

ANNUAL
REPORT
2014



CORPORATE DIRECTORY

DIRECTORS

Bruce Higgins (Chairman)

Appointed 19 October 2012

Ian Litster

Appointed 26 September 2012

Hugh Robertson

Appointed 20 April 2011

Vaughan Webber

Appointed 19 October 2012

COMPANY SECRETARY

Matthew Haes

Appointed 10 September 2012

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRY

Boardroom Pty Limited

Level 7
207 Kent Street
Sydney NSW 2000

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

SOLICITORS

Minter Ellison

Rialto Towers
525 Collins Street
Melbourne VIC 3000

Minter Ellison

Aurora Place
88 Phillip Street
Sydney NSW 2000

BANKERS

**Australia and New Zealand
Banking Group Limited**

20 Martin Place
Sydney NSW 2000

AUDITORS

BDO East Coast Partnership

Level 10
1 Margaret Street
Sydney NSW 2000

INTERNET ADDRESS

www.hub24.com.au

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4E

	Year ended 30 June 2014		Year ended 30 June 2013		
	\$'000		\$'000		% change
From continuing operations					
Revenue from ordinary activities	3,745	From	1,806	Increase	107%
Net loss for the year attributable to members	(7,743)	From	(5,798)	Increase	33%
From discontinued operations					
Revenue from ordinary activities	-	From	5,278	Decrease	-100%
Net loss for the year attributable to members	(680)	From	(3,985)	Decrease	-83%
From continuing and discontinued operations					
Revenue from ordinary activities	3,745	From	7,084	Decrease	-47%
Net loss for the year attributable to members	(8,423)	From	(9,783)	Decrease	-14%

DIVIDENDS

The directors have not declared a final dividend for the year ended 30 June 2014 (2013: Nil).

AUDITOR REVIEW

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

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 2014	\$0.279
Net tangible assets per fully paid ordinary share 30 June 2013	\$0.255

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

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

HUB24 Limited has lost control over the following entities during the period:

Aequus Capital Ltd

Date control lost: 27 June 2014

Alert Trader Pty Ltd

Date control lost: 3 July 2013

Alert Trader Publishing Pty Ltd

Date control lost: 22 August 2013

Alert Trader Securities Pty Ltd

Date control lost: 22 August 2013

These entities have not made a material contribution to the consolidated entity's profit/(loss) before income tax during the current or previous period.

CHAIRMAN AND CEO REPORT



BRUCE HIGGINS



ANDREW ALCOCK

Dear Shareholders,

On behalf of the directors we are pleased to announce the results for HUB24 for the year ended 30 June 2014.

The financial year ended 30 June 2014 was a significant period for the company with rapid growth and consolidation of the business to focus on the HUB24 platform as well as continued investment in platform improvements which have resulted in very strong growth momentum. We are also pleased to advise that this momentum has continued into the new financial year.

The commercialisation of our HUB24 platform business is now well on track with inflows gaining momentum on the back of consecutive record quarters in the second half of FY2014. The operations and technology of our systems are proving to be highly scalable. Our maiden gross profit was achieved in March 2014 and direct operating expenses continue to grow at a lower rate than our top line revenues.

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

Recently we announced the transaction (subject to conditions precedent) to acquire the independently owned financial planning licensee Paragem Pty Ltd (**Paragem**). Paragem is a leading boutique dealer group, founded by Ian Knox and Charlie Haynes that has grown strongly to license 20 high quality financial advisory practices across

Australia, which advise 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.

Both HUB24 and Paragem will retain their existing brands and will continue to operate independently. Paragem will retain its open architecture approach to approved products and platforms. HUB24 will support the growth and business of Paragem licensee advisers and their clients and continue to focus on our core business providing white labels to financial planning groups, accountants and stockbrokers.

CORPORATE

During the year there have been changes in the executive team as announced to the market. Andrew Alcock commenced as CEO in July 2013 and Jason Entwistle, previously Acting CEO, was appointed Director, Strategic Developments.

The Directors also wish to announce the appointment of Andrew Alcock to the board of the company and the position of Managing Director effective today.

Shareholders have continued to be supportive of the company with the capital raising completed in December 2013 raising \$10.6 million. As at 30 June 2014 we had \$13.8 million in cash and cash equivalents, our net tangible assets were \$19.4 million representing 28 cents per share.

COMPANY SUCCESSES



FUA growth of 155% to

\$991m

as at 28 August 2014.



Cash and cash equivalents of

\$13.8m

and no corporate debt. \$10.6m raised in a placement at \$1.30.



Launched in June 2012

Super

now represents more than half of all client accounts.



Growth in active advisers of 109 to

345

serving 52 financial planning groups with 3 new white label agreements.



Increase in platform revenue of

161%

achieved through growing Funds Under Administration with consistent gross profit margins.



HUB24 awarded

3rd

in the Product category by market researcher Investment Trends, in December 2013 Platform Report covering 25 leading platforms. Now ranked ahead of many mainstream and traditional industry leaders.



188

Managed Portfolios offered with FUA in these increasing 170%.

