

HALF-YEAR
REPORT
2014

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CORPORATE DIRECTORY

DIRECTORS

Bruce Higgins (Chairman)
Ian Litster
Hugh Robertson
Vaughan Webber
**Andrew Alcock (appointed
29 August 2014)**

COMPANY SECRETARY

Matthew Haes

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRY

Boardroom Pty Limited
Level 7
207 Kent Street
Sydney NSW 2000

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

SOLICITORS

Minter Ellison
Aurora Place
88 Phillip Street
Sydney NSW 2000

BANKERS

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

AUDITORS

BDO East Coast Partnership
Level 11
1 Margaret Street
Sydney NSW 2000

INTERNET ADDRESS

www.hub24.com.au

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CONTENTS

2

RESULTS FOR
ANNOUNCEMENT
TO THE MARKET
(APPENDIX 4D)

3

DIRECTORS'
REPORT

9

AUDITOR'S
INDEPENDENCE
DECLARATION

10

STATEMENT OF PROFIT
OR LOSS AND OTHER
COMPREHENSIVE
INCOME

11

STATEMENT OF
FINANCIAL POSITION

12

STATEMENT OF
CHANGES IN EQUITY

13

STATEMENT OF
CASH FLOWS

14

NOTES TO THE
FINANCIAL
STATEMENTS

25

DIRECTORS'
DECLARATION

26

INDEPENDENT
AUDITOR'S REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4D

	6 months ended 31 December 2014 \$'000		6 months ended 31 December 2013 \$'000		% change
From continuing operations					
Revenue from ordinary activities	11,864	From	1,637	Increase	625%
Net loss for the half-year attributable to members	(2,851)	From	(4,071)	Decrease	30%
From discontinuing operations					
Net loss for the half-year attributable to members	(106)	From	(494)	Decrease	79%
From continuing and discontinuing operations					
Revenue from ordinary activities	11,864	From	1,637	Increase	625%
Net loss for the year attributable to members	(2,957)	From	(4,565)	Decrease	35%

DIVIDENDS

It is not proposed to pay an interim dividend.

EXPLANATION OF RESULT

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

Net tangible assets per fully paid ordinary share 31 December 2014	\$0.082
Net tangible assets per fully paid ordinary share 31 December 2013	\$0.344

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

HUB24 Limited gained control over Paragem Pty Ltd on 3 September 2014.

HUB24 Limited has not lost control of any entity during the period.

AUDITOR REVIEW

The report is based on accounts that have been audited by the company's auditors, BDO East Coast Partnership.

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of HUB24 Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2014.

DIRECTORS

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

Mr Bruce Higgins
Mr Ian Litster
Mr Hugh Robertson
Mr Vaughan Webber
Mr Andrew Alcock (appointed 29 August 2014)

COMPANY OVERVIEW

HUB24 Limited operates the HUB24 investment and superannuation platform and provides independent financial advice to clients through financial advisers authorised by Paragem Pty Ltd.

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

HUB24 was established in 2007 by a team with a very strong track record of delivering market-leading solutions in the financial services industry.

Paragem Pty Ltd is a wholly owned subsidiary and boutique dealer group. It comprises a network of 19 independently minded financial advice businesses which deliver cost effective, high quality advice. It provides compliance, systems and support to each practice enabling advisers to provide clients with financial advice over a range of products. Paragem Pty Ltd was acquired by HUB24 Limited on 3 September 2014.

PRINCIPAL ACTIVITIES

The principal activities of the company during the half-year were the provision of investment and superannuation portfolio administration services and the provision of financial advisory services.

REVIEW OF OPERATIONS

The company has succeeded in further commercialising the HUB24 platform with FUA as at 31 December 2014 reaching \$1.251 million, representing growth of 46% since 30 June 2014 and 420 financial advisers using the platform. Further growth in fund inflows since the end of the period has increased FUA at 23 February 2015 to \$1.400 million.

The strategy of investing in technology, FUA transition and operational efficiency continues to result in FUA growth, recognised platform development and improving financial results.

FUA GROWTH

Increases in FUA and net inflows for the half year ended 31 December 2014 compared with the half year ended 31 December 2013 were:

- FUA has increased by 102% and increased 46% since 30 June 2014;
- FUA net inflows have increased to an average of \$60 million per month from \$30 million;
- Advisers actively using the platform have increased by 113.

