HUB24

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'18

ANNUAL REPORT YEAR ENDED 30 JUNE 2018

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CORPORATE GOVERNANCE

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

The Group's Corporate Governance Statement for the financial year ending 30 June 2018 is dated as at 30 June 2018 and was approved by the Board on 17 August 2018. The Corporate Governance Statement is available on HUB24 Limited's website at www.hub24.com.au/corporate-governance-statement.



HUB24 is the fastest growing platform provider relative to its size and we intend to continue to lead change in the industry by connecting our customers to innovative solutions that create wealth.

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APPENDIX 4E – YEAR ENDED 30 JUNE 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000		% change
Revenue for ordinary activities	86,995	63,769	Up	34.6
Net profit after tax (from ordinary activities) for the period attributable to members*	7,379	18,874	Down	60.9
Basic earnings per share (cents)*	12.27	34.95	Down	64.9
Diluted earnings per share (cents)*	11.91	33.15	Down	64.1

*Included in FY17 is the first time recognition of deferred tax assets ($15.9m, or 29.4c per share).

DIVIDENDS

	Amount per security	Franked amount per security at 30%
Inaugural dividend (cents per share)	3.50	-

Subsequent to year end the directors have declared an inaugural dividend of 3.5 cents per share (2017: Nil).

Dates for the dividend are as follows:

Ex-date	17 September 2018
Record date	18 September 2018
Dividend payment date	19 October 2018

EXPLANATION OF RESULTS

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

	30 June 2018	30 June 2017
Net tangible asset (per fully paid ordinary share)	$0.42	$0.28

CHANGES IN CONTROLLED ENTITIES

HUB24 Limited has not gained or lost control over any entity during the reporting period.

AUDIT

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

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CORPORATE INFORMATION

HUB24 LIMITED

ACN 124 891 685

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 2, 7 Macquarie Place
Sydney NSW 2000

AUDITORS

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

DIRECTORS

Bruce Higgins (Chairman)
Andrew Alcock (Managing Director)
Ian Litster
Anthony McDonald
Paul Rogan

SHARE REGISTRY

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

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

BANKERS

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

COMPANY SECRETARY

Matthew Haes

SOLICITORS

Minter Ellison
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

INTERNET ADDRESS

www.hub24.com.au

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HUB24 WELL-POSITIONED FOR INDUSTRY CHANGE

KEY TRENDS SHAPING OUR INDUSTRY

Australian platform market

$809bn

reaching $1.55 trillion by 2026[1]

Superannuation pool in Australia expected to be

$4tn

in next 10 years and $9.5 trillion by 2035[2]

In 2018 platform net inflows of

49%

went to non-aligned platforms (5.6% of the industry)[3]

STOCKBROKERS AND FINANCIAL ADVISERS BOTH SEEKING MANAGED DIRECT INVESTMENTS

Managed Accounts industry estimated to be

$115bn

by 2020

Annual Managed Accounts growth of

45%

YOY 2016–2017[4]

OUR COMMITMENT TO INNOVATION AND SERVICE HAS BUILT STRONG CUSTOMER ADVOCACY

89% of advisers who use us as their main platform say we are the best available[5]

Advisers using HUB24 have lowest intention to change platform compared to users of all other platforms[6]

HUB24 continues to win industry recognition as the leading platform in the managed accounts space

ADVISER TRENDS

Non-institutionally owned Advisers are 41%[5] of the market, having increased by 8% from 33% in December 2015

Advisers are increasingly seeking best of breed solutions to meet clients' needs with uncompromised product choice

Advisers remain challenged by compliance and are seeking new business efficiencies to improve client service and increase profitability

WE ARE COMMITTED TO SECURING THE FUTURE BY:

- Investing in our platform, creating choice, efficiencies and value for clients and advisers
- Focusing on customer service excellence
- Investing in our people, capability and experience
- Broadening the capability of our platform with open architecture and data solutions with ConnectHUB
- Leveraging ConnectHUB to bring together industry leading solutions through one integrated user experience
- Growing our distribution footprint to drive opportunities across key accounts, institutional and broker markets

1. CLSA Australian investment platforms – Royal Decree August 2018
2. Deloitte 2015
3. Strategic Insights: March 2018
4. IMAP/Milliman Managed Account FUM census 31 Dec 2017
5. Rainmaker
6. Investment Trends Competitive Analysis and Benchmarking report 2017

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CORPORATE HIGHLIGHTS FY18

HUB24'S CONTINUING FOCUS ON PLATFORM INNOVATION IS DELIVERING GROWTH IN EARNINGS:

SHAREHOLDER VALUE

Share price increase of
85%

Underyling EPS of
9.0cents
(Basic EPS of 12.3 cents)

Underlying EBITDA[1] of
$11.4m

Underlying NPAT[2] of
$5.4m

INDUSTRY RECOGNITION

1ST in managed accounts functionality[5]

2ND in overall adviser satisfaction[6]

GROWTH

HUB24 **FASTEST GROWING PLATFORM[3]**

$2.4bn in record annual netflows

$8.3bn in FUA (now at $8.7 billion)

310 advisers joined the platform

PROFIT MARGINS INCREASING WITH SCALE[4]

FUTURE POSITIONING

Increasing investment – ConnectHUB, large client transitions, client engagement

Platform development to retain innovation advantage

Targeting $19b to $23b in FUA by June 2021

1. Underlying EBITDA represents EBITDA before other significant items
2. Underlying NPAT represents NPAT excluding non-recurring items
3. HUB24 is the fastest growing platform relative to its size. Data from Strategic Insights, March 2018
4. Gross Profit and Underlying EBITDA margins have further increased in FY18
5. Awarded first for Managed Accounts in the December 2017 Platform Competitive Analysis and Benchmarking Report based upon extensive analyst reviews of 19 platforms across 526 functional points
6. Adviser Ratings 2018 Australian Financial Advice Landscape

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CHAIRMAN AND MANAGING DIRECTOR'S REPORT



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KEY POINTS

Inaugural dividend for HUB24 of 3.5 cents per share

FY18 underlying NPAT of $5.4 million and Underlying EBITDA $11.4 million, up 123% percent on FY17

Funds under administration grew by 51% to $8.3 billion from $5.1 billion

Dear Shareholders,

On behalf of the directors we are pleased to present to you this annual report for HUB24.

It's a dynamic time in our industry and your company is leading the change in a landscape where we are creating opportunities for our customers as well as for you, our shareholders.

Following our first year of profit in FY17 we have continued to deliver strong results and are pleased to report a statutory Net Profit after Tax (NPAT) of $7.4 million and an underlying NPAT of $5.4 million for FY18. In light of the company's ongoing strong performance the directors have declared the inaugural dividend for HUB24 of 3.5 cents per share.

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The directors consider the important indicator of the company's growth is the increase in underlying NPAT of 129% from $2.4m in FY17[1] to $5.4m. The statutory NPAT reported for last year included non-cash accounting profits due to the recognition of prior year tax losses and other minor items amounting to $15.9m.

Along with this strong growth during the financial year we have achieved some significant milestones:

Growing our funds under administration by 51% to $8.3 billion from $5.1 billion

Achieving record annual net flows of $2.4 billion and 49% increase in platform revenue

Maintaining our position as the fastest growing platform provider in Australia by increasing our market share of annual net inflows to 12.3% up from 10.3% pcp[1]

Underlying Earnings Before Interest Tax Depreciation EBITDA $11.4 million up 123% percent on FY17

Maintaining our first-place position in managed accounts functionality[2]

Leveraging our acquisition of Agility Applications last year to successfully build and launch to market our new ConnectHUB offer

Our customers continue to be our advocates. HUB24 achieved the highest scores in terms of primary platform adviser satisfaction in the Investment Trends Platform Competitive Analysis and Benchmarking report and was rated second overall in terms of adviser satisfaction in the inaugural Adviser Ratings Australian Advice Landscape report. To achieve these accolades ahead of our long-established competitors is testament that our commitment to constant innovation and service excellence is being recognised by the market.

HUB24 operates in the rapidly growing Australian platform market which has a compound annual growth rate of 11% over the last five years[4]. This market has now grown to over $800 billion in funds under administration[5]. HUB24 has less than 1% share of this market yet is receiving 12.3% of net inflows[6].

Having traditionally been dominated by large financial institutions, now three of the major participants in the platform market have decided to focus on their core banking business and move away from wealth management by separating from, or divesting, their wealth management operations including their platforms. As HUB24 continues to lead change in this market the opportunities for growth through the provision of our highly scalable and market leading platform are expanding significantly. We are committed to pursuing these opportunities through constant innovation, growing our highly talented team and delivering exceptional customer service. Our company provides real choice through our functionally rich technology and products that support the delivery of superior investment and administration outcomes for financial advisers and their clients.

Large institutional participants are now lagging behind Australia's new innovative platforms who are ranked in the top 3 positions in terms of functionality according to independent industry research[7]. Over the last five years these platforms have collectively grown their share of annual net flows from 6% (March 2013) to 49% (March 2018). HUB24 is the fastest growing platform provider relative to its size and we intend to continue to lead change in the industry by connecting our customers to innovative solutions that create wealth.

Recently, many financial advisers have been moving away from institutional alignment and this trend is now accelerating as our industry continues to evolve. There is a growing market need for a clearer distinction between the provision of financial advice and the distribution of financial products by manufacturers. Increasingly advice licensees and financial advisers are keenly focused on meeting these expectations and their regulatory obligations. HUB24 is committed to supporting all appropriate advice and licensing models and we are pleased to report that 310 new advisers commenced using our platform during FY18. We believe that the current heightened focus on our industry will ultimately

1 Underlying NPAT for FY17 has been restated from $3.9m to $2.4m due to the misallocation of the initial recognition of the deferred tax asset. There is no impact on statutory NPAT.
2 Strategic Insights March 2017 Administrators view
3 Investment Trends Competitive Analysis and Benchmarking Report 2017
4 Credit Suisse platforms report March 2018
5 Credit Suisse platforms report March 2018
6 Strategic Insights March 2018 Administrator view
7 Investment Trends 2017 Platform Competitive Analysis and Benchmarking Report

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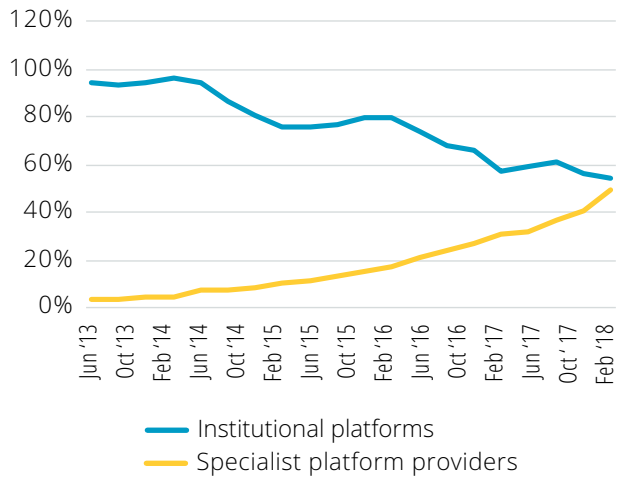
benefit consumers and will lead to financial advisers choosing the platforms that can provide the broadest choice and best product solutions for their clients.

MARKET SHARE OF 12 MONTH ROLLING NET FLOWS (%)



Source: Strategic Insights, analysis of Wrap, Platform, Master Trust and Managed Funds at 31 March 2018.

Specialist platform includes: Netwealth, Praemium, HUB24, OneVue.

Our market-leading position in the managed accounts space continues to drive growth as this part of the industry is estimated to reach $115 billion by 2020. We continue to invest in this area by enhancing our capability and added 78 new portfolios this year, from 27 portfolio managers.

Change is continuing across traditional stockbroking and financial advice segments where brokers are looking to broaden their value proposition by transitioning to wealth managers. HUB24 with our subsidiary Agility Applications is uniquely positioned to capture this emerging opportunity. The strategic collaboration between HUB24 and Agility during the year has delivered meaningful capability enhancements for the company with HUB24 having secured significant new client opportunities.

In FY18 our advice licensee Paragem has added two new practices and has increased the number of authorised representatives to 76. Additionally, Paragem advisers continue to have above industry average funds under advice and are able to select the best solutions for their clients from a flexible approved product list. This approach is consistent with HUB24's commitment to providing choice and flexibility for customers through an unbiased range of investment and insurance products available on our platform.

FINANCIAL PERFORMANCE

HUB24 achieved a Group underlying NPAT of $5.4 million and underlying EBITDA of $11.4 million for FY18. The company delivered statutory NPAT of $7.4 million.

Revenue from ordinary activities increased by 35% to $87.0 million for FY18. The platform segment revenue increased by 51% over the prior year to $39.7 million, driven by a 51% increase in FUA to $8.3 billion as at 30 June 2018.

The profit performance of the platform segment continues to grow driven by record net inflows of $2.4 billion and increasing gross profit and underlying EBITDA margins. The underlying EBITDA platform result for 2HFY18 of $6.9 million is an increase of 116% above the 2HFY17 result of $3.2 million.

Scale benefits continue to emerge as a result of growing FUA and revenues, with platform expenses rising by only 31% over the year. Margin improvements have been made across the profit lines in our platform segment with gross profit and Underlying EBITDA increasing to 72% and 30% of revenue respectively. We expect further margin expansion and increased profitability moving forward.

Cash and cash equivalents at 30 June 2018 were $17.0 million and the company recorded Cashflow from Operating Activities of $12.2 million for FY18, up 201% on FY17.

GROWTH

HUB24 is currently the fastest growing platform in the market relative to its size and has achieved a compound annual growth rate ("CAGR") in FUA over the past 5 years of 85%.

To secure the growth opportunities ahead for HUB24 we have enhanced our team of talented and respected industry professionals

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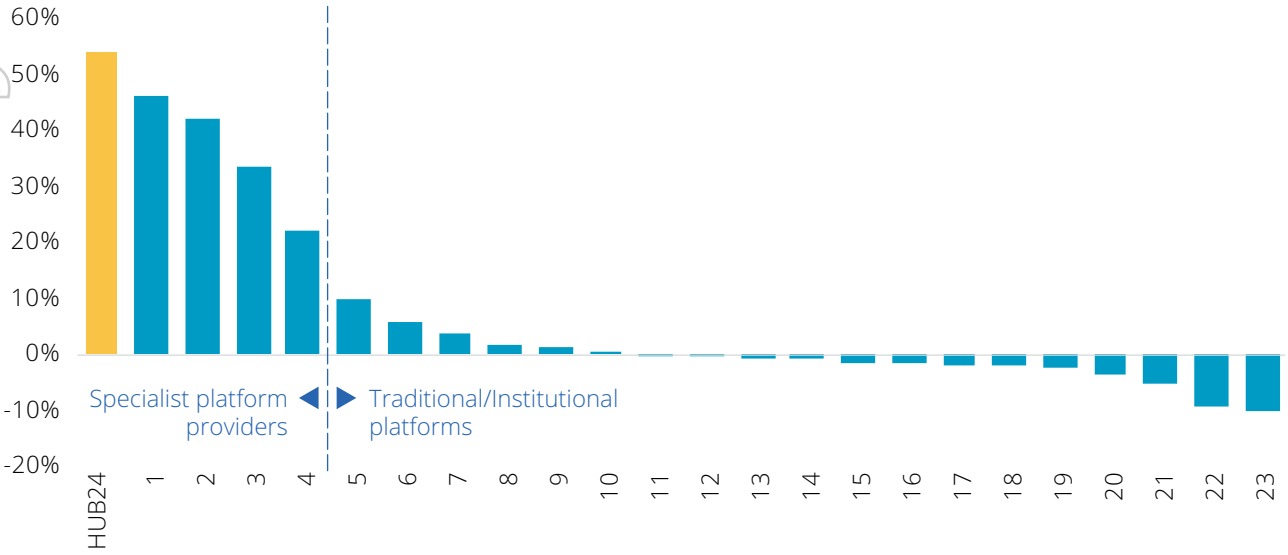
ANNUAL NET INFLOWS AS A % OF OPENING FUA (MARCH 2018)



Source: Strategic Insights (Plan For Life). Analysis of Wrap, Platform and Master Trust Managed Funds at March 2018. HUB24 is the fastest growing wrap platform relative to its size in percentage terms, 4th fastest in terms of dollar based net inflows

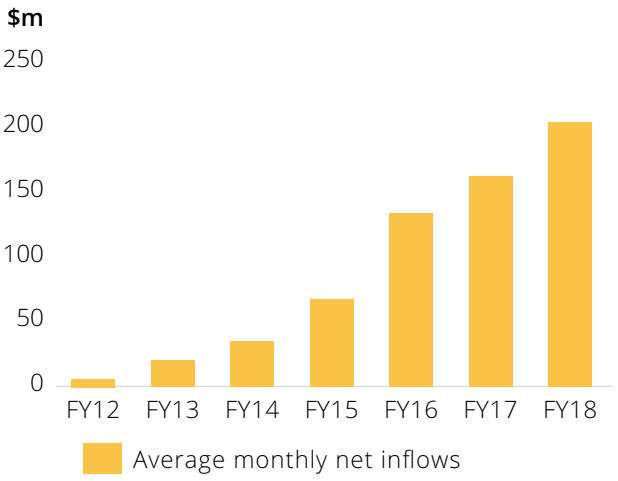
Our growth is well distributed across 169 active licensees (FY17: 108), including 18 white label relationships with 3 new white labels joining the platform during FY18. Our inflows into our Investor Directed Portfolio Service (IDPS) and Super products have maintained an even pace with 51% of FUA currently held within IDPS while the retail version of the platform now accounts for 60% (white labels: 40%) with a trend for an increasing number of smaller licensees with higher account balances choosing the HUB24 retail version of the platform.

