



2015

CORPORATE DIRECTORY

DIRECTORS

Bruce Higgins (Chairman)

Appointed 19 October 2012

Andrew Alcock (Managing Director)

Appointed 29 August 2014

Ian Litster

Appointed 26 September 2012

Hugh Robertson

Appointed 20 April 2011

Vaughan Webber

Appointed 19 October 2012

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)

AUDITORS

BDO East Coast Partnership

Level 10
1 Margaret Street
Sydney NSW 2000

COMPANY SECRETARY

Matthew Haes

Appointed 10 September 2012

SOLICITORS

Minter Ellison

Rialto Towers
525 Collins Street
Melbourne VIC 3000

Minter Ellison

Aurora Place
88 Phillip Street
Sydney NSW 2000

INTERNET ADDRESS

www.hub24.com.au

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 8
20 Bridge St
Sydney NSW 2000
Tel: (02) 8274 6000

BANKERS

Australia and New Zealand Banking Group Limited

20 Martin Place
Sydney NSW 2000

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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 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2015 is dated as at 30 June 2015 and was approved by the Board on 28 August 2015. The Corporate Governance Statement is available on HUB24 Limited's website at <http://www.hub24.com.au/AboutUs/Corporate-Governance-Statement>.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4E

	Year ended 30 June 2015		Restated Year ended 30 June 2014 ¹		
	\$'000		\$'000		% change
From continuing operations					
Revenue from ordinary activities	29,304	From	4,034	Increase	626%
Net loss for the year attributable to members	(5,350)	From	(7,868)	Decrease	-32%
From discontinued operations					
Revenue from ordinary activities	-	From	-	Decrease	-
Net loss for the year attributable to members	(1,107)	From	(680)	Increase	63%
From continuing and discontinued operations					
Revenue from ordinary activities	29,304	From	4,034	Increase	626%
Net loss for the year attributable to members	(6,457)	From	(8,548)	Decrease	-24%

DIVIDENDS

The directors have not declared a final dividend for the year ended 30 June 2015 (2014: Nil).

EXPLANATION OF RESULT

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

Net tangible assets per fully paid ordinary share 30 June 2015	\$0.095
Net tangible assets per fully paid ordinary share 30 June 2014	\$0.257

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

HUB24 Limited gained control over Paragem Pty Limited during the reporting period on 3 September 2014. Paragem Pty Limited contributed revenue of \$20,235,321 and profit from ordinary activities of \$6,845 to the results of the group during the period.

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

AUDITOR REVIEW

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

¹The net loss for 2014 increased by \$124,776, due to a change in accounting policy relating to the research and development rebate. Refer to Note 31 of the Financial Statements for further information.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT



BRUCE HIGGINS



ANDREW ALCOCK

DEAR SHAREHOLDERS

On behalf of the Directors we are pleased to announce the results for HUB24 for the financial year ended 30 June 2015.

This year was a period of significance for the company. Our focus on marketing the leading capabilities of the HUB24 platform and continuing to invest in product and technology features, has resulted in strong growth for the business.

Our Funds Under Administration (FUA) increased 100% over the year with significantly improved financial results at increased margins. Additionally, we have received welcome industry recognition of both our innovative platform technology and our service proposition as one of the leading Wrap Platforms in the industry.

We continue to have high expectations of HUB24's growth prospects in an environment where we have a strong pipeline of interest by potential clients in a market that exceeds over \$500 billion¹ on Wraps and Platforms in one of the fastest growing sectors.

In our last annual report we were pleased to advise the group had achieved positive monthly Gross Profit from March 2014. In this report, we are equally happy to advise that HUB24 recorded positive monthly Operating EBITDA² from the March 2015 quarter during the financial year and platform revenues increased by 151% while direct costs increased by only 45%. This is a strong validation of HUB24's highly scalable business model.

In September 2014, HUB24 completed the acquisition of Paragem Pty Limited, a leading advice licensee for independently minded financial advisers, and reached agreement with two other licensees to launch new white label platform offers. The company also released a new online user interface to become fully transaction capable across all popular mobile devices as well as extending HUB24's online capability to support self-directed investors to transact and manage their own portfolios.

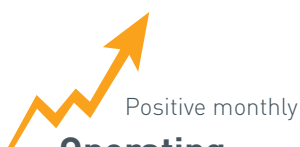
We will continue to invest in the core business of the HUB24 platform and its technology to remain at the forefront of the market and to ensure that our business continues to prove highly scalable with the growing momentum of inflows.

¹Source: Plan For Life. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2015

²Operating EBITDA represents Revenue less all Operating Expenses incurred in servicing the current FUA. It excludes Growth Investment expenses and other significant items.

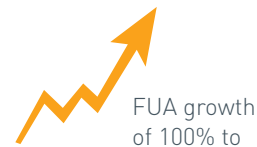
CHAIRMAN AND MANAGING DIRECTOR'S REPORT

COMPANY SUCCESSES



**Operating
EBITDA***

recorded from March 2015



\$1.7bn

Now \$1.9bn

Cash and cash
equivalents of



\$12.1m

and no corporate debt

HUB24
awarded**



3rd

in overall platform functionality

217



Managed Portfolios offered with
FUA in these increasing 103%

Growth in
active advisers
of 139 to



484

serving 49 active financial
planning groups with 6 white
label agreements

Increase in
platform
revenue of



151%

achieved through growing Funds
Under Administration with
consistent gross profit margins

HUB24
awarded***



1st

Value for Money and Ease
of Use in the Investment
Trends 2015 Planner
Technology Report

*Operating EBITDA represents revenue less all operating expenses incurred in servicing the current FUA, it excludes growth investment expenses and other significant items.

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

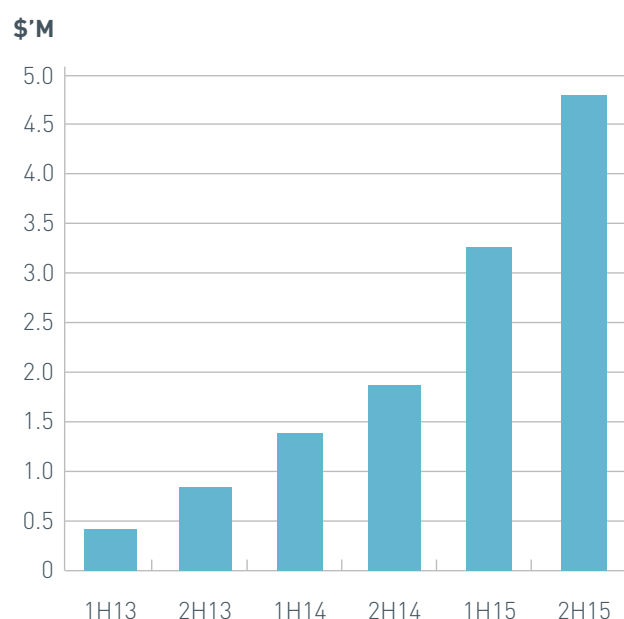
***Results from Investment Trends 2015 Planner Technology Report, based on an online survey of over 890 financial planners.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

FINANCIAL PERFORMANCE

Revenue from ordinary activities increased by 626% to \$29.304 million including the results from the acquisition of Paragem Pty Ltd on 3 September 2014. In our Platform segment revenue increased to \$8.1 million for the financial year, an increase of 151% over the prior corresponding period (PCP) which was driven by an increase in Funds Under Administration (FUA) of 100% to \$1.704 billion as at 30 June 2015. This Platform revenue was on average 63 basis points of FUA (52 basis point PCP) driven by increasing transaction activity across the platform.

PLATFORM REVENUE - HALF YEAR

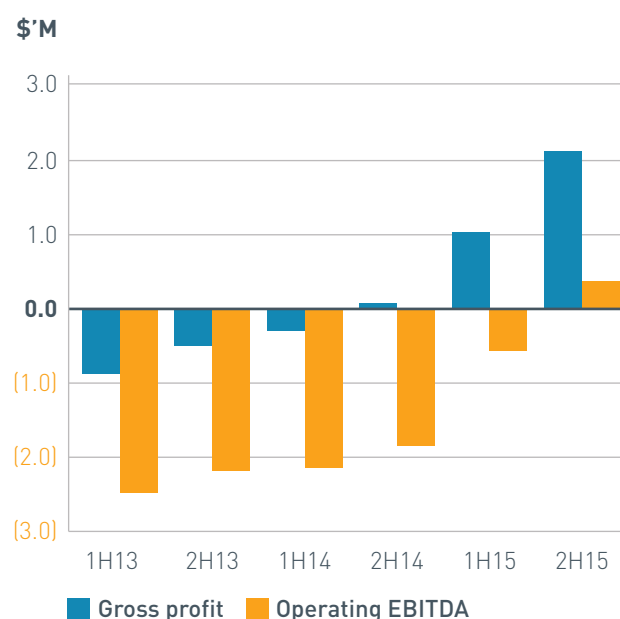


During the same period, direct platform costs increased by 45% as a result of increased transaction volumes and were at an average of 38 basis points of FUA. This is a decrease from 57 basis points of FUA for the prior corresponding period demonstrating that scale benefits are accelerating with growing FUA and revenues.

Having achieved positive gross profits during FY2014 the business has now achieved its maiden quarter of positive Operating EBITDA* in the third quarter of the financial year, which represents profit before growth investment expenses and other significant items. This performance continued in the fourth quarter with further growth in FUA adding additional revenue.

*Operating EBITDA represents revenue less all operating expenses incurred in servicing the current FUA, it excludes growth investment expenses and other significant items.

PLATFORM GROSS PROFIT & OPERATING EBITDA TRENDS - HALF YEAR



HUB24 carefully manages the timing and extent of further investment in resources to provide a stable platform to support our clients and our rapid growth. This includes ongoing review of platform administration, client service and transition functions for further efficiencies and continuous improvement program to deliver value to our clients. Continued investment to both maintain and increase FUA growth and financial performance will improve HUB24 financial performance.

GROWTH

We have delivered a growth in FUA of 100% to \$1.704 billion to 30 June 2015 and we now service over 484 financial advisers. Further growth in fund inflows since the end of the period has increased FUA at 27 August 2015 to \$1.9 billion.

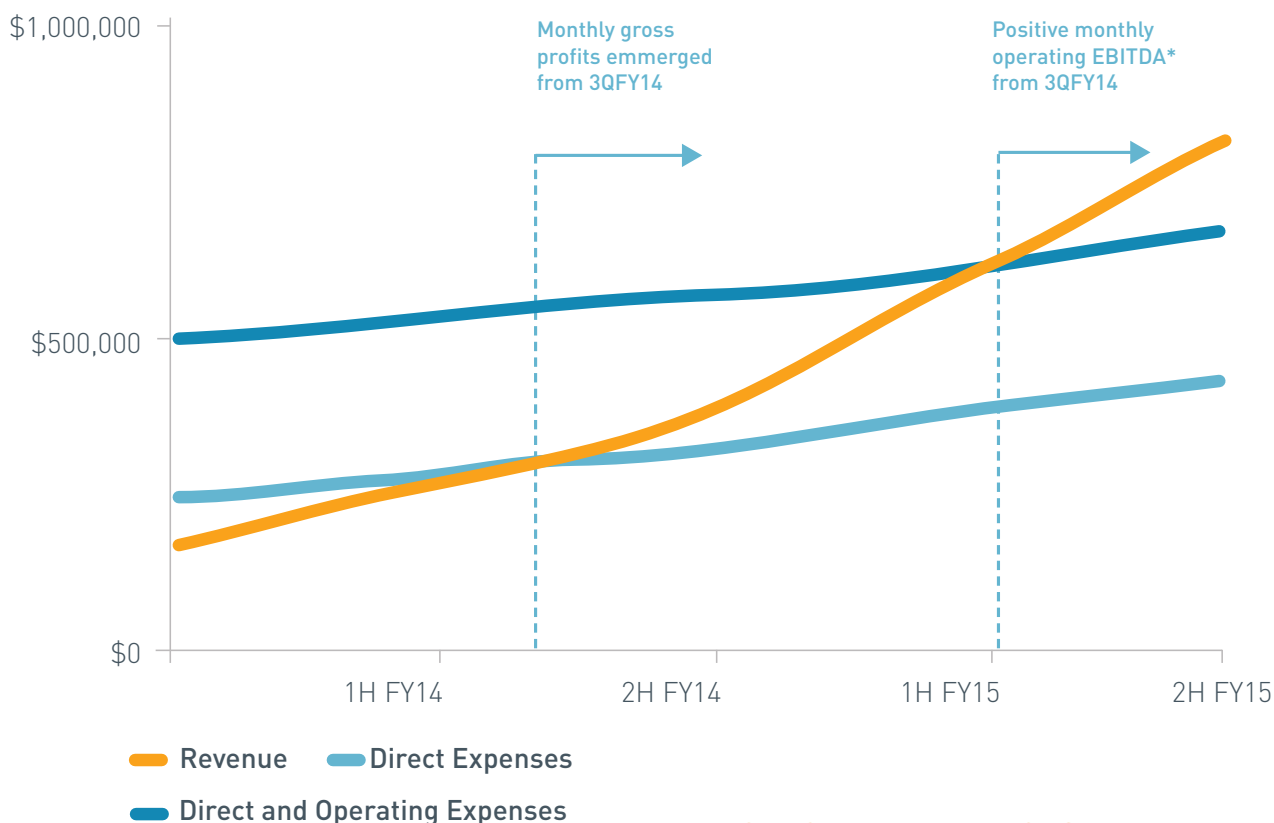
Monthly average net inflows on an historical basis are continuing to rise with the average for FY2015 being \$66 million per month compared to \$34 million in FY2014 and \$19 million in FY2013. The last quarter of FY2015 experienced further growth with an average monthly net inflow of \$91million.

HUB24 has recorded three quarters of record gross and net inflows during the 2015 financial year and the number of

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

SCALE EFFICIENCIES AND MARGIN EXPANSION

\$ per Month



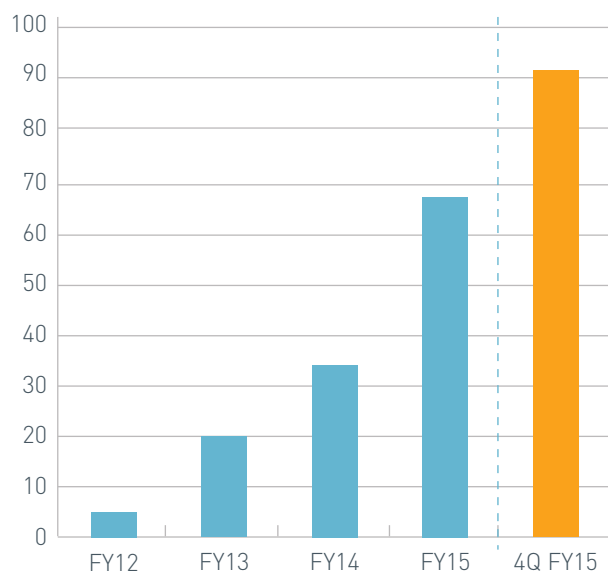
advisers using the platform has increased by 40.3%. Given that many of the advisers are relatively new to using the HUB24 platform, we expect significant upside in both the level of usage in advisers' businesses leading to an increase in the average FUA per adviser. The company continues to focus on securing new adviser relationships to further increase the momentum in FUA growth.

Two new white label agreements were signed during the financial year and new online functionality developed allowing self directed investors to transact and manage their own portfolios.

*Operating EBITDA represents Revenue less all Operating Expenses incurred in servicing the current FUA. It excludes Growth Investment expenses and other significant items.

AVERAGE MONTHLY NET INFLOWS

\$'M



CHAIRMAN AND MANAGING DIRECTOR'S REPORT

KEY PLATFORM STATISTICS

Platform statistics*	JUN '14	SEPT '14	DEC '14	MAR '15	JUN '15	Growth**
FUA – total	\$854m	\$1,031m	\$1,251m	\$1,493m	\$1,704m	99.5%
Net fund inflows (Qtr)	\$118m	\$171m	\$190m	\$163m	\$273m	131.4%
Gross inflows (Qtr)	\$167m	\$199m	\$226m	\$204m	\$325m	94.6%
Number of active Advisers	345	383	420	449	484	40.3%

*Statistics are for each quarter, have been rounded and are not audited. Net inflows represent gross inflows less outflows and do not include market movement.

** Growth is the percentage increase on prior year corresponding quarter.

OPERATIONS

During the financial year HUB24 developed a non-custody solution allowing advisers to consolidate the reporting of clients assets held outside of the HUB24 platform such as cash and shares through integrated data feeds from stockbrokers and other industry participants. This new development supports the company's strategic intent to secure further relationships with stockbroking based licensees and their clients who value holding their own assets while still receiving the benefits of a Wrap Platform.

HUB24 also released a new streamlined, intuitive user interface which enables access to our entire service from all popular mobile devices for both advisers and their clients. This new development was implemented after having already been awarded Best Tablet/Smartphone Access in the Investment Trends December 2014 Platform Benchmarking Report¹. In addition, HUB24 delivered new functionality to support self-directed investors ability to manage and transact their own portfolios and undertook a transition of an existing \$29 million client book from another industry participant to this new service which completed on 1 July 2015.