PLATFORM DEVELOPMENT

- HUB24 now ranks in the top 3 platforms in the market in terms of overall platform functionality¹ and received an award for Best Tablet/Smartphone Access;
- New developments were launched to enable reporting of non-custody assets and trading via broker of choice;
- New development since the end of the reporting period have been launched to enable HUB24 platform to be accessible from most popular devices (laptop, tablet, mobile phone).

760,000 share options were issued to staff and executives on 17 October 2014 under the HUB24 Share Option plan. 1,200,000 options were issued to executives on 4 December 2014 after being approved by shareholders at the Annual General Meeting of the Company held 27 November 2014.

Andrew Alcock was appointed to the position of Managing Director effective 29 August 2014.

1. Investment Trends December 2014 Platform Benchmarking Report based upon extensive analyst reviews of 22 Platforms across 466 functional points.

PARAGEM ACQUISITION

HUB24 Limited completed the acquisition of 100% of the issued shares in Paragem Pty Ltd on 3 September 2014.

The Company has paid \$1.008 million as upfront consideration, is due to make a deferred cash consideration payment of \$1.0 million on 3 September 2015 and capped earnout consideration of up to \$6.0 million subject to financial performance measured over three years and payable in HUB24 ordinary shares.

The deferred purchase consideration (including contingent consideration) to the vendor is \$2.967 million and contingent consideration to the option holders is \$4 million which assumes 100% of performance criteria are met. The contingent consideration to the option holders comprises purchase consideration of \$2.327 million, recorded as a liability, and a share based payments expense of \$1.673 million which is expensed over three years from completion date.

This acquisition is consistent with HUB24's core proposition of providing high value services to licensees and advisers. This entry into the advice space is expected to result in a further enhancement of HUB24's rapid growth, diversification of the company's revenue streams and continued improvements to platform functionality, which will be highly valued by the broader independently

minded financial advice market. In addition to providing our HUB24 retail products to advisers, we will continue to focus on our core business providing white labels to financial planning groups, accountants and stockbrokers whilst also developing and supporting the Paragem business.

REVIEW OF FINANCIAL RESULTS

The Consolidated entity recorded revenue from ordinary activities of \$11.864 million for the half year ended 31 December 2014 (revenue from ordinary activities of \$1.637 million for the half year ended 31 December 2013) an increase of 625%.

A loss of \$2.957 million was recorded for the half year ended 31 December 2014 (loss of \$4.565 million for the half year ended 31 December 2013) an improvement of 35%.

The following representation of the financial performance of the consolidated entity is based upon the internal reports that are reviewed and used by management and the board in assessing performance and determining the allocation of resources. Management and the board review Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) from continuing operations before material non-recurring and non-cash items.

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Financial Performance	1H15 \$	1H14 \$	VAR %
Income			
Recurring revenue	11,168,712	1,383,969	707%
Direct costs	(9,454,275)	(1,690,043)	459%
Gross profit	1,714,436	(306,074)	660%
Operating expenses	(2,366,520)	(1,588,581)	49%
Operating EBITDA	(652,084)	(1,894,655)	66%
Growth investment expenses	(1,861,660)	(1,644,530)	13%
EBITDA (before other significant items)	(2,513,744)	(3,539,185)	29%
Other significant items:			
Interest revenue	215,801	252,699	(15%)
Non-recurring revenue	479,215	-	>100%
Share based payment expense	(379,000)	(250,351)	51%
Transaction costs	(388,627)	-	>100%
Depreciation and amortisation	(264,456)	(533,707)	(50%)
Profit before income tax	(2,850,811)	(4,070,544)	30%
Income tax	-	-	
Profit after income tax from continuing operations	(2,850,811)	(4,070,544)	30%
Discontinued operations	(106,025)	(494,379)	(79%)
Profit after income tax	(2,956,836)	(4,564,923)	35%
Reconciliation to revenue from ordinary activities			
Recurring revenue	11,168,712	1,383,969	707%
Non-recurring revenue	479,215	-	>100%
Interest revenue	215,801	252,699	(15%)
Revenue from ordinary activities	11,863,728	1,636,668	625%

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

REVENUE

Strong FUA inflows into the HUB24 platform, increased platform transaction activity and the acquisition of Paragem Pty Ltd on 3 September 2014 have resulted in recurring revenue of \$11.168 million for the half year ended 31 December 2014. Paragem Pty Ltd has contributed \$7.922 million in revenue for the four months ended 31 December 2014. Revenue is sensitive to movements in equity markets given a significant proportion of client funds are held in either direct or managed assets with equity market exposure.

GROSS PROFIT

Strong FUA inflows and increased trading activity at improved margins have driven a strong gross profit result for the half year ended 31 December 2014.