According to the latest available market share data, HUB24 achieved 4th place with 12.3% of annual net inflows across the industry at 31 March 2018. This market share of net inflows rose to 23.7% for the March quarter and the company's overall platform market share of FUA has grown from 0.8% as at 31 December 2017 to 0.9% at 31 March 2018[8]. These market share increases illustrate the ongoing shift in wealth management towards market leading and innovative platform solutions and away from large institutional platforms.

Monthly average retail net inflows by financial years to date have continued to rise with the average for FY18 being $200 million per month ($160 million per month for the prior year). This is an increase of 25%.

Market conditions are favourable for HUB24's ongoing growth and we will continue to invest in distribution, operational and technology capabilities to take advantage of this structural change and the unique opportunity that it presents.

CONTINUING GROWTH IN FUA AND NET INFLOWS



8 Source: Strategic Insights (Plan For Life). Analysis of Wrap, Platform and Master Trust Managed Funds at March 2018. HUB24 is the fastest growing wrap platform relative to its size in percentage terms, 4th fastest in terms of dollar based net inflows.

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PLATFORM FUNDS UNDER ADMINISTRATION AND ADVISER TENDS BY QUARTER

Platform statistics	Jun '17	Sept '17	Dec '17	Mar '18	Jun '18
FUA flows	$5,515m	$6,074m	$6,899m	$7,363m	$8,341m
Net Fund Inflows (Qtr)	$841m	$535m	$554m	$595m	$739m
Gross inflows (Qtr)	$1,090m	$733m	$771m	$820m	$1,019m
Number of Advisers	917	964	1040	1136	1227

OPERATIONS

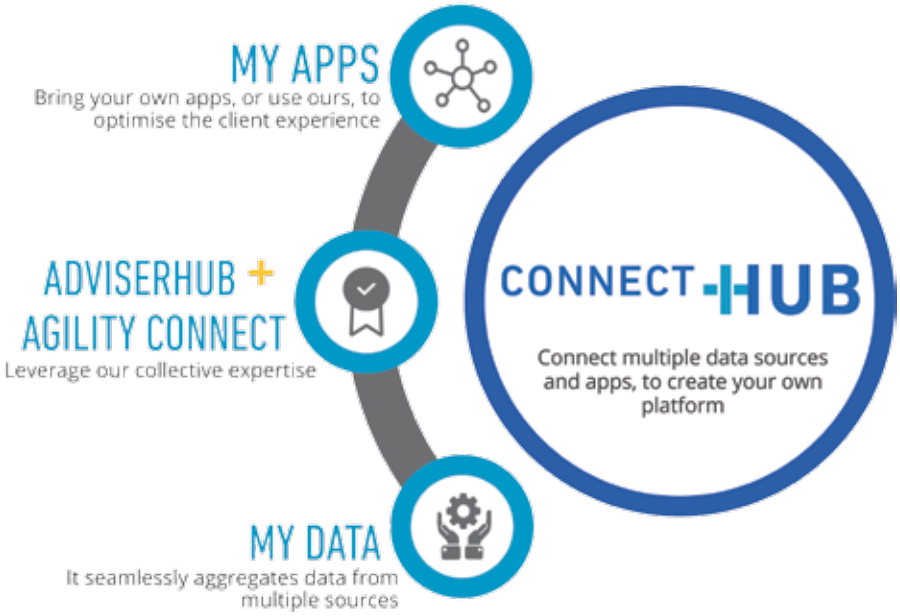
Throughout FY18 we continued to develop our product offerings for licensees, brokers, advisers and their clients and delivered a number of market-leading product enhancements.

Earlier this year we launched Progressive Portfolio implementation (PPI) functionality for our managed portfolio managers. This highly efficient capability allows investment managers to leverage their expertise and customise portfolio construction for individual customer circumstances. Using PPI investment managers can include prospective asset choices at an earlier stage for their newer customers, whilst reducing exposure to assets they intend to sell down. As well as potentially lowering transaction costs and increasing investment returns these decisions can be efficiently implemented across all investors within a managed portfolio.

Our next innovation for our market-leading managed portfolio functionality will be the ability to hold foreign currency to provide even greater choice for investment managers and support improved client outcomes.

In May we undertook the initial launch of our innovative ConnectHUB functionality which is now in pilot with three of our stockbroker clients. Over the coming months ConnectHUB will be rolled out to additional clients, including some financial planning practices, and allows brokers and advisers to seamlessly integrate data feeds from multiple product providers. By linking this data, ConnectHUB can provide a single comprehensive view of a customer's entire portfolio, beyond just the assets which are administered on the HUB24 platform utilising our award-winning user interfaces. ConnectHUB is already allowing customers to 'bring your own' data for non-custodial share holdings and provides real time data integration with Macquarie's Cash Management Account leveraging their open banking functionality. As well as introducing additional product providers to ConnectHUB our next innovation will allow advisers to open client accounts with multiple product providers using a single data capture and administration process.

Together PPI and ConnectHUB have helped HUB24 secure valuable new client relationships during FY18.



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Supporting advisers with efficiency and compliance in their businesses is always paramount for HUB24. This year we launched our new Record of Advice generator to help advisers efficiently meet their compliance obligations when making changes to client portfolios and we also launched new functionality to help advisers and customers track their contributions into the HUB24 Super Fund. We are also investing in a significant technology infrastructure upgrade that will be completed in the current half year. This upgrade will deliver improved performance and experience for our customers as well as providing strong infrastructure foundations for HUB24's ongoing growth.

As part of our commitment to offer wide product choice, we have added OneCare insurance to our platform and now provide four different personal life insurance options. Challenger annuities will also be available on the HUB24 platform in the coming months to help advisers and clients manage their retirement income streams.

Our enhanced platform functionality continues to be recognised by the industry in the Investment Trends Platform Competitive Analysis and Benchmarking Report 2017. HUB24 maintained our positions for best navigation and user interface, best mobile platform, best managed accounts and second place overall for platform functionality.

We have now extended our product capability even further by announcing the launch of our new Core platform offering which provides an entry point for clients with lower account balances, or those seeking a simpler solution. This new offer provides access to a limited investment menu at a generally lower administration fee than our more comprehensive solution. We anticipate this will increase the attractiveness of HUB24 as the primary platform of choice for financial advisers and we are rolling out the Core offer to a number of our existing licensees.

In December we moved into our new Sydney Headquarters in Macquarie Place which has provided our team with a modern flexible work environment and additional space to support our growth. We also co-located our Melbourne-based HUB24 and Agility teams in new premises.

Finally, to secure the growth opportunities ahead for HUB24 we have also enhanced our team of talented and respected industry professionals. We have grown our relationship capability and employed two new senior executives to work alongside our retail distribution team. Paula Day as Head of Strategic Key Accounts and Shane Muscat as Head of Strategic Sales joined HUB24 in May and we will shortly welcome Nathan Jacobsen as the new Managing Director of Paragem. During FY18 HUB24 made the final consideration payments in relation to the FY15 acquisition of Paragem Pty Ltd and the founders of Paragem have decided to move away from ongoing operational involvement in the business. Ian Knox is remaining as our newly appointed Chairman of Paragem and we welcome his contribution and insights to further grow the business and navigate the changing landscape.

OUTLOOK

There is an increasing opportunity to profitably grow the company's market share as we focus on customer led innovation that creates real value for financial advisers, customers and investment managers whilst offering a broad and unbiased product selection. Our improving financial results in FY18 and expanding profit margins has led to the board declaring the company's inaugural dividend of 3.5 cents per share.

During FY18 we have again secured valuable new client relationships resulting from our strong foundations of client focus and high quality product and service delivery. We are confident in HUB24's future growth and are now lifting our targets to achieve FUA levels in a range of $19–$23 billion by June 2021, assuming consistent investment market returns and net inflow growth trends. This aspiration for HUB24's three year growth is an uplift on our expectations last year when we anticipated FUA levels of greater than $12bn by the end of FY20.

We believe that the current heightened focus on our industry will ultimately benefit consumers and will lead to financial advisers choosing the platforms that can provide the broadest choice and best product solutions for their clients

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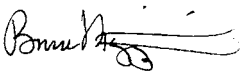
The structural changes occurring in wealth management and the growing expectation from consumers and financial advisers for modern and flexible value enhancing platforms are providing favourable conditions for HUB24 to grow. In addition, the shift in strategic focus amongst some of the traditionally dominant platform providers is further creating opportunity for HUB24. For the benefit of our shareholders and customers we will continue to innovate to develop new functionality and products, invest in growing the company and explore new market opportunities with the aim of accelerating FUA onto the HUB24 platform.

We look forward to meeting shareholders at the Annual General Meeting and on behalf of the Directors, we wish the thank our team and business partners for their commitment and contribution during another momentous year for HUB24. We also thank our customers for their ongoing support.

Yours sincerely





Bruce Higgins
Chairman

Andrew Alcock
Managing Director



DIRECTORS' REPORT

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Your Directors present their report together with the financial statements, on the consolidated entity for the year ended 30 June 2018 (FY18). 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 FY18 and until the date of this report, unless otherwise stated.

Mr Bruce Higgins (Chairman)
Mr Andrew Alcock
Mr Ian Litster
Mr Anthony McDonald
Mr Vaughan Webber (retired 1 March 2018)
Mr Paul Rogan (appointed 20 December 2017)

(The consolidated entity is hereafter referred to as "Group" or "HUB24" and covers the company as an individual entity as well as the consolidated entity consisting of the company and its subsidiaries.)

BRUCE HIGGINS

B Eng CP Eng, MBA, FAICD

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Bruce has over 20 years' experience as a senior executive or CEO, with companies such as Honeywell, Raytheon and listed technology companies. He is a specialist in rapid growth entrepreneurial companies, financial and software services companies, M&A and corporate governance and has also served on ASX boards as a Non-executive director or Chairman for over 15 years.

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

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

Previous listed company directorships held in the last three years:

- Legend Corporation Limited
- Novita Healthcare Limited (resigned 10 May 2018)

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ANDREW ALCOCK

B Bus, GAICD

MANAGING DIRECTOR

Andrew has over 23 years experience across wealth management encompassing advice, platforms, industry superannuation, insurance and information technology. Andrew was formerly Chief Operating Officer of Genesys Wealth Advisers overseeing the authorisation of over 300 financial planners and Head of the Genesys Equity Program, where he was a director of over 20 financial planning practices across Australia.

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

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

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

Previous listed company directorships held in the last three years:

- Nil.



IAN LITSTER

B Sc (Hons)

NON-EXECUTIVE DIRECTOR

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

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

Previous listed company directorships held in the last three years:

- Nil

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ANTHONY MCDONALD

B Comm LLB

NON-EXECUTIVE DIRECTOR

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

Anthony McDonald is also a former director of The Investment Funds Association of Australia (now Financial Services Council) and currently Chairman of a leading not-for-profit organisation. He is currently non-executive director of 8IP Emerging Companies Limited and was appointed as non-executive director of URB Investments Limited on 13 October 2016.

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

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

Previous listed company directorships held in the last three years:

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



PAUL ROGAN

B Bus (UTS)

NON-EXECUTIVE DIRECTOR

Paul is a senior financial services professional with a background in Accounting and Finance with a proven track record for delivering results in different regions and markets. In his executive career he successfully drove businesses through rapid growth phases including with Challenger, NAB, MLC, and Lend Lease.

Paul is the founder and CEO of Retirement Essentials a fintech firm providing affordable and accessible financial advice to everyday Australian seniors.

Paul has more than 25 years experience serving on entity boards and industry groups including 12 years in the not for profit sector. Paul was appointed to the HUB24 Limited board on 20 December 2017 and appointed as Chair of the Audit, Risk and Compliance Committee on 1 March 2018.

Previous listed company directorships held in the last three years:

- Nil

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VAUGHAN WEBBER

B Ec

NON-EXECUTIVE DIRECTOR

Vaughan Webber is an experienced finance professional with a background in chartered accounting at a major international accountancy firm. Recently, Vaughan has had extensive financial public markets experience, having spent over 15 years in corporate finance at leading Australian midsized stockbrokers focussing on creating, funding and executing strategies for mid to small cap ASX listed companies. Vaughan also has experience as a director with ASX listed public companies and is currently non-executive director of Anchor Resources Limited. Vaughan has a Bachelor Degree in Economics.

Vaughan was appointed to the company's Board on 19 October 2012 and resigned effective 1 March 2018.

Previous listed company directorships held in the last three years:

- Money3 Corporation Limited (resigned 6 October 2016)

COMPANY SECRETARY

The name and details of the Company Secretary in office during the 2018 financial year and at the date of this report is as follows:

MATTHEW HAES

B Ec (Syd), ACA, AGIA ACIS, GAICD

Matthew Haes is the Chief Financial Officer and Company Secretary.

Matthew's financial services experience spans over 22 years in senior finance roles, covering wealth management, securitisation, capital markets, stockbroking and funds management. He spent eight years as Finance Manager and Company Secretary at Centric Wealth Limited (now part of Findex Group Limited) where he developed the finance function and integrated businesses resulting from the company's merger and acquisition activities. Matthew is a Director of the HUB24 Group's subsidiary companies, a Responsible Manager of HUB24 Custodial Services Ltd, a member of the executive committee and serves the committees of the Board.

Matthew has a Bachelor of Economics, is a Chartered Accountant, Chartered Company Secretary and graduate of the Australian Institute of Company Directors.

Matthew was appointed Company Secretary on 10 September 2012.

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GROUP OVERVIEW

HUB24 Limited 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 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 provides licensee services and is a wholly owned subsidiary and boutique dealer group. It comprises a network of 32 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 40% of Australia's stockbroking market. It earns software license and consulting fees from data, software and infrastructure and is a wholly owned subsidiary having been acquired by HUB24 Limited on 3 January 2017.

OPERATING RESULTS

The Group recorded a 36% increase in revenue from ordinary activities to $87.0 million for FY18 (revenue of $62.3 million for FY17).

The Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), up 123% to $11.4 million for FY18 (Underlying EBITDA of $5.1 million in FY17), with Underlying Net Profit After Tax (NPAT) up 129% to $5.4 million for FY18 (Underlying NPAT of $2.4 million for FY17[1]).

The key items driving the Group Underlying EBITDA performance for FY18 were:

- FUA Growth in the Platform segment from $5.5b at 30 June 2017 to $8.3b at 30 June 2018, an increase of 51%
- platform revenue increased by 49% to $39.8 million for FY18 ($26.8 million for FY17) while platform expenses (direct, operating and growth expenses) increased by 31% to $27.8 million ($21.3 million for FY17)

A statutory Net Profit after Tax (NPAT) of $7.4 million was recorded for FY18 ($18.9 million for FY17, which included the first time recognition of deferred tax assets of $15.9m).

In addition to the information disclosed in this Annual Report, readers are referred to the Group's disclosures to the ASX on 20 August 2018 for further details and analysis of the Group's performance and financial position.

PRINCIPAL ACTIVITIES

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

CORPORATE

As part of the acquisition of Paragem Pty Ltd in FY15, a final consideration amount was payable in HUB ordinary shares, up to a maximum of 6,488,591 shares, subject to business performance measured over 3 years to 30 September 2017.

On 10 October 2017 the company issued 4,256,991 ordinary shares as the final consideration payment.

The following options and performance rights ("PAR's") were issued in accordance with schemes approved by shareholders:

- 435,933 share options and 134,153 performance rights ("PAR's") were issued to staff and executives on 11 October 2017
- 78,077 share options and 23,897 PAR's were issued to the Managing Director on 11 December 2017.

During FY18 deferred consideration of $1.7 million was paid as part settlement of the performance conditions specific to the Agility Applications acquisition. Future consideration of up to a maximum of $7.0 million becomes payable in January 2019 and January 2020 subject to earnout performance criteria being met.

On 20 December 2017 the company appointed Paul Rogan as a non-executive director of the company. Vaughan Webber has retired from the board as a non-executive director effective 1 March 2018.

1 Underlying NPAT for FY17 has been restated from $3.9m to $2.4m due to the misallocation of the initial recognition of the deferred tax asset. There is no impact on statutory NPAT..

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SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDEND

Subsequent to the end of the financial year, the directors have declared an inaugural dividend of $2,155,603 (3.5 cents per share) to be paid 19 October 2018.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Other than the declaration of the inaugural dividend noted above, no other matters or circumstances have arisen since 30 June 2018 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.

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, 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.

DIRECTORS' INDEMNITY

During FY18 the Group paid a premium in respect of a contract, insuring all directors and officers against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300(8) of the Corporations Act 2001. In accordance with commercial practice, the amount of the premium has not been disclosed.

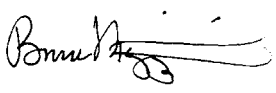
The company has indemnified officers and directors to the extent permitted by law against any liability that arises as a result of actions as an officer or director and has not otherwise, during or since the end of FY18, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

MEETINGS OF DIRECTORS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as per the table below:

	Board meetings		Audit, risk & compliance committee meetings		Remuneration & Nomination committee meetings	
Director	Attended	Held*	Attended	Held*	Attended	Held*
Bruce Higgins	10	10	4	4	4	4
Andrew Alcock	10	10	4	4	4	4
Ian Litster	10	10	4	4	4	4
Anthony McDonald	10	10	-	-	4	4
Paul Rogan	4	4	2	2	-	-
Vaughan Webber	6	6	3	3	-	-

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



Bruce Higgins
Chairman of Directors

Sydney, 17 August 2018

REMUNERATION REPORT – AUDITED

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This remuneration report, which has been audited, outlines the remuneration arrangements for directors and Key Executives (collectively KMP) in relation to the Group, in accordance with the requirements of Section 300A of the *Corporations Act 2001* and its Regulations.