To support the company's growth, improve service levels and adviser experience, HUB24 has implemented SupportHub which offers full transparency for clients and advisers to monitor progress of enquiries through to completion. This initiative was implemented during a year in which the business doubled in size and also provides workflow and efficiency benefits for our client services staff which will support further growth. Our recognition as the industry leader for new application processing and administration accuracy in the Investment Trends 2015 Planner Technology Report demonstrates our ability to significantly grow whilst improving underlying service levels at the same time.

The company has undertaken substantial effort to incorporate the introduction of significant new regulatory requirements during the financial year including AML/CTF, ASIC RG133 for Managed Investments and Custodial Services (IDPS) and Stronger Super.

ACQUISITION

The acquisition of leading boutique dealer group Paragem Pty Ltd has delivered a business with a strong growth track record as a licensee with 20 high quality financial advisory practices across Australia advising on more than \$2.5 billion of client funds. HUB24 and Paragem are highly complementary with minimal overlap and share a common goal to create strong financial advice practices and a platform group not aligned to product manufacturers.

The integration of the Paragem business into HUB24's operations was completed seamlessly during the period bringing \$2.5 billion in funds under advice to the group. The Paragem executives have worked closely with their new HUB24 colleagues on a range of initiatives including the introduction of new investment options to the platform for Paragem advisers, marketing collateral and FUA transition services which are all of strategic benefit for HUB24's wider client base.

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.

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

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

CORPORATE

During the period, shareholders have continued to be supportive of the company with the capital raising completed in March 2015 raising \$5.25 million. This was a placement of five million ordinary shares to sophisticated and professional investors at \$1.05 per share, representing a premium of 2.6 cents per share over the 30 day VWAP at the time of raising. At 30 June 2015 HUB24 had \$12.1 million in cash and cash equivalents and is well resourced to meet the company's operating requirements.

The Chief Executive Officer of the company, Andrew Alcock, was appointed to the Board and position of Managing Director on 29 August 2014.

CORPORATE GOVERNANCE

The Board of HUB24 is committed to achieving and demonstrating standards of corporate governance that are best practice consistent with the size and scale of the company and compliant with the Australian Stock Exchange (ASX) regulations of good corporate governance. Our goal is to ensure that we protect the rights and interests of shareholders and ensure the company is properly managed through the implementation of sound strategies and action plans. We achieve this through the management team of our company and by supervising an integrated framework of controls over the company's resources to ensure our commitment to high standards of ethical behaviour.

Our remuneration report is enclosed in the annual report and outlines the group remuneration policies, Board performance and the senior executive remuneration policies and compensation.

OUTLOOK

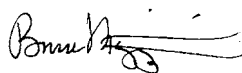
We have an exciting opportunity to build a leadership position in a sector where superannuation assets are projected to double over the next 10 years, and Wrap Platforms are projected as one of the fastest growing segments. HUB24 has a market share of less than 1% as a Wrap Platform while being ranked as one of the market leaders. Management within the company believe this to be an opportunity for continued strong growth.

HUB24 aims to continue to build a profitable and scalable business aligned with our vision to be the leading independent platform provider, revolutionising the way people manage their investments. The company plans to achieve this through innovative investment administration, portfolio management, reporting and support services that deliver superior outcomes for advisers, licensees, investors and our shareholders. We are expecting that HUB24 will transition to be cashflow positive on a monthly basis within the next two quarters, presuming the continuation of normal market conditions.

Our leading platform features, unique in-house technology and service proposition is being validated by increasing industry recognition and support from existing and new clients. We will continue to invest in platform development, operational efficiency and in accelerating FUA to the platform to take advantage of favourable market conditions which support the growth and success of an innovative and independent platform provider that offers real choice to advisers and investors.

We look forward to updating shareholders on our progress at the AGM in November.

On behalf of Directors, we wish to thank our management team and all employees for their commitment and customer service focus during the year. We would also like to thank our customers and shareholders for their continuing support for HUB24.



Bruce Higgins
Chairman of Directors



Andrew Alcock
Chief Executive Officer

28 August 2015

BUSINESS OVERVIEW

HUB24 operates in a market where strong growth in investment and superannuation continues supported by a backdrop of legislated increases in superannuation, a rising trend towards personal investments including directly held assets and managed portfolios, and underpinned by a growing population. Against this industry expansion Australia has been through a period of unprecedented regulatory change including reforms to superannuation and financial advice laws which present favourable conditions for HUB24's continued success.

KEY MARKET TRENDS

STRONG PROJECTED GROWTH IN PERSONAL INVESTMENTS, WRAP PLATFORMS AND EQUITY HOLDINGS

According to Rice Warner's Personal Investment Market Projections Report 2014, over the next 15 years:

- The personal investments market is expected to grow at a rate of 4.6% per annum in real terms (7.7% per annum in future dollars) over the next 15 years. The total personal investments market at 30 June 2014 was \$2,490 billion. This compares with the superannuation market which had assets of an additional \$1,837 billion at the same date.
- Wrap Platforms, including separately managed accounts and model portfolio products, will be the fastest growing segment, with its market share growing from 2.6% to 7.6% over the 15 years to 30 June 2029.
- By 30 June 2029, total cash and term deposits are estimated to reduce from 35% to 30%, as a proportion of overall personal investments while total equity holdings (including ETFs) will increase from 14.4% to 21.7% of overall personal investments.

AUSTRALIAN SUPER ASSETS WILL MORE THAN DOUBLE IN NEXT 10 YEARS, SMSFS NOW A THIRD OF ALL SUPER ASSETS

- The Deloitte's Dynamics of Superannuation report 2013 projects the total pool of Australian super assets to grow to \$4 trillion in the next 10 years and \$7.6 trillion by 2033.
- The growth is based on the Superannuation Guarantee of 9.25% rising to 12%, on gradual population growth, and the significant contribution of investment returns, cementing Australia as the fourth largest superannuation system in the world.

- Meanwhile the latest data on superannuation funds issued by the Australian Prudential Regulation Authority (APRA), reports that the average balance of an SMSF fund now exceeds \$1 million with the average account balance for an SMSF member just over \$525,000.
- Individuals running SMSFs control \$520.5 billion or nearly a third of the total invested via Australian superannuation funds compared to 10% ten years ago.

PERSONAL INVESTMENT MARKET PROJECTIONS



BUSINESS OVERVIEW

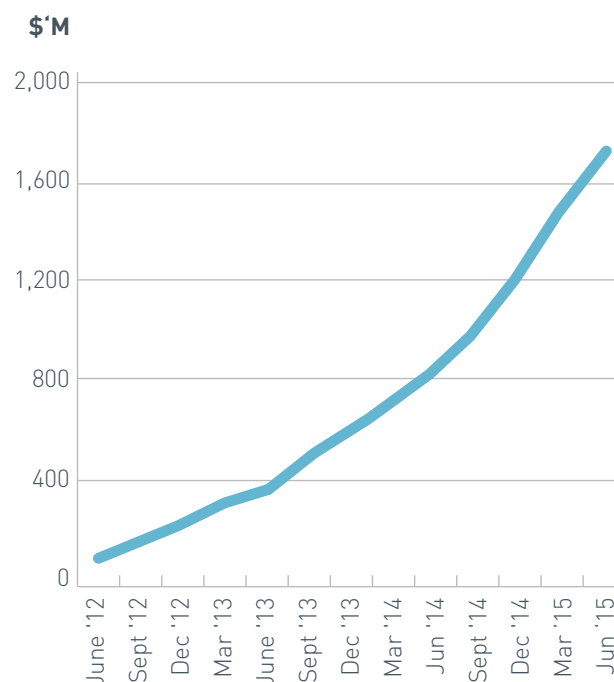
HUB24'S MAJOR ACHIEVEMENTS AND PROSPECTS

Within this environment, we believe HUB24 is well positioned to take advantage of these key industry trends, both now and into the future. As a next generation platform leveraging modern technology, HUB24 is also able to meet the rapidly changing expectations of financial advisers and investors. HUB24 has achieved a number of major milestones over the past financial year.

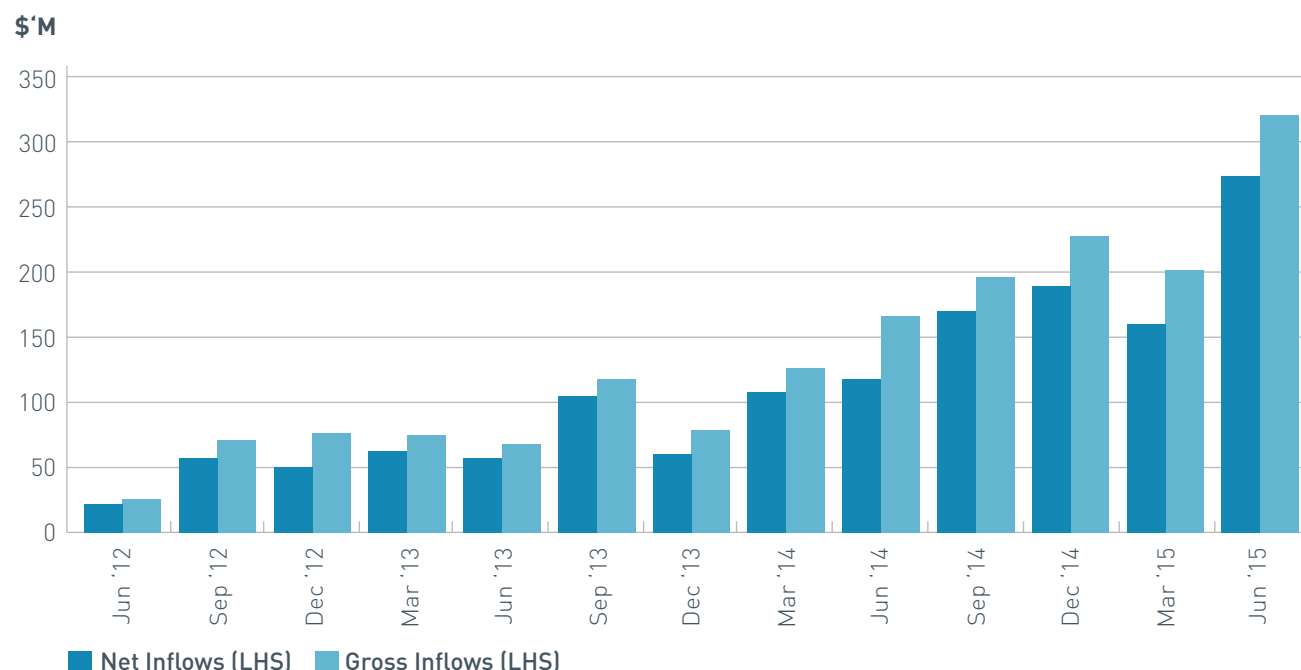
100% GROWTH IN FUNDS UNDER ADMINISTRATION, HIGHEST INDUSTRY NET INFLOWS GROWTH RATE FOR WRAP PLATFORMS ACCORDING TO PLAN FOR LIFE DATA¹, ADVISER USAGE UP BY 40%.

- Over the financial year, HUB24 grew funds under administration to \$1,704m as at 30 June 2015, representing an increase of 100%. With record inflows during the fourth quarter of the 2015 financial year, growth momentum is continuing into FY16 with funds under administration standing at \$1,900m as at 27 August 2015.
- According to Plan for Life¹ data HUB24 has the sixth highest net inflow growth across Wrap providers in Australia and in percentage terms of FUA, has the

FUA BALANCE



INFLOWS QUARTERLY



¹Source: Plan For Life. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2015

highest growth rate across Wraps, Platforms and Master Trusts in the market for the 12 months to 31 March 2015. As a newer market participant this growth rate is a significant achievement which is challenging the distribution arrangements that have been previously tightly held by traditional providers.

- Net inflows onto the HUB24 Platform for FY2015 were \$797m at an average of \$66m per month and averaging \$91m per month for the last quarter. By comparison, average monthly net inflows for FY2014 were \$34m. 52% of net inflows were driven by HUB24's seven white label products while the remainder were driven by 42 active dealer groups which increased in number by 12 during the financial year.

The number of advisers using the platform has increased by 40% over the financial year, with average FUA per adviser increasing by 42% over that time. Given that many of the advisers are relatively new to using the HUB24 platform, we expect significant upside in the level of usage in advisers' businesses leading to an increase in the average FUA per adviser.

CONTINUING INVESTMENT IN CLIENT-DRIVEN TECHNOLOGY

While many Platforms have been diverting significant resources to changing legacy systems to comply with new regulations and to support the rapidly changing approaches to investment management, HUB24 has been able to focus on the continued development of the company's in-house proprietary technology to truly address the needs of advisers and clients. We are in the unique position of providing both market leading managed account functionality and market leading Wrap functionality with exceptional user experiences and recognised high levels of service. Some of the developments undertaken during the last year include:

- A new reporting solution allowing advisers to consolidate the reporting of client assets that are held outside the HUB24 platform such as external cash accounts and individual stock holdings. This is achieved through integrated data feeds from stockbrokers and other market participants and supports the provision of a holistic view of a clients investments. This new development is attractive to several market segments and particularly to stockbroking licensees and their clients who value holding their own assets while still receiving the benefits of a Wrap platform.

- The release of a new streamlined and intuitive user interface which is available across all popular mobile devices. HUB24's investment, super and pension platform is now fully compatible and dynamically responsive to how advisers and clients choose to access the platform and will resize to fit screens of varying sizes on desktops or mobile devices. Our industry leading functionality is now fully portable and has extended our lead in this space having been awarded the best Tablet/Smartphone access by Investment Trends in their 2014 Platform Benchmarking Report, prior to release of this new capability.
- Launch of SupportHUB offering full transparency for registered clients and advisers to monitor progress of enquiries through to completion. This unique service provides certainty on activities yet to complete without the need to make enquiries or follow-up contact. SupportHUB also offers a knowledge base of online forms, user guides, enriched search capability, online tutorials and interactive tools for advisers.
- More recently, HUB24 has developed an initial service for self directed investors which came into effect 1 July 2015. Future enhancements to this will support changing advice models where advisers may wish to offer their clients additional access to manage their portfolios as well as position HUB24 as a leading platform provider for SMSF trustees who choose to be self advised.

INDUSTRY-RECOGNISED AND AWARDED

HUB24 has now established its position as one of the top tier full function Platforms in the market today evidencing the company's ability to grow and innovate at the same time. Our overall market position improved in the Investment Trends Platform Benchmarking Report December 2014 moving from 5th to 3rd place, ranking ahead of most major institutionally-owned Wrap providers; and ranking first for Best Tablet/Smartphone Access².

HUB24 also performed well in adviser satisfaction ratings as indicated in the Investment Trends 2015 Planner Technology Report. HUB24 placed:

- 2nd overall for Platform Satisfaction³;
- Award Winner – Ease of Use²;
- Award Winner – Value for Money, Platform².

¹Source: Plan For Life. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2015

²Investment Trends December 2014 Platform Benchmarking Report, based on extensive analyst reviews of 22 Platforms across 466 functional points.

³Results from Investment Trends 2015 Planner Technology Report, based on an online survey of over 890 financial planners.

BUSINESS OVERVIEW

The awards top a number of excellent results from the report including achieving the highest user satisfaction for online functionality, the user interface experience, turnaround times for applications, administrative accuracy and pricing flexibility. HUB24 also came in the top three for many other features such as online transaction capabilities, direct equities handling, and client review and reporting tools.

HUB24'S KEY STRENGTHS

AN INDEPENDENT PRODUCT OFFERING WITH EXTENSIVE CHOICE

HUB24's independence from product manufacturers ensures we are able to objectively offer the best choice of service providers for advisers and investors. This includes

- Over 1,000 ASX listed securities, including shares, ETFs, LICs and hybrids
- Over 214 managed portfolios
- Over 900 managed funds
- 15 different term deposits across five different providers
- 3 insurance providers

Our non-reliance on in-house products to generate revenue is a key differentiation point compared to institutionally owned Platforms where 'house' brand investment, banking and insurance products are widely promoted.

We will continue to deliver significant technology and product enhancements for financial advisers, stockbrokers and accountants that value open architecture, flexibility and transparency. We are not constrained in what we offer through vertical integration with product manufacturers.

This independence is highly valued by our customers as they can freely access a wide choice of options in the best interests of their clients.

MARKET LEADING MANAGED PORTFOLIOS

HUB24 combines all the features of a traditional Wrap with the largest array of single sector and diversified managed portfolios available in the market. HUB24's managed portfolio capability enables dealer groups to create and implement their own unique managed portfolios and subsequently participate in the value chain as a product manufacturer. Investors using managed portfolios are able to benefit from professional investment management in

a structure with potentially lower fees and tax effective strategies, transparency of underlying holdings and online tax optimisation tools.

Managed portfolios represented 42% of HUB24 Platform FUA at 30 June 2015 demonstrating that advisers and their clients are increasingly comfortable with HUB24's managed portfolio solution now having been on the market for the past 5 years.

Advantages of managed portfolios include:

- tax effectiveness with no inheritance of the underlying capital gains that can arise in managed funds
- transparency of individual assets traditionally held in a hidden managed fund structure
- no buy/sell differential charged on entry
- beneficial ownership of underlying investments
- potential benefit of netting transactions within an account, saving trading costs and taxes
- flexibility with online capital gains modelling tools that can assist in decision making

FLEXIBLE TECHNOLOGY WITH AWARD-WINNING ONLINE AND MOBILE INTERFACES

HUB24's purpose-built proprietary technology platform allows the company full control over development priorities to provide compelling and tailored solutions for our clients. The company is unconstrained by external vendors, and is well known for delivering platform enhancements at a more rapid rate than most, if not all, of our competitors, providing a significant competitive advantage.