Direct costs include custody, trustee, superannuation administration and headcount resources to service current client accounts together with payments to advisers and suppliers of compliance, software and training services.

OPERATING EBITDA

Operating EBITDA is a representation of the EBITDA result the company would record if it were to service only the current amount of FUA and associated client accounts. It assumes no expenses are invested to bring additional FUA onto the platform and develop new platform features. While HUB24 will continue to invest in the expansion of FUA and further development, Operating EBITDA is an important internal measure and milestone for the company as it continues its pathway to profitability.

The Operating EBITDA result for the half year ended 31 December 2014 has improved by 66% over the previous corresponding period.

GROWTH INVESTMENT EXPENSES

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

Included in this result were the following significant items:

- The acquisition of Paragem Pty Ltd on 3 September 2014 contributing \$7.922 million to the increase in revenue for the period and \$0.389 million in legal costs associated with the transaction were expensed;
- Platform recurring revenue of \$0.302 million and non-recurring revenue of \$0.479 million relating to a tax

ruling received by the group during the period enabling it to claim the benefit of Reduced Input Tax Credits ("RITCs") relating to the IDPS product;

- Development expenditure of \$0.447 million was capitalised during the period (Nil for the prior corresponding period);
- Amortisation expense has been reduced by \$0.227 million during the half year ended 31 December 2014 resulting from the change in the assessment of the useful life of the platform.

OPERATING SEGMENTS

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

Platform	Development and provision of investment and superannuation platform services to financial advisers, stockbrokers, accountants and their clients.
Licensee	Provision of financial advice to clients through financial advisers authorised by Paragem Pty Ltd. The Licensee provides compliance, systems and support to adviser practices enabling advisers to provide clients with financial advice over a range of products.

The provision of corporate services supports these two operating segments.

PLATFORM SEGMENT

Platform	1H15 \$	1H14 \$	VAR %
FUA	1,251m	619m	102%
Recurring revenue	3,246,843	1,383,969	135%
Direct costs	(2,197,543)	(1,690,043)	30%
Gross profit	1,049,300	(306,074)	443%
Operating expenses*	(1,611,906)	(1,588,581)	1%
Operating EBITDA	(562,606)	(1,894,655)	70%
Growth investment expenses	(1,822,285)	(1,644,530)	11%
EBITDA (before other significant items)	(2,384,891)	(3,539,185)	33%

*\$0.1 million of operating expenses have been allocated to the corporate segment in 1H15.

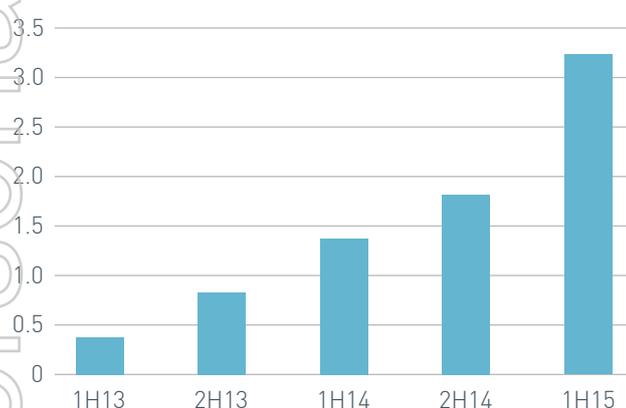
The platform segment recorded significant improvements in Gross Profit and Operating EBITDA for the half year ended 31 December 2014 due to increases in FUA, increases in transaction volumes and improvement in margins.

While recurring revenue increased by 135%, direct costs increased by only 30% and operating expenses only 1%.

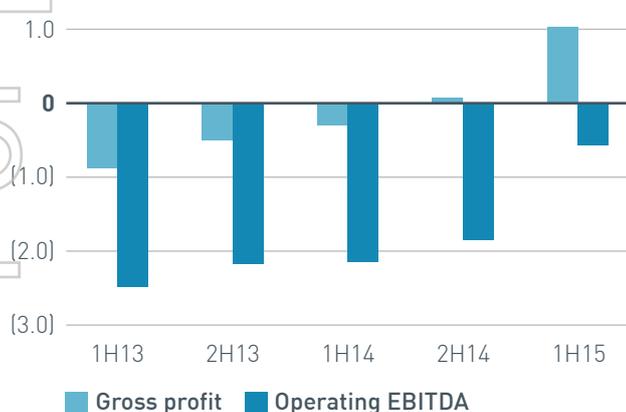
Improvements to the prior corresponding period were as follows:

- Revenue increased by 135%;
- Gross Profit increased by 443%;
- Operating EBITDA increased by 70%.