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

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share based compensation

E. Additional information

F. Additional disclosures relating to KMP

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

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

REMUNERATION PHILOSOPHY

The performance of the Group depends upon the quality of its KMP. To deliver shareholder value and its strategy from time to time, the Group must attract, motivate and retain highly skilled KMP and ensure reward for performance is competitive and appropriate for the results achieved. To this end, the Group embodies the following principles in its remuneration framework:

- attract, motivate and retain qualified staff to manage the profitable growth of HUB24
- focus on sustained growth in shareholder value, consisting of share price growth
- provide competitive and reasonable rewards to attract, motivate and retain high calibre individuals
- focus the executive on key drivers of shareholder value including capital management
- provide transparency and acceptability to shareholders.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on the remuneration arrangements for KMP. The Remuneration and Nomination Committee assesses the appropriateness of the structure and amount of remuneration on a periodic basis by reference to relevant employment market conditions, with the overall objective of delivering growth in shareholder value from the recruitment, motivation and retention of high performing KMP.

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

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

REMUNERATION STRUCTURE

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

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The Long Term Incentive (LTI) program is part of the calculation for total remuneration for KMP based on the three parts of the company's remuneration structure, being fixed remuneration, Short Term Incentive (STI) and LTI which are benchmarked to a HUB24 peer group and to the executives experience and performance.

During FY16, the company engaged the services of a specialist remuneration consultancy firm to provide independent advice on the remuneration structure, including any re-structuring that was regarded necessary to better achieve the remuneration principles referred to in this remuneration report. The Board sought advice in relation to Fixed Remuneration, STI and LTI in relation to the KMP and to meet the needs of the company. The advice was taken into consideration in a re-structuring of the remuneration for KMP in FY17 and was reflected in KMP remuneration for both FY17 and FY18.

The Board has engaged the specialist remuneration consultancy firm to provide specific independent advice on the remuneration structure and amount in FY19 in light of any material changes to best practice remuneration since the initial review in FY16 and to refresh the remuneration benchmarks against a stated comparative peer group.

LTIs have been set based on benchmarking overall compensation assessments and growth in shareholder value. For instance the option grants for the Managing Director were 600,000 options in FY14, 200,000 options in FY15, 150,000 options in FY16, 106,464 options and 34,851 Performance Award Rights (PARs) in FY17 and 78,077 options and 23,897 PARs in FY18 (noting that the Managing Director has elected for FY18 that his STI will decrease from 100% of Fixed Remuneration to 75%, in exchange for that amount added to the LTI program).

EXECUTIVE REMUNERATION

Objective

The Group aims to reward KMP with a level and mix of remuneration commensurate with their position and responsibilities to:

- align the interests of executives with those of shareholders
- link reward with the strategic goals and performance of the KMP and the Group
- ensure total remuneration is competitive by market standards.

Structure

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

Remuneration may consist of the following key elements:

- fixed remuneration
- STIs
- LTIs
- Other share based incentives.

FIXED REMUNERATION

Objective and Structure

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

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

STIs

Objective and Structure

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

STI payments are granted to executives based upon qualitative and quantitative scorecard measures being achieved as determined by the Board. The scoreboard measures include "stretch" targets for KMP.

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

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

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LTIs

Objective and Structure

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

The objective of the LTI Plans is to provide KMP with the incentive to deliver sustained growth in shareholder value and to provide the company with the ability to attract, motivate and retain appropriate personnel.

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

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

50% of the options and 50% of the PARs are also subject to the second performance condition which measures the success in implementing the company's long term strategic objectives with reference to Absolute Total Shareholder Return ("ATSR") performance over a three year period.

KMP sales restrictions on shares resulting from the exercise of options or PARs are imposed for twelve months from the date of exercise except for the purpose of funding the exercise price of options or to meet the tax obligations arising from the exercise of options or PARs or from the sale of shares. The sale of shares in such circumstances is undertaken in accordance with a process overseen by the Board.

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

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

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

SHARE BASED INCENTIVES

Objective

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

Structure

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

HUB24 PERFORMANCE AND LINK TO REMUNERATION

Remuneration of certain KMP is directly linked to the performance of the Group and the allocated weighting between base case objectives and stretch case objectives may vary between KMP. Base and stretch case objectives are set for each KMP for growth, profitability, product innovation and other appropriate performance measures as determined by the Board.

USE OF REMUNERATION CONSULTANTS

During FY18 the company did not use the services of a remuneration consultant, having engaged a remuneration consultant during FY16 whose advice was relevant to the FY17 and FY18 years.

During FY16, the Board sought independent advice on the restructuring of the company's executive remuneration for fixed remuneration, STIs and LTIs. The Board and its Remuneration and Nomination Committee approved revised incentive arrangements for Mr. Alcock and other KMP with a view to strengthening alignment between KMP and shareholders. This review included benchmarking executive remuneration against a core comparator group of companies and ensuring the design and operation of the company's short and long term incentives are in line with shareholder and market expectations.

The Board has implemented a Performance Rights Plan, in conjunction with the company's existing Employee

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Share Option Plan, which was approved by shareholders at the Annual General Meeting of the company on 29 November 2016.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2017 ANNUAL GENERAL MEETING

At the 29 November 2017 AGM, 99.06% of votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B. DETAILS OF REMUNERATION

SUMMARY OF KEY TERMS OF MANAGING DIRECTOR'S EMPLOYMENT AGREEMENT

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

REMUNERATION OF KMP

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

For FY18, the Managing Director has a maximum STI opportunity of 75% of fixed remuneration and other members of the executive team have an STI opportunity ranging from 0% to 100% of fixed remuneration. For the Managing Director, 50% of the STI is for meeting base case objectives, while 50% is for meeting stretch case objectives. For other KMP the allocated weighting between base case objectives and stretch case objectives may vary. KMP are able to convert 50% of STIs achieved and payable in cash to shares in the company, with the Board having a discretion to allow higher levels of conversion, if appropriate. 50% of the STI is payable upon approval by the Board as recommended by the Remuneration and Nomination Committee, whilst 50% is deferred for a further six months.

STI awards for the executive team in FY18 were based upon scorecard measures and weightings.

The scorecard measures are both qualitative and quantitative in nature and measurement. These have been assessed as being central to business performance, efficiency, and sustainability. These measures included:

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

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

The table below sets out the percentage of the maximum available STI for each KMP that was awarded in relation to FY2018 and the percentage that was forfeited because the group and individual performance criteria did not meet the agreed targets.

		Current Year STI entitlement	
Name	Entitlement	Awarded	Forfeited
A. Alcock	75%	79.1%	20.9%
J. Entwistle	75%	81.1%	18.9%
M. Haes	50%	67.0%	33.0%
C. Lawrenson	70%	78.2%	21.8%

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REMUNERATION EXPENSES FOR KMP

	Short term benefits		Post employment benefits	Long term benefits	Share based payments			
2018	Salary and Fees[1] $	Bonus $	Superannuation $	Long Service Leave $	Shares $	Options & rights $	Total $	Performance Related %
Non-executive directors								
B. Higgins	167,317	–	–	–	–	–	167,317	0%
I. Litster	83,658	–	–	–	–	–	83,658	0%
T. McDonald	85,032	–	–	–	–	–	85,032	0%
V. Webber[2]	56,032	–	–	–	–	–	56,032	0%
P. Rogan[3]	44,596	–	–	–	–	–	44,596	0%
Sub-total non-executive directors	**436,635**	**–**	**–**	**–**	**–**	**–**	**436,635**	
Key management personnel								
A. Alcock	446,548	265,000	19,941	8,194	–	282,340	1,022,023	26%
J. Entwistle	332,220	225,000	19,941	6,687	1,000	199,930	784,778	29%
M. Haes	279,557	100,000	19,941	5,665	1,000	85,914	492,077	20%
C. Lawrenson[4]	318,233	180,000	16,707	587	1,000	60,008	576,535	31%
Sub-total key management personnel	**1,376,558**	**770,000**	**76,530**	**21,133**	**3,000**	**628,192**	**2,875,413**	
Total	**1,813,193**	**770,000**	**76,530**	**21,133**	**3,000**	**628,192**	**3,312,048**	

1. KMP salary and fess includes fixed remuneration and movement in annual leave entitlement.
2. V. Webber Director fees to 28 February 2018.
3. P. Rogan Director fees from 20 December 2017.
4. C. Lawrenson remuneration from 21 August 2017.

The structural changes occurring in wealth management and the growing expectation from consumers and financial advisers for modern and flexible value enhancing platforms are providing favourable conditions for HUB24 to grow

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2017	Short term benefits: Salary and Fees[1] $	Short term benefits: Bonus $	Post employment benefits: Superannuation $	Long term benefits: Long Service Leave $	Share based payments: Shares $	Share based payments: Options & rights $	Total $	Performance Related %
Non-executive directors								
B. Higgins	132,275	–	–	–	–	18,131	150,406	12%
I. Litster	66,137	-	-	-	-	-	66,137	0%
V. Webber	74,277	-	-	-	-	-	74,277	0%
T. McDonald	74,612	-	-	-	-	-	74,612	0%
Sub-total non-executive directors	347,302	-	-	-	-	18,131	365,433	
Key management personnel								
A. Alcock	401,089	265,487	19,565	6,236	-	181,551	873,929	30%
M. Ballinger	210,751	50,000	19,565	3,298	1,000	38,646	323,260	15%
J. Entwistle	329,765	222,105	19,565	5,085	1,000	120,394	697,913	32%
W. Gillett	252,114	130,000	19,565	4,642	1,000	68,552	475,871	27%
J. Gioffre	227,436	55,000	19,565	4,791	1,000	37,351	345,142	16%
M. Haes	250,562	100,000	19,565	9,351	1,000	54,197	434,675	23%
Sub-total key management personnel	**1,671,718**	**822,592**	**117,390**	**33,403**	**5,000**	**500,691**	**3,150,790**	
Total	**2,019,019**	**822,592**	**117,390**	**33,403**	**5,000**	**518,822**	**3,516,223**	

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

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

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	2018	2017	2018	2017	2018	2017
Non-executive directors						
Bruce Higgins	100%	88%	-	-	-	12%
Ian Litster	100%	100%	-	-	-	-
Anthony McDonald	100%	100%	-	-	-	-
Vaughan Webber	100%	100%	-	-	-	-
Paul Rogan	100%	-	-	-	-	-
KMP						
Andrew Alcock	35%	37%	44%	48%	21%	15%
Jason Entwistle	35%	38%	46%	49%	19%	13%
Matthew Haes	48%	51%	38%	40%	14%	10%
Craig Lawrenson	42%	-	50%	-	8%	-

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C. SERVICE AGREEMENTS

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

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

All KMP have ongoing employment agreements. The company may generally terminate the employment agreement by providing between one and six months' written notice depending on the agreement or providing payment in lieu of the notice period (based on the fixed component of the relevant KMP remuneration).

The major provisions of the agreements relating to remuneration are set out below. Salaries set out below are for the FY18 and are subject to review annually by the Remuneration and Nomination Committee.

Name	Base Salary (including superannuation)	STI[1]	LTI	Term of agreement	Notice period – either party
Andrew Alcock – Chief Executive Officer	$451,805	Up to 75% of base salary	78,077 options, 23,897 rights[2]	Ongoing – commenced 29 July 2013	6 months
Jason Entwistle – Director, Strategic Development	$370,000	Up to 75% of base salary	63,940 options, 19,570 rights[3]	Ongoing – commenced 1 August 2013	6 months
Matthew Haes – Chief Financial Officer and Company Secretary	$288,750	Up to 50% of base salary	23,286 options, 7,127 rights	Ongoing – commenced 26 June 2012	1 month
Craig Lawrenson – Chief Operating Officer	$369,570	Up to 70% of base salary	57,664 options, 18,378 rights[3]	Ongoing – commenced 21 August 2018	6 months

1. For Andrew Alcock 50% of STI payable upon achieving base case objectives set by the Board. A further 50% payable upon the achievement of stretch case objectives. For other KMP the allocated weighting between base case objectives and stretch case objectives may vary.
2. Options and PARs for Andrew Alcock granted in November 2017, have a one year sale restriction after date of issue of shares. Vesting is no earlier than 36 months from date of issue subject to achieving two performance conditions (1. ATSR target; and 2. Growth in FUA target).
3. Options and PARs for Jason Entwistle, Matthew Haes and Craig Lawrenson granted in October 2017 have a one year sale restriction after issue of shares. Vesting is no earlier than 36 months from the date of issue subject to achieving two performance conditions (1. ATSR target; and 2. Growth in FUA target).

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

D. SHARE BASED COMPENSATION

OPTIONS

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

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Performance achieved	% Vested	Balance at start of Year	Issued during year	Exercised during year	Balance at end of year
17 Oct 2014	17 Oct 2019	$0.98	$0.19	Yes	100%	280,000	Nil	60,000	220,000
2 Dec 2014	17 Oct 2019	$0.98	$0.20	Yes	100%	200,000	Nil	Nil	200,000
14 Oct 2015	14 Oct 2020	$2.46	$0.95	No	Nil	210,000	Nil	Nil	210,000
7 Dec 2015	7 Dec 2020	$2.46	$1.60	No	Nil	150,000	Nil	Nil	150,000
29 Nov 2016	29 Nov 2021	$4.46	$2.33	No	Nil	222,046	Nil	Nil	222,046
11 Oct 2017	11 Oct 2022	$7.09	$3.00	No	Nil	Nil	110,644	Nil	110,644
11 Oct 2017	11 Oct 2022	$6.25	$3.48	No	Nil	Nil	34,247	Nil	34,247
11 Dec 2017	11 Dec 2022	$7.09	$4.06	No	Nil	Nil	78,077	Nil	78,077

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Options granted carry no dividends or voting rights.

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

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

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

- The closing sale price of the shares traded on the Australian Securities Exchange must have increased by at least 60% of the Exercise Price of the options for each day in any 20 consecutive trading day period starting on or after 36 months after the 17 October 2014. These options can be exercised, subject to satisfaction of vesting conditions, after the 3rd anniversary of the date of issue.

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

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

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

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

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

Performance condition 1

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

Performance condition 2

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

Options granted 11 October 2017 to executives and staff vest subject to the following two performance conditions:

Performance condition 1

- The CAGR in FUA over the three year period until 30 June 2020 must be at least 29.58% p.a. Proportional vesting will occur between a CAGR of 25.88% (0% vesting) to 33.09% (100% vesting).

Performance condition 2

- The CAGR in the ATSR over the three year period until approximately 31 August 2020 must be at least 12.5% p.a. Proportional vesting will occur between a CAGR of 12.5% (0% vesting) to 17.5% (100% vesting). The ATSR is inclusive of dividends.
- Any unvested options from the three year vesting date will be retested against the ATSR CAGR hurdles over the cumulative four year period and if they remain unvested after this test will lapse.

Options granted 11 October 2017 to an executive are subject to the following two performance conditions:

Performance condition 1

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

Performance condition 2

- The CAGR in the ATSR over the three year period until approximately 31 August 2020 must be at least 12.5% p.a. Proportional vesting will occur between a CAGR of 12.5% (0% vesting) to 17.5% (100% vesting). The ATSR is inclusive of dividends.
- Any unvested options from the three year vesting date will be retested against the ATSR CAGR hurdles over the cumulative four year period and if they remain unvested after this test will lapse.

Options granted 11 December 2017 to the Managing Director vest subject to the following:

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Performance condition 1

- The CAGR in FUA over the three year period until 30 June 2020 must be at least 29.58% p.a. Proportional vesting will occur between a CAGR of 25.88% (0% vesting) to 33.09% (100% vesting).

Performance condition 2

- The CAGR in the ATSR over the three year period until approximately 31 August 2020 must be at least 12.5% p.a. Proportional vesting will occur between a CAGR of 12.5% (0% vesting) to 17.5% (100% vesting). The ATSR is inclusive of dividends.
- Any unvested options from the three year vesting date will be retested against the ATSR CAGR hurdles over the cumulative four year period and if they remain unvested after this test will lapse.

Name	Financial Year of grant	Financial year in which options may vest	Number of options granted	Value of options at grant date	Number of options vested during the year	Number of options lapsed/forfeited during the year
Andrew Alcock	2018	2021	78,077	$317,133	Nil	Nil
Andrew Alcock	2017	2020	106,464	$198,449	Nil	Nil
Andrew Alcock	2016	2019	150,000	$240,000	Nil	Nil
Andrew Alcock	2015	2018	200,000	$39,700	Nil	Nil
Jason Entwistle	2018	2021	63,940	$191,580	Nil	Nil
Jason Entwistle	2017	2020	87,329	$203,477	Nil	Nil
Jason Entwistle	2016	2019	120,000	$114,000	Nil	Nil
Jason Entwistle	2015	2018	160,000	$30,960	Nil	Nil
Matthew Haes	2018	2021	23,286	$69,770	Nil	Nil
Matthew Haes	2017	2020	28,253	$52,664	Nil	Nil
Matthew Haes	2016	2019	90,000	$85,500	Nil	Nil
Matthew Haes	2015	2018	120,000	$23,220	Nil	Nil
Craig Lawrenson	2018	2021	23,417	$70,163	Nil	Nil
Craig Lawrenson	2018	2021	34,247	$119,126	Nil	Nil

The assessed fair value at grant date of the options granted to individuals is allocated equally over the period from grant date to expected vesting date and the amount is included in the remuneration tables in Part B of this remuneration report under the heading "share based payments – options". Fair values at grant date are independently determined using Hoadley's 1 Hybrid ESO model that takes into account the exercise price, term of the option, share price at grant date, probability of service condition being met, expected price volatility of the underlying share price and the risk free rate for the term of the option.