HUB24's clients, including advisers, fund managers and investors enjoy real-time access to investment and account information through 24/7 web and mobile device access via our award-winning online and mobile interfaces. Our technology incorporates electronic account opening, trading, reports, statements and communications, which enable HUB24 to deliver efficient and cost-effective services to all clients.

HUB24 also promotes the ability to brand or 'white label' our platform for licensees who want to tailor their platform solution to suit the individual needs of their business model, advisers and clients. This is a streamlined process for HUB24, and already accounts for more than 50% of total FUA with expectation for strong growth in coming years.

Your Directors present their report together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'HUB24 consolidated entity') consisting of HUB24 Limited (referred to hereafter as the 'company') and the entities it controlled for the year ended 30 June 2015.



BRUCE HIGGINS

BRUCE HIGGINS B ENG CP ENG, MBA, FAICD

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Bruce is currently Chairman and Non-Executive Director of Legend Corporation Limited. 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:

- Feore Limited (resigned August 2013)
- Q Technology consolidated entity (resigned December 2014)



ANDREW ALCOCK

ANDREW ALCOCK B BUS, GAICD

MANAGING DIRECTOR

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

His previous executive roles include General Manager for Asteron's wealth management business, where he was responsible for a broad range of superannuation and investment solutions for investors, employers, licensees and advisers.

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.

DIRECTORS' REPORT



VAUGHAN WEBBER

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 13 years in corporate finance at leading Australian mid-sized stockbrokers focussing on creating, funding and executing strategies for mid to small cap ASX listed companies.

Vaughan also has experience as a director with ASX listed public companies and is currently Non-Executive Chairman of Money3 Corporation Limited and Non-Executive Director of Anchor Resources Limited. Vaughan has a Bachelor Degree in Economics.

Vaughan was appointed to the company's Board on 19 October 2012 and is the Chairman of the Audit, Risk and Compliance Committee.

Previous listed company directorships held in the last three years:

- Wentworth Holdings Limited (resigned 21 November 2013).



HUGH ROBERTSON

HUGH ROBERTSON

NON-EXECUTIVE DIRECTOR

Hugh Robertson has over 25 years experience in the financial services industry, commencing his stockbroking career in 1983. During that time he has been involved in a number of successful stockbroking and equity capital markets businesses, including Falkiners Stockbroking and most recently Bell Potter Securities.

Hugh is currently a Non-Executive Director at Oncard International Limited and AMA Group Limited. Previously, Hugh has also held directorships with NSX Ltd, OAMPS Ltd, Catalyst Recruitment Ltd and Bell Potter Ltd (pre-IPO).

Hugh was appointed to the Board on 20 April 2011.

Previous listed company directorships held in the last three years:

- Wentworth Holdings Limited (resigned 3 September 2013).



IAN LITSTER

IAN LITSTER B SC (HONS)

NON-EXECUTIVE DIRECTOR

Ian Litster has over 10 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 Chair of the Remuneration and Nomination Committee.

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



MATTHEW HAES

COMPANY SECRETARY

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

MATTHEW HAES B EC (SYD) ACA AGIA

Matthew Haes is the Chief Financial Officer and Company Secretary for HUB24 Limited.

Matthew's financial services experience spans over 19 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 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 member of the executive committee and serves the committees of the Board. Outside HUB24 he is a non-executive director and chairman of the Audit & Risk committee of an APRA-regulated Authorised Deposit-taking Institution (ADI).

Matthew has a Bachelor of Economics, and is a Chartered Accountant and Chartered Secretary.

Matthew was appointed Company Secretary on 10 September 2012.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

As at the date of this report, the interests of the Directors in the shares of the company were:

Director	Number of ordinary shares
Bruce Higgins	566,811
Hugh Robertson	86,500
Ian Litster	3,588,751
Vaughan Webber	Nil
Andrew Alcock	31,387

CONSOLIDATED ENTITY OVERVIEW

HUB24 Limited operates the HUB24 investment and superannuation platform and provides 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 20 independently minded financial advice businesses that deliver cost effective, high quality advice. It provides compliance, systems and support to the 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 during the year of the company were the provision of investment and superannuation portfolio administration services and the provision of financial advisory services.

CAPITAL RAISING

The company conducted a capital raising during the year ended 30 June 2015 to further strengthen its balance sheet, support the implementation of recently announced white label agreements and to maintain sufficient flexibility to pursue additional strategic opportunities as they arise.

\$5.25 million in capital was raised from a placement of 5,000,000 ordinary shares at \$1.05 on 24 March 2015.

REVIEW OF FINANCIAL RESULTS

The Consolidated entity recorded revenue from ordinary activities of \$29.304 million for the year ended 30 June 2015 (revenue from ordinary activities of \$4.034 million for the year ended 30 June 2014) an increase of 626%.

A loss of \$6.457 million was recorded for the year ended 30 June 2015 (loss of \$8.548 million for the year ended 30 June 2014) an improvement of 24%.

Included in this result were the following significant items:

- Platform revenue increased by 151% to \$8.057 million for the year (\$3.209 million for the year ended 30 June 2014) and direct costs increased by 45% to \$4.899 million (\$3.376 million for the year ended 30 June 2014);
- The acquisition of Paragem Pty Ltd on 3 September 2014 contributing \$20.235 million to the increase in revenue for the period and \$0.389 million in legal and due diligence costs associated with the transaction were expensed;
- Platform recurring revenue of \$0.639 million and non-recurring revenue of \$0.377 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 \$0.781 million was capitalised during the year (\$0.328 million for the prior corresponding period).

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.

DIRECTORS' REPORT

FINANCIAL PERFORMANCE	FY15	FY14	% VAR
Income	\$	\$	
Recurring Revenue - Platform	8,056,796	3,209,190	151%
Recurring Revenue - Licensee	20,235,321	-	
Total Revenue	28,292,117	3,209,190	782%
Direct costs - Platform	(4,898,589)	(3,376,016)	45%
Direct costs - Licensee	(18,550,883)	-	
Gross Profit	4,842,644	(166,826)	3003%
Operating expenses	(5,260,676)	(3,516,234)	50%
Operating EBITDA	(418,032)	(3,683,060)	89%
Growth Investment expenses	(3,967,117)	(3,552,845)	12%
EBITDA	(4,385,149)	(7,235,905)	39%
Other significant items:			
Interest revenue	414,636	535,391	(23%)
Non-recurring revenue	597,429	289,361	106%
Share based payment expense	(902,513)	(427,895)	111%
Transaction costs	(448,109)	-	100%
Depreciation and amortisation	(626,655)	(1,028,915)	(39%)
Profit before income tax	(5,350,361)	(7,867,963)	32%
Income tax	-	-	
Profit after income tax from continuing operations	(5,350,361)	(7,867,963)	32%
Discontinued operations	(1,106,537)	(679,825)	63%
Profit after income tax	(6,456,898)	(8,547,788)	24%
Recurring Revenue	28,292,117	3,209,190	782%
Non-recurring revenue	597,429	289,361	106%
Interest revenue	414,636	535,391	(23%)
Revenue from ordinary activities	29,304,182	4,033,942	626%

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

DIRECTORS' REPORT

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 \$28.292 million for the year ended 30 June 2015. Paragem Pty Ltd has contributed \$20.235 million in revenue for the ten months ended 30 June 2015. Revenue is sensitive to movements in equity markets given a significant proportion of client funds are in either directly held or managed assets with equity market exposure.

GROSS PROFIT

Strong FUA inflows and increased trading activity at improved margins have driven a strong gross profit result for the year ended 30 June 2015 demonstrating the benefits of increasing scale.

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 year ended 30 June 2015 has improved by 89% 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.

OTHER SIGNIFICANT ITEMS

Non-recurring revenue of \$0.377 million was recorded during the period from Reduced Input Tax Credits received by the company relating to the period to 30 June 2014. A further \$0.220 million of non-recurring other income has resulted from the change in accounting policy relating to Research & Development rebates.

Share based payment expenses for the year of \$0.903 million was inclusive of \$0.465 million relating to the acquisition of Paragem Pty Ltd (Refer note 30) and \$0.438 million due to the issue of options to executives, the Chairman and staff during the past two financial years ended 30 June 2015.

Transaction costs of \$0.448 million are legal and due diligence costs associated with the acquisition of Paragem Pty Ltd and the acquisition of a book of self directed clients that transferred to the HUB24 platform on 1 July 2015.

Amortisation of the platform intangible has reduced significantly during the period due to the useful life of the platform being reassessed to November 2030 from November 2020.

DISCONTINUED OPERATIONS EXPENSE

During the year ended 30 June 2015 the company changed its methodology in provisioning for adviser client claims arising from financial advice provided under the discontinued stockbroking operation prior to 1 March 2013. Reported claims during the year and an estimate of future claims and associated legal costs have resulted in an increase in the provision of \$0.742 million during the year ended 30 June 2015.

Discontinued operations expense also includes \$0.234 million provided against the sale of trading software to BBY (in liquidation).

CASH FLOWS

The Group held \$12.1m in cash and cash equivalents as at 30 June 2015. Cash outflows from operating activities were \$1.772 million for the second half of the financial year ended 30 June 2015 significantly reduced from \$3.584 million in the first half.

OPERATING SEGMENTS

FINANCIAL PERFORMANCE - SEGMENTS	Investment Platform \$	Licensee Services \$	Corporate \$	FY15 \$	FY14 \$	VAR %
Income						
Recurring Revenue - Platform	8,056,796			8,056,796	3,209,190	151%
Recurring Revenue - Licensee		20,235,321		20,235,321	-	
Total Revenue	8,056,796	20,235,321		28,292,117	3,209,190	782%
Direct costs - Platform	(4,898,589)			(4,898,589)	(3,376,016)	45%
Direct costs - Licensee		(18,550,883)		(18,550,883)	-	
Gross Profit	3,158,207	1,684,437		4,842,644	(166,826)	3003%
Operating expenses	(3,358,855)	(1,623,751)	(278,071)	(5,260,676)	(3,516,234)	50%
Segment Operating EBITDA	(200,648)	60,687	(278,071)	(418,032)	(3,683,060)	89%
Growth Investment expenses	(3,868,680)		(98,438)	(3,967,117)	(3,552,845)	12%
Segment EBITDA	(4,069,328)	60,687	(376,508)	(4,385,149)	(7,235,905)	39%

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.
Corporate	Provision of corporate services to the operating segments including allocation of costs of the Managing Director, Finance & compliance and strategic support.

DIRECTORS' REPORT

PLATFORM SEGMENT

Platform	FY15 \$	Restated FY14 ¹ \$	VAR %
FUA (as at 30 June)	1,704m	854m	100%
Recurring Revenue	8,056,796	3,209,190	151%
Total Revenue	8,056,796	3,209,190	151%
Direct costs	(4,898,589)	(3,376,016)	45%
Gross Profit	3,158,207	(166,826)	1993%
Operating expenses	(3,358,855)	(3,235,049)	4%
Segment Operating EBITDA	(200,648)	(3,401,875)	94%
Growth Investment Expenses	(3,868,680)	(3,434,720)	13%
Segment EBITDA	(4,069,328)	(6,836,595)	40%

¹Restated to recognise corporate segment for FY2014

The platform segment recorded significant improvements in Revenue, Gross Profit, Operating EBITDA and EBITDA for the year ended 30 June 2015 due to increases in FUA and increases in transaction volumes at improved margins. Positive quarterly operating EBITDA has been recorded since the third quarter of FY2015.

While recurring revenue increased by 151%, direct costs increased by only 45% and operating expenses increased by 4% demonstrating the continued benefits of scale.

Included in the result for the platform segment was the following:

- Platform FUA based fees increasing by 119% for the year ended 30 June 2015 compared to the prior corresponding period derived from an FUA increase of 100%
- Platform transaction fees increasing 223% for the year ended 30 June 2015 compared to the prior corresponding period driven by increased volumes for platform trading, managed funds and insurance
- Platform recurring revenue of \$0.639 million and non-recurring revenue of \$0.377 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

The results for the Platform segment shown as a percentage of average FUA for the year demonstrate margin improvements at each level for the financial year ended 30 June 2015.

Platform	FY15 Basis points of FUA	FY14 Basis points of FUA	VAR %
Recurring Revenue	0.63%	0.52%	22%
Direct costs	0.38%	0.55%	30%
Gross Profit	0.25%	(0.03%)	1016%
Operating expenses	(0.26%)	(0.57%)	50%
Segment Operating EBITDA	(0.01%)	(0.60%)	97%
Growth Investment Expenses	(0.30%)	(0.57%)	45%
Segment EBITDA	(0.32%)	(1.17%)	71%

In addition to significant improvements in financial performance year on year, the second half recorded positive Operating EBITDA. Further scale benefits were realised during the second half of the year with Gross Profit increasing to 0.29% from 0.20%, Operating EBITDA to 0.05% from (0.11%) and EBITDA of (0.23%) from (0.45%) of average FUA for the period.

Platform	1H FY14	2H FY14	1H FY15	2H FY15
Recurring Revenue	0.55%	0.50%	0.62%	0.65%
Direct costs	0.66%	0.47%	0.42%	0.37%
Gross Profit	(0.11%)	0.03%	0.20%	0.29%
Operating expenses	0.64%	0.45%	0.31%	0.24%
Segment Operating EBITDA	(0.74%)	(0.42%)	(0.11%)	0.05%
Growth Investment Expenses	0.62%	0.51%	0.35%	0.28%
Segment EBITDA	(1.36%)	(0.93%)	(0.45%)	(0.23%)

PLATFORM SEGMENT - 2HFY2015 VS 1HFY2015

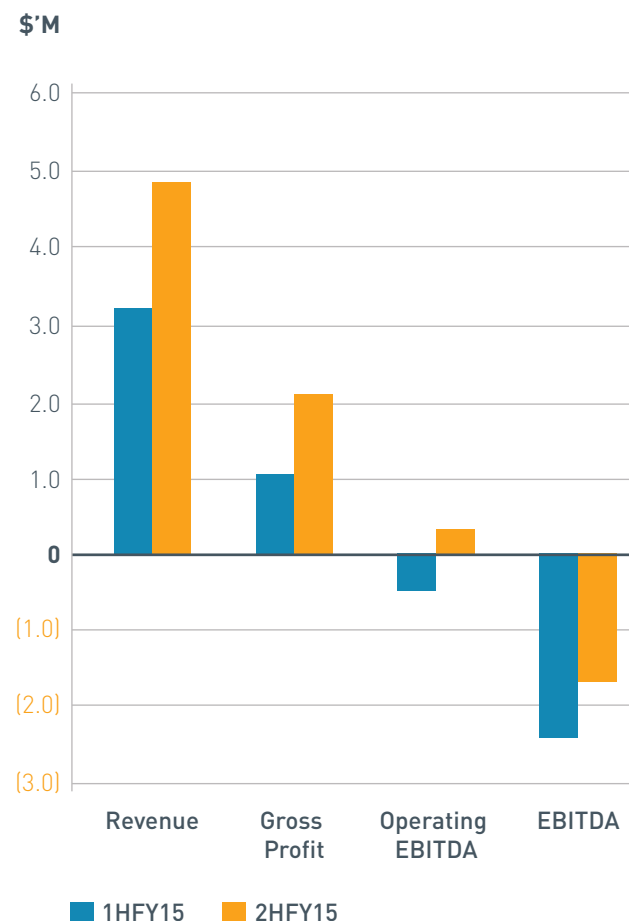


Chart above demonstrates the dual impact of increasing volumes and increasing margins on revenue, Gross Profit, Operating EBITDA and EBITDA when comparing 2HFY2015 to 1HFY2015.

LICENSEE SEGMENT

Paragem provides licensing for financial planning practices with above average funds under advice. The practices typically seek the freedom to exert their independence through non conflicted investment and insurance options and they embrace the changing shape of the advice industry toward managed accounts with superior portfolio reporting and investment flexibility. While Paragem advisers continue to be free to choose whichever platform best suits their clients' needs, the take-up of HUB24 has been strong due to the ability of the platform to cater for both traditional managed fund investments as well as the emerging breed of managed portfolios and SMAs typically expected in the high net worth investor and SMSF sectors.

Paragem provides assistance to practices wishing to implement managed accounts for their clients, assisting them to deliver contemporary investment solutions and improving the efficiency of their business such that operational scale and professional fees are the primary drivers of profitability. This philosophy is aligned with best of breed advisers in the financial planning industry.