Platform revenue (\$M)



Platform – gross profit and operating EBITDA trend (\$M)



Included in the result for Platform Services was the following:

- Platform transaction fees increasing 112% for the half year ended 31 December 2014 compared to the prior corresponding period driven by increased volumes for platform trading, managed funds and insurance;
- Platform recurring revenue of \$0.302 million and non-recurring revenue of \$0.479 million relating to a tax ruling received by the group during the period enabling it to claim the benefit of Reduced Input Tax Credits ("RITCs") relating to the IDPS product.

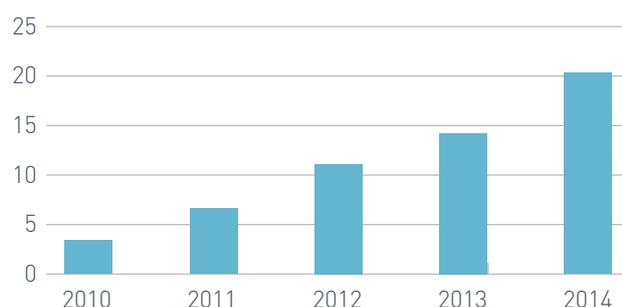
LICENSEE SEGMENT

Licensee	4 Months ending 31 December 2014
	\$
Income	
Revenue	7,921,869
Direct costs	(7,256,732)
Gross profit	665,137
Operating expenses	(643,386)
Operating EBITDA	21,751
EBITDA (before other significant items)	21,751

The licensee segment has contributed to four months earnings for the period. Revenue is generated from 19 practices and 49 licensed advisers and is 23% greater than the prior corresponding period.

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

Paragem Pty Ltd revenue (\$M)



REVENUE GROWTH

The Paragem business has grown revenues strongly over the past 5 years with growth continuing during the period.

INTEGRATION OF THE BUSINESS

Corporate and financial integration of the Paragem business into HUB24 was completed seamlessly during the period and the two groups have begun working proactively together.

WORKING WITH ADVISERS AND PRACTICES

Paragem provides licensing for advice practices seeking the freedom to exert their independence and embrace the changing shape of the advice industry. While Paragem advisers continue to be free to choose whichever platform best suits their clients' needs, to date 15 of Paragem's 19 practices have begun to use the HUB24 platform. Paragem provides assistance to practices wishing to implement managed accounts for their clients, assisting them to deliver contemporary investment solutions and transform the efficiency of their business.

EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen in the interval between 1 January 2015 and the date of this report that

has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

AUDITOR INDEPENDENCE

A copy of the independence declaration by the lead auditor under section 307C is included in page 9 of this half-year report.

ROUNDING OF AMOUNTS

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' and financial reports. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar, or in certain cases to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors.



Bruce Higgins
Chairman of Directors
Sydney, 25 February 2015

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AUDITOR'S INDEPENDENCE DECLARATION



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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF HUB24 AND ITS CONTROLLED ENTITIES

As lead auditor for the review of HUB24 Limited and its controlled entities for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect to HUB24 Limited and the entities it controlled during the period.