1,005,000 options have been exercised by KMP during FY18.

Options granted carry no dividends or voting rights.

PERFORMANCE RIGHTS (PARS)

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

Grant date	Expiry date	Value per right at grant date	Performance achieved	% Vested	Balance at start of year	Issued during year	Exercised during year	Balance at end of year
29 Nov 2016	Nil	$4.07	No	Nil	72,688	Nil	Nil	72,688
11 Oct 2017	Nil	$5.52	No	Nil	Nil	33,864	Nil	33,864
11 Oct 2017	Nil	$6.35	No	Nil	Nil	11,211	Nil	11,211
11 Dec 2017	Nil	$6.95	No	Nil	Nil	23,897	Nil	23,897

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PARs granted 29 November 2016 under the HUB24 Employee Performance Rights Plan to executives and staff vest subject to the following two performance conditions:

Performance condition 1

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

Performance condition 2

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

PARs granted 11 October 2017 to executives and staff vest subject to the following two performance conditions:

Performance condition 1

- The CAGR in FUA over the three year period until 30 June 2020 must be at least 29.58% p.a. Proportional vesting will occur between a CAGR of 25.88% (0% vesting) to 33.09% (100% vesting).

Performance condition 2

- The CAGR in the ATSR over the three year period until approximately 31 August 2020 must be at least 12.5% p.a. Proportional vesting will occur between a CAGR of 12.5% (0% vesting) to 17.5% (100% vesting). The ATSR is inclusive of dividends.
- Any unvested PARs from the three year vesting date will be retested against the ATSR CAGR hurdles over the cumulative four year period and if they remain unvested after this test will lapse.

PARs granted 11 October 2017 to an executive are subject to the following two performance conditions:

Performance condition 1

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

Performance condition 2

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

PARs granted 11 December 2017 to the Managing Director vest subject to the following:

Performance condition 1

- The CAGR in FUA over the three year period until 30 June 2020 must be at least 29.58% p.a. Proportional vesting will occur between a CAGR of 25.88% (0% vesting) to 33.09% (100% vesting).

Performance condition 2

- The CAGR in the ATSR over the three year period until approximately 31 August 2020 must be at least 12.5% p.a. Proportional vesting will occur between a CAGR of 12.5% (0% vesting) to 17.5% (100% vesting). The ATSR is inclusive of dividends.
- Any unvested PARs from the three year vesting date will be retested against the ATSR CAGR hurdles over the cumulative four year period and if they remain unvested after this test will lapse.

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Name	Financial Year of grant	Financial year in which rights may vest	Number of rights granted	Value of rights at grant date	Number of rights vested during the year	Number of rights lapsed/forfeited during the year
Andrew Alcock	2018	2021	23,897	$166,129	Nil	Nil
Andrew Alcock	2017	2020	34,851	$113,475	Nil	Nil
Jason Entwistle	2018	2021	19,570	$107,966	Nil	Nil
Jason Entwistle	2017	2020	28,587	$93,079	Nil	Nil
Matthew Haes	2018	2021	7,127	$39,320	Nil	Nil
Matthew Haes	2017	2020	9,249	$30,115	Nil	Nil
Craig Lawrenson	2018	2021	11,211	$71,212	Nil	Nil
Craig Lawrenson	2018	2021	7,167	$39,542	Nil	Nil

The assessed fair value at grant date of the PARs granted to individuals is allocated equally over the period from grant date to expected vesting date and the amount is included in the remuneration tables in Part B of this remuneration report under the heading "share based payments – options & rights". Fair values at grant date are independently determined using Hoadley's 1 Hybrid ESO model that takes into account the term of the right, share price at grant date, probability of service condition being met, expected volatility of the underlying share price and the risk free rate.

No PARs have been exercised by KMP during FY18.

PARs granted carry no dividends or voting rights.

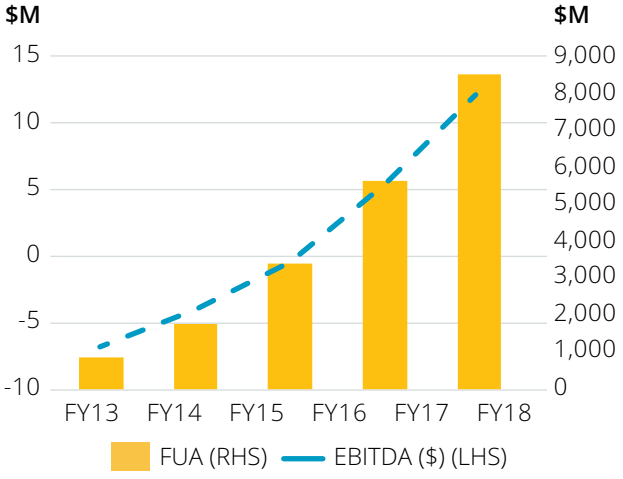
E. SUPPORTING INFORMATION

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

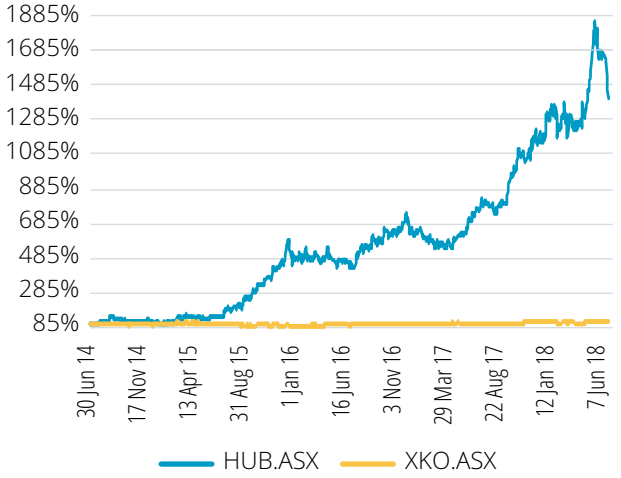
	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 Restated $'000	CAGR (4 year period)
Underlying EBITDA*	11,353	5,119	(840)	(4,385)	(7,236)	
Funds Under Administration*	8,343	5,515	3,313	1,704	854	77%
Underlying Profit/(Loss) after income tax	5,400	3,942	(1,187)	(6,457)	(8,548)	

*Unaudited

FUA AND UNDERLYING EBITDA TREND



HUB24 VS S&P ASX 300 (REBASED)



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

	2018 $	2017 $	2016 $	2015 $	2014 $	ATSR (4 year period)
Share price at financial year end	11.55	6.24	3.68	1.20	0.82	13x
S&P ASX 300	6,230.8	5,668.8	5,195.5	5,400.5	5,339.9	3.9%
Underlying earnings per share	0.087	0.069	(0.061)	(0.133)	(0.196)	

F. ADDITIONAL DISCLOSURES RELATING TO KMP

SHARES

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

Name	Balance at start of the year	Received due tax exempt share plan issue	Other changes during the year	Balance at end of the year
Andrew Alcock	356,883	-	400,000	756,883
Jason Entwistle	899,837	1,000	281,571	1,182,408
Matthew Haes	94,069	1,000	82,843	177,912
Craig Lawrenson	-	1,000	-	1,000
Bruce Higgins	986,811	-	-	986,811
Ian Litster	3,588,751	-	-	3,588,751
Tony McDonald	-	-	5,194	5,194
Paul Rogan	-	-	25,000	25,000

OPTIONS

The number of options over ordinary shares in the company held during FY18 by each director and other members of KMP of the Group, including their personally related parties, is set out below:

Options over ordinary shares	Balance at start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at end of the year
Andrew Alcock	856,464	78,077	400,000	-	534,541
Jason Entwistle	847,329	63,940	480,000	-	431,269
Matthew Haes	303,253	23,286	125,000	-	201,539
Craig Lawrenson	-	57,664	-	-	57,664

PERFORMANCE RIGHTS (PARS)

The number of PARs over ordinary shares in the company held during FY18 by each director and other members of KMP of the Group, including their personally related parties, is set out below:

PARs over ordinary shares	Balance at start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at end of the year
Andrew Alcock	34,851	23,897	-	-	58,748
Jason Entwistle	28,587	19,570	-	-	48,157
Matthew Haes	9,249	7,127	-	-	16,376
Craig Lawrenson	-	18,378	-	-	18,378

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NON-EXECUTIVE DIRECTOR REMUNERATION

Objective and Structure

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

The amount of fixed remuneration is established for individual non-executive directors by resolution of the full Board, at its discretion. The annual aggregate non-executive remuneration may not exceed the amount fixed by the company in General Meeting for that purpose (currently fixed at a maximum of $600,000 per annum as approved by shareholders at the Annual General Meeting held on 29 November 2016).

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

Chairman (inclusive of committees):	$174,000 p.a.
Other non-executive directors	$75,000 p.a.

The Chair of the Audit, Risk & Compliance Committee and the Chair of the Remuneration and Nomination Committee each receive an additional $12,000 p.a. Committee participation other than the role of Chair is set at $6,000 p.a. per non-executive director excluding the Chairman of the Board.

In FY18 the Directors requested an external review of remuneration of Non-Executive Directors from Egan Associates Pty Ltd. The scope of this review included board and committee meetings attended, overall complexity of the HUB24 business and also the remuneration data from a comparator group of companies engaged in similar business activities of half and twice the scale of HUB24. Remuneration increases to Non-Executive Directors in FY18 have been based on advice received and targeted to be consistent with the Non-Executive Director role and market remuneration.

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

No additional amounts are paid to each director other than reimbursements for reasonable travel, accommodation and other expenses incurred as a consequence of their attendance at Board meetings and otherwise in the execution of their duties as directors.

The remuneration of non-executive directors for FY18 and FY17 are detailed in the Remuneration of KMP section of this remuneration report.

Directors' total compensation in aggregate increased by 26% over the prior financial year due to a market review of non-executive director compensation.

RETIREMENT ALLOWANCES FOR DIRECTORS

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

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Our company provides real choice through our functionally rich technology and products that support the delivery of superior investment and administration outcomes for financial advisers and their clients

AUDITOR'S INDEPENDENCE DECLARATION

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Deloitte.

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

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

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

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

17 August 2018

Dear Board Members

HUB24 Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of HUB24 Limited.

As lead audit partner for the audit of the consolidated financial statements of HUB24 Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan
Partner
Chartered Accountant

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



FINANCIAL REPORT

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $
Revenue from continuing operations			
Revenue	6	84,050,509	62,340,841
Fair value gain on contingent consideration	11	2,383,850	925,407
Interest and other income		560,475	503,011
		86,994,834	**63,769,259**
Expenses			
Platform and custody fees		(5,355,843)	(4,442,482)
Licensee fees		(34,209,969)	(29,527,490)
Employee benefits expense	6	(25,274,320)	(17,216,745)
Property and occupancy costs		(1,810,938)	(795,501)
Depreciation and amortisation expense	6	(2,015,909)	(1,423,529)
Administrative expenses	6	(8,518,021)	(6,612,175)
		77,185,000	**60,017,922**
Profit before income tax		9,809,834	3,751,337
Income tax (expense)/benefit	7	(2,431,085)	15,122,793
Profit after income tax for the year		**7,378,749**	**18,874,130**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**7,378,749**	**18,874,130**
Total comprehensive income for the year attributable to ordinary equity members of HUB24 Limited		**7,378,749**	**18,874,130**
		Cents	Cents
Earnings per share, attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share	21	12.27	34.95
Diluted earnings per share		11.91	33.15

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $
Assets			
Current assets			
Cash and cash equivalents	17	16,958,996	10,836,646
Trade and other receivables	8	5,088,028	6,874,626
Other current assets		764,737	644,566
Total current assets		**22,811,761**	**18,355,838**
Non-current assets			
Receivables		2,011,220	115,670
Office equipment	9	2,214,341	778,268
Intangible assets	10	32,023,318	28,085,430
Deferred tax assets	7	13,361,288	15,776,822
Total non-current assets		**49,610,167**	**44,756,190**
Total assets		**72,421,928**	**63,112,028**
Liabilities			
Current liabilities			
Trade and other payables	11	5,227,744	8,104,155
Provisions	12	4,080,145	3,747,617
Deferred income		417,479	88,897
Total current liabilities		**9,725,368**	**11,940,669**
Non-current liabilities			
Deferred income		1,022,260	853,769
Provisions	13	881,862	729,543
Other non-current liabilities	14	2,926,872	5,972,607
Total non-current liabilities		**4,830,994**	**7,555,919**
Total liabilities		**14,556,362**	**19,496,588**
Net assets		**57,865,566**	**43,615,440**
Equity			
Issued capital	15	96,183,908	89,148,977
Reserves	16	3,942,850	4,106,404
Profit reserve	28	5,088,013	–
Accumulated losses		(47,349,205)	(49,639,941)
Total equity		**57,865,566**	**43,615,440**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated	Issued capital $	Reserves $	Profit reserve $	Accumulated losses $	Total equity $
Opening balance	89,148,977	4,106,404	–	(49,639,941)	43,615,440
Balance at 1 July 2017	**89,148,977**	**4,106,404**	**–**	**(49,639,941)**	**43,615,440**
Total comprehensive income for the year	–	–	–	7,378,749	7,378,749
Transfer to Profit reserve	–	–	5,088,013	(5,088,013)	–
Total comprehensive income for the period	**–**	**–**	**5,088,013**	**2,290,736**	**7,378,749**
Transactions with owners in their capacity as owners:					
Shares issued for deferred consideration	3,936,440	(718,300)	–	–	3,218,140
Capital raising costs	(36,282)	–	–	–	(36,282)
Share based payments*	2,983,773	(658,994)	–	–	2,324,779
Options granted – Employees	–	1,296,802	–	–	1,296,802
Share based payments – Paragem option holders	–	(83,062)	–	–	(83,062)
Issue of treasury shares to employees	151,000	–	–	–	151,000
	7,034,931	**(163,554)**	**–**	**–**	**6,871,377**
Balance at 30 June 2018	**96,183,908**	**3,942,850**	**5,088,013**	**(47,349,205)**	**57,865,566**

*Share based payments includes $2,324,780 received for the exercise of options by employees and $658,994 transferred from the share based payment reserve for the options exercised. Refer to Note 16 for further details.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Consolidated	Issued capital $	Reserves $	Profit reserve $	Accumulated losses $	Total equity $
Opening balance	83,080,332	4,396,272	–	(68,514,071)	18,962,533
Balance at 1 July 2016	**83,080,332**	**4,396,272**	**–**	**(68,514,071)**	**18,962,533**
Total comprehensive income for the year	–	–	–	18,874,130	18,874,130
Total comprehensive income for the period	**–**	**–**	**–**	**18,874,130**	**18,874,130**
Transactions with owners in their capacity as owners:					
Shares issued for acquisition	3,807,766	–	–	–	3,807,766
Capital raising costs	(8,223)	–	–	–	(8,223)
Share based payments*	2,206,102	(806,275)	–	–	1,399,827
Share based payments – Paragem Option holders	–	(221,028)	–	–	(221,028)
Options granted – Employees	–	737,435	–	–	737,435
Issue of treasury shares to employees	63,000	–	–	–	63,000
	6,068,645	**(289,868)**	**–**	**–**	**5,778,777**
Balance at 30 June 2017	**89,148,977**	**4,106,404**	**–**	**(49,639,941)**	**43,615,440**

*Share based payments includes shares issued to the executive team in lieu of short term incentive bonus payments of $297,002 for the year ended 30 June 2017. Also included is $1,102,826 received for the exercise of options by employees and $806,275 transferred from the share based payment reserve for the options exercised. Refer to Note16 for further details.

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		93,222,547	65,615,921
Payments to suppliers and employees (inclusive of GST)		(81,481,922)	(61,882,882)
Interest received		509,966	202,341
Receipts from superfund expense recovery		–	127,427
Net cash inflow from operating activities	**17**	**12,250,591**	**4,062,807**
Cash flows from investing activities			
Payments for acquisitions (net of cash acquired)	27	(2,000,000)	(1,254,580)
Payments for office equipment		(2,012,169)	(339,321)
Payments for security deposits		–	(110,500)
Payment of software development costs		(4,389,022)	(2,133,866)
Receipts from return of security deposits		–	253,866
Net cash (outflow) from investing activities		**(8,401,191)**	**(3,584,401)**
Cash flows from financing activities*			
Proceeds from issues of shares and other equity securities		2,324,780	1,102,826
Payments for capital raising costs		(51,830)	(11,750)
Net cash inflow from financing activities		**2,272,950**	**1,091,076**
Net increase in cash and cash equivalents		**6,122,350**	**1,569,482**
Cash and cash equivalents at the beginning of the financial year		10,836,646	9,267,164
Cash and cash equivalents at end of year	**17**	**16,958,996**	**10,836,646**

*No shares were issued to the executive team in lieu of short term incentive bonus payments for the year ended 30 June 2018 ($297,002 for the year ended 30 June 2017 being non-cash transactions and excluded from financing activities).