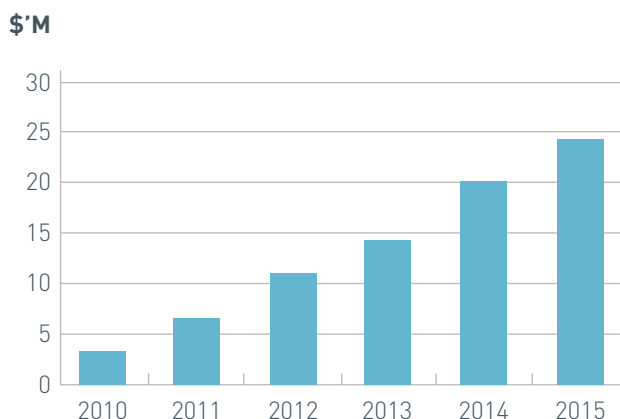
Licensee	10 Months ending 30 June 2015 \$
Recurring Revenue	20,235,321
Total Revenue	20,235,321
Direct costs	(18,550,883)
Gross Profit	1,684,437
Operating expenses	(1,623,751)
Segment Operating EBITDA	60,687
Segment EBITDA	60,687

The licensee segment has contributed to ten months earnings for the period. Revenue is generated from 20 practices with 50 licensed advisers and is 19% greater than the prior corresponding period (10 months ended 30 June 2014).

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

DIRECTORS' REPORT

PARAGEM PTY LTD REVENUE



Note: Acquired by HUB24 on 3 September 2014.

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 within the first half of the financial year and the two groups have begun working proactively together.

This acquisition of Paragem 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.

CORPORATE SEGMENT

CORPORATE	FY15 \$	¹ Restated FY14 \$	VAR %
Operating expenses	(278,071)	(281,185)	(1%)
Growth resources expensed	(98,438)	(118,125)	(17%)
Segment EBITDA	(376,508)	(399,310)	(6%)

¹Restated to recognise corporate segment for FY2014

A portion of operating expenses and growth resources were allocated to the Corporate segment in the 10 months to 30 June 2015. These expenses predominantly relate to corporate headcount overheads that cannot be directly attributed to either operating segment.

REVIEW OF OPERATIONS

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

The Company paid \$0.905 million as upfront consideration net of cash acquired, 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 \$4.0 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.

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.

Refer to the Chairman and Managing Director's report for further details.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the acquisition of Paragem Pty Ltd on 3 September 2014, there have been no significant changes in the nature or state of affairs of the consolidated entity.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since 30 June 2015 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Continuing rapid growth in FUA to the investment and superannuation platform and significant platform development over the past three years see the company approaching the significant milestone of \$2 billion in FUA. The company's

operations have scaled well with this rapid growth and the benefits of scale have emerged during the financial year.

Management and the Board are confident the company will continue to grow into the foreseeable future.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIRECTORS INDEMNITY

During the 2015 financial year the consolidated entity paid a premium in respect of a contract, insuring all the Directors and officers against liability, except wilful breach of duty, of a nature that is required to be disclosed under section 300(8) of the Corporations Act 2001. In accordance with commercial practice, the amount of the premium has not been disclosed.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the ASIC, relating to the 'rounding off' of amounts in the Directors' report. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest dollar, or in certain cases to the nearest thousand dollars.

MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as per the table below.

Director	Board Meetings		Audit, Risk & Compliance Committee Meetings		Remuneration & Nomination Committee	
	Attended	Held*	Attended	Held*	Attended	Held*
Bruce Higgins	14	14	3	3	3	3
Andrew Alcock	14	14	3	3	3	3
Ian Litster	13	14	2	3	3	3
Hugh Robertson	11	14	-	-	-	-
Vaughan Webber	13	14	3	3	3	3

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

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED

This remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of Section 300A of the Corporations Act 2001 and its Regulations.

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

- A – Principles used to determine the nature and amount of remuneration
- B – Details of remuneration
- C – Service agreements
- D – Share based compensation
- E – Additional information
- F – Additional disclosures relating to key management personnel

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

For the purposes of this report Key Management Personnel (KMP) of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the company.

REMUNERATION PHILOSOPHY

The performance of the consolidated entity depends upon the quality of its Directors and Executives (collectively hereafter KMP). To prosper, the consolidated entity must attract, motivate and retain highly skilled KMPs and to ensure reward for performance is competitive and appropriate for the results achieved.

To this end, the consolidated entity embodies the following principles in its remuneration framework:

- Focus on sustained growth in shareholder wealth, consisting of share price growth
- Provide competitive and reasonable rewards to attract high calibre individuals

- Focus the executive on key drivers of value including capital management
- Transparency and acceptability to shareholders.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on the remuneration arrangements for Non-Executive Directors and management. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and management team.

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

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

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of Non-Executive Director and other KMP remuneration is separate and distinct.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective and Structure

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

The amount of fixed remuneration is established for individual Non-Executive Directors by resolution of the full Board, at its discretion. The annual aggregate non-executive remuneration may not exceed the amount fixed by the company in General Meeting for that purpose (currently fixed at a maximum of \$400,000 per annum as approved by shareholders at the Annual General Meeting held on 26 November 2010).

The following base fees including superannuation apply for Non-Executive directors:

Chairman	\$103,572 p.a.
Other Non-Executive Directors	\$59,359 p.a.

RETIREMENT ALLOWANCES FOR DIRECTORS

There are no retirement schemes or retirement benefits other than statutory benefits for Non-Executive Directors.

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

No additional fees are paid for each Board committee on which a Director sits, however Directors are also entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred as a consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

The remuneration of Non-Executive Directors for the financial years ending 30 June 2015 and 30 June 2014 respectively are detailed in the Remuneration of KMP section of this Remuneration Report.

Directors' compensation increased by 1.8% over the prior financial year.

EXECUTIVE REMUNERATION

Objective

The consolidated entity aims to reward executives 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 consolidated entity
- ensure total remuneration is competitive by market standards.

Structure

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

Remuneration may consist of the following key elements:

- Fixed salary
- Short term incentives (STI's)
- Long term Incentives (LTI's)
- Share based incentives

FIXED SALARY

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 of Directors 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 and practices. KMP's receive their fixed remuneration in cash.

SHORT TERM INCENTIVES (STI'S)

Objective and Structure

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

STI payments are granted to executives based upon specific annual financial and business plan targets being achieved as determined by the Board.

The STI facilitates annual cash/equity opportunities that reflect performance. Details of the STI bonuses earned for each executive are detailed in Part C of this report.

DIRECTORS' REPORT

LONG TERM INCENTIVES (LTIS)

Objective and Structure

KMPs may be eligible to participate in the Employee Share Option Plan (ESOP) of the company, which was approved at the Annual General Meeting of the company on 27 November 2014 for the purposes of issuing options over ordinary shares. Additionally, the Board of Directors may, at their discretion and with the approval of shareholders, (as required) elect to remunerate KMPs through the issue of share options outside of this plan.

The terms of the options issued are structured so that sales restrictions are in force over the options or shares for two or more years as well as vesting structures that incorporate share price performance hurdles and continuing service obligations ensuring alignment with shareholder value creation.

SHARE BASED INCENTIVES

Objective

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

Structure

Share based remuneration to KMPs may be delivered in the form of shares, partly-paid shares, 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 issue conditions, including 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 executives is directly linked to performance of the consolidated entity. 50% of the amount potentially payable under the STI is based on the performance of the executive against KPIs relating to the Company's business plan, while 50% of the amount potentially payable under the STI is based on the performance of the executive against KPIs relating to stretch objectives associated with profitability and margin objectives.

USE OF REMUNERATION CONSULTANTS

During the financial year ended 30 June 2015 the company did not use the services of remuneration consultants.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2014 ANNUAL GENERAL MEETING

At the 2014 AGM, 98.73% of votes received supported the adoption of the remuneration report for the year ended 30 June 2014. 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 report.

Remuneration of Key Management Personnel

Details of the nature and amount of each element of the remuneration of KMP of the consolidated entity for the financial year are set out in Part C of this report. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any Director (whether executive or otherwise).

DIRECTORS' REPORT

All executives have rolling agreements. The company may generally terminate the executive's 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 executive's remuneration).

The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested options will immediately be forfeited.

Executives have the opportunity to earn an annual STI if predefined targets are achieved. The Managing Director has a target STI opportunity of 100% of fixed remuneration and other members of the executive team have an STI opportunity ranging from 0% to 100% of fixed remuneration. 50% of the STI is for meeting base case objectives, while 50% is for meeting stretch case objectives. Up to 70% of the STI may be paid in shares in HUB24.

STI awards for the executive team in the 2015 financial year were based upon scorecard measures and weightings as disclosed below. These targets were set by the Remuneration and Nomination Committee at the beginning of the financial year and align to the Company's strategic and business objectives.

Performance category	Metrics	Base case weighting	Stretch case weighting
Financial	Net Profit after Tax	29%	-
Growth	FUA, development targets	27%	75%
Strategy	Deliver strategic opportunities	15%	25%
Compliance & Operations	Fraud prevention & system improvements	19%	-
Leadership	Organisational development	10%	-

For each STI the percentage of the available bonus that was awarded in relation to the 2015 financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

STI ENTITLEMENT

Name	Entitlement	Current Year Awarded	STI entitlement Forfeited
Andrew Alcock	100%	77.9%	22.1%
Mark Ballinger	30%	80.6%	19.4%
Jason Entwistle	100%	79.2%	20.8%
Wes Gillett	100%	64.9%	35.1%
% of Salary			
Joseph Gioffre	Discretionary	15.2%	-
Matthew Haes	Discretionary	19.0%	-

DIRECTORS' REPORT

REMUNERATION EXPENSES FOR KEY MANAGEMENT PERSONNEL

2015			Short Term Benefits	Post Employment Benefits	Long Term Benefits	Share Based Payments			
\$	Salary and Fees	Bonus	Non-monetary	Super-annuation	Long Service Leave	Shares	Options	Total	Performance Related %
Non-Executive Directors									
Bruce Higgins	103,572	-	-	-	-	-	53,443	157,015	0%
Ian Litster	59,359	-	-	-	-	-	-	59,359	0%
Hugh Robertson	59,359	-	-	-	-	-	-	59,359	0%
Vaughan Webber	59,359	-	-	-	-	-	-	59,359	0%
Subtotal Non-Executive Directors	281,649	-	-	-	-	-	53,443	335,092	
Key Management Personnel									
Andrew Alcock Managing Director	378,709	295,000	-	18,784	1,973	-	77,073	771,539	38%
Mark Ballinger Head of Business Program	186,116	45,000	-	18,784	1,094	1,000	3,287	255,281	18%
Jason Entwistle Head of Strategic Developments	302,860	240,000	-	18,784	1,568	1,000	62,620	626,832	38%
Wes Gillett Head of Product and Distribution	231,111	150,000	-	18,784	1,960	1,000	46,965	449,820	33%
Joseph Gioffre Head of Operations	216,886	45,000	-	18,784	2,702	1,000	10,981	295,353	15%
Matthew Haes CFO & Company Secretary	224,943	62,000	-	18,784	4,109	1,000	15,949	326,785	19%
Subtotal Key Management Personnel	1,540,625	837,000	-	112,704	13,406	5,000	216,875	2,725,610	
Total	1,822,274	837,000	-	112,704	13,406	5,000	270,318	3,060,702	

DIRECTORS' REPORT

2014			Short Term Benefits	Post Employment Benefits	Long Term Benefits	Share Based Payments			
\$	Salary and Fees	Bonus	Non- monetary	Super- annuation	Long Service Leave	Shares	Options	Total	Performance Related %
Non-Executive Directors									
Bruce Higgins	101,724	-	-	-	-	-	76,289	178,013	0%
Ian Litster	58,300	-	-	-	-	-	-	58,300	0%
Hugh Robertson	58,300	-	-	-	-	-	-	58,300	0%
Vaughan Webber	58,300	-	-	-	-	-	-	58,300	0%
Subtotal Non-Executive Directors	276,624	-	-	-	-	-	76,289	352,913	
Key Management Personnel									
Andrew Alcock ¹ Chief Executive Officer	351,293	219,688	-	16,294	636	1,000	80,404	669,315	33%
Mark Ballinger ² Head of Business Program	158,923	20,000	-	13,340	312	-	-	192,575	10%
Jason Entwistle ³ Head of Strategic Developments	294,204	157,500	-	16,294	491	1,000	64,323	533,811	29%
Wes Gillett Head of Product and Distribution	249,167	102,800	-	18,062	949	1,000	48,242	420,220	24%
Joseph Gioffre Head of Operations	210,748	19,040	-	17,874	825	1,000	11,599	261,086	7%
Matthew Haes CFO and Company Secretary	216,949	33,000	-	17,888	669	1,000	16,674	286,180	11%
Subtotal Key Management Personnel	1,481,284	552,028	-	99,752	3,882	5,000	221,242	2,363,188	
Total	1,757,908	552,028	-	99,752	3,882	5,000	297,531	2,716,101	

1. A. Alcock was appointed Chief Executive Officer on 29 July 2013

2. M. Ballinger was appointed Head of Business Program on 16 August 2013.

3. J. Entwistle resigned as Acting Chief Executive Officer and was appointed Head of Strategic Developments on 1 August 2013

DIRECTORS' REPORT

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2015	2014	2015	2014	2015	2014
Non-Executive Directors						
Bruce Higgins	66%	57%	-	-	34%	43%
Ian Litster	100%	100%	-	-	-	-
Hugh Robertson	100%	100%	-	-	-	-
Vaughan Webber	100%	100%	-	-	-	-
Other Key Management Personnel						
Andrew Alcock	47%	38%	44%	38%	9%	24%
Mark Ballinger	78%	77%	21%	23%	1%	-
Jason Entwistle	47%	38%	44%	38%	9%	23%
Wes Gillett	48%	39%	44%	39%	9%	21%
Joseph Gioffre	81%	88%	-	-	19%	12%
Matthew Haes	80%	84%	-	-	20%	16%

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 key management personnel are formalised in service agreements.

The major provisions of the agreements relating to remuneration are set out below. Salaries are for FY 2015 and are subject to review annually by the Remuneration and Nominations Committee. There are no termination payment benefits other than the contracted notice periods.

DIRECTORS' REPORT

Name	Base Salary (including superannuation)	STI	LTI	Term of agreement	Notice period – either party
Andrew Alcock Chief Executive Officer	\$379,118	Up to 100% of base salary ¹	200,000 options ²	Unspecified – commenced 29 July 2013	6 months
Mark Ballinger Head of Business Program	\$225,449	Up to 30% of base salary	100,000 options ³	Unspecified – commenced 10 September 2013	3 months
Jason Entwistle Director, Strategic Development	\$308,307	Up to 100% of base salary ¹	160,000 options ³	Unspecified – commenced 1 August 2013	6 months
Wesley Gillett Head of Product & Distribution	\$259,100	Up to 100% of base salary ¹	120,000 options ³	Unspecified – Commenced 19 April 2013	6 months
Joseph Gioffre Head of Operations	\$230,781	Discretionary	80,000 options ³	Unspecified – commenced 3 July 2012	1 month
Matthew Haes Chief Financial Officer and Company Secretary	\$236,557	Discretionary	120,000 options ³	Unspecified – commenced 26 June 2012	1 month

1. 50% of STI payable upon achieving financial and business plan targets set by the Board. A further 50% payable upon the achievement of stretch targets set by the Board.

2. Options for Andrew Alcock, have a one year sale restriction after vesting and exercise. Vesting no earlier than 36 months from date of issue subject to achieving share price hurdles.

3. Options for Jason Entwistle, Wesley Gillett, Matthew Haes, Joseph Gioffre and Mark Ballinger have a one year sale restriction after vesting and exercise. Vesting no earlier than 36 months from date of issue subject to achieving share price hurdle.

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

DIRECTORS' REPORT

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/ Cancelled during year	Balance at end of year
7 August 2013	14 October 2017	\$0.8424	\$0.38	yes	100%	195,000	Nil	Nil	195,000
8 August 2013	8 August 2017	\$0.8438	\$0.38	One third achieved	33.3%	1,440,000	Nil	Nil	1,440,000
8 August 2013	8 August 2017	\$0.8438	\$0.37	One third achieved	33.3%	510,000	Nil	Nil	510,000
17 October 2014	17 October 2019	\$0.98	\$0.14	No	Nil	Nil	580,000	Nil	580,000
2 December 2014	17 October 2019	\$0.98	\$0.14	No	Nil	Nil	200,000	Nil	200,000

Options granted carry no dividends or voting rights.

Options granted 7 August 2013 under the HUB Employee Share Option Plan have vested during the reporting period. These option can be exercised after the 2nd anniversary of the date of issue.

Options granted 8 August 2013 to executives vest subject to the following:

- One third of the Options subject to, and vesting on, performance of a hurdle of a 20% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 12 months after the date of issue of the Options and before the expiry of the term of the Options. These options have vested during the reporting period.
- A further one third of the Options subject to, and vesting on, a hurdle of a 40% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 24 months after the date of issue of the Options and before the expiry of the term of the Options; and
- The remaining one third of the Options subject to, and vesting on, a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 36 months after the date of issue of the Options and before the expiry of the term of the Options.

These options may be exercised upon vesting. Sale of shares are restricted for a period of 2 years after issue, with the exception that the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the Options will be permitted, subject to compliance with legal obligations in respect of the sale of Company shares.

Options granted 8 August 2013 to the Chairman vest subject to the following:

- One third of the Options subject to, and vesting on, performance of a hurdle of a 30% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 12 months after the date of issue of the Options and before the expiry of the term of the Options. This tranche vested during the current financial year. These options have vested during the reporting period.
- A further one third of the Options subject to, and vesting on, a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 24 months after the date of issue of the Options and before the expiry of the term of the Options; and
- The remaining one third of the Options subject to, and vesting on, a hurdle of a 90% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 36 months after the date of issue of the Options and before the expiry of the term of the Options.