Paul Bull
Partner

BDO East Coast Partnership

Sydney, 25 February 2015

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	CONSOLIDATED 6 Months Ended	
		31 December 2014 \$	31 December 2013 \$
Revenue from continuing operations			
Revenue	3(a)	11,647,927	1,383,969
Interest and other income		215,801	252,699
		11,863,728	1,636,668
Expenses			
Platform and custody fees		(969,669)	(694,315)
Licensee fees		(7,611,383)	-
Employee benefits expenses	3(b)	(4,200,829)	(3,414,380)
Property and occupancy costs		(230,100)	(167,956)
Depreciation, amortisation and impairment	3(c)	(264,456)	(533,707)
Administrative expenses	3(d)	(1,438,102)	(896,853)
		(14,714,539)	(5,707,212)
Profit before income tax expense from continuing operations		(2,850,811)	(4,070,544)
Income tax		-	-
Loss after income tax from continuing operations		(2,850,811)	(4,070,544)
Loss after income tax from discontinued operations	6	(106,025)	(494,379)
Loss after income tax for the half year		(2,956,836)	(4,564,923)
Other comprehensive income		-	-
Total comprehensive loss for the half year		(2,956,836)	(4,564,923)
Total comprehensive loss for the period attributable to ordinary equity members of HUB24 Limited		(2,956,836)	(4,564,923)
		Cents	Cents
Earnings per share from continuing operations, attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(6.06)	(9.73)
Diluted earnings per share		(6.06)	(9.73)
Earnings per share from discontinued operations, attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(0.22)	(1.18)
Diluted earnings per share		(0.22)	(1.18)
Earnings per share for profit attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(6.28)	(10.91)
Diluted earnings per share		(6.28)	(10.91)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Note	CONSOLIDATED	
		31 December 2014 \$	30 June 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents		8,722,721	13,779,844
Trade and other receivables		1,511,370	405,986
Other current assets		926,088	419,044
Total Current Assets		11,160,179	14,604,874
Non-Current Assets			
Office equipment		104,778	93,561
Intangible assets		12,995,148	6,322,423
Other non-current assets		256,454	656,096
Total Non-Current Assets		13,356,380	7,072,080
Total Assets		24,516,559	21,676,954
LIABILITIES			
Current Liabilities			
Trade and other payables		1,934,682	662,230
Current provisions		1,135,141	1,389,653
Total Current Liabilities		3,069,823	2,051,883
Non-Current Liabilities			
Non-current provisions		257,156	184,654
Other non-current liabilities		4,327,000	-
Total Non-Current Liabilities		4,584,156	184,654
Total Liabilities		7,653,979	2,236,537
Net Assets		16,862,580	19,440,417
EQUITY			
Issued capital	8	77,032,017	76,988,017
Reserves		2,610,331	2,275,332
Accumulated losses		(62,779,768)	(59,822,932)
Total Equity		16,862,580	19,440,417

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

CONSOLIDATED	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
As at 1 July 2014	76,988,017	2,275,332	(59,822,932)	19,440,417
Total comprehensive loss for the period	-	-	(2,956,836)	(2,956,836)
Transactions with equity members in their capacity as equity members				
Employee options granted	-	149,110	-	149,110
Employee share Issue	44,000	-	-	44,000
Adviser options granted	-	185,889	-	185,889
As at 31 December 2014	77,032,017	2,610,331	(62,779,768)	16,862,580
As at 1 July 2013	66,843,612	1,878,436	(51,399,920)	17,322,128
Total comprehensive loss for the period	-	-	(4,564,923)	(4,564,923)
Transactions with equity members in their capacity as equity members				
Capital raising	10,113,405	-	-	10,113,405
Employee options granted	-	224,237	-	224,237
Employee share Issue	31,000	-	-	31,000
As at 31 December 2013	76,988,017	2,102,673	(55,964,843)	23,125,847

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	CONSOLIDATED 6 Months Ended	
		31 December 2014 \$	31 December 2013 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		12,789,435	1,522,366
Payments to suppliers and employees (inclusive of GST)		(16,575,521)	(5,771,880)
Interest received		201,951	185,715
Receipt from research and development incentive		-	1,174,161
Net cash inflow/(outflow) from operating activities		(3,584,135)	(2,889,638)
Cash flows from investing activities			
Receipts from return of security deposits		116,600	44,674
Payments for office equipment		(38,563)	(78,831)
Payments for acquisition of shares in subsidiary, net of cash acquired		(941,091)	-
Payments for intangible assets		(607,345)	-
Payments for security deposits		(2,590)	(217,307)
Net cash inflow/(outflow) from investing activities		(1,472,989)	(251,464)
Cash flows from financing activities			
Proceeds from capital raising		-	10,588,126
Payments for capital raising costs		-	(472,711)
Net cash inflow/(outflow) from financing activities		-	10,115,415
Net increase/(decrease) in cash and cash equivalents		(5,057,123)	6,974,312
Cash and cash equivalents at beginning of period		13,779,844	9,542,846
Cash and cash equivalents at end of period		8,722,721	16,517,158

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of HUB24 Limited for the half-year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 25 February 2015.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This general purpose interim financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all the notes of the type normally included in the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. Accordingly, it is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcements made by HUB24 Limited ('the Company') during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules and the Corporations Act 2001.

Statement of compliance

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has applied all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

- *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.
- *AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)*
The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market

condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker (CODM); AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2014.

Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of the consolidated entity as at 31 December 2014.

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

Significant accounting judgements and estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2014, except for the platform useful life estimate affecting the platform intangible asset carrying value.