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

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1. CORPORATE INFORMATION

The Annual Report of HUB24 Limited and its controlled entities ('the Group or HUB24') for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Board of Directors on 17 August 2018 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

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

PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 24.

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 amending 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 ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED (CONTINUED)

with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018. Our preliminary assessment is that the application of AASB9 will not have a material impact on the amounts reported and disclosures made in the Group's financial statements. Refer to Note 8.

AASB 16 'Leases'

AASB 16 to replace AASB 117 'Leases', provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets. AASB 16 applies to annual periods beginning on or after 1 January 2019.

The Group has identified all material leases to the Group and is in the process of assessing applicable lease term periods (likelihood of taking option extensions) and the discount rate to be applied. Under the expected transition option available within the new Standard, lease payments will be discounted using incremental borrowing rates at 1 July 2019. Further, on transition, the Group expects to apply the modified retrospective, which does not require restating of comparative periods.

A preliminary estimated impact of this new standard as at 30 June 2018 can be summarised as follows: introduction of an asset of $8.7m (undiscounted) and an increase in liabilities of $8.7m (undiscounted).

This preliminary assessment is indicative and based upon current information that may by its nature change between this reporting date and the application date of AASB 16. Refer to Note 18 for further details on lease commitments.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and supersedes AASB 118. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations (set-up fees), satisfied over time, an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018.

After conducting a detailed assessment, the directors of the Group are satisfied that the application of AASB 15 does not have a material impact on the amounts reported or disclosures made in the Group's financial statements as summarised:

Platform – Control is transferred to the customer as soon as funds are transitioned onto the platform. Platform administration fees are accrued daily, paid monthly in arrears for the ongoing provision of the platform, therefore no time-value of money adjustments are required. Each revenue stream is identified as a separate performance obligation within the platform business. Control for white label set up fees, is passed to the customer upon completion, however a proportion of revenue may be recognised prior to completion, the time period typically does not extend beyond 6 months. As currently this revenue is immaterial, no changes to revenue recognition are proposed;

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED (CONTINUED)

Licensee – Control is transferred to the advisor as soon as the advisor transacts under the licensee's terms and conditions. The transactional price and corresponding revenue value is recognised per the advisor's client receipts on a cash basis (per the individual contract and fee schedules);

IT services – Control is transferred and revenue is recognised with the agreed performance delivery of the following services; provision of data, software and IT infrastructure services via software licensing, this is within a period of 1–6 months. Clients have the right to terminate and negotiate fees where variable to agreed service delivery however the time period typically does not extend beyond 1–6 month (within the 12-month time period requiring any valuation adjustment).

GOING CONCERN

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

The Group manages capital across it's controlled entities to ensure it can self-fund it's operations and continue as a going concern.

DIVIDENDS

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June each year. Refer to Note 23 for a listing of all subsidiaries. There are no interests in associates.

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 dollar ($), 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. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables and cash and cash equivalents. The Group does not have debt facilities and does not trade in derivative instruments. The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.
- Interest risk.

This note presents information about HUB24 and the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the 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 their training and

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees and consultants understand their roles and obligations.

The Group Audit, Risk and Compliance Committee (ARCC) oversees how management monitors compliance with the company's and the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced. 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 receivables. For the company it arises from receivables due from subsidiaries.

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 intended result 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 policy is to provide financial guarantees only to wholly-owned subsidiaries.

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 to meet operational expenses for a period of 90 days, excluding the potential impact of extreme circumstances that cannot be reasonably predicted. The Group has no debt facilities or credit lines.

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. Refer Note 26.

MARKET RISK

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

Refer to Note 26: Financial Instruments for a market risk analysis of the Group's financial assets and liabilities.

CAPITAL MANAGEMENT

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

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

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3. FINANCIAL RISK MANAGEMENT
CAPITAL MANAGEMENT (CONTINUED)

INTEREST RISK

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

Refer to Note 26: Financial Instruments for a interest risk analysis of the Group's financial assets and liabilities.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

- Deferred tax assets (Note 7)
- Investment platform estimate of useful life (Note 10)
- Goodwill and other indefinite life intangible assets (Note 10)
- Agility contingent consideration (Note 11)
- Business combination (Note 27).

5. 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, 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.

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5. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS (CONTINUED)

IT Services

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

Corporate

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

Consolidated – year ended 30 June 2018	Platform $	Licensee $	IT Services $	Corporate S	Total $
Revenue					
Sales to external customers	39,670,243	35,769,463	8,460,153	–	83,899,859
Total Revenue	**39,670,243**	**35,769,463**	**8,460,153**	**–**	**83,899,859**
Segment result	**11,869,389**	**187,934**	**4,231**	**(667,789)**	**11,393,765**
Other non-operating items					
Interest revenue	180,512	27,659	5,154	296,641	509,966
Non-recurring revenue	98,065	–	–	–	98,065
Fair value gain – contingent consideration	–	–	–	2,383,850	2,383,850
Share based payments – Employee (Including payroll tax)	–	–	–	(1,594,798)	(1,594,798)
Share based payments – Paragem Option holders	–	–	–	83,062	83,062
Discount on contingent consideration	–	–	–	(601,891)	(601,891)
Depreciation and amortisation	(1,280,908)	(5,134)	(271,571)	(458,296)	(2,015,909)
Non recurring costs*	387	–	4,687	(451,350)	(446,276)
Profit before income tax	**10,867,445**	**210,459**	**(257,499)**	**(1,010,571)**	**9,809,834**
Income tax expense	–	–	–	(2,431,085)	(2,431,085)
Profit after income tax	**10,867,445**	**210,459**	**(257,499)**	**(3,441,656)**	**7,378,749**
Reconciliation to revenue from ordinary activities					
Sales to external customers					83,899,859
Interest revenue					509,966
Non-recurring revenue					98,065
Fair value gain – contingent consideration					2,383,850
Waived service fees*					52,687
Sub-lease income					50,407
Revenue from ordinary activities					**86,994,834**

*Waived Service fees are included within non-recurring costs for segment allocation purposes.

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5. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS (CONTINUED)

Consolidated – year ended 30 June 2017	Platform $	Licensee $	IT Services $	Corporate S	Total $
Revenue					
Sales to external customers	26,720,996	30,810,493	4,701,436	–	62,232,925
Total Revenue	**26,720,996**	**30,810,493**	**4,701,436**	**–**	**62,232,925**
Segment result	**5,440,754**	**315,093**	**243,687**	**(507,626)**	**5,491,908**
Other non-operating items					
Interest revenue	277,467	–	4,757	220,787	503,011
Non-recurring revenue	107,918	–	–	–	107,918
Fair value gain – contingent consideration	–	–	–	925,407	925,407
Share based payments – Employee (Including payroll tax)	–	–	–	(1,137,452)	(1,137,452)
Share based payments – Paragem Option holders	–	–	–	221,027	221,027
Discount on contingent consideration	–	–	(2,039)	(385,774)	(387,813)
Depreciation and amortisation	(1,229,982)	(2,131)	(191,416)	–	(1,423,529)
Non recurring costs	–	–	(73)	(549,067)	(549,140)
Profit before income tax	**4,596,157**	**312,962**	**54,916**	**(1,212,698)**	**3,751,337**
Income tax/benefit	–	–	–	15,122,793	15,122,793
Profit after income tax	**4,596,157**	**312,962**	**54,916**	**13,910,095**	**18,874,130**
Reconciliation to revenue from ordinary activities					
Sales to external customers					62,232,925
Interest revenue					503,011
Non-recurring revenue					107,918
Fair value gain – contingent consideration					925,407
Revenue from ordinary activities					**63,769,261**

MAJOR CLIENTS

During the year ended 30 June 2018, HUB24's largest client accounted for approximately 13% or $10.7 million in revenue to the consolidated group. The client is a financial advice business and is serviced by the Licensee segment. (During the year ended 30 June 2017, HUB24's largest client accounted for approximately 16% or $9.9 million in revenue to the consolidated group. The client is a financial advice business and is serviced by the Licensee segment).

Platform segment: no client contributed 10% in external revenue to the segment during the year ended 30 June 2018 or 30 June 2017.

Licensee segment: one client contributed more than 10% to the segment, with a contribution of 30% or $10.7 million in external revenue. (During 30 June 2017 : one client contributed more than 10% to the segment, with a contribution of 32% or $9.9 million in external revenue.)

IT Services: two clients each contributed more than 10% to the segment, with a 66% or $5.6 million and 15% or $1.3 million external revenue contribution. (During 30 June 2017 two clients each contributed more than 10% to the segment, with a 65% or $3.1 million and 10.3% or $0.5million external revenue contribution).

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6. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

KEY ACCOUNTING POLICIES

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

Revenue is recognised for the major business activities as follows:

Platform fees

- FUA fee revenue is recognised and measured at the fair value of the consideration received or receivable on the value of client account balances.
- Transaction fee revenue is recognised and measured at the fair value of the consideration received or receivable on the date of execution of the transaction.
- Platform fees are accrued daily, paid monthly in arrears for the ongoing provision for agreed services and transactions.

Licensee fees

- Licensee fee revenue is measured at the fair value of the consideration received or receivable on advice provided to clients and payments from product providers.
- Licensee fee revenue is recognised per the advisors client receipts on a cash basis.

IT Service fees

- Licence fee revenue is measured at the fair value of the contracted consideration received or receivable on licensed software services provided to clients. This revenue is recognised in accordance with the performance delivery of agreed services, within a period of 1-6 months.
- Consulting IT Services fee revenue is measured at the fair value of the consideration received or receivable on advice provided to clients on a time and materials basis. Revenue is recognised on a monthly basis and is dependant upon time and material usage.

Interest income

- Interest income comprises interest on cash and short term deposits. Interest income is recognised as it accrues in profit using the effective interest method.

	Consolidated 2018 $	Consolidated 2017 $
(a) Revenue		
Platform fees	39,820,893	26,828,913
Licensee fees	35,769,463	30,810,492
IT Services fees	8,460,153	4,701,436
	84,050,509	**62,340,841**
Expenses		
(b) Employee benefits expenses		
Wages and salaries (incl super and payroll tax)	19,972,061	12,979,527
Share based payments expense – Employees	1,447,802	800,435
Other employee benefits expenses	3,854,457	3,436,783
	25,274,320	**17,216,745**

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6. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

KEY ACCOUNTING POLICIES (CONTINUED)

	Consolidated 2018 $	Consolidated 2017 $
(c) Depreciation and amortisation		
Depreciation of office equipment	576,097	355,166
Amortisation of intangible assets	1,439,812	1,068,363
	2,015,909	**1,423,529**
(d) Administrative expenses		
Corporate fees	478,544	354,144
Professional and consultancy fees	1,457,977	1,187,445
Information services and communication	2,304,771	1,523,051
Travel and entertainment	1,122,447	716,923
Share based payments – Paragem Option holders	(83,062)	(221,027)
Transaction costs	435,340	549,066
Discount on consideration	601,891	387,813
Superfund administrative fees	1,578,701	1,340,434
Other administrative expenses	621,412	774,326
	8,518,021	**6,612,175**

7. INCOME TAX

KEY ACCOUNTING POLICIES

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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7. INCOME TAX

KEY ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

OTHER TAXES

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

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

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

KEY ESTIMATES AND JUDGEMENTS

Recovery of deferred tax assets

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

The deferred tax asset continues to be recognised as at 30 June 2018 based on the following management judgements:

- The company has experienced its second full year of profitability with consistent growth, margins and profit line trends over the last 5 financial years;
- For the year ended 30 June 2018, the Group has increased profit performance and expects this growth trajectory to continue.

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

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

Research and development expenditure

The income tax calculation for the year ended 30 June 2018, 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 year ended 30 June 2018, comprise 90% of the total estimated R & D claim. This percentage allocation is consistent with the actual R & D claim for the year ended 30 June 2017.

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7. INCOME TAX

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

	2018 $	Consolidated 2017 $
(a) Income tax expense/(benefit)		
Deferred tax expense/(benefit)	2,558,403	(15,122,793)
Prior period deferred tax under/(over) provision	(127,318)	–
Income tax expense/(benefit)	**2,431,085**	**(15,122,793)**
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	2,588,504	(15,005,666)
Prior period deferred tax under/(over) provision	(127,318)	–
(Decrease)/increase in deferred tax liabilities	(45,650)	172,722
Deferred tax – debited/(credited) directly to goodwill on acquisition	–	(293,374)
Deferred tax – debited/(credited) directly to equity	15,549	3,525
	2,431,085	**(15,122,793)**

	2018 $	Consolidated 2017 $
(b) Reconciliation of income tax expense/(benefit) to pre tax accounting profit/(loss)		
Profit from continuing operations before income tax	9,809,831	3,751,338
	9,809,831	**3,751,338**
Prima facie income tax at 30%	2,942,949	1,125,401
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment – non-deductible	31,548	34,009
Fines and penalties – non-deductible	–	781
Other expenses – non-deductible	(5,073)	98,412
Employee share plan costs – non-deductible	434,341	240,131
Other income – non-assessable	(741,972)	(304,291)
	2,661,793	**1,194,443**
Temporary differences brought to account	–	(16,031,954)
Prior period deferred tax under/(over) provision	(127,318)	–
Temporary differences – research and development	(103,390)	(285,282)
	(230,708)	**(16,317,236)**
Income tax expense/(benefit)	**2,431,085**	**(15,122,793)**
Other disclosure items		
Deferred tax – debited/(credited) directly to equity	(15,549)	(3,525)

7. INCOME TAX

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

	Consolidated 2018 $	Consolidated 2017 $
(c) Deferred Tax Asset		
Deferred tax asset comprises temporary differences attributable to:		
Intangibles – other	1,120,469	1,660,201
Accrued expenses	104,817	139,589
Provisions	1,492,015	1,300,275
Carry forward tax losses	6,722,820	9,927,855
Non-refundable carry forward tax offsets	4,327,016	3,174,370
Sundry DTA	63,852	89,883
	13,830,989	**16,292,173**
Movements:		
Opening balance	16,292,173	1,286,506
Prior period deferred tax under/(over) provision	127,318	–
Intangibles – other	(539,733)	1,512,161
Accrued expenses	(34,772)	8,141
Provisions	191,740	363,586
Carry forward tax losses	(3,113,369)	9,927,855
Non-refundable carry forward tax offsets	933,662	3,174,370
Sundry DTA	(26,030)	(72,272)
Acquired DTA	–	91,826
Closing balance	**13,830,989**	**16,292,173**

	Consolidated 2018 $	Consolidated 2017 $
(d) Deferred Tax Liability		
Deferred tax liability comprises temporary differences attributable to:		
DTL on intangibles	469,701	515,351
	469,701	**515,351**
Movements:		
Opening balance	515,351	342,630
Accounts receivable – other	–	(81,691)
DTL on acquired Customer Relationships	–	372,328
Other Intangibles	(45,650)	(5,017)
Credited/(charged) to profit or loss	–	(112,899)
Closing balance	**469,701**	**515,351**

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7. INCOME TAX

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

	Consolidated 2018 $	2017 $
(e) Other disclosure items		
Capital raising costs in Equity	(15,549)	(3,525)
	(15,549)	(3,525)

TAX CONSOLIDATION

Members of the tax consolidated Group and the tax sharing arrangement

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

Tax effect accounting by members of the tax consolidated Group

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 Group has applied the consolidated Group 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.

8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

KEY ACCOUNTING POLICIES

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

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

KEY ESTIMATES AND JUDGEMENTS

Estimation of bad debts and provisioning

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

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8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

KEY ACCOUNTING POLICIES (CONTINUED)

	Consolidated 2018 $	2017 $
Trade receivables	5,080,228	4,859,911
Provision for doubtful debts	(11,372)	–
ORFR loan facility	–	2,000,000
Other receivables	19,172	14,715
	5,088,028	**6,874,626**

ORFR LOAN FACILITY

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

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

The facility has been extended to 31 December 2020 under the same commercial terms and has been reclassified to Non-current receivables.

IMPAIRMENT AND RECOVERABILITY

Balances within trade and other receivables do not contain impaired assets. It is expected that these balances will be received as and when they fall due. Refer to Note 26 for the maturity analysis.

FAIR VALUE

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

9. NON-CURRENT ASSETS – OFFICE EQUIPMENT

KEY ACCOUNTING POLICIES

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

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

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

- Office furniture and fittings – over 2.5 to 5 years
- Computer equipment – 3 years
- Leased assets – over the term of the lease.

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9. NON-CURRENT ASSETS – OFFICE EQUIPMENT

KEY ACCOUNTING POLICIES (CONTINUED)

Consolidated Year ended 30 June 2018	Computer equipment $	Office furniture and fittings $	Total $
Cost or fair value	1,832,488	1,752,009	3,584,497
Accumulated depreciation	(1,093,180)	(276,976)	(1,370,156)
Net book amount	**739,308**	**1,475,033**	**2,214,341**
Reconciliations of the carrying amounts at the beginning and end of the financial year:			
Opening net book amount	572,212	206,056	778,268
Additions	520,418	1,509,040	2,029,458
Disposals	(1,003)	(16,285)	(17,288)
Depreciation charge	(352,319)	(223,778)	(576,097)
Closing net book amount	**739,308**	**1,475,033**	**2,214,341**

Consolidated Year ended 30 June 2017	Computer equipment $	Office furniture and fittings $	Total $
Cost or fair value	1,326,401	371,703	1,698,104
Accumulated depreciation	(754,189)	(165,647)	(919,836)
Net book amount	**572,212**	**206,056**	**778,268**
Reconciliations of the carrying amounts at the beginning and end of the financial year:			
Opening net book amount	77,936	74,479	152,415
Acquisition of subsidiary	493,561	118,654	612,215
Additions	239,057	100,337	339,394
Disposals	(73)	–	(73)
Depreciation charge	(238,269)	(87,414)	(325,683)
Closing net book amount	**572,212**	**206,056**	**778,268**

10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

KEY ACCOUNTING POLICIES

Goodwill

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

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

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

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of,

10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

KEY ACCOUNTING POLICIES (CONTINUED)

the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

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

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

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

KEY ESTIMATES AND JUDGEMENTS

Investment Platform estimate of useful life

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

The three components with different useful lives are:

- Core database with a useful life of 20 years;
- Applications with a useful life of 10 years;
- User Interface with a useful life of 5 years.