These options may be exercised upon vesting. Sale of shares are restricted for a period of 2 years after issue, with the exception that the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the Options will be permitted, subject to compliance with legal obligations in respect of the sale of Company shares.

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 option can be exercised, subject to satisfaction of vesting conditions, after the 3rd anniversary of the date of issue.

Options granted 2 December 2014 to A. Alcock 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 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.

DIRECTORS' REPORT

Name	Financial Year of grant	Financial Years in which options may vest	Number of options granted	Value of options at grant date	Number of options vested during the year	Number of options lapsed / forfeited during the year
Andrew Alcock	2015	2018	200,000	\$40,800	Nil	Nil
Andrew Alcock	2014	2017 2016 2015	600,000	\$228,000	200,000	Nil
Mark Ballinger	2015	2018	100,000	\$20,500	Nil	Nil
Jason Entwistle	2015	2018	160,000	\$32,800	Nil	Nil
Jason Entwistle	2014	2017 2016 2015	480,000	\$182,400	160,000	Nil
Wes Gillett	2015	2018	120,000	\$24,600	Nil	Nil
Wes Gillett	2014	2017 2016 2015	360,000	\$136,800	120,000	Nil
Joseph Gioffre	2015	2018	80,000	\$16,400	Nil	Nil
Joseph Gioffre	2014	2015	80,000	\$30,400	80,000	Nil
Matthew Haes	2015	2018	120,000	\$24,600	Nil	Nil
Matthew Haes	2014	2015	115,000	\$43,700	115,000	Nil
Bruce Higgins	2014	2017 2016 2015	510,000	\$188,700	170,000	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 C. Fair values at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price, term of the option, share price at grant date, expected price volatility of the underlying share price and the risk free rate for the term of the option.

No options have been exercised during the financial year ended 30 June 2015.

E. ADDITIONAL INFORMATION

The earnings of the consolidated entity for the five years ended 30 June 2015 are summarised below:

	2015 \$'000	2014 Restated \$'000	2013 \$'000	2012 \$'000	2011 \$'000
EBITDA	(6,245)	(8,054)	(10,504)	(12,677)	(3,464)
EBIT	(6,872)	(9,083)	(11,534)	(29,847)	(5,235)
Profit /(Loss) after income tax	(6,457)	(8,548)	(9,783)	(30,516)	(4,451)

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

	2015	2014	2013	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Share price at financial year end	\$1.20	\$0.82	\$0.75	\$0.95	\$2.78
Basic earnings per share	(0.154)	(0.196)	(0.320)	(1.760)	(0.360)

F. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shares

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

Name	Balance at start of the year	Received due Tax Exempt share plan issue	Other changes during the year	Balance at end of the year
Andrew Alcock	21,187	-	10,200	31,387
Mark Ballinger	-	1,000	3,638	4,638
Jason Entwistle	938,902	1,000	-	939,902
Wes Gillett	1,187	1,000	-	2,187
Joseph Gioffre	11,553	1,000	-	12,553
Matthew Haes	20,908	1,000	-	21,908
Bruce Higgins	510,000	-	56,811	566,811
Ian Litster	3,588,751	-	-	3,588,751
Hugh Robertson	86,500	-	-	86,500

Options

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

Options over ordinary shares	Balance at start of the year	Granted	Exercised	Expired / forfeited / other	Balance at end of the year
Andrew Alcock	600,000	200,000	-	-	800,000
Mark Ballinger	-	100,000	-	-	100,000
Jason Entwistle	480,000	160,000	-	-	640,000
Wes Gillett	360,000	120,000	-	-	480,000
Joseph Gioffre	80,000	80,000	-	-	160,000
Matthew Haes	115,000	120,000	-	-	235,000
Bruce Higgins	510,000	-	-	-	510,000

DIRECTORS' REPORT

This concludes the remuneration report which has been audited.

NON-AUDIT SERVICES

Tax, compliance and consulting services of \$103,149 were paid to BDO (2014: \$64,802). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the consolidated entity, acting as an advocate for the consolidated entity or jointly sharing rights and rewards.

Refer to Note 25: Auditors Remuneration of the financial statements for details of the remuneration that the auditors received or are due to receive for the provision of audit and other services.

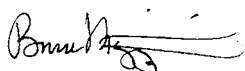
PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

AUDITOR INDEPENDENCE

The Directors received an Independence Declaration from the auditors of the company as required under Section 307C of the Corporations Act 2001 that follows on the next page.



Bruce Higgins
Chairman

Sydney, 28 August 2015

AUDITOR'S DECLARATION OF INDEPENDENCE



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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF HUB24 LIMITED

As lead auditor of HUB24 Limited for the year ended 30 June 2015, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

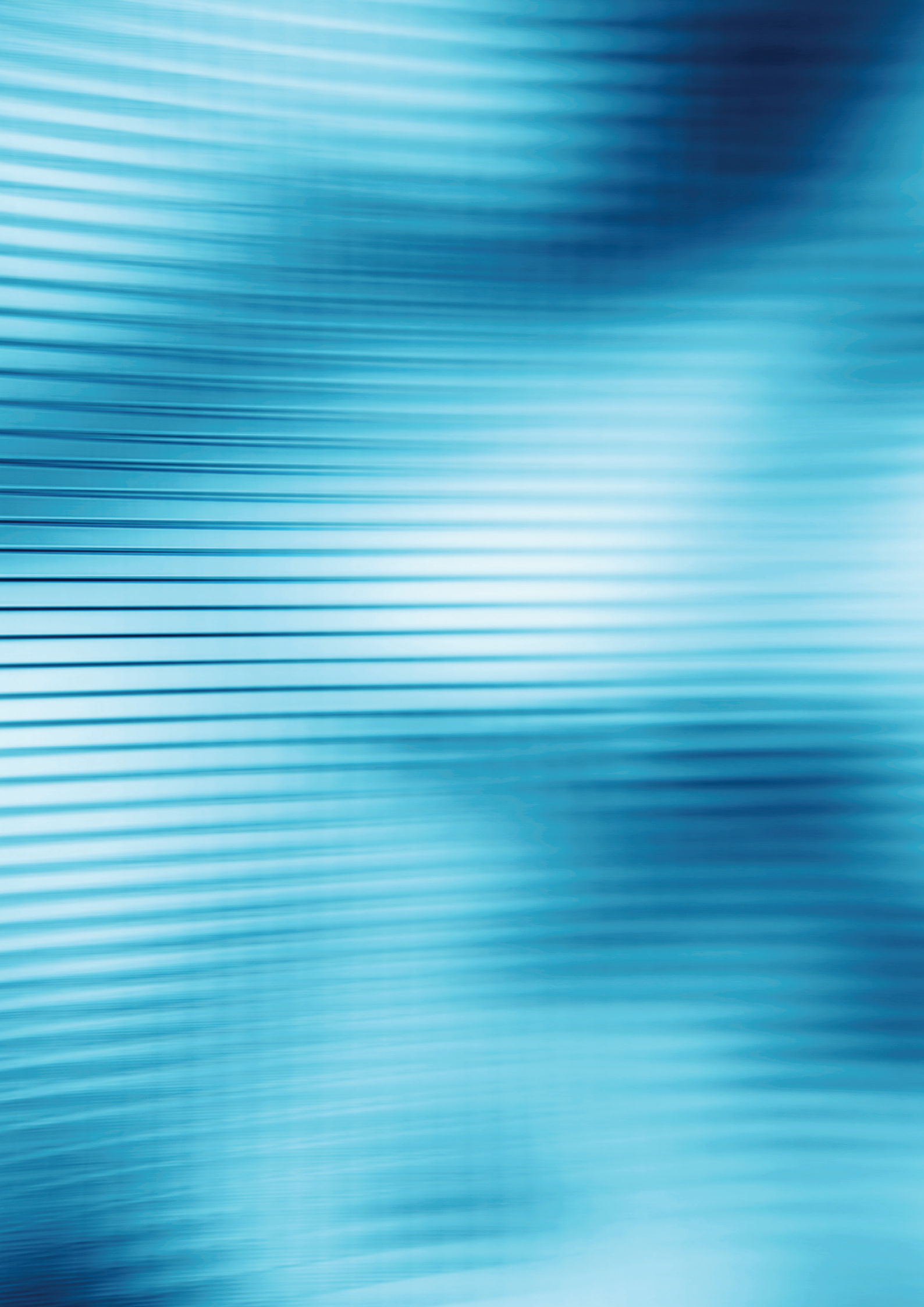
A handwritten signature in black ink, appearing to read 'Paul Bull', is written over a light blue grid background.

Paul Bull
Partner

BDO East Coast Partnership

Sydney, 28 August 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

		CONSOLIDATED	
		2015	Restated 2014
	Note	\$	\$
Revenue from continuing operations			
Revenue	6(a)	28,669,253	3,209,190
Interest and other income		634,929	824,752
		29,304,182	4,033,942
Expenses			
Platform and custody fees		(2,093,746)	(1,383,665)
Licensee fees		(19,459,724)	-
Employee benefits expenses	6(b)	(8,883,841)	(6,896,617)
Property and occupancy costs	6(c)	(488,432)	(372,666)
Depreciation, amortisation and impairment	6(d)	(617,288)	(1,028,915)
Administrative expenses	6(e)	(3,111,514)	(2,220,042)
		(34,654,545)	(11,901,905)
Loss before income tax expense from continuing operations		(5,350,363)	(7,867,963)
Income tax benefit	7	-	-
Loss after income tax from continuing operations		(5,350,363)	(7,867,963)
Loss after income tax from discontinued operations	8	(1,106,537)	(679,825)
Loss after income tax for the year		(6,456,900)	(8,547,788)
Other comprehensive income		-	-
Total comprehensive loss for the year		(6,456,900)	(8,547,788)
Total comprehensive loss for the year attributable to ordinary equity members of HUB24 Limited		(6,456,900)	(8,547,788)
		Cents	Cents
Earnings per share from continuing operations, attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(11.05)	(18.39)
Diluted earnings per share		(11.05)	(18.39)
Earnings per share from discontinued operations, attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(2.29)	(1.59)
Diluted earnings per share		(2.29)	(1.59)
Earnings per share for profit attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(13.34)	(19.98)
Diluted earnings per share		(13.34)	(19.98)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. Refer to note 31 for the prior year restatement details.

STATEMENT OF FINANCIAL POSITION

		CONSOLIDATED	
		2015	Restated 2014
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	20(b)	12,108,825	13,779,844
Trade and other receivables	9	2,192,379	405,986
Other current assets	10	413,798	419,044
Total Current Assets		14,715,002	14,604,874
Non-Current Assets			
Office equipment	11	128,602	93,561
Intangible assets	12	12,972,181	6,322,423
Other non-current assets	13	256,454	656,096
Total Non-Current Assets		13,357,237	7,072,080
Total Assets		28,072,239	21,676,954
LIABILITIES			
Current Liabilities			
Trade and other payables	14	2,247,321	662,230
Current provisions	15 (a)	2,192,478	1,389,653
Other current liabilities	15 (b)	88,897	74,147
Total Current Liabilities		4,528,696	2,126,030
Non-Current Liabilities			
Non-current provisions	16 (a)	287,624	184,654
Other non-current liabilities	16 (b)	5,358,563	972,962
Total Non-Current Liabilities		5,646,187	1,157,616
Total Liabilities		10,174,883	3,283,646
Net Assets		17,897,356	18,393,308
EQUITY			
Issued capital	17	82,090,454	76,988,017
Reserves	18	3,133,845	2,275,332
Accumulated losses		(67,326,943)	(60,870,041)
Total Equity		17,897,356	18,393,308

The above Statement of Financial Position should be read in conjunction with the accompanying notes. Refer to note 31 for the prior year restatement details.

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
As at 1 July 2014	76,988,017	2,275,332	(60,870,041)	18,393,308
Total comprehensive loss for the year	-	-	(6,456,900)	(6,456,900)
Transactions with equity members in their capacity as equity members				
Capital raising	5,058,436	-	-	5,058,436
Employee options granted	-	393,791	-	393,791
Employee share issue	44,000	-	-	44,000
Adviser options granted	-	464,722	-	464,722
As at 30 June 2015	82,090,453	3,133,845	(67,326,941)	17,897,357
Restated				
As at 1 July 2013	66,843,612	1,878,436	(52,322,253)	16,399,795
Total comprehensive loss for the year	-	-	(8,547,788)	(8,547,788)
Transactions with equity members in their capacity as equity members				
Capital raising	10,113,405	-	-	10,113,405
Employee options granted	-	396,896	-	396,896
Employee share issue	31,000	-	-	31,000
As at 30 June 2014	76,988,017	2,275,332	(60,870,041)	18,393,308

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes. Refer to note 31 for the prior year restatement details.

STATEMENT OF CASH FLOWS

	Note	CONSOLIDATED	
		2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		30,875,855	3,530,109
Payments to suppliers and employees (inclusive of GST)		(36,493,694)	(11,255,534)
Interest received		386,320	478,200
Receipt from research and development incentive		28,328	1,588,298
Net cash inflow/(outflow) from operating activities	20(a)	(5,203,193)	(5,658,928)
Cash flows from investing activities			
Receipts from return of security deposits		293,443	330,403
Receipts from sale of intangible asset		125,000	122,500
Payments for office equipment		(81,020)	(92,349)
Payments for acquisition of shares in subsidiary, net of cash acquired		(941,091)	-
Payments for intangible assets		(770,004)	(360,727)
Payments for security deposits		(2,590)	(217,307)
Net cash inflow/(outflow) from investing activities		(1,376,262)	(217,479)
Cash flows from financing activities			
Proceeds from capital raising		5,250,000	10,588,126
Payment for subordinated loan		(150,000)	-
Payments for capital raising costs		(191,565)	(474,721)
Net cash inflow/(outflow) from financing activities		4,908,435	10,113,405
Net increase/(decrease) in cash and cash equivalents		(1,671,019)	4,236,998
Cash and cash equivalents at beginning of year		13,779,844	9,542,846
Cash and cash equivalents at end of year	20(b)	12,108,825	13,779,844

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Annual Report of HUB24 Limited (the company or parent entity) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 28 August 2015 and covers the company as an individual entity as well as the consolidated entity consisting of the company and its subsidiaries as required by the *Corporations Act 2001*.

The company is limited by shares and incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the company are described in the Directors Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 27.

Compliance with IFRS

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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; 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.

Going concern

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries (the consolidated entity) as at 30 June each year. There are no interests in associates.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a consolidated entity controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-consolidated entity transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity. There were no transfers out of the consolidated entity during the year.

Investments in subsidiaries held by the company are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

assumed are measured at the acquisition date fair values. The difference between the above items and the fair value of the consideration is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the consolidated entity's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Non-controlling interests are allocated their share of net profit after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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 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 executive management team on a monthly basis. There is no aggregation of operating segments.

The accounting policies adopted for internal reporting to the 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 executions 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 provide 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of the consolidated entity is Australian dollars.

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 service 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.

Government grants

Government grants are recognised in profit and loss on a systematic basis over the useful life of the asset as other income. Grants are received in relation to Research and Development activities undertaken by the consolidated entity and are recognised in accordance with AASB120. Refer to note 31 for further information.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership by the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

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 or other comprehensive income.

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.

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the consolidated entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 30 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.

Income taxes and other taxes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

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

Other taxes

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

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

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

Office equipment

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

Impairment

The carrying values of office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of office equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

De-recognition and disposal

An item of office equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or are cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held to maturity investments

If the consolidated entity has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Goodwill and Intangibles

Goodwill

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

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

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

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Refer to note 4 - Investment Platform estimate of useful life.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Trade and other payables

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

Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Employee benefits

Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long-term benefits

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date of national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Pensions and other post employment benefits

All Australian employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries.

Share-based payment transactions

Equity settled transactions:

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- The Employee Share Plan (ESP).

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

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

- Non-vesting conditions that do not determine whether the consolidated entity or company receives services that entitle the employee to receive payment in equity or cash
- Conditions that are linked to the price of the shares of the company

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

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

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

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

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

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

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Issued Capital

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.

Earnings Per Share (EPS)

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Comparatives

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.

New Accounting Standards and Interpretations not yet Mandatory or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise receivables, payables, finance leases and cash and cash equivalents. The company and consolidated entity do not have debt facilities and do not trade in derivative instruments, other than where listed and unlisted options over ordinary shares may be received as a part consideration for corporate fees earned.

The consolidated entity has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

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

Risk management policies are established to identify and analyse the risks faced by the company and the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's and consolidated entity's activities. The company and consolidated entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees and consultants understand their roles and obligations.

NOTES TO THE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents and principally, trade receivables. For the company it arises from receivables due from subsidiaries.

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

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit worthiness, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, credit risk exposures and receivable balances are monitored on an ongoing basis with the intended result that the consolidated entity's exposure to bad debts is not significant.

The consolidated entity also has credit risk in respect of its corporate income debtors. In the case of most transactions involving corporate income, revenue is generally earned over a period of several months due to the complexity and size of the work involved. The consolidated entity manages this risk by entering into contractual agreements with its counterparties, obtaining external legal advice where necessary, at the start of each transaction. The Board has direct involvement with the counterparties during the engagement phase of each transaction in order to assess their suitability.