Investment Platform estimate of useful life

Management have reassessed the remaining useful life of the investment platform. The useful life of the investment platform upon acquisition of this asset in November 2010 was estimated to be ten years. Management have reassessed that the useful life be extended based upon the useful life of 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 circa 10 years;
- User Interface with a useful life of circa 5 years.

The impact of this change is that the closing carrying amount of the investment platform as at 30 June 2014 of \$6.290 million will be amortised up to November 2030, depending on the component classification.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Continued

The impact of this change for the half year ended 31 December 2014 is a reduction in amortisation expense of \$226,721.

Paragem fair value estimate

The consideration for Paragem has been estimated to be \$7.975 million, comprising \$6.302 million of purchase consideration and \$1.673 million of share based payment expense.

Of the total purchase consideration, \$1.008 million was paid upfront in cash, \$0.967 million is payable on 30 September 2015 and \$4.327 million is contingent upon performance criteria which management estimates will be fully met (100%) over the three years to 30 September 2017.

The impact of meeting 90% of the performance criteria associated with the contingent consideration of \$4.327 million is:

- a reduction in contingent purchase consideration of \$317,200; and
- a reduction in the share based payment expense of \$282,893.

Comparative figures

Where required by the Accounting Standards and/or for improved presentation purposes, comparative figures have been adjusted to conform to changes in presentation for the current year.

Revenue and income recognition

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

Revenue is recognised for the major business activities as follows:

Platform revenue

Portfolio fee revenue is recognised and measured at the fair value of the consideration received or receivable on the value of client account balances.

Cash margin is recognised and measured at the fair value of the interest received or receivable on that portion of client account balances held in cash.

Broking revenue is recognised and measured at the fair value of the consideration received or receivable on the execution of trades.

Licensee fees

Licensee revenue is measured at the fair value of the consideration received or receivable on advice provided to clients and payments from product providers.

Finance income

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

Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: Platform and Licensee.

These operating segments are based on the internal reports that are reviewed and used by the Board and executive management team (identified as the chief operating decision makers) in assessing performance, and in determining the allocation of resources.

The financial performance of each operating segment is reported to the Board and executive management team on a monthly basis. There is no aggregation of operating segments.

The accounting policies adopted for internal reporting to the Board and executive management team are consistent with those adopted in the financial statements.

Types of products and services

Platform

The platform segment is a single platform solution that enables clients to benefit from cost effective execution and management of trades whilst still retaining full beneficial ownership of securities for improved tax efficiencies. The platform offers full transaction and reporting capability on wholesale managed funds, listed securities, exchange traded funds, managed portfolios, term deposits, bonds, cash and margin lending.

Licensee

The licensee segment provides independent financial advice to clients through financial advisers authorised by Paragem Pty Ltd. The Licensee provides compliance, systems and support to the practice enabling advisers to provide clients with financial advice over a range of products.

Intersegment transactions

There are no intersegment transactions.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received and are eliminated on consolidation.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Going concern

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

The consolidated entity has raised capital in the prior years from multiple sources for acquisition, regulatory capital requirements, investment platform development and working capital purposes. Accordingly, the directors of the company are confident of sourcing additional capital as and when required.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Continued

3. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	CONSOLIDATED	
	6 Months Ended	
	31 December 2014	31 December 2013
	\$	\$
(a) Revenue		
Portfolio fees	1,603,822	795,692
Licensee fees	7,921,869	-
Cash margin	468,986	176,560
Brokerage	558,314	200,906
Other platform fees	1,094,936	210,811
	11,647,927	1,383,969

Other platform fees include an estimated reduced input tax credit from the ATO relating to the Investor Directed Portfolio Service for \$781,324 of which recurring revenue of \$302,109 relates to the current period while non-recurring revenue is \$479,215 and relates to the prior period.

Expenses

(b) Employee benefits expenses

Wages and salaries (incl super and payroll tax)	3,330,017	2,754,475
Other employee benefits expenses	870,812	659,905
	4,200,829	3,414,380

(c) Depreciation, amortisation and impairment

Depreciation and impairment of office equipment	27,345	34,893
Amortisation of intangible assets	237,111	498,814
	264,456	533,707

(d) Administrative expenses	1,438,102	896,853
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The current period administrative expenses include \$388,627 in transaction expenses and \$185,888 contingent consideration share based payment expense relating to the Paragem acquisition.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Continued

4. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	CONSOLIDATED	
	31 December 2014	30 June 2014
	\$	\$
Lease Commitments		
Within 1 year	457,804	450,063
After 1 year but not more than 5 years	914,639	973,990
	1,372,443	1,424,053

