadleys/Black Scholes

2. Share based payment plans issued during the year ended 30 June 2021 and modified during the period ended 31 December 2021

Options & Rights	
	Options & Rights – Employee
Dividend Yield (%)	0.34%
Expected Volatility (%)	58.8%
Risk-free Interest Rate (%)	0.35%
Expected Life of Options (Months)	36
Average Share price at Measurement Date ($)	25.41
Model used	Hoadleys/Black Scholes

8. OTHER INFORMATION

8.1 NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP

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

8.2 SIGNIFICANT EVENTS AFTER REPORT DATE

Subsequent to year end, the following items have occurred

- the Group completed the acquisition of Class (ASX: CL1) by way of a scheme of arrangement for $284 million via a combination of HUB24 scrip (11.4 million HUB24 shares issued) and cash consideration ($16 million) at an effective Class share price of $2.26. The Class scheme was completed on the 16th February. Class are industry leaders in developing and distributing cloud-based accounting, investment reporting, document and corporate compliance and administration software. The acquisition is expected to accelerate HUB24's platform of the future strategy, consolidating the Group's position as a leading provider of integrated platforms, technology and data solutions for financial professionals and their clients, and enhance the Group's purpose of empowering better financial futures together.
- Directors have determined a fully franked interim dividend of 7.5 cents per share (a fully franked interim dividend of 4.5 cents per share was determined in 1HFY21).

No other significant matter or circumstance has arisen since 31 December 2021 that has 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.

GLOSSARY

EBITDA	Earnings before interest, tax, depreciation, amortisation
Funds under administration (FUA)	The value of customer portfolios invested onto the Platform
Group cost to income ratio	Total Operating Expenses divided by Total Income
IDPS	Investor Directed Portfolio Service (description)
MDA	Managed Discretionary Account (description)
MIS	Managed Investment Scheme (description)
Net Tangible Asset per Ordinary Paid shares	Total Assets less Total Liabilities adjusted for Intangible Assets, divided by the number of outstanding ordinary paid shares
ORFR	Operational Risk Financial Requirement relates to the HUB24 Superannuation Fund's requirement to hold adequate reserves against operational losses in accordance with APRA Prudential Standard SPS114.
PARS FUA	Portfolio And Reporting Services – refers to the non-custodial portfolio
Platform FUA	Refers to the custodial portfolio
STI/LTI	Short term incentive/Long term incentive
Underlying EBITDA	Refers to EBITDA excluding abnormal items
Xplore PPA	The final purchase price accounting for the Xplore acquisition

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

IN THE DIRECTORS' OPINION:

a. the financial statements and notes set out on pages 12 to 41 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 2021 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 statement is made in accordance with a resolution of the Directors.

Signed in accordance with a resolution of Directors.

Bruce Higgins
Chairman

Sydney
22 February 2022

INDEPENDENT AUDITOR'S REPORT

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

Tel: +61 (0) 2 9322 7000
www.deloitte.com.au

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of HUB24 Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, 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 as set out on pages 12 to 43.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2021 and of 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.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (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 review report.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2021 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*.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 22 February 2022

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

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

Mr Bruce Higgins (Chairman)
Mr Andrew Alcock (Managing Director)
Mr Anthony McDonald
Mr Paul Rogan
Ms Ruth Stringer
Ms Catherine Kovacs (appointed 19 July 2021)

SECRETARIES

Ms Kitrina Shanahan
Mr Andrew Brown

WEBSITE

hub24.com.au