The consolidated entity policy is to provide financial guarantees only to wholly-owned subsidiaries.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The consolidated entity typically ensures that it has sufficient cash on demand to meet operational expenses for a period of 90 days, excluding the potential impact of extreme circumstances that cannot be reasonably predicted. The consolidated entity has no debt facilities or credit lines.

Refer to Note 29: Financial Instruments for a sensitivity analysis of the consolidated entity's financial assets and liabilities maturity.

Market risk

Market risk is the risk that changes in market prices will affect the consolidated entity's income and include price risk. The company no longer carries on principal trading activities.

Capital management

The Board's policy is to maintain a sufficient capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is noted that the company, through its subsidiary HUB24

NOTES TO THE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Custodial Services Limited, fully complied with the minimum capital requirements of the ASX and ACH Market Rules as a market participant and AFSL base level financial requirements so as to ensure ongoing capital adequacy.

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

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 (refer to the respective notes) within the next financial year are discussed below.

Recovery of deferred tax assets

Deferred tax assets are recognised for carried forward income tax losses and deductible temporary differences to the extent that Directors consider that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

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 in cash on 3 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

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.

The impact of this change for the year ended 30 June 2015 is a reduction in amortisation expense of \$453,442.

Goodwill and other indefinite life intangible assets

The carrying value of intangible assets (including goodwill) is assessed 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. Refer to Note 12 for details of these assumptions and the potential impact of changes to these assumptions.

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

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined using a binomial 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.

Capitalisation of development costs

The consolidated entity capitalises project development costs eligible for capitalisation. 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. The consolidated entity amortises the capitalised project costs over the project's useful life.

Broking Claim Provision

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

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING SEGMENTS

Identification of reportable 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 executive management team (identified as the Chief Operating Decision Makers hereafter CODM) in assessing performance and in determining the allocation of resources.

The CODM reviews segment profits (Segment EBITDA) on a monthly basis.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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.

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.

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

	Platform Services \$	Licensee Services \$	Intersegment eliminations/ Corporate \$	Total \$
Revenue				
Sales to external customers	8,056,796	20,235,321	-	28,292,117
Total sales revenue	8,056,796	20,235,321	-	28,292,117
Total revenue	8,056,796	20,235,321	-	28,292,117
Segment Result	(4,069,328)	60,687	(376,508)	(4,385,149)

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING SEGMENTS (CONT'D)

	Platform Services \$	Licensee Services \$	Intersegment eliminations/ Corporate \$	Total \$
<i>Other non-operating items:</i>				
Interest revenue	89,516	-	325,120	414,636
Non-recurring revenue	597,429	-	-	597,429
Share based payment expense	-	-	(902,513)	(902,513)
Transaction costs	-	-	(448,109)	(448,109)
Depreciation and amortisation	(572,813)	(53,842)	-	(626,655)
Profit before income tax	(3,955,196)	6,845	(1,402,010)	(5,350,362)
Income tax expense	-	-	-	-
Profit after income tax from continuing operations				(5,350,362)
Discontinued operations expense	-	-	(1,106,537)	(1,106,537)
Profit after income tax	(3,955,196)	6,845	(2,508,547)	(6,456,900)

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

Revenue from ordinary activities and revenue from continuing operations per the Statement of Financial Performance equates to \$29,304,182 which comprises Total Revenue, Interest revenue and Non Recurring Revenue in the table above.

NOTES TO THE FINANCIAL STATEMENTS

6. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	CONSOLIDATED	
	2015	2014
	\$	\$
Revenue		
(a) Sales revenue		
Portfolio service fees	3,807,094	1,899,266
Licensee fees	20,235,321	-
Cash margin	1,298,628	434,553
Brokerage	1,406,022	435,214
Other platform fees	1,922,188	440,157
	28,669,253	3,209,190
Other platform fees include an estimated refund from the ATO relating to the Investor Directed Portfolio Service reduced input tax credit for \$1,007,844. The current period recurring revenue is \$639,399 and the prior period non-recurring revenue is \$368,445.		
Expenses		
(b) Employee benefits expenses		
Wages and salaries (incl super and payroll tax)	6,670,093	5,636,421
Share based payments expense	437,791	427,895
Other employee benefits expenses	1,775,957	832,301
	8,883,841	6,896,617
(c) Property and occupancy costs		
Rent	418,096	312,971
Other occupancy costs	70,336	59,695
	488,432	372,666
(d) Depreciation, impairment and amortisation		
Depreciation and impairment of office equipment	57,016	53,718
Amortisation of intangible assets	560,272	975,197
	617,288	1,028,915
(e) Administrative expenses		
Corporate fees	244,079	246,131
Professional and consultancy fees	400,167	599,213
Information services and communication	327,993	363,911
Travel and entertainment	252,796	227,495
Other administrative expenses	1,886,479	783,292
	3,111,514	2,220,042

The current period administrative expenses include \$448,109 relating to acquisition expenses and \$464,722 adviser share based payments.

NOTES TO THE FINANCIAL STATEMENTS

7. INCOME TAX

(a) Income tax expense/(benefit)

	CONSOLIDATED	
	2015	Restated 2014
	\$	\$
Current tax	-	-
Research and development claim	-	-
Deferred tax	-	-
Income tax expense/(benefit)	-	-
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	-	-
(Decrease)/increase in deferred tax liabilities	-	-
	-	-

(b) Reconciliation of income tax expense/(benefit) to pre tax accounting profit/(loss)

Loss from continuing operations before income tax	(5,350,363)	(7,867,963)
Loss from discontinued operations before income tax	(1,106,537)	(679,825)
	(6,456,900)	(8,547,788)
Prima facie income tax at 30%	(1,937,070)	(2,564,336)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development government grant	(88,093)	-
Share based payments	270,754	128,369
Entertainment	14,135	4,247
Penalty	1,852	-
Sundry items	47,086	26,264
	245,734	158,880
adrianResearch and development claim	-	-
Adjustment to deferred tax asset	143,666	330,260
Non-recognition of deferred tax asset	1,781,514	2,075,196
Non-recognition of deferred tax liability	(233,844)	-
	1,691,336	2,405,456
Income tax expense/(benefit)	-	-

NOTES TO THE FINANCIAL STATEMENTS

7. INCOME TAX (CONT'D)

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits (if any) assumed from controlled entities in the tax consolidated entity.

8. DISCONTINUED OPERATIONS

During the period the consolidated entity incurred impairment charges of \$0.234 million relating to a deferred receivable from BBY Holdings Ltd (in liquidation).

Reported claims during the year and an estimate of future claims and associated legal costs have resulted in a provision increase of \$0.742 million during the year ended 30 June 2015.

Financial Performance

	CONSOLIDATED	
	2015	2014
	\$	\$
Revenue from discontinued operations		
Revenue	-	-
Interest and other income	-	-
	-	-
Expenses from discontinued operations		
Impairment	233,755	-
Insurance run-off cover	-	390,376
Loss on trading software disposal	-	57,544
Settlement and legal expenses	872,782	231,905
	1,106,537	679,825
Loss before income tax expense from discontinued operations	(1,106,537)	(679,825)
Income tax expense	-	-
Loss after income tax	(1,106,537)	(679,825)
Loss on disposal before income tax expense	-	-
Income tax expense	-	-
Loss on disposal after income tax expense	-	-
Loss after income tax from discontinued operations	(1,106,537)	(679,825)

Cash flow information

	CONSOLIDATED	
	2015	2014
	\$	\$
Net cash used in operating activities	(1,106,537)	(679,825)
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	(1,106,537)	(679,825)

NOTES TO THE FINANCIAL STATEMENTS

8. DISCONTINUED OPERATIONS (CONT'D)

Carrying amounts of assets and liabilities

	CONSOLIDATED	
	2015	2014
	\$	\$
Total assets	-	-
Provisions	680,219	445,727
	680,219	445,727
Net assets	(680,219)	(445,727)

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2015	2014
	\$	\$
Trade receivables	1,701,472	306,638
Allowance for impairment loss (i)	-	-
	1,701,472	306,638
Other debtors	490,907	99,348
	2,192,379	405,986

(i) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Impairment losses on trade and client debt receivables totalling \$Nil (2014: \$Nil) has been recognised by the consolidated entity in the current year. These amounts have been included in the statement of comprehensive income as an administrative expense.

Movements in the provision for impairment loss were as follows:

Opening balance	-	-
Charge for the year	-	-
Amounts written off	-	-
Closing balance	-	-

(ii) Other debtors

The tax refund claimed for platform research and development during 2015 was \$265,316 and is included in Other debtors.

NOTES TO THE FINANCIAL STATEMENTS

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONT'D)

At 30 June, the ageing analysis of receivables is as follows:

	0-30 days	31-60 days	61-90 days PDNI *
2015 Consolidated	834,685	349,850	1,007,844
2014 Consolidated	405,987	-	-

* PDNI - Past due not impaired
CI - Considered impaired

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(iii) Fair value and credit risk

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

10. CURRENT ASSETS – OTHER CURRENT ASSETS

	CONSOLIDATED	
	2015	2014
	\$	\$
Prepayments	310,432	67,184
Other assets	103,366	351,860
	413,798	419,044

11. NON-CURRENT ASSETS – OFFICE EQUIPMENT

	CONSOLIDATED	
	2015	2014
	\$	\$
Computer Equipment		
At cost	178,969	136,340
Accumulated depreciation	(129,076)	(96,340)
	49,893	40,000
Office Furniture and Fittings		
At cost	111,491	69,153
Accumulated depreciation	(32,782)	(15,592)
	78,708	53,561
Total Office Equipment		
Cost	290,460	205,493
Accumulated depreciation	(161,858)	(111,932)
Total Net Carrying Amount	128,602	93,561

NOTES TO THE FINANCIAL STATEMENTS

11. NON-CURRENT ASSETS – OFFICE EQUIPMENT (CONT'D)

	CONSOLIDATED	
	2015	2014
	\$	\$
Reconciliations of the carrying amounts at the beginning and end of the financial year:		
<i>Computer Equipment</i>		
Carrying amount at beginning	40,000	30,322
Acquisitions through business combinations	4,009	-
Other additions	35,348	31,671
Disposals	-	-
Depreciation expense	(29,464)	(21,993)
Net Carrying Amount	49,893	40,000
<i>Office Furniture and Fittings</i>		
Carrying amount at beginning	53,561	24,607
Acquisitions through business combinations	12,573	-
Other additions	29,090	60,678
Disposals	-	(6,978)
Depreciation expense	(16,516)	(24,746)
Net Carrying Amount	78,708	53,561
Total Office Equipment		
Carrying amount at beginning	93,561	54,929
Acquisitions through business combinations	16,583	-
Other additions	64,438	92,349
Disposals	-	(6,978)
Depreciation	(45,980)	(46,739)
Net Carrying Amount	128,602	93,561

NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED	
	2015	2014
	\$	\$
Investment Platform		
At cost	25,475,151	24,717,486
Accumulated amortisation and impairment	(18,937,044)	(18,427,125)
Net carrying amount	6,538,107	6,290,361
Goodwill		
At cost	5,846,822	-
Accumulated amortisation and impairment	-	-
Net carrying amount	5,846,822	-
Dealer Network		
At cost	604,244	-
Accumulated amortisation and impairment	(50,354)	-
Net carrying amount	553,890	-
Software		
At cost	45,289	32,953
Accumulated amortisation	(11,927)	(891)
Net carrying amount	33,362	32,062
Total Net Carrying Amount	12,972,181	6,322,423
Reconciliations of the carrying amount at the beginning and end of the financial year:		
Investment Platform		
Opening carrying amount	6,290,361	7,409,144
Other additions	757,666	327,773
Impairment charge	-	-
Other disposals	-	(472,250)
Amortisation charge	(509,918)	(974,306)
Closing carrying amount	6,538,107	6,290,361
Goodwill		
Opening carrying amount	-	-
Acquisitions through business combinations	5,846,822	-
Impairment charge	-	-
Closing carrying amount	5,846,822	-
Dealer Network		
Opening carrying amount	-	-
Acquisitions through business combinations	604,244	-
Impairment charge	(50,354)	-
Amortisation charge	-	-
Closing carrying amount	553,890	-

NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONT'D)

Software

Opening carrying amount	32,062	-
Other additions	12,338	32,953
Amortisation charge	(11,036)	(891)
Closing carrying amount	33,362	32,062

(a) Impairment tests for intangible assets

Investment Platform	6,538,107	6,290,361
Goodwill	5,846,822	-
Dealer Network	553,890	-
Software	33,362	32,062
	12,972,181	6,322,423

Intangible assets are allocated to the consolidated entity's cash-generating units (CGUs) identified according to operating segments.

Investment Platform

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

Goodwill and Dealer Network

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. (see note 30 for Paragem acquisition details). The Dealer Network was recognised at fair value upon acquisition and is amortised on a straight-line basis over a useful life of ten years.

The recoverable amount of the goodwill generated has been determined based on a value-in-use calculation using a discounted cash flow over a three year projection period approved by management for the Paragem dealer group. Cash flows beyond the three year period are extrapolated using a terminal value.

The recoverable amount of the Dealer Network intangible is determined based on a value-in-use calculation using a discounted cash flow over a five year projection period approved by management for the Paragem Licensee. Cash flows beyond the five year period are extrapolated using a terminal value.

Key assumptions used for value-in-use calculations - Investment Platform CGU

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

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

The goodwill recognised as a result of the Paragem acquisition, has been assessed based on the cash generated by the Paragem dealer group on the platform.

NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONT'D)

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. Given the platform's early stage of development and relatively low base of existing funds under administration, assumed growth rates are significant in the next two to three years in percentage terms. Management have estimated future funds under administration on the platform 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 17.0% (2014:18.5%). The reduction to the discount rate is due to the decline in the risk free rate 2015:3.01%; (2014:3.54%) and weighted average cost of capital over the reporting period. The weighted average cost of capital has declined by 1% (2015: 17%; 2014:18%) as a result of the reduced volatility of the HUB24 share price relative to market movements over the current reporting period.
3. Terminal growth rate - The terminal growth rate used for the company's value-in-use calculations is 2.5% (2014:2.5%). Management believes the 2.5% growth rate to be conservative.
4. Period over which cashflows have been discounted - Management have used a period of seven years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given the stage of platform development and the remaining useful life. (15 years and 5 months from 30 June 2015.)

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, there would be no impairment of intangible assets.

Key assumptions used for value-in-use calculations - Goodwill 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. The early transition stage of the Paragem dealer group and low base of existing funds under administration, have meant that assumed growth rates are significant in the first year declining to 2% over the subsequent two year period. Management have estimated the transition rate with reference to current client transition rates and pipeline monitoring.
2. Net Incremental cashflow - the incremental cash flow rate is estimated to be 10 bps of the fee derived from the funds under administration of the Paragem dealer group on the HUB24 platform. Management have estimated the incremental cashflow rate based on existing platform data and monitoring of the dealer group performance since acquisition.
3. Pre-tax discount rate - The pre-tax discount rate used for the company's value-in-use calculations is 17.0% (2014:18.5%). The reduction to the discount rate is due to the decline in the risk free rate 2015:3.01%; (2014:3.54%) and weighted average cost of capital over the reporting period. The weighted average cost of capital has declined by 1% (2015: 17%; 2014:18%) as a result of the reduced volatility of the HUB24 share price relative to market movements over the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONT'D)

4. Terminal growth rate - The terminal growth rate used for the company's value-in-use calculations is 2.5% (2014:2.5%). Management believes the 2.5% growth rate to be conservative.
5. Period over which cashflows have been discounted - Management have used a period of three years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given the early stage of the Paragem dealer group transition and has been projected based over the acquisition target period to September 2017.

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.

Impact of possible changes in key assumptions - Goodwill Intangible

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 (19.0% instead of 17.0%) there would be no impairment of intangible assets.

Key assumptions used for value-in-use calculations - Dealer Network

1. Growth in revenue is estimated at 3% for the licensee CGU and a key assumption used in calculating future cashflows. Management have estimated a 5% attrition factor for departing practices and/or advisors, applied against the growth rate of 3%, which is believed to be conservative and appropriate. Ongoing monitoring of actual revenue growth since acquisition (2 September 2014), has indicated growth in excess of the projection, no practice attrition has taken place since acquisition.
2. An EBIT margin of 1.1% is estimated for the licensee CGU and is also considered a key assumption used in calculating future cashflows. The rate has been determined based upon the average EBIT margin on a five year projection of revenue and expenses and is considered by management to be reasonable based upon the actual performance since acquisition.
3. Pre-tax discount rate - The pre-tax discount rate used for the company's value-in-use calculations is 17.1%. This has been determined based on the weighted average cost of capital for the licensee.
4. Terminal growth rate - The terminal growth rate used for the company's value-in-use calculations is 3.0%. Management believes the 3.0% growth rate to be prudent and is consistent with the general market.
5. Period over which cashflows have been discounted - Management have used a period of seven years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given the early stage of the licensee CGU.

There were no other key assumptions used in the Dealer Network Intangible value-in-use calculation.

Based on the above, the value-in-use of the dealer network exceeds the carrying value and is not considered impaired.

Impact of possible changes in key assumptions - Dealer Network

If the projected revenue used in the value-in-use calculation for the licensee CGU were 2% lower than management estimates over the period of the value-in-use calculation, there would be no impairment of the intangible asset.

NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONT'D)

If the pre-tax discount rate for this CGU had been 2% higher than management estimates (19.1% instead of 17.1%) there would be no impairment of the intangible asset.

13. NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	CONSOLIDATED	
	2015	2014
	\$	\$
Security deposits and guarantees	256,454	547,307
Other assets	-	108,789
	256,454	656,096

14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2015	2014
	\$	\$
Trade creditors	546,200	237,036
Sundry creditors	1,701,121	425,194
	2,247,321	662,230

15(a) CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	2015	2014
	\$	\$
Employee benefits - Annual leave	428,381	324,686
Employee benefits - Short term incentive	1,083,878	599,240
Broking claims – Discontinued stockbroking operation	680,219	445,727
Lease make good	-	20,000
	2,192,478	1,389,653

Broking claims – discontinued stockbroking operation

The provision represents the reported claims as at 30 June 2015 and an estimate of future claims and associated legal expenses.

Lease make good

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

Movements in provisions

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

NOTES TO THE FINANCIAL STATEMENTS

15(a) CURRENT LIABILITIES – PROVISIONS (CONT'D)

Consolidated - 2015	Broking claims \$	Lease make good \$
Carrying amount at the start of the year	445,727	20,000
Additional provisions recognised	742,163	-
Amounts used	(507,671)	(20,000)
Carrying amount at the end of the year	680,219	-

15(b) CURRENT LIABILITIES - OTHER

	CONSOLIDATED	
	2015	2014
	\$	\$
Deferred revenue from research and development claim	88,897	74,147
	88,897	74,147

16(a) NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2015	2014
	\$	\$
Employee benefits - Long service leave	153,634	95,212
Lease make good	60,384	22,344
Lease liability	73,606	67,098
	287,624	184,654

Lease make good

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

Movements in provisions

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

Consolidated - 2015	Lease liability \$	Lease make good \$
Carrying amount at the start of the year	67,098	22,344
Additional provisions recognised	15,566	38,040
Amounts used	(9,058)	-
Carrying amount at the end of the year	73,606	60,384

NOTES TO THE FINANCIAL STATEMENTS

16(b) NON-CURRENT LIABILITIES - OTHER

	CONSOLIDATED	
	2015	2014
	\$	\$
Contingent consideration	4,327,000	-
Deferred revenue from research and development claim	1,031,563	972,962
	5,358,563	972,962

The contingent consideration refers to the capped earnout relating to the Paragem acquisition.

The earnout is subject to financial performance to be achieved over 3 years to 3 October 2017, and paid in HUB24 ordinary shares. Refer to note 30 for further details.

17. ISSUED CAPITAL

	CONSOLIDATED		CONSOLIDATED	
	2015	2014	2015	2014
	Number	Number	\$	\$
(a) Issued and paid up capital				
Ordinary shares, fully paid	52,058,181	47,058,181	82,165,453	77,107,017
(b) Other equity securities				
Treasury shares	141,111	185,111	(75,000)	(119,000)
Total Issued and paid up capital	52,199,292	47,243,292	82,090,453	76,988,017
<i>Movements in issued and paid up capital</i>				
Beginning of the financial year	47,058,181	38,913,469	77,107,017	66,993,612
Shares issued	5,000,000	8,144,712	5,250,000	10,588,126
Total shares	52,058,181	47,058,181		
Capital raising costs	-	-	(191,564)	(474,721)
End of the financial year	52,058,181	47,058,181	82,165,453	77,107,017
<i>Movement in other equity securities - treasury shares</i>				
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 financial year	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.

On 24 March 2015 the company issued 5,000,000 ordinary shares at \$1.05 per share raising total proceeds of \$5,250,000.

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 9 September 2014, the company assigned 44,000 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

NOTES TO THE FINANCIAL STATEMENTS

18. RESERVES

	CONSOLIDATED	
	2015	2014
	\$	\$
Share based payments share reserve	3,133,845	2,275,332

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

19. DIVIDEND FRANKING ACCOUNT

Franking credits available to shareholders of the company for subsequent financial years are \$nil (2014: \$445,120).

20. RECONCILIATION OF CASHFLOWS

	CONSOLIDATED	
	2015	2014
	\$	\$
(a) Reconciliation of the net loss after tax to cash flow from operations		
Net Loss after tax for the year	(6,456,900)	(8,547,788)
<i>Non-cash items:</i>		
Depreciation and amortisation	617,288	1,028,915
Disposal/write-off of office equipment	-	30,204
Share based payments expense	902,513	427,895
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(1,786,393)	977,144
(Increase)/decrease in other assets	5,246	135,580
(Increase)/decrease in non current assets	-	(200,063)
Increase/(decrease) in trade and other payables	618,273	45,606
Increase/(decrease) in provisions	896,780	443,578
Net cash flow from operating activities	(5,203,193)	(5,658,928)
(b) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprises:		
Cash on hand and at bank	12,108,825	13,779,844
	12,108,825	13,779,844

(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.

NOTES TO THE FINANCIAL STATEMENTS

21. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Future minimum rentals payable under non-cancellable operating leases:

	CONSOLIDATED	
	2015	2014
	\$	\$
Within 1 year	459,060	450,063
After 1 year but not more than 5 years	688,396	973,990
Total minimum lease payments	1,147,456	1,424,053

(b) Contingencies

	CONSOLIDATED	
	2015	2014
	\$	\$
<u>Contingent assets and Liabilities</u>		
Nil (2014 : Nil)	-	-
<u>Guarantees</u>		
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	-
Rental bond Level 29, 55 Collins St, Melbourne	-	116,600
Trust Company security deposit	-	330,000
	256,454	663,907

22. SHARE BASED PAYMENTS PLAN

(a) Recognised share-based payment expenses

The expense recognised from equity-settled share-based payment transactions during the year is \$902,513 (2014: \$427,895).

The share-based payment plans are described below.

(b) Types of share-based payment plans

1. Share based payment plans issued during the year ended 30 June 2015

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Share Option Plan - Executive

Number of Options Issued	200,000
Expiry Date	17 October 2019
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$0.98 per Option.
Vesting Conditions for All Options	Employment - Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of the company other than by reason of being a Good Leaver; and Share Price Hurdle - Options subject to, and vesting on, performance of a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 36 months after the date of issue of the Options and before the expiry of the term of the Options.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	Sale of the shares / Options will be restricted for a period of 12 months after their date of issue. However, the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the Options will be permitted, subject to compliance with legal obligations in respect of the sale of Company shares. As at 30 June 2015, no options have lapsed since issue nor have any options vested.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Share Option Plan - Employees

Number of Options Issued	760,000
Expiry Date	17 October 2019
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$0.98 per Option.
Vesting Conditions for All Options	Employment - Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of the company other than by reason of being a Good Leaver; and Share Price Hurdle - Options subject to, and vesting on, performance of a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 36 months after the date of issue of the Options and before the expiry of the term of the Options.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	Sale of the shares / Options will be restricted for a period of 12 months after their date of issue. However, the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the Options will be permitted, subject to compliance with legal obligations in respect of the sale of Company shares. As at 30 June 2015, no options have lapsed since issue nor have any options vested.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Share Option Plan – Paragem Executives

Number of Options Issued	1,000,000
Expiry Date	4 December 2019
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$1.156 per Option.
Vesting Conditions for All Options	Employment - Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of the company other than by reason of being a Good Leaver; and Share Price Hurdle - (i) one third of the Options subject to, and vesting on, performance of a hurdle of a 20% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 12 months after the date of issue of the Options and before the expiry of the term of the Options; (ii) a further one third of the Options subject to, and vesting on, a hurdle of a 40% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 24 months after the date of issue of the Options and before the expiry of the term of the Options; and (iii) the remaining one third of the Options subject to, and vesting on, a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 36 months after the date of issue of the Options and before the expiry of the term of the Options. Performance Hurdle- Subject to the aggregate performance and satisfaction of the following KPI's as determined by the Board in its sole discretion: (i) The Executives contribution to achievement of the Company's strategic and operational plan; (ii) Paragem revenue growth of greater than 15% per annum with accretive profit margins; and (iii) the compliance of the Executive with all material regulations and laws relevant to the business conducted by the group.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	Sale of the shares / Options will be restricted for a period of two years after their date of issue. However, the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the Options will be permitted, subject to compliance with legal obligations in respect of the sale of Company shares. No options have lapsed since issue nor have any options vested.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Tax Exempt Share Plan - Employees

Number of Shares Issued	44,000
Expiry Date	Nil
Issue Price	Shares were issued at \$1.00
Vesting Conditions for All Shares	Interests held in the shares are not at risk of forfeiture. There is no condition or requirement that needs to be satisfied in order to acquire the shares.
Voting	Shareholders are entitled to vote.
Dividends	The shares provide entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	The Shares must not be sold, transferred or otherwise disposed of, or mortgaged, charged or otherwise encumbered, on or before the 3 rd anniversary of the date employees acquired the Shares or the date they cease to be employed, whichever occurs first.

2. Share based payment plans issued prior to 1 July 2014

Advisor Plan 1

Number of Options Issued	625,000
Expiry Date	31 January 2016
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$4.00 per Option.
Vesting Conditions for All Options	Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of or engaged as a consultant to the company unless the Option Holder's employment or consultancy has ceased due to permanent disability, incapacity, illness, redundancy or death.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms for 625,000 Options	Performance-based Component (375,000 options): 50% of the Performance based options became fully vested upon the divestment of the stockbroking business in February 2013 while the remaining 50% have lapsed. The full exercise price of \$4.00 per option is payable upon exercise. Upfront Component (250,000 options): 50% of the Upfront Component options are available to be exercised at any time after grant date being 29 May 2012, while the remaining 50% have lapsed. The full exercise price of \$4.00 per option will be payable upon exercise.

There are no cash-settlement alternatives.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Advisor Plan 2

Number of Options Issued	187,500
Expiry Date	1 January 2016
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$4.00 per Option.
Vesting Conditions for All Options	Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of or engaged as a consultant to the company unless the Option Holder's employment or consultancy has ceased due to permanent disability, incapacity, illness, redundancy or death.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms for 187,500 Options	Performance-based Options (187,500 options): 50% of the Performance based options became fully vested upon the divestment of the stockbroking business in February 2013 while the remaining 50% have lapsed. The full exercise price of \$4.00 per option is payable upon exercise.

There are no cash-settlement alternatives.

Share Option Plan ('SOP') – SOP Plan 1

Number of Options Issued	190,000
Expiry Date	5 December 2015
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$3.80 per Option.
Vesting Conditions for All Options	Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of or engaged as a consultant to the company unless the Option Holder's employment or consultancy has ceased due to permanent disability, incapacity, illness, redundancy or death.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms for 190,000 Options	The options are available to be exercised at any time after grant date being 5 December 2011. The Upfront-based options will vest in tranches of 30% / 30% / 40% over the period as follows: a) Tranche 1 (57,000 options) - the date being the 12 month anniversary of 5 December 2011 ('SOP Plan 1 Relevant Date') b) Tranche 2 (57,000 options) - the date being the 24 month anniversary of the SOP Plan 1 Relevant Date c) Tranche 3 (76,000 options) - the date being the 36 month anniversary of the SOP Plan 1 Relevant Date. As at 30 June 2015, 98,750 options have lapsed and the remaining 91,250 options have vested.

There are no cash-settlement alternatives.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

SOP Plan 2

Number of Options Issued	75,000
Expiry Date	4 February 2016
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$3.80 per Option.
Vesting Conditions for All Options	Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of or engaged as a consultant to the company unless the Option Holder's employment or consultancy has ceased due to permanent disability, incapacity, illness, redundancy or death.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms for 75,000 Options	The options are available to be exercised at any time after grant date being 4 February 2012. The Upfront-based options will vest in tranches of 30% / 30% / 40% over the period as follows: a) Tranche 1 (22,500 options) - the date being the 12 month anniversary of 5 December 2011 ("SOP Plan 2 Relevant Date"); b) Tranche 2 (22,500 options) - the date being the 24 month anniversary of the SOP Plan 2 Relevant Date; c) Tranche 3 (30,000 options) - the date being the 36 month anniversary of the SOP Plan 2 Relevant Date. As at 30 June 2015, 53,125 options have lapsed and the remaining 21,875 options have vested.

There are no cash-settlement alternatives.

Share Option Plan - Employees

Number of Options Issued	1,010,000
Expiry Date	14 October 2017
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$0.8424 per Option.
Vesting Conditions for All Options	Employment - Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of the company other than by reason of being a Good Leaver; and Share Price Hurdle - The closing sale price of the Shares traded on the Australian Securities Exchange must have increased by at least 20% of the Exercise Price of the Options for each day in any 20 consecutive trading day period starting on or after the 1st anniversary of the date of issue of the Options.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	Shares issued in consequence of the exercise of any Options must not be sold, transferred or otherwise disposed of, or mortgaged, charged or otherwise encumbered, during the period of 12 months from the date of issue of the Shares without the prior approval of the Board.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Share Option Plan - Executives

Number of Options Issued	1,440,000
Expiry Date	8 August 2017
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$0.8438 per Option.
Vesting Conditions for All Options	Employment - Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of the company other than by reason of being a Good Leaver; and Share Price Hurdle - (i) one third of the Options subject to, and vesting on, performance of a hurdle of a 20% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 12 months after the date of issue of the Options and before the expiry of the term of the Options; (ii) a further one third of the Options subject to, and vesting on, a hurdle of a 40% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 24 months after the date of issue of the Options and before the expiry of the term of the Options; and (iii) the remaining one third of the Options subject to, and vesting on, a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 36 months after the date of issue of the Options and before the expiry of the term of the Options.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	Sale of the shares / Options will be restricted for a period of two years after their date of issue. However, the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the Options will be permitted, subject to compliance with legal obligations in respect of the sale of Company shares. As at 30 June 2015, no options have lapsed since issue and 480,000 options have vested. The remaining 960,000 options have not vested.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Share Option Plan - Chairman

Number of Options Issued	510,000
Expiry Date	8 August 2017
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$0.8438 per Option.
Vesting Conditions for All Options	Employment – The options will not be subject to forfeiture on Mr Higgins ceasing to be Chairman of the Company; and Share Price Hurdle - (i) one third of the Options subject to, and vesting on, performance of a hurdle of a 30% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 12 months after the date of issue of the Options and before the expiry of the term of the Options; (ii) a further one third of the Options subject to, and vesting on, a hurdle of a 60% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 24 months after the date of issue of the Options and before the expiry of the term of the Options; and (iii) the remaining one third of the Options subject to, and vesting on, a hurdle of a 90% share price increase (on the Exercise Price) in any consecutive 20 day period occurring at any time after the date that is 36 months after the date of issue of the Options and before the expiry of the term of the Options.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	Sale of the shares / Options will be restricted for a period of two years after their date of issue. However, the sale of a portion of shares to fund taxation obligations directly arising from the exercise of the Options will be permitted, subject to compliance with legal obligations in respect of the sale of Company shares. As at 30 June 2015, no options have lapsed since issue and 170,000 options have vested. The remaining 340,000 options have not vested.

Tax Exempt Share Plan - Employees

Number of Shares Issued	36,797
Expiry Date	Nil
Issue Price	Shares were issued at \$0.8424
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 3 rd anniversary of the date employees acquired the Shares or the date they cease to be employed, whichever occurs first.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

(c) Summaries of options granted

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

	2015 Number	2015 WAEP \$	2014 Number	2014 WAEP \$
Outstanding at the beginning of the year	4,959,381	-	2,515,006	\$4.88
Granted during the year	1,960,000	\$1.070	2,960,000	\$0.84
Forfeited during the year	-	-	173,125	\$1.41
Exercised during the year	-	-	-	-
Expired during the year	1,650,006	\$5.20	312,500	\$4.80
Outstanding at end of the year	5,269,375	-	4,959,381	-
Exercisable at the end of the year	1,976,250	\$1.65	2,143,881	\$4.92

The outstanding balance as at 30 June 2015 is represented by:

- 406,250 options over ordinary shares with an exercise price of \$4.00 each, fully vested.
- 113,125 options over ordinary shares with an exercise price of \$3.80 each, fully vested.
- 840,000 options over ordinary shares with an exercise price of \$0.8424 each, fully vested.
- 1,950,000 options over ordinary shares with an exercise price of \$0.8438 each, 650,000 vested, 1,800,000 yet to vest.
- 960,000 options over ordinary shares with an exercise price of \$0.98 each, yet to vest.
- 1,000,000 options over ordinary shares with an exercise price of \$1.156 each, yet to vest.

(d) Range of exercise price and remaining contractual life

- 91,250 options have an exercise price of \$3.80 per share and an expiry date of 5 December 2015.
- 312,500 options have an exercise price of \$4.00 per share and an expiry date of 31 January 2016.
- 21,875 options have an exercise price of \$3.80 per share and an expiry date of 4 February 2016.
- 93,750 options have an exercise price of \$4.00 per share and an expiry date of 1 January 2016.
- 1,950,000 options have an exercise price of \$0.8438 per share and an expiry date of 8 August 2017.
- 6,488,591 rights have an exercise price of nil and an expiry date of 30 September 2017.
- 840,000 options have an exercise price of \$0.8424 per share and an expiry date of 14 October 2017.
- 960,000 options have an exercise price of \$0.98 per share and an expiry date of 17 October 2019.
- 1,000,000 options have an exercise price of \$1.156 per share and an expiry date of 4 December 2019.