The assessment of useful life is a key management judgement and the useful lives adopted could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

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

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10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Capitalisation of development costs

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

Consolidated	Investment Platform $	Goodwill* $	Agility connect software $	Agility customer relationship $	Other** $	Total $
Year ended 30 June 2018						
At cost	19,598,051	16,325,588	2,540,970	1,284,000	1,008,592	40,757,201
Accumulated amortisation and impairment	(7,755,949)	–	(457,771)	(120,082)	(400,081)	(8,733,883)
Net carrying amount	**11,842,102**	**16,325,588**	**2,083,199**	**1,163,918**	**608,511**	**32,023,318**
Reconciliations of the carrying amount at the beginning and end of the financial year:						
Opening carrying amount	8,540,719	15,336,909	2,365,220	1,241,094	601,488	28,085,430
Other additions	4,239,673	–	–	–	149,349	4,389,022
Acquisitions through business combinations	–	988,679	–	–	–	988,679
Amortisation charge	(938,290)	–	(282,021)	(77,176)	(142,326)	(1,439,813)
Closing carrying amount	**11,842,102**	**16,325,588**	**2,083,199**	**1,163,918**	**608,511**	**32,023,318**

*Goodwill has arisen from the business combination with DIY Administration Pty Ltd, refer to Note 27 for further details.
**Other Is comprised of the Dealer network, Managed fund client list and Software intangibles.

Consolidated Year ended 30 June 2017	Investment Platform $	Goodwill $	Agility connect software $	Agility customer relationship $	Other* $	Total $
Year ended 30 June 2017						
At cost	15,358,379	15,336,909	2,540,970	1,284,000	868,712	35,388,970
Accumulated amortisation and impairment	(6,817,660)	–	(175,750)	(42,906)	(267,224)	(7,303,540)
Net carrying amount	**8,540,719**	**15,336,909**	**2,365,220**	**1,241,094**	**601,488**	**28,085,430**
Reconciliations of the carrying amount at the beginning and end of the financial year:						
Opening carrying amount	7,261,779	5,852,019	–	–	602,724	13,716,522
Other additions	2,053,655	–	–	–	80,211	2,133,866
Acquisitions through business combinations	–	9,484,890	2,540,970	1,284,000	23,030	13,332,890
Amortisation charge	(774,715)	–	(175,750)	(42,906)	(104,477)	(1,097,848)
Closing carrying amount	**8,540,719**	**15,336,909**	**2,365,220**	**1,241,094**	**601,488**	**28,085,430**

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

10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

Intangible assets are allocated to the Group'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		

Investment platform (Included within Investment Platform CGU)

The recoverable amount of the Investment Platform is determined based on a value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by directors covering a 5 year period. Cash flows beyond the 5 year period are extrapolated using a terminal value.

Goodwill – Paragem (Included within Investment platform CGU)

Goodwill recognised as part of the Paragem acquisition was allocated to the Investment Platform CGU, while the Dealer Network intangible was identified as part of the Licensee CGU with a finite life.

The recoverable amount of the goodwill generated has been determined based on a value-in-use calculation using a discounted cash flow over a 5 year projection period. Cash flows beyond the 5 year period are extrapolated using a terminal value.

Goodwill – Agility (Included within Investment platform CGU)

Goodwill recognised as part of the Agility acquisition has been allocated to the Investment Platform CGU, while the Agility customer relationship and Agility connect software intangible have been identified as part of the IT Services CGU with a finite life.

The recoverable amount of the goodwill generated has been determined based on a value-in-use calculation using a discounted cash flow over a 5 year projection period. Cash flows beyond the 5 year period are extrapolated using a terminal value.

Agility connect software (Included within IT services CGU)

The fair market value of the Agility connect software intangible has been determined based on a value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by directors covering a 5 year period. Cash flows beyond the 5 year period are extrapolated using a terminal value.

The recoverable amount of the Agility connect software intangible has been assessed for indicators of impairment as at 30 June 2018. Based upon this assessment the carrying value of the intangible is not considered to be impaired.

Agility customer relationships (Included within IT services CGU)

The fair market value of the Agility customer relationships intangible has been determined based on a value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by directors covering a 5 year period. Cash flows beyond the 5 year period are extrapolated using a terminal value.

The recoverable amount of the Agility customer relationships intangible has been assessed for indicators of impairment as at 30 June 2018. Based upon this assessment the carrying value of the intangible is not considered to be impaired.

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10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

The goodwill recognised as a result of the Paragem Pty Ltd acquisition has been assessed based on the cash generated from future funds transferred to the platform.

The goodwill recognised as a result of the Agility Applications Pty Ltd acquisition has been assessed based on future funds transferred to the platform from Agility stockbroking clients.

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

1. Growth in funds under administration on the platform – Growth in the number of client accounts and hence funds under administration on the platform are a key assumption used in calculating future cashflows. Management have estimated future funds under administration on the platform at a 5 year compound annual growth rate of 30% with reference to current client transition rates, industry data and pipeline monitoring.
2. Pre-tax discount rate – The pre-tax discount rate used for the company's value-in-use calculations is 15.0%. (2017:15.5%) which equates to the weighted average cost of capital over the reporting period.
3. Terminal growth rate – The terminal growth rate used for the company's value-in-use calculations is 2.5%. (2017:2.5%).
4. Period over which cashflows have been discounted – Management have used a period of 5 years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given the stage of platform development and the remaining useful life of the core database. (12 years and 5 months from 30 June 2018).

There were no other key assumptions used for the investment platform intangible value in use calculation. Based on the above assessment there was no impairment of the investment platform intangible.

Impact of possible changes in key assumptions – Investment platform intangible

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

If the pre-tax discount rate for this intangible had been 2% higher than management estimates (17.0% instead of 15.0%), there would be no impairment of the intangible asset.

Key assumptions used for value-in-use calculations – Goodwill intangible Paragem

1. Growth in funds under administration on the platform – Growth in the number of client accounts and hence funds under administration on the platform are a key assumption used in calculating future cashflows.
2. Pre-tax discount rate – The post-tax discount rate used for the company's value-in-use calculations is 15.0%. (2017:15.5%) which equates to the weighted average cost of capital over the reporting period.
3. Terminal growth rate – The terminal growth rate used for the company's value-in-use calculations is 2.5%. (2017:2.5%).
4. Period over which cashflows have been discounted – Management have used a period of 5 years to discount projected cashflows for its value-in-use calculations.

There were no other key assumptions used for the Paragem goodwill intangible value in use calculation. Based on the above, there was no impairment applied to the goodwill arising from the Paragem acquisition.

10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

Impact of possible changes in key assumptions – Goodwill intangible Paragem

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

If the pre-tax discount rate for this CGU had been 2% higher than management estimates (17.0% instead of 15.0%) there would be no impairment of intangible assets.

Key assumptions used for value-in-use calculations – Goodwill intangible Agility

1. Growth in funds under administration on the platform – Growth in the number of client accounts and hence funds under administration on the platform are a key assumption used in calculating future cashflows.
2. Pre-tax discount rate – The pre-tax discount rate used for the company's value-in-use calculations is 16.0%. (2017:15.5%) which equates to the weighted average cost of capital over the reporting period.
3. Terminal growth rate – The terminal growth rate used for the company's value-in-use calculations is 2.5%. (2017:2.5%).
4. Period over which cashflows have been discounted – Management have used a period of 5 years to discount projected cashflows for its value-in-use calculations.

There were no other key assumptions used for the Agility goodwill intangible value in use calculation. Based on the above, there was no impairment applied to the goodwill arising from the Agility acquisition.

Impact of possible changes in key assumptions – Goodwill Agility.

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

If the pre-tax discount rate for this CGU had been 2% higher than management estimates (17.0% instead of 15.0%) there would be no impairment of intangible assets.

Key assumptions used for value-in-use calculations – Agility customer relationship and Agility connect software

1. Growth in Connect licenses, consulting income and IT infrastructure support are key assumptions used in calculating future cash flows. Management have estimated revenue growth of the IT Services CGU as a 5 year CAGR of 7% with reference to current client license rates, industry data and pipeline monitoring.
2. An EBITDA 5 year average margin of 12.9% is estimated and is also considered a key assumption used in calculating future cashflows. The rate is considered by management to be reasonable based upon the actual and anticipated performance of the asset.
3. Pre-tax discount rate – The pre-tax discount rate used for the company's value-in-use calculations is 16.0%. This has been determined based on the weighted average cost of capital for the IT Services CGU.
4. Period over which cashflows have been discounted – Management have used a period of 5 years to discount projected cashflows for its value-in-use calculations.
5. Terminal growth rate – The terminal growth rate used for the company's value-in-use calculations is 1.5%. (2017:1.5%).

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

Impact of possible changes in key assumptions – Customer relationship and Connect software

If the business EBITDA margin were 2% lower than management estimates over the period of the value-in-use calculation, there would be no impairment of intangible assets.

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10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

KEY ESTIMATES AND JUDGEMENTS (CONTINUED)

If the pre-tax discount rate for this CGU had been 2% higher than management estimates (18.0% instead of 16.0%) there would be no impairment of intangible assets.

Based on the above the value-in-use of the Customer relationship and Connect software intangibles exceed the carrying value and are not considered impaired.

11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

KEY ACCOUNTING POLICIES

Trade, Deferred consideration and other payables are carried at amortised cost and represent liabilities for goods and services provided to the 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.

	Consolidated 2018 $	2017 $
Trade creditors	1,023,235	592,441
Deferred contingent consideration – Paragem	–	3,383,099
Deferred contingent consideration – Agility	1,360,377	1,438,055
Key contract consideration – Agility	300,000	500,000
Sundry creditors	2,544,132	2,190,560
Total trade and other payables	**5,227,744**	**8,104,155**

DEFERRED CONTINGENT CONSIDERATION – PARAGEM

On 10 October 2017 the Group issued 4,256,991 ordinary shares (refer to Issued Note 14) as the final consideration payment for the Group's acquisition of Paragem Pty Ltd that was acquired on 3 September 2014.

The shares issued are not subject to escrow arrangements or disposal restrictions and are freely tradeable from date of issue.

The final payment for the Paragem deferred contingent consideration has resulted in a fair value gain of $175,268 for the year ended 30 June 2018 ($925,407 for the year ended 30 June 2017).

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).

On 14 July 2017 $200k was paid and 5 January 2018 $1.5m was paid for deferred consideration and was subject to performance conditions and warranty claims being met. As at the date of these accounts a further $0.3 million is to be paid on the renewal of a key client contract and up to $1.4m payable on 3 January 2019 which is subject to meeting certain conditions and performance hurdles. Refer Note 14 for Non-current deferred consideration $2.9m.

Management's estimate of the performance over the earnout period until 3 January 2020 against set criteria requires significant judgement. During the year ended 30 June 2018 the performance criterion have been revised to align the strategic rationale of acquiring Agility. As at 30 June 2018 management estimate that 66% of the revised performance criterion will be met over the one and a half years to 3 January 2020, resulting in fair value deferred contingent consideration of $4.3million. (30 June 2017, estimated total of $5.7 million in purchase consideration based on management's judgement that 100% of the performance criteria will be met).

11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

DEFERRED CONTINGENT CONSIDERATION – AGILITY (CONTINUED)

The impacts upon the financial statements for the year ended 30 June 2018 of the change to management's estimate are as follows:

Contingent consideration – Paragem	Decrease by 175,268
Contingent consideration – Agility	Decrease by 2,208,582
Total contingent consideration	**Decrease by 2,383,850**
Fair value gain on contingent consideration – Paragem	Increase by 175,268
Fair value gain on contingent consideration – Agility	Increase by 2,208,582
Total fair value gain on contingent consideration	**Increase by 2,383,850**

12. CURRENT LIABILITIES – PROVISIONS

KEY ACCOUNTING POLICIES

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.

BROKING CLAIM PROVISION

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

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12. CURRENT LIABILITIES – PROVISIONS

BROKING CLAIM PROVISION (CONTINUED)

	2018 $	Consolidated 2017 $
Employee benefits – Annual leave	1,289,635	932,813
Employee benefits – Short term incentive	2,505,366	1,947,265
Lease make good	45,988	122,892
Rental lease liability	239,156	38,193
Broking claims – Discontinued stockbroking operation	-	420,150
Employee benefits – Payroll tax Options	-	89,283
Other sundry provisions	-	197,021
	4,080,145	**3,747,617**

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

Consolidated	Broking claims $	Lease liability $	Lease make good $	Other sundry $
2018				
Carrying amount at the start of the year	420,150	38,193	122,892	197,021
Additional provisions recognised/(released)	(420,150)	200,963	–	–
Amounts paid during the year	–	–	(76,904)	(197,021)
Carrying amount at the end of the year	**–**	**239,156**	**45,988**	**–**

Consolidated	Broking claims $	Lease liability $	Lease make good $	Other sundry $
2017				
Carrying amount at the start of the year	443,353	–	–	–
Additional provisions recognised/(released)	–	38,193	122,892	197,021
Amounts paid during the year	(23,203)	–	–	–
Carrying amount at the end of the year	**420,150**	**38,193**	**122,892**	**197,021**

13. NON-CURRENT LIABILITIES – PROVISIONS

	2018 $	Consolidated 2017 $
Employee benefits – long service leave	693,936	569,903
Lease make good provision	70,185	48,066
Rental lease liability	117,741	111,574
	881,862	**729,543**

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.

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13. NON-CURRENT LIABILITIES – PROVISIONS (CONTINUED)

MOVEMENTS IN PROVISIONS

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

Consolidated	Lease make good $	Rental lease liability $
2018		
Carrying amount at start of year	48,066	111,575
Additional provisions recognised	22,119	6,167
Amounts reclassified/released during the year	-	-
Unwinding of discount	-	-
Carrying amount at end of period	**70,185**	**117,742**

Consolidated	Lease make good $	Rental lease liability $
2017		
Carrying amount at start of year	102,948	61,957
Additional provisions recognised	68,010	87,810
Amounts reclassified/released during the year	(122,892)	(38,192)
Carrying amount at end of period	**48,066**	**111,575**

14. OTHER – NON-CURRENT LIABILITIES

CONTINGENT CONSIDERATION – AGILITY

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

Management's estimate of the performance over the earnout period until 3 January 2020 against set criteria requires significant judgement. As at 30 June 2018 management estimate that 66% of the revised performance criteria will be met over the one and a half years to 3 January 2020, resulting in fair value deferred contingent consideration of $4.3million. (30 June 2017, estimated to be $5.7 million in purchase consideration based on management's judgement that 100% of the performance criteria will be met). Refer Note 11 for current deferred consideration $1.4million.

In the circumstances where 10% of performance criteria were not to be met, the following impact would result:

Contingent purchase consideration	Decrease by 428,724
Fair value gain	Increase by 428,724

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14. OTHER – NON-CURRENT LIABILITIES

CONTINGENT CONSIDERATION – AGILITY

Consolidated	Contingent consideration $
2018	
Carrying amount at start of year	5,972,607
Additional provisions recognised	-
Amounts reclassified/released during the year	(1,360,377)
Unwinding of discount	523,224
Fair value gain on contingent consideration (profit and loss)	(2,208,582)
Carrying amount at end of period	**2,926,872**

Consolidated	Contingent consideration $
2017	
Carrying amount at start of year	4,246,287
Additional provisions recognised	5,710,995
Amounts reclassified/released during the year	(4,246,287)
Unwinding of discount	261,612
Carrying amount at end of period	**5,972,607**

15. ISSUED CAPITAL

KEY ACCOUNTING POLICIES

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

Consolidated	2018 Number	2017 Number	2018 $	2017 $
(a) Issued and paid up capital				
Ordinary shares, fully paid	61,588,666	54,980,675	96,231,758	89,213,158
(b) Other equity securities				
Treasury shares	(70,789)	(94,949)	(47,850)	(64,181)
Total capital	**61,517,877**	**54,885,726**	**96,183,908**	**89,148,977**
Movements in issued and paid up capital				
Beginning of the financial year	54,980,675	52,890,711	89,213,158	83,154,042
Shares issued	6,607,991	2,089,964	5,542,919	5,207,603
Transfer from share based payment reserve	–	–	1,377,294	806,275
Additional paid up capital	–	–	134,669	53,461
Total shares	**61,588,666**	**54,980,675**	**96,268,040**	**89,221,381**
Capital raising costs	–	–	(36,282)	(8,223)
End of the financial year	**61,588,666**	**54,980,675**	**96,231,758**	**89,213,158**
Movement in other equity securities – treasury shares				
Beginning of the financial year	94,949	109,061	64,181	73,720
Employee share issue	(24,160)	(14,112)	(16,331)	(9,539)
End of the period	**70,789**	**94,949**	**47,850**	**64,181**

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15. ISSUED CAPITAL

KEY ACCOUNTING POLICIES (CONTINUED)

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

ORDINARY SHARES – FOR THE YEAR ENDED 30 JUNE 2018

On 14 July 2017, the Group issued 310,000 ordinary shares for options exercised by employees of the Group for consideration of $261,424.