(b) Contingencies

Contingent assets and liabilities	-	-
<u>Guarantees</u>		
Rental bond Level 29, 55 Collins St, Melbourne	-	116,600
Rental bond Level 8, 20 Bridge St, Sydney	217,307	217,307
Rental bond Level 1, 10 Bridge St, Sydney	36,557	-
Security deposit, Level 31, 120 Collins St, Melbourne	2,590	-
Trust Company security deposit	330,000	330,000
	586,454	663,907

5. OPERATING SEGMENT INFORMATION

The consolidated entity is organised into two operating segments: Platform and Licensee. These operating segments are based on the internal reports that are reviewed and used by the Board and the Executive Team, which has been identified as the Chief Operating Decision Maker (CODM) in assessing performance and determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews segment profits (Segment Result) in order to assess the performance of each segment for the period. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements of the consolidated entity.

The information reported to the CODM is at least on a monthly basis.

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

Platform	Development and provision of investment and superannuation platform services to financial advisers, stockbrokers, accountants and their clients.
Licensee	Provision of financial advice to clients through financial advisers authorised by Paragem Pty Ltd. The Licensee provides compliance, systems and support to adviser practices enabling advisers to provide clients with financial advice over a range of products.

The provision of corporate services supports these two operating segments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Continued

5. OPERATING SEGMENT INFORMATION (CONT'D)

CONSOLIDATED		Intersegment eliminations/ Corporate			Total
31 December 2014	Platform \$	Licensee \$	Corporate \$	\$	
Revenue					
Sales to external customers	3,246,843	7,921,869	-	11,168,712	
Total sales revenue	3,246,843	7,921,869	-	11,168,712	
Total revenue	3,246,843	7,921,869	-	11,168,712	
Segment Result	(2,384,891)	21,751	(150,604)	(2,513,744)	
<i>Other non-operating items:</i>					
Interest revenue	51,694	-	164,107	215,801	
Non-recurring revenue	479,215	-	-	479,215	
Share based payment expense	-	-	(379,000)	(379,000)	
Transaction costs	-	-	(388,627)	(388,627)	
Depreciation and amortisation	(262,397)	(2,059)	-	(264,456)	
Profit before income tax	(2,116,379)	19,692	(754,124)	(2,850,811)	
Income tax				-	
Profit after income tax from continuing operations				(2,850,811)	
Discontinued operations expense	-	-	(106,025)	(106,025)	
Profit after income tax	(2,116,379)	19,692	(860,149)	(2,956,836)	

The operating performance for Licensee segment reflects the result from the date of acquisition, 3 September 2014.

Reconciliation to revenue from ordinary activities	31 December 2014
Sales to external customers	11,168,712
Non-recurring revenue	479,215
Interest revenue	215,801
Revenue from ordinary activities	11,863,728

6. DISCONTINUED OPERATIONS

During the period the consolidated entity revised the Provision for Broking Claims arising from the discontinued stockbroking operations. The additional general claims provision is associated with an increase in the estimate of future claims arising from former stockbroking activities and has been taken to account as a discontinued operations expense during the period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Continued

7. BUSINESS COMBINATION

On 3 September 2014 HUB24 Limited acquired 100% of the issued shares in Paragem Pty Ltd, an Australian Financial Services Licensee, for consideration of up to \$8 million in cash and shares. The acquisition is consistent with HUB24 Limited's strategy to pursue significant growth by partnering with quality financial planning groups, stockbrokers and accountants.

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

	Total
	\$
Purchase consideration	
Cash paid - Vendor	1,008,673
Deferred consideration - Vendor	966,818
Contingent consideration - Vendor	2,000,000
Contingent consideration - Option holders	2,327,000
Total purchase consideration	6,302,491
Contingent consideration - Option holders (treated as share based payments expense)	1,673,001
Total consideration	7,975,492

Vendor

Deferred consideration refers to cash payments of \$1 million to be paid on 3 September 2015 subject to warranty claims.

Contingent consideration refers to capped earnout consideration of up to \$2 million, subject to financial performance, to be achieved over 3 years to 30 September 2017 and paid in up to 2,162,864 HUB24 ordinary shares.

Option holders

Contingent consideration refers to capped earnout consideration of up to \$4 million, subject to financial performance, to be achieved over 3 years to 30 September 2017 and paid in up to 4,325,727 HUB24 ordinary shares.

The amount recognised as purchase consideration of \$2.327 million reflects the value attributed to the value of the Paragem option scheme in place at the date of acquisition of Paragem Pty Ltd.