(e) Option pricing model

The fair value of all equity-settled options is estimated as at the date of grant using the Black-Scholes-Merton option formula.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

The following table lists the inputs to the models used:

1. Share based payment plans issued during the year ended 30 June 2015

	SOP - Employees	SOP – Executives	SOP - Paragem
Dividend Yield (%)	-	-	-
Expected Volatility (%)	35	35	33
Risk-free Interest Rate (%)	2.5	2.5	2.5
Expected Life of Options (Months)	36	36	12-36
Option Exercise Price (\$)	0.98	0.98	1.156
Average Share Price at Measurement Date (\$)	0.89	0.89	0.89
Model Used	Black-Scholes	Black-Scholes	Black-Scholes

2. Share based payment plans issued prior to 1 July 2014

	Advisor Plan 1	Advisor Plan 2	Advisor Plan 3	Advisor Plan 4	SOP Plan 1	SOP Plan 2	SOP Employees	SOP Executives	SOP Chairman
Dividend Yield (%)	-	-	-	-	-	-	-	-	-
Expected Volatility (%)	50	50	35	35	45	45	80	80	80
Risk-free Interest Rate (%)	2.49	2.76	5.02	5.02	3.35	3.27	2.4	2.4	2.4
Expected Life of Options (Months)	44	48	45	43	48	48	26	28	28
Option Exercise Price (\$)	4.00	4.00	5.20	5.20	3.80	3.80	0.8424	0.8438	0.8438
Average Share Price at Measurement Date (\$)	2.04	2.36	4.40	4.00	3.04	3.04	0.91	0.91	0.91
Model Used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS PLAN (CONT'D)

(f) Contingent consideration

6,488,591 ordinary shares with a nil exercise price which are yet to vest, have been deferred as part of the contingent consideration for the Paragem acquisition. Refer to note 30 for further details.

Deferred Share Issue – Paragem Vendor

Number of Deferred Shares	2,162,864
Expiry Date	30 September 2017
Exercise Price	Nil.
Vesting Conditions for Deferred Shares	Subject to Paragem achieving the following by 30 September 2017 either (i) The New Funds Target of \$1.25billion or (ii) The Platform revenue Target of \$357.6k per month Performance condition-Each Principal must not be a bad leaver when the shares vest.
Voting	Rights holders are not entitled to vote.
Dividends	The rights do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	If at any time before 30 September 2017, the Company achieves the New Funds Target or the Platform Revenue Target the rights will vest and be paid within 20 business days of achievement. 50% of the shares to be issued will be escrowed until 30 September 2017 and an escrow agreement must be issued subject to the reasonable terms as required by HUB24. If Paragem does not achieve the New Funds Target, the shares to be issued will be adjusted to reflect the achieved percentage on September 30, 2017. No rights have vested or lapsed since being issued.

Cash settlement will occur if the necessary shareholder approvals are not obtained to issue shares within three months of the payment date. The cash payment being equal to the value of shares calculated by reference to the VWAP of HUB shares in the 60 days preceding the vesting date.

Deferred Share Issue – Paragem Advisor Equity Scheme

Number of Deferred Shares	4,325,727
Expiry Date	30 September 2017
Exercise Price	Nil.
Vesting Conditions for Deferred Shares	Subject to Paragem achieving by 30 September 2017 either (i) The New Funds Target of \$1.25billion or (ii) The Platform revenue Target of \$357.6k per month
Voting	Rights holders are not entitled to vote.
Dividends	The rights do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms	If at any time before 30 September 2017, the Company achieves the New Funds Target or the Platform Revenue Target the rights will vest. No rights have vested or lapsed since being issued.

Cash settlement will occur if the necessary shareholder approvals are not obtained to issue shares within three months of the payment date. The cash payment being equal to the value of shares calculated by reference to the VWAP of HUB shares in the 60 days preceding the vesting date.

NOTES TO THE FINANCIAL STATEMENTS

23. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant matter or circumstance has arisen since 30 June 2015 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.

24. LOSS PER SHARE

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

	CONSOLIDATED	
	2015	2014
	\$	\$
Earnings per share from continuing operations		
Profit/(Loss) after income tax	(5,350,363)	(7,867,963)
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	(5,350,363)	(7,867,963)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	48,414,345	50,931,123
	Cents	Cents
Basic earnings per share	(11.05)	(15.45)
Diluted earnings per share	(11.05)	(15.45)
Earnings per share from discontinuing operations		
	\$	\$
Profit/(Loss) after income tax	(1,106,537)	(679,825)
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	(1,106,537)	(679,825)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	48,414,345	50,931,123
	Cents	Cents
Basic earnings per share	(2.29)	(1.33)
Diluted earnings per share	(2.29)	(1.33)

NOTES TO THE FINANCIAL STATEMENTS

24. LOSS PER SHARE (CONT'D)

Earnings per share for loss	\$	\$
Profit/(Loss) after income tax	(6,456,900)	(8,547,788)
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	(6,456,900)	(8,547,788)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	48,414,345	50,931,123
	Cents	Cents
Basic earnings per share	(13.34)	(16.78)
Diluted earnings per share	(13.34)	(16.78)

There are no instruments (e.g., share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

25. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2015	2014
	\$	\$
Amounts received or due and receivable by BDO:		
Audit and review of financial statements and other regulatory returns	116,383	92,500
Tax and other services	103,149	64,802
Total audit and other fees	219,532	157,302

26. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

Name	% Equity Interest	
	2015	2014
Hub24 Custodial Services Limited (formerly ANZIX Ltd)	100	100
HUB24 International Nominees Pty Ltd (formerly ANZIX Nominees Ltd)	100	100
Firstfunds Ltd	100	100
HUB24 Management Services Pty Ltd	100	100
Investorfirst Securities Ltd **	100	100
HUB24 Nominees Pty Ltd (formerly Kardinia Nominees Pty Ltd)	100	100
Researchfirst Pty Ltd **	100	100
Captain Starlight Nominees Pty Ltd **	100	100
Findlay & Co Stockbrokers Ltd **	100	100
HUB24 Administration Pty Ltd	100	100

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTY DISCLOSURES (CONT'D)

HUB24 Services Pty Ltd	100	100
Marketsplus Holdings Pty Ltd	100	100
Marketsplus Australia Pty Ltd	100	100
HTH Nominees Pty Ltd **	100	100
Paragem Pty Ltd	100	-

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

(b) Ultimate parent

HUB24 Limited is the ultimate parent entity of the consolidated entity.

27. PARENT ENTITY FINANCIAL INFORMATION

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

Statement of Profit or Loss and Other Comprehensive Income

	CONSOLIDATED	
	2015	Restated 2014
	\$	\$
Profit/(Loss) after income tax	(3,460,600)	(10,072,319)
Total comprehensive income	(3,460,600)	(10,072,319)

Statement of Financial Position

Total current assets	268,303	139,054
Total assets	29,255,578	21,372,060
Total current liabilities	1,055,715	74,147
Total liabilities	6,414,278	1,047,109
Equity		
Issued capital	82,165,779	77,107,342
Reserves	2,190,522	1,332,009
Accumulated losses	(61,515,001)	(58,114,400)
Total equity	22,841,300	20,324,951

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments - Office equipment

The parent entity had no capital commitments as at 30 June 2015 and 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

27. PARENT ENTITY FINANCIAL INFORMATION (CONT'D)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 2, except for investments in subsidiaries which are accounted for at cost, less any impairment, in the parent entity.

28. KEY MANAGEMENT PERSONNEL

Key management personnel compensation

	CONSOLIDATED	
	2015	2014
	\$	\$
Short term employment benefits	2,659,274	2,309,936
Post employment benefits	126,110	103,634
Share based payments	275,318	302,531
Total compensation	3,060,702	2,716,101

29. FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise cash, receivables, and payables. For the year ended 30 June 2015, the consolidated entity does not utilise derivatives, holds no debt and has not traded in financial instruments including derivatives other than listed and unlisted securities and options over listed and unlisted securities, where received as corporate fee income. The company has other financial assets and liabilities such as trade receivables and trade and other payables, which arise directly from its operations and are non-interest bearing.

Interest rate risk

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

	CONSOLIDATED	
	2015	2014
	\$	\$
Cash and cash equivalents at end of period	12,108,825	13,779,844
100 basis points increase in interest rate	121,088	137,798
50 basis points decrease in interest rate	(60,544)	(68,899)
Net impact on loss after tax		
Loss for the year	(6,456,900)	(8,547,788)
100 basis points increase in interest rate	(6,335,812)	(8,409,989)
50 basis points decrease in interest rate	(6,517,443)	(8,616,686)

Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

	CONSOLIDATED	
	2015	2014
	\$	\$
Not later than one month	875,974	415,375
Later than 1 month not later than 3 months	1,100,849	229,271
Later than 3 months not later than 1 year	270,500	17,584
Later than 1 year	-	-
	2,247,323	662,230

Maturity Analysis of Financial Assets and Liabilities

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

	0-1 month	1-3 months	4-12 months	1-5 years	Total
30 June 2015					
Consolidated Financial assets:					
Cash and cash equivalents	12,108,825	-	-	-	12,108,825
Trade and other receivables	834,685	349,850	1,007,844	-	2,192,379
	12,943,510	349,850	1,007,844	-	14,301,204
Consolidated Financial liabilities:					
Trade and other payables	875,972	1,100,849	270,500	-	2,247,321
	875,972	1,100,849	270,500	-	2,247,321
Net maturity	12,067,539	(750,999)	737,344	-	12,053,884
30 June 2014					
Consolidated Financial assets:					
Cash and cash equivalents	13,779,844	-	-	-	13,779,844
Trade and other receivables	184,093	111,672	110,221	-	405,986
	13,963,937	111,672	110,221	-	14,185,830
Consolidated Financial liabilities:					
Trade and other payables	415,374	229,271	17,585	-	662,230
	415,374	229,271	17,585	-	662,230
Net maturity	13,548,563	(117,599)	92,636	-	13,523,600

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

Market Risk

The consolidated entity is not materially exposed to movements in market prices.

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

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

Fair value Measurement

The consolidated entity has a number of financial instruments which are not measured at fair value in the statement of financial position. These had the following fair values at 30 June 2015:

	CONSOLIDATED	
	\$	\$
	Carrying amount	Fair value amount
Current Assets		
Rental bonds and guarantees	-	-
Non-Current Assets		
Rental bonds and guarantees	256,454	256,454
	<u>256,454</u>	<u>256,454</u>

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.

30. BUSINESS COMBINATIONS

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	<u>2,327,000</u>
Total purchase consideration	<u>6,302,491</u>
Contingent consideration - Option holders	1,673,001
Total consideration	<u>7,975,492</u>

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 3 October 2017 and paid in up to 2,162,864 HUB24 ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

30. BUSINESS COMBINATIONS (CONT'D)

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 3 October 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 deferred payment in shares and to be included in the Statement of Financial Performance over the three years to 30 September 2017 is \$1.673 million (\$464,722 for the year ended 30 June 2015). Refer to note 22 (f) for further information and details as disclosed in contingent consideration below.

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

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 \$393,945 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

NOTES TO THE FINANCIAL STATEMENTS

30. BUSINESS COMBINATIONS (CONT'D)

Revenue and Profit contribution

The acquired business contributed revenues of \$20,235,321 and EBITDA of \$60,687 to the group for the period from 4 September 2014 to 30 June 2015.

Movements in goodwill

	CONSOLIDATED	
	2015	2014
	\$	\$
Opening net book amount	-	-
Acquisition of business	5,846,822	-
Impairment charge	-	-
Closing net book amount	5,846,822	-

31. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT OF COMPARATIVES

The research and development grant claimed from the Australian government (\$414,137) for the year ended 30 June 2014, was classified as an income tax benefit. In the 2015 financial year, it has been determined that a more accurate application of the relevant accounting standard dictates that the amount of the research and development grant claimed in relation to assets of the Company, be recognised against the development costs and released to other income at the same rate and timing of the amortisation of the asset to which the grant relates (2014: \$289,361).

In relation to the above prior period adjustment and restatement of comparatives, the extracts for those items affected are below:

	Reported 2014 \$	Adjustment \$	Restated 2014 \$
Statement of profit or loss and other comprehensive income			
Interest and other income	535,391	289,361	824,752
Loss before income tax expense from continuing operations	(8,157,324)	289,361	(7,867,963)
Income tax benefit	414,137	(414,137)	-
Loss after income tax from continuing operations	(7,743,187)	(124,776)	(7,867,963)
Loss after income tax from discontinued operations	(679,825)	-	(679,825)
Loss after income tax for the year	(8,423,012)	(124,776)	(8,547,788)
Total comprehensive loss for the year	(8,423,012)	(124,776)	(8,547,788)

NOTES TO THE FINANCIAL STATEMENTS

31. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT OF COMPARATIVES (CONT'D)

	Reported 2014 \$	Adjustment \$	Restated 2014 \$
Statement of financial position			
ASSETS			
Total Assets	21,676,954	-	21,676,954
LIABILITIES			
Other current liabilities	-	74,147	74,147
Total Current Liabilities	2,051,883	74,147	2,126,030
Other non-current liabilities	-	972,962	972,962
Total Non-Current Liabilities	184,654	972,962	1,157,616
Total Liabilities	2,236,537	1,047,109	3,283,646
Net Assets	19,440,417	(1,047,109)	18,393,308
EQUITY			
Accumulated losses	(59,822,932)	(1,047,109)	(60,870,041)
Total Equity	19,440,417	(1,047,109)	18,393,308

DIRECTORS' DECLARATION

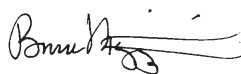
In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (b) the financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 2.

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

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

Signed in accordance with a resolution of directors.



Bruce Higgins
Chairman
Sydney, 28 August 2015

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the members of HUB24 Limited

Report on the Financial Report

We have audited the accompanying financial report of HUB24 Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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.

INDEPENDENT AUDITOR'S REPORT



Independence

In conducting our audit, 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, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of HUB24 Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 38 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of HUB24 Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'BDO Paul Bull', is written over a faint, larger 'BDO' logo.

Paul Bull
Partner

Sydney, 28 August 2015

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 25 August 2015.

DISTRIBUTION OF EQUITY SECURITIES

Ordinary share capital – 52,058,181 fully paid ordinary shares are held by 1,544 individual security holders. All issued ordinary shares carry one vote per share without restriction and carry the rights to dividends. The number of security holders, by size of holding, in each class are:

Fully paid ordinary shares - Holdings Ranges	Holders	Total Units	%
1-1,000	526	242,632	0.466
1,001-5,000	540	1,465,167	2.814
5,001-10,000	215	1,692,715	3.252
10,001-100,000	250	7,475,579	14.360
100,001-9,999,999,999	44	41,182,088	79.108
Totals	1,575	52,058,181	100.000

Holding less than a marketable parcel of shares, based on the closing price \$1.53 on 25 August 2015, are 201 shareholders.

OPTIONS

5,269,375 options are held by option holders. Options do not carry a right to vote.

SUBSTANTIAL SHAREHOLDERS – QUOTED ORDINARY SECURITIES

	Number fully paid	%
THORNEY HOLDINGS PTY LTD & Related Parties	10,411,410	19.99
ACORN CAPITAL LTD	5,254,450	14.00
IAN LITSTER & Related Parties	3,588,751	7.60
CONTANGO ASSET MANAGEMENT LTD	2,616,828	5.03

HUB24 LIMITED FULLY PAID ORDINARY SHARES

TOP 20 HOLDINGS AS AT 25-08-2015

Holder Name	Balance at 25-08-2015	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,895,896	13.161
UBS NOMINEES PTY LTD	3,878,000	11.255
NATIONAL NOMINEES LIMITED	3,423,322	10.309
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,559,468	6.129
CITICORP NOMINEES PTY LIMITED	2,006,260	3.203
LITSTER & ASSOCIATES PTY LTD <CYNTHIA & CHERINE A/C>	1,504,911	2.895
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,475,000	2.857
JASFORCE PTY LTD	1,247,545	2.697
FINOOK PTY LTD <B & A JAMES SUPER FUND A/C>	1,203,496	2.693
RBC INVESTOR SERVICES AUSTRALIA NOMINEES P/L <WAM ACCOUNT>	1,202,001	2.560
WEALTHPLAN TECHNOLOGIES PTY LTD	1,131,531	2.400
SKYLYX PTY LTD <TAN FAMILY INVESTMENT A/C>	850,238	1.490
BNP PARIBAS NOMS PTY LTD <DRP>	774,793	1.436
EGG AU PTY LTD <JJE FAMILY A/C>	692,715	1.332
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	510,000	1.109
MR BRUCE HIGGINS & MRS RUTH HIGGINS <HIGGINS FAMILY S/F A/C>	550,061	1.057
LITSTER & ASSOCIATES PTY LTD <CYNTHIA AND CHERINE A/C>	492,125	0.889
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	462,000	0.875
JASFORCE PTY LTD	400,000	0.823
MATIMO PTY LTD <MATIMO A/C>	350,000	0.794
LITSTER & ASSOCIATES PTY LTD <C & C SUPER FUND A/C>	350,000	0.7
Total	36,372,099	69.887
Total Issued Capital	52,058,181	



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