On 1 August 2017, the Group issued 680,000 ordinary shares for options exercised by employees of the Group for consideration of $573,784.

On 6 September 2017, the Group issued 462,333 ordinary shares for options exercised by employees of the Group for consideration of $514,073.

On 10 October 2017, the Group issued 4,256,991 ordinary shares for final settlement of the Paragem acquisition earnout consideration of $3,936,440.

On 1 December 2017, the Group issued 240,000 ordinary shares for options exercised by employees of the Group for consideration of $235,200.

On 11 December 2017, the Group issued 120,000 ordinary shares for options exercised by employees of the Group for consideration of $117,600.

On 25 January 2018, the Group issued 538,667 ordinary shares for options exercised by employees of the Group for consideration of $622,699.

ORDINARY SHARES – FOR THE YEAR ENDED 30 JUNE 2017

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

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

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

On 29 November 2016, the company issued 21,525 ordinary shares to the Managing Director in lieu of a $96,002 short term incentive bonus payment authorised for the year ended 30 June 2016 and approved at the Annual General Meeting of the company.

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

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

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

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

TREASURY SHARES

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

On 1 September 2017, the company transferred 24,160 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

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

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16. RESERVES

	Consolidated 2018 $	Consolidated 2017 $
Share based payments share reserve	3,942,850	4,106,404
Movements in share based payments share reserves:		
Opening balance	4,106,404	4,396,272
Reserve reclassified to share capital through options issued	(1,377,294)	(806,276)
Employee share based payment expense	1,447,802	800,435
Share based payments to Paragem option holders	(83,062)	(221,027)
Shares issued through HUB24 Share Ownership Trust	(151,000)	(63,000)
Closing balance	**3,942,850**	**4,106,404**

17. RECONCILIATION OF CASH FLOWS

KEY ACCOUNTING POLICIES

Cash and cash equivalents

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

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

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

	Consolidated 2018 $	Consolidated 2017 $
Net profit/(loss) after tax for the year	7,378,749	18,874,130
Non-cash items:		
Depreciation and amortisation	2,015,909	1,423,529
Share based payment expense – Employee	1,447,802	800,435
Share based payment expense – Paragem Option holders	(83,062)	(221,027)
Fair value gain on contingent consideration	(2,383,850)	(925,407)
Deferred revenue	(138,424)	(88,897)
Shares issued to executive for short term incentive	-	297,002
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	1,786,598	(2,856,364)
(Increase)/decrease in deferred tax assets	2,431,085	(15,122,793)
(Increase)/decrease in other assets	(2,015,720)	(153,169)
Increase/(decrease) in trade and other payables	163,195	3,253,475
Increase/(decrease) in provisions	1,648,310	(1,218,107)
Net cash flow from operating activities	**12,250,592**	**4,062,807**

17. RECONCILIATION OF CASH FLOWS

KEY ACCOUNTING POLICIES (CONTINUED)

(b) Reconciliation of cash and cash equivalents

	Consolidated 2018 $	Consolidated 2017 $
Cash and cash equivalents comprises:		
Cash on hand and at bank	16,958,996	10,836,646
	16,958,996	**10,836,646**

(c) Terms and conditions

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

18. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

	Consolidated 2018 $	Consolidated 2017 $
Future minimum rentals payable under non-cancellable operating leases:		
Within 1 year	1,596,200	675,502
After 1 year and less than 5 years	5,657,060	886,023
More than 5 years	1,486,155	–
Total minimum lease payments	**8,739,415**	**1,561,525**

The above relates to lease commitments for six premises with lease terms between 1 and 7 years. The remaining commitments relate to office equipment with lease terms between 3 and 5 years.

Lease payments recognised as an expense in the current year amount to $1,636,570 (2017: $747,847).

Security deposits and guarantees for six leased properties amount to $11,649 in rental bonds (2017: $115,670), which will be repaid at the end of each tenancy provided that no money is owed and the property is restored in accordance with the lease agreement.

CONTINGENCIES

Nil contingencies. (2017: Nil)

	Consolidated 2018 $	Consolidated 2017 $
Total contingent assets and liabilities	**-**	**-**

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19. SHARE BASED PAYMENTS PLAN

KEY ACCOUNTING POLICIES

Equity settled transactions

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

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

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

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

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

- Non-vesting conditions that do not determine whether the Group receives services that entitle the employee to receive payment in equity or cash;
- Conditions that are linked to the price of the shares of HUB24.

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

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

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

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

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

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

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

19. SHARE BASED PAYMENTS PLAN

KEY ACCOUNTING POLICIES (CONTINUED)

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

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

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

KEY ESTIMATES AND JUDGEMENTS

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

RECOGNISED SHARE-BASED PAYMENT EXPENSES

The expense recognised from equity-settled share-based payment transactions during the year is $1,447,802 (2017: $800,435) expense relating to employee option plans was offset by $83,062 credit relating to the Paragem Option holders. (2017: $221,027).

TYPES OF SHARE-BASED PAYMENT PLANS

1. Share based payment plans issued during the year ended 30 June 2018

Tax Exempt Share Plan – Employees	
Number of Shares Issued	24,160
Issue Date	1 September 2017
Issue Price	$6.25
Vesting Conditions for All Shares	Interests held in the shares are not at risk of forfeiture. There is no condition or requirement that needs to be satisfied in order to acquire the shares.
Voting	Shareholders are entitled to vote.
Dividends	The shares provide entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	The shares must not be sold, transferred or otherwise disposed of, or mortgaged, charged or otherwise encumbered, on or before the 3rd anniversary of the date employees acquired the Shares or the date they cease to be employed, whichever occurs first.

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19. SHARE BASED PAYMENTS PLAN

TYPES OF SHARE-BASED PAYMENT PLANS (CONTINUED)

Options and Rights – Employees						
	Share Ownership Plan	PRP (Rights)	Share Ownership Plan	PRP (Rights)	Share Ownership Plan – MD	PRP (Rights) – MD
Issue Date	11 Oct 2017	11 Oct 2017	21 Aug 2017	21 Aug 2017	11 Dec 2017	11 Dec 2017
Number of Options Issued	401,686	122,942	34,247	11,211	78,077	23,897
Expiry Date	11 Oct 2022	11 Oct 2022	21 Aug 2022	21 Aug 2022	11 Dec 2022	11 Dec 2022
Expected Vesting Period	3 years	3 years	3 years	3 years	3 years	3 years
Exercise Price	$7.09	nil	$6.25	nil	$7.09	nil
Vesting Conditions						
I. Service	[I] Must be an employee from date of issue until options are exercised, unless considered a good leaver (in which case must exercise within 30 days).					
II. Market	[II] 50% vesting on the achievement of Performance condition 2. Absolute Total Shareholder Return (ATSR) CAGR in excess of 17.5% over three years, proportional vesting between 12.5% and 17.5%.		[II] 50% vesting on the achievement of Performance condition 2. Absolute Total Shareholder Return (ATSR) CAGR in excess of 17.5% over three years, proportional vesting between 12.5% and 17.5%.		[II] 50% vesting on the achievement of Performance condition 2. Absolute Total Shareholder Return (ATSR) CAGR in excess of 17.5% over three years, proportional vesting between 12.5% and 17.5%.	
III. FUA	[III] 50% vesting on the achievement of Performance condition 1. Growth in Funds Under Administration (FUA) CAGR in excess of 117.6% over three years, proportional vesting between 25.88% and 33.09% p.a.		[III] 50% vesting on the achievement of Performance condition 1. Growth in Funds Under Administration (FUA) CAGR in excess of 109.7% over three years, proportional vesting between 28% and 45% p.a.		[III] 50% vesting on the achievement of Performance condition 1. Growth in Funds Under Administration (FUA) CAGR in excess of 117.6% over three years, proportional vesting between 25.88% and 33.09% p.a.	
Disposal Restrictions	Restriction on sale of shares for 12 months from exercise, except to fund options exercised for associated tax liabilities.					

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19. SHARE BASED PAYMENTS PLAN

TYPES OF SHARE-BASED PAYMENT PLANS (CONTINUED)

2. Share based payment plans issued prior to 1 July 2017.

Tax Exempt Share Plan – Employees	
Number of Shares Issued	14,112
Issue Date	1 September 2016
Issue Price	$4.46
Vesting Conditions for All Shares	Interests held in the shares are not at risk of forfeiture. There is no condition or requirement that needs to be satisfied in order to acquire the shares.
Voting	Shareholders are entitled to vote.
Dividends	The shares provide entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	The shares must not be sold, transferred or otherwise disposed of, or mortgaged, charged or otherwise encumbered, on or before the 3rd anniversary of the date employees acquired the shares or the date they cease to be employed, whichever occurs first.

Options and Rights – Employees			
FY 2017	Share Ownership Plan	PRP (Rights)	Share Ownership Plan
Issue Date	29 Nov 2016	29 Nov 2016	29 Nov 2016
Number of Options Issued	418,639	137,043	50,000
Expiry Date	29 Nov 2021	29 Nov 2021	29 Nov 2021
Expected Vesting Period	3 years	3 years	3 years
Exercise Price	$4.46	nil	$5.17
Vesting Conditions			
I. Service	[I] Must be an employee from date of issue until options are exercised, unless considered a good leaver (in which case must exercise within 30 days).		
II. Market	[II] 50% vesting on the achievement of Performance condition 1. Absolute Total Shareholder Return (ATSR) CAGR in excess of 17.5% over three years, proportional vesting between 12.5% and 17.5%.	[II] Achieve share price hurdle of 52% greater than exercise price for 20 consecutive days in the period between 36 months from the issue date and expiry of options.	
III. FUA	[III] 50% vesting on the achievement of Performance condition 2. Growth in Funds Under Administration (FUA) CAGR in excess of 45% over three years, proportional vesting between 28% and 45%.	N/A	
Disposal Restrictions	Restriction on sale of shares for 12 months from exercise, except to fund options exercised for associated tax liabilities.		

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19. SHARE BASED PAYMENTS PLAN

TYPES OF SHARE-BASED PAYMENT PLANS (CONTINUED)

Options and Rights – Employees			
FY 2016	Share Ownership Plan	Share Ownership Plan – CEO	Share Ownership Plan
Issue Date	14 Oct 2015	7 Dec 2015	30 Mar 2016
Number of Options Issued	620,000	150,000	50,000
Expiry Date	14 Oct 2020	7 Dec 2020	30 Mar 2021
Expected Vesting Period	3 years	3 years	3 years
Exercise Price	$2.46	$2.46	$3.98
Vesting Conditions			
I. Service	[I] Must be an employee from date of issue until options are exercised, unless considered a good leaver (in which case must exercise within 30 days).		
II. Market	[II] Achieve share price hurdle of greater than 52% of exercise price for 20 consecutive days in the period between 36 months from the issue date and expiry of options.		
Disposal Restrictions	Restriction on sale of shares for 12 months from exercise, except to fund options exercised for associated tax liabilities.		

Options and Rights – Employees			
FY 2015	Share Ownership Plan	Share Ownership Plan – CEO	Share Ownership Plan – Paragem*
Issue Date	17 Oct 2014	4 Dec 2014	4 Dec 2014
Number of Options Issued	760,000	200,000	50,000
Expiry Date	17 Oct 2019	4 Dec 2019	4 Dec 2019
Expected Vesting Period	3 years	3 years	24 Dec 2015, 24 Dec 2016, 24 Dec 2017
Exercise Price	$0.98	$0.98	$1.16
Vesting Conditions			
I. Service	[I] Must be an employee from date of issue until options are exercised, unless considered a good leaver (in which case must exercise within 30 days).		
II. Market	[II] Achieve share price hurdle in excess of 60% of the exercise price for 20 consecutive days in the period between 36 months from issue and expiry of options.	[II] Achieve share price hurdle in excess of 60% of the exercise price for 20 consecutive days in the period between 36 months from issue and expiry of options.	Share price hurdle (1)
III. Performance	As determined by the Board in its sole discretion.		
Disposal Restrictions	Restriction on sale of shares for 12 months from exercise, except to discharge tax obligations in relation to the issue.		

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19. SHARE BASED PAYMENTS PLAN (CONTINUED)

SHARE OPTION PLAN 4 DECEMBER 2014 – PARAGEM EXECUTIVE REMUNERATION

1. Market – Share price hurdle in 3 Tranches

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

*950,000 options exercised with 50,000 remaining.

SUMMARIES OF OPTIONS GRANTED

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

	2018			2017		
	Number	WAEP	WASP	Number	WAEP	WASP
Outstanding at the beginning of the year	4,229,639	-	-	5,045,000	-	-
Granted during the year	514,010	$7.03	-	468,639	$4.56	-
Forfeited during the year	127,604	-	-	-	-	-
Exercised during the year	2,351,000	$0.99	$8.00	1,284,000	$0.86	$5.31
Expired during the year	-	-	-	-	-	-
Outstanding at end of the year	2,265,045	-	-	4,229,639	-	-
Exercisable at the end of the year	600,000	-	-	1,679,000	-	-

The outstanding balance as at 30 June 2018 is represented by:

- 600,000 options over ordinary shares with an exercise price of $0.98 each, vested expiring 17 October 2019
- 520,000 options over ordinary shares with an exercise price of $2.46 each, yet to vest expiring 14 October 2020
- 150,000 options over ordinary shares with an exercise price of $2.46 each, yet to vest expiring 7 December 2020
- 50,000 options over ordinary shares with an exercise price of $3.98 each, yet to vest expiring 30 March 2021
- 381,035 options over ordinary shares with an exercise price of $4.46 each, yet to vest expiring 29 November 2021
- 50,000 options over ordinary shares with an exercise price of $5.17 each, yet to vest expiring 29 November 2021
- 34,247options over ordinary shares with an exercise price of $6.25 each, yet to vest expiring 21 August 2022
- 401,686 options over ordinary shares with an exercise price of $7.09 each, yet to vest expiring 11 October 2022
- 78,077options over ordinary shares with an exercise price of $7.09 each, yet to vest expiring 11 December2022.

SUMMARY OF PERFORMANCE RIGHTS GRANTED

The outstanding balance as at 30 June 2018 is represented by:

	2018			2017		
	Number	WAEP	WASP	Number	WAEP	WASP
Outstanding at the beginning of the year	137,043	-	-	-	-	-
Granted during the year	158,050	-	-	137,043	-	-
Forfeited during the year	12,309	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at end of the year	282,784	-	-	137,043	-	-
Exercisable at the end of the year	-	-	-	-	-	-

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19. SHARE BASED PAYMENTS PLAN

SUMMARY OF PERFORMANCE RIGHTS GRANTED (CONTINUED)

- 124,734 performance rights over ordinary shares, yet to vest expiring 29 November 2021
- 11,211 performance rights over ordinary shares, yet to vest expiring 21 August 2022
- 122,942 performance rights over ordinary shares, yet to vest expiring 11 October 2022
- 23,897 performance rights over ordinary shares, yet to vest expiring 11 December 2022.

OPTION PRICING MODEL

The fair value of all equity-settled options issued in the year is estimated at the date of grant using the Hoadley's 1 Hybrid ESO model (monte carlo simulation method). The following table lists the inputs to the models used:

1. Share based payment plans issued during the year ended 30 June 2018.

	11 Oct 2017 SOP	11 Oct 2017 PRP (Rights)	21 Aug 2017 SOP	21 Aug 2017 PRP (Rights)	11 Dec 2017 SOP	11 Dec 2017 PRP (Rights)
Dividend Yield (%)	-	-	-	-	-	-
Expected Volatility (%)	45	45	45	45	45	45
Risk-free Interest Rate (%)	2.38	2.38	2.37	2.37	2.37	2.37
Expected Life of Options (Months)	36	36	36	36	36	36
Option Exercise Price ($)	7.09	N/A	6.25	N/A	7.09	N/A
Average Share Price at Measurement Date ($)	8.18	8.18	8.18	8.18	9.68	9.68
Model Used	Hoadleys/ Black Scholes	Hoadleys/ Black Scholes	Hoadleys/ Black Scholes	Hoadleys/ Black Scholes	Hoadleys/ Black Scholes	Hoadleys/ Black Scholes

2. Share based payment plans issued prior to 1 July 2017.

	17 Oct 2014 SOP	4 Dec 2014 SOP CEO	4 Dec 2014 SOP Paragem	14 Oct 2015 SOP	7 Dec 2015 SOP CEO	30 Mar 2016 SOP	29 Nov 2016 SOP	29 Nov 2016 SOP	29 Nov 2016 PRP (Rights)
Dividend Yield (%)	-	-	-	-	-	-	-	-	-
Expected Volatility (%)	35	35	33	48	48	50	45	45	45
Risk-free Interest Rate (%)	2.5	2.5	2.5	1.8	1.8	2.09	2.16	2.16	2.16
Expected Life of Options (Months)	36	36	12–36	36	36	36	36	36	36
Option Exercise Price ($)	0.98	0.98	1.156	2.46	2.46	3.98	4.46	5.17	N/A
Average Share Price at Measurement Date ($)	0.89	0.89	0.89	2.69	3.52	4.06	5.79	5.79	5.79
Model used	Black Scholes	Black Scholes	Black Scholes	Hoadleys	Hoadleys	Hoadleys	Hoadleys/ Black Scholes	Hoadleys	Hoadleys/ Black Scholes

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19. SHARE BASED PAYMENTS PLAN (CONTINUED)

CONTINGENT CONSIDERATION

Paragem Vendor Options

6,488,591 ordinary shares with a nil exercise price have vested, as part of the deferred contingent consideration for the Paragem acquisition. 1,702,796 ordinary shares have been issued as a result of the measured business performance for the final consideration payment. Refer to Note 11 for further details.