The amount of contingent consideration recognised as a share based payment and to be included in the Statement of Profit or Loss and Other Comprehensive Income over the three years to 30 September 2017 is \$1.673 million (\$185,889 for the half year ended 31 December 2014).

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	104,139
Plant and Equipment	16,582
Customer contracts and contract relationships	604,244
Receivables	25,885
Prepayments	28,278
Payables	(164,316)
Employee benefit liabilities	(9,143)
Borrowings	(150,000)
Net identifiable assets acquired	455,669
Add: Goodwill	5,846,822
	6,302,491

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Continued

7. BUSINESS COMBINATION (CONT'D)

The goodwill is attributable to value expected to arise after the company's acquisition of Paragem Pty Ltd.

Acquisition related costs

Acquisition related costs of \$388,627 are included in administrative expenses in the profit or loss.

Contingent consideration

The contingent consideration arrangement relating to the Vendor and Option holders requires the company to issue the former equity owners of Paragem Pty Ltd up to 6,488,591 HUB24 ordinary shares subject to performance criteria being met over the three years to 30 September 2017. The fair value of the contingent consideration arrangement is estimated to be \$4.327 million in purchase consideration and \$1.673 million in share based payment expense which assumes 100% of performance criteria will be met.

In the circumstances where 90% of performance criteria were to be met, the following impact would result:

Contingent purchase consideration - Vendor	Decrease by	\$200,000
Contingent purchase consideration - Option holders	Decrease by	\$117,200
Contingent consideration - Option holders - Share based payment expense	Decrease by	\$282,893
Goodwill	Increase by	\$317,200

Revenue and Profit contribution

The acquired business contributed revenues of \$7,921,869 and EBITDA of \$21,751 to the group for the period from 3 September 2014 to 31 December 2014.

Movements in goodwill

	CONSOLIDATED	
	6 Months Ended	
	31 December	31 December
	2014	2013
	\$	\$
Half year ended 31 December		
Opening net book amount	-	-
Acquisition of business	5,846,822	-
Impairment charge	-	-
Closing net book amount	5,846,822	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Continued

8. ISSUED CAPITAL

	CONSOLIDATED		CONSOLIDATED	
	31 December 2014 Number	31 December 2013 Number	31 December 2014 \$	31 December 2013 \$
(a) Issued and paid up capital				
Ordinary shares, fully paid	47,058,181	47,058,181	77,107,017	77,107,017
(b) Other equity securities				
Treasury shares	141,111	185,111	(75,000)	(119,000)
Total Issued and paid up capital	47,199,292	47,243,292	77,032,017	76,988,017
Movements in issued and paid up capital				
Beginning of the financial year	47,058,181	38,913,469	77,107,017	66,993,612
Shares issued	-	8,144,712	-	10,588,126
Total shares	47,058,181	47,058,181		
Capital raising costs			-	(474,721)
End of the period	47,058,181	47,058,181	77,107,017	77,107,017
Movement in other equity securities - treasury shares				
Beginning of the financial year	185,111	221,908	119,000	150,000
Employee share issue	(44,000)	(36,797)	(44,000)	(31,000)
End of the period	141,111	185,111	75,000	119,000

Ordinary shares

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

Treasury shares

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

On 30 September 2014, 44,000 shares were transferred from the ESOT to eligible employees under the HUB24 Employee Share Ownership Plan.

9. FAIR VALUE MEASUREMENT

The consolidated entity has a number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values at 31 December 2014:

	Carrying amount	Fair value amount
Current Assets	\$	\$
Rental bonds and guarantees	332,590	332,590
Non-Current Assets		
Rental bonds and guarantees	253,864	583,864
	586,454	586,454

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Continued

10. EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen in the interval between 1 January 2015 and the date of this report, that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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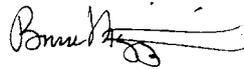
DIRECTORS' DECLARATION

In the opinion of the directors of HUB24 Limited:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2014 and of the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting, Corporations Regulations 2001 and other mandatory professional reporting requirements; and

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

Signed in accordance with a resolution of the Directors.



Bruce Higgins
Chairman
Sydney, 25 February 2015

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INDEPENDENT AUDITOR'S REPORT



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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HUB24 Limited and its controlled entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of HUB24 Limited and its controlled entities, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of HUB24 Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of HUB24 Limited and its controlled entities, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Paul Bull', is written over a faint, light blue BDO logo. The signature is written in a cursive style.

Paul Bull
Partner

Sydney, 25 February 2015

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