Paragem Advisor Equity Scheme Options

4,325,727 ordinary shares with a nil exercise price have vested as part of the deferred contingent consideration for the Paragem acquisition. 2,554,195 ordinary shares have been issued as a result of the measured business performance for the final consideration payment. Refer to Note 11 for further details.

20. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Subsequent to year end the Board has declared an inaugural dividend (unfranked) of 3.5 cents per share.

No other significant matter or circumstance has arisen since 30 June 2018 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.

21. EARNINGS PER SHARE

KEY ACCOUNTING POLICIES

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

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

Diluted earnings per share exclude shares that will be issued in the future relating to the deferred consideration from the Agility acquisition. (2017: Paragem and Agility acquisition).

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

	Consolidated 2018 $	Consolidated 2017 $
Earnings per share		
Profit/(Loss) after income tax	7,378,749	18,874,130
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	**7,378,749**	**18,874,130**

	Consolidated 2018 Number	Consolidated 2017 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	60,145,774	53,996,742
Weighted average number of ordinary shares used in calculating diluted earnings per share	**61,931,232**	**56,927,452**

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21. EARNINGS PER SHARE

KEY ACCOUNTING POLICIES (CONTINUED)

	Consolidated 2018 Cents	Consolidated 2017 Cents
Basic earnings per share	12.27	34.95
Diluted earnings per share	**11.91**	**33.15**

22. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by professional service firms:

	Consolidated 2018 $	Consolidated 2017 $
Audit and review of financial statements provided by Deloitte Touche Tohmatsu	240,500	200,000
Tax and other services	291,142	370,015
Total audit and other fees	**531,642**	**570,015**

23. RELATED PARTY DISCLOSURES

SUBSIDIARIES

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

	% Equity Interest as at 30 June 2018	% Equity Interest as at 30 June 2017
Operating Entities		
HUB24 Custodial Services Limited (formerly ANZIEX Ltd)	100	100
HUB24 Share Ownership Trust	100	100
HUB24 Management Services Pty Ltd	100	100
HUB24 Administration Pty Ltd	100	100
HUB24 Services Pty Ltd	100	100
Firstfunds Ltd	100	100
Marketsplus Holdings Pty Ltd	100	100
Marketsplus Australia Pty Ltd	100	100
Paragem Pty Ltd	100	100
Agility Applications Pty Ltd	100	100
Non-Operating Entities		
HUB24 International Nominees Pty Ltd (formerly ANZIEX Nominees Ltd)	100	100
HUB24 Nominees Pty Ltd (formerly Kardinia Nominees Pty Ltd)	100	100
AT Pty Ltd*	100	100
Investorfirst Securities Ltd*	100	100
Researchfirst Pty Ltd*	100	100
Captain Starlight Nominees Pty Ltd*	100	100
Findlay & Co Stockbrokers Ltd*	100	100

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

23. RELATED PARTY DISCLOSURES

SUBSIDIARIES (CONTINUED)

Balances and transactions between HUB24 and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

ULTIMATE PARENT

HUB24 Limited is the ultimate parent entity of the Group.

24. PARENT ENTITY FINANCIAL INFORMATION

SIGNIFICANT ACCOUNTING POLICIES

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

SUMMARY FINANCIAL INFORMATION

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

	Consolidated 2018 $	Consolidated 2017 $
Statement of profit or loss and other comprehensive income		
Profit/(loss) after income tax	(8,451,962)	16,273,144
Total comprehensive income	(8,451,962)	16,273,144
Statement of financial position		
Total assets	44,577,427	53,814,210
Total liabilities	5,441,018	12,769,080
Net assets	39,136,409	41,045,129
Total equity	39,136,409	41,045,129

CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

CAPITAL COMMITMENTS

The parent entity had no capital commitments as at 30 June 2018 or 30 June 2017.

FINANCIAL COMMITMENTS – LOAN RECEIVABLE

The parent entity entered into a loan agreement for $5m (out of which $2m is called on at 30 June 2018) with Diversa Ltd the parent entity of The Trust Company (Superannuation) Limited as Trustee for the HUB24 Super Fund ("The Fund"), on 10 June 2016 on an arms length basis and on commercial terms at an interest rate of 17%.

$2m has been advanced by HUB24 Ltd to Diversa Ltd. Diversa Ltd has received these funds for the purpose of subscribing to capital in The Trust Company (Superannuation) Limited ("The Trustee") whereby the capital received by the Trustee will be reserved for the purpose of meeting the Operational Risk Financial Requirement (ORFR) for the Fund in accordance with APRA Prudential Standard SPS114.

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

The agreement has been extended under the same terms and conditions to 31 December 2020.

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24. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

DEFERRED TAX ASSET

In addition to its own current and deferred tax amounts, the parent entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits (if any) assumed from controlled entities in the tax consolidated Group. Refer to Note 7 for further details

25. KEY MANAGEMENT PERSONNEL

KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated 2018 $	Consolidated 2017 $
Short term employment benefits	2,583,193	2,841,611
Post employment benefits	97,663	150,793
Share based payments	631,192	523,822
	3,312,048	**3,516,226**

26. FINANCIAL INSTRUMENTS

KEY ACCOUNTING POLICIES

Held to maturity investments

The Group's principal financial instruments comprise cash, receivables, and payables. For the year ended 30 June 2018, the Group did not utilise derivatives, holds no debt and has not traded in financial instruments including derivatives.

Interest rate risk

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

	Consolidated 2018 $	Consolidated 2017 $
Cash and cash equivalents at end of period	**16,958,996**	**10,836,646**
100 basis points increase in interest rate	169,590	108,366
50 basis points decrease in interest rate	(84,795)	(54,183)
Net impact on profit after tax		
Profit for the year	7,378,748	18,874,130
100 basis points increase in interest rate	7,548,338	18,982,496
50 basis points decrease in interest rate	7,293,953	18,819,947

Credit risk

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

26. FINANCIAL INSTRUMENTS

KEY ACCOUNTING POLICIES (CONTINUED)

Liquidity risk

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

	Consolidated 2018 $	Consolidated 2017 $
Not later than one month	3,029,211	2,628,991
Later than 1 month not later than 3 months	538,157	154,010
Later than 3 months not later than 1 year	980,189	5,321,154
Later than 1 year	1,463,435	-
	6,010,992	**8,104,155**

MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

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

	0–1 month $	1–3 months $	4–12 months* $	1–5 years** $	Total $
30 June 2018					
Consolidated financial assets:					
Cash and cash equivalents	11,928,497	5,030,499	-	-	16,958,996
Trade and other receivables	4,510,435	217,665	359,928	2,011,220	7,099,248
	16,438,932	**5,248,164**	**359,928**	**2,011,220**	**24,058,244**
Consolidated financial liabilities:					
Trade and other payables	3,029,211	538,157	980,189	1,463,435	6,010,992
	3,029,211	**538,157**	**980,189**	**1,463,435**	**6,010,992**
Net Maturity	**13,409,721**	**4,710,007**	**(620,261)**	**547,785**	**18,047,252**

*For the 4-–2 month period the Agility deferred contingent consideration includes cash and equity components payable 3 January 2019. Refer to Note 27 for further details.

**For the 1–5 year period the Agility deferred contingent consideration includes cash and equity components payable 3 January 2020. Refer to Note 27 for further details.

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26. FINANCIAL INSTRUMENTS

MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	0–1 month $	1–3 months $	4–12 months* $	1–5 years** $	Total $
30 June 2017					
Consolidated financial assets:					
Cash and cash equivalents	10,836,646	–	–	–	10,836,646
Trade and other receivables	4,386,137	475,190	2,013,299	115,670	6,874,626
	15,222,783	**475,190**	**2,013,299**	**115,670**	**17,711,272**
Consolidated financial liabilities:					
Trade and other payables	2,628,991	154,010	5,321,154	–	8,104,156
	2,628,991	**154,010**	**5,321,154**	**–**	**8,104,156**
Net Maturity	**12,593,792**	**321,180**	**(3,307,855)**	**115,670**	**9,607,116**

*For the 1–5 year period the Agility deferred contingent consideration includes cash and equity components payable 3 January 2020. Refer to Note 27 for further details.

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

MARKET RISK

The Group balance sheet is not materially exposed to movements in market prices.

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

FAIR VALUE MEASUREMENT

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values at 30 June 2018:

	Carrying amount $	Consolidated Fair value amount $
Non-Current Assets		
Rental bonds and guarantees	11,220	11,220
	11,220	**11,220**

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values at 30 June 2017:

	Carrying amount $	Consolidated Fair value amount $
Non-Current Assets		
Rental bonds and guarantees	115,670	115,670
	115,670	**115,670**

27. BUSINESS COMBINATION

The Group acquired DIY Administration Pty Ltd on 3 May 2018, that was previously an outsourced arrangement providing superannuation administration services for the HUB24 platform.

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

	Total $
Purchase consideration	
Cash consideration	300,000
Waived service fees	632,243
Total purchase consideration	**932,243**

	Fair value $
The fair values of the acquisition are as follows:	
Employee entitlements	(56,436)
Net identifiable assets acquired	(56,436)
Goodwill	**988,679**

Acquisition related costs of $198,067 are included in administrative expenses in the profit or loss.

SUMMARY OF PRIOR YEAR ACQUISITION

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

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

	Total $
Purchase consideration	
Cash paid – at completion	2,793,335
Ordinary shares issued – at completion	3,807,766
Contingent consideration – 1st Performance Period (31 December 2018)	2,938,667
Contingent consideration – 2nd Performance Period (31 December 2019)	2,772,328
Deferred consideration	1,876,113
Total purchase consideration	**14,188,209**

Deferred consideration refers to cash payments of up to $2 million to be paid on 3 January 2018 subject to performance conditions and warranty claims. A further $0.3 million is to be paid on the renewal of a key client contract.

Contingent consideration refers to capped earnout consideration of up to $3.5 million in cash and $3.5 million in HUB ordinary shares subject to certain conditions and performance hurdles to be met progressively over the next one and a half years. During the year ended 30 June 2018 the performance criterion have been revised to realign the strategic rationale of acquiring Agility.

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27. BUSINESS COMBINATION

SUMMARY OF PRIOR YEAR ACQUISITION (CONTINUED)

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

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

ACQUISITION-RELATED COSTS

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

CONTINGENT CONSIDERATION

Contingent consideration – Agility

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

The fair value of the contingent consideration arrangement is estimated to be $4.287 million (FY17 $5.973 million) which assumes 66% (FY17100%) of performance criteria will be met.

In the circumstances where 10% of performance criteria were not to be met, the following impact would result:

Contingent purchase consideration	Decrease by $428,724
Fair value gain	Increase by $428,724

28. 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 2018 $	2017 $
Profit reserve 2018 transfer	5,088,013	-

DIRECTORS' DECLARATION

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FOR THE YEAR ENDED 30 JUNE 2018

IN THE DIRECTORS' OPINION:

a. the financial statements and notes set out on pages 38 to 86 are in accordance with the Corporations Act *2001*, including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and

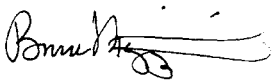
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

b. the financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 2, and

c. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

d. this declaration has been made after receiving the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors.



Bruce Higgins
Chairman

Sydney
17 August 2018

INDEPENDENT AUDITOR'S REPORT

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

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250
Sydney NSW 1217 Australia

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

Independent Auditor's Report to the Shareholders of HUB24 Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of HUB24 Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Intangible Assets As at 30 June 2018 the carrying value of intangible assets totalling $32.02 million, include the following as disclosed in Note xx: • investment platform valued at $11.84 million; • Agility customer relationships of $1.16 million; • Agility CONNECT software of $2.08 million; and • goodwill of $16.33 million. Evaluation of the recoverable amount of intangible assets requires significant judgement due to the estimation of future cash flows, discount and terminal growth rates, and the period over which cash flows have been discounted.	Our procedures included, but were not limited to: ▪ obtaining an understanding of the key controls associated with the preparation of the value-in-use models; ▪ evaluating management's methodologies and their documented basis for key assumptions, as outlined in Note 10; ▪ in conjunction with our valuation experts, we assessed and challenged the: - reasonableness of long-term growth rates used in the forecast cash flows by comparing them to historical results, economic and industry forecasts; and - discount rate applied. ▪ testing the mathematical accuracy and integrity of the value-in-use models; ▪ assessing the consistency of forecast cash flow models and Board approved budget; ▪ performing sensitivity analysis around the key drivers of growth rates used in the cash flow forecasts and the discount rate used; and ▪ assessing managements' consideration of the sensitivity to a change in key assumptions that both individually or collectively would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions. We also assessed the appropriateness of the disclosure in Note 10 to the financial statements.
Deferred tax asset relating to tax losses As at 30 June 2018, the Company has recorded a deferred tax asset of $13.83 million, which included prior periods tax losses incurred by the Company as disclosed in Note 7. Significant judgement is required in determining the recoverability of this deferred tax asset which is dependent on the generation of sufficient future taxable profit to utilise these tax losses.	Our procedures included, but were not limited to: ▪ obtaining an understanding of the key controls associated with the preparation and board approval of budgets supporting the recoverability of the deferred tax asset; ▪ challenging the appropriateness of management's assumptions relating to the forecasts of future taxable profits; ▪ evaluating the reasonableness of the assumptions underlying the preparation of these forecasts, including the consistency of the assumptions used with those used to evaluate the recoverable amount of intangible assets; and ▪ reviewing the management's deferred tax calculation for mathematical accuracy, in accordance with the applicable accounting standards and Australian tax legislations. We also assessed the appropriateness of the disclosure in Note 7 to the financial statements.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Contingent Consideration On 3 January 2017, HUB24 Limited acquired Agility Applications Pty Ltd for consideration of up to $15 million. Consideration comprised $2.8 million cash, $3.8 million shares, $1.9 million deferred consideration and $5.7 million contingent consideration, as disclosed in Note 27. Consequently, the Company may be required to make further payments to the respective vendors in the event that certain conditions and performance targets are met, as detailed within the Share sale deed. Significant judgement is required in determining the fair value of the contingent consideration which is dependent on recent and forecasted trading results of the business and the relative risks of achieving performance targets. As at 30 June 2018, management has determined the fair value of the contingent consideration to be $4.28 million.	Our procedures included, but were not limited to: ▪ reviewing management's position paper for: o Agility Applications' performance to date; o key assumptions relating to the Funds under Adminstration (FuA) growth rate and probability of achieving the revised performance hurdles and targets; and o the likelihood and magnitude of the payment estimated by management. ▪ inquiring with key executives as to the likelihood of performance targets being met; ▪ obtaining a Board resolution outlining the adjustment to performance targets and hurdles; ▪ evaluating the reasonableness of management's underlying assumptions as outlined within the position paper; and ▪ obtaining an understanding of the key controls associated with the preparation and Board approval of position paper supporting the fair value of contingent consideration. We also assessed the appropriateness of the disclosures in Note 11, 14 and 27 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 34 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of the HUB24 Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 17 August 2018

ASX ADDITIONAL INFORMATION

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Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 14 August 2018.

DISTRIBUTION OF EQUITY SECURITIES

Ordinary share capital – 61,588,666 fully paid ordinary shares are held by 3,349 individual security holders.

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

	Holders	Total units	%
Fully paid ordinary shares – holding ranges			
1–1000	1,674	702,878	1.14
1,001–5,000	1,161	2,988,446	4.85
5,001–10,000	265	1,963,805	3.19
10,001–100,000	211	5,816,744	9.44
100,001 and over	41	50,116,783	81.37
Total	**3,352**	**61,588,666**	**100.00**

OPTIONS

2,265,045 options and 282,784 performance rights are held. Options and performance rights do not carry a right to vote.

ASX ADDITIONAL INFORMATION (CONTINUED)

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SUBSTANTIAL SHAREHOLDERS – QUOTED ORDINARY SECURITIES

	Number held	%IC
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,580,133	30.53%
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,850,309	9.61%
PACIFIC CUSTODIANS PTY LIMITED	3,163,531	5.20%
NATIONAL NOMINEES LIMITED	2,593,457	4.26%
BNP PARIBAS NOMS PTY LTD	2,251,400	3.70%
UBS NOMINEES PTY LTD	2,214,410	3.64%
LITSTER & ASSOCIATES PTY LTD	1,376,023	2.26%
WEALTHPLAN TECHNOLOGIES PTY LTD	1,188,545	1.95%
FINOOK PTY LTD	1,141,358	1.88%
BNP PARIBAS NOMINEES PTY LTD	1,081,361	1.78%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,069,592	1.76%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	771,573	1.27%
CITICORP NOMINEES PTY LIMITED	726,599	1.19%
SKYLYX PTY LTD	709,793	1.17%
JASFORCE PTY LTD	649,845	1.07%
MATIMO PTY LTD	569,332	.94%
LITSTER & ASSOCIATES PTY LTD	537,888	.88%
MR BRUCE HIGGINS & MRS RUTH HIGGINS	510,000	.84%
MIRRABOOKA INVESTMENTS LIMITED	495,000	.81%
LITSTER & ASSOCIATES PTY LTD	486,296	.80%
Total	**45,966,445**	**75.54%**

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