FINANCIAL PERFORMANCE

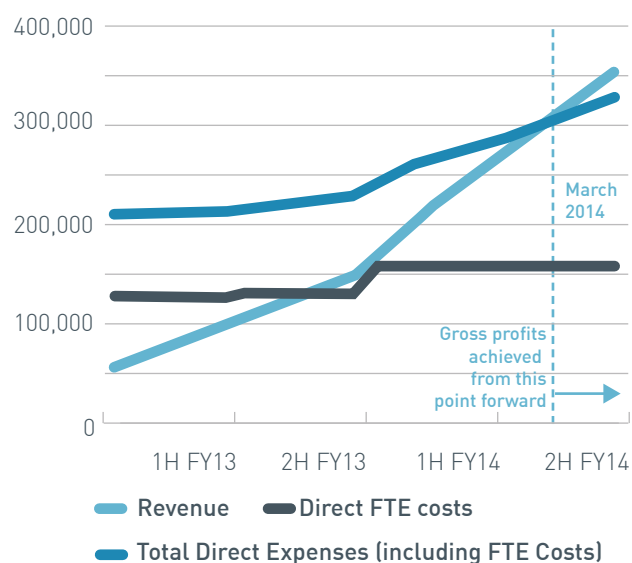
Revenue increased to \$3.2 million for the financial year, an increase of 161% over the prior corresponding period (PCP) driven by an increase in Funds Under Administration (FUA) of 122% to \$854 million. Revenue during the year was at an average 52 basis points of FUA (48 basis point PCP) driven by increasing transaction activity across platform trading, managed funds and insurance.

Direct platform costs increased by 33.3% driven by increased transaction volumes from platform trading and insurance. Direct costs during the year were at an average of 56 basis points of FUA declining from 103 basis points for the prior corresponding period demonstrating that scale benefits are accelerating with growing FUA and revenues.

Operating expenses increased by 12.5% due to an increase in headcount, the accrual of FY14 performance incentives and share based payment expenses arising from the issue of options to staff and Chairman. Non-headcount related operating expenses decreased by 4.7% during the financial year.

Operating expenses during the year were at an average of 60 basis points of FUA declining from 131 basis points for the prior corresponding period.

GROSS PROFIT EMERGES WITH INCREASING SCALE \$ PER MONTH



The business carefully manages the timing and extent of further investment in resources to provide a stable platform for continued rapid growth. This management includes ongoing review of platform administration, client service and transition functions for further efficiencies to underpin future operating margins.

We define investment expenses as those expenses which are expected to result in increased inflow of FUA and are across development, product, sales and client transition areas. These expenses increased by \$1.8 million in FY14 and included fewer headcount costs capitalised during the period, accrual of performance incentives and share based payment expenses arising from the issue of options to staff and executives within that cost centre.

The increase in investment resources has assisted HUB24 in accelerating the transition of FUA to reach its first month of gross profit in March 2014. Continued investment to both maintain and increase FUA growth and financial performance will accelerate HUB24 along its pathway to profitability.

GROWTH

The company has succeeded in further commercialising the HUB24 platform with FUA as at 30 June 2014 reaching \$854 million, representing an increase of 122% since 30 June 2013 and servicing over 345 financial advisers. Further growth in fund inflows since the end of the period has further increased FUA at 28 August 2014 to \$991 million.

Monthly average net inflows* by financial years to date are as follows:

FY12	\$ 5.4m
FY13	\$19.0m
FY14	\$32.8m**

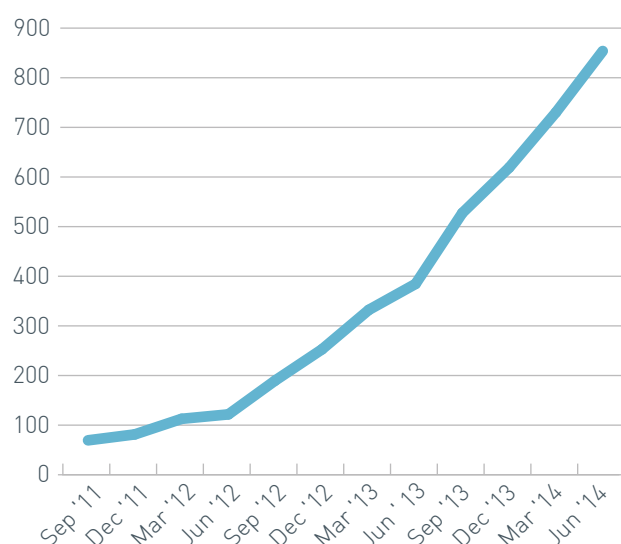
*Excludes market movements

**\$41.7m March to June

Significant investment was made in FY12 for HUB24's superannuation and insurance development products for which the company received a Research and Development incentive from the ATO of \$1.1m. Superannuation client accounts are now more than half of all client accounts on the platform.

This growth accelerated during FY14 thanks to a stable board, investment in the business teams, growth from existing clients and three new white labels.

FUA BALANCE \$M



FUA AND INFLOWS

HUB24 has recorded consecutive quarters of record gross and net inflows during the second half of the 2014 financial year.

During the financial year HUB24 increased the number of client accounts administered per adviser by 58.1% as well as overall FUA by adviser while introducing a number of new clients. This indicates increasing engagement by both current and new advisers during the year.

The number of advisers using the platform has increased by 46.2% over the financial year. Given that many of the advisers are relatively new to using the HUB24 platform, we expect significant upside in both the penetration of the platform into the advisers' businesses, increasing average FUA per adviser, and the recruitment of new advisers, continuing the increased momentum in FUA growth.

HUB24 offers an open architecture model whereby it is able to offer a diverse range of investment products. HUB24 currently offers the most extensive range of managed portfolios within a full service wrap in the Australian market today. It is not only the breadth of the offering but also the depth of model portfolio tools available that has underpinned fund flows into HUB24's managed portfolios (increase of 169.8%) in excess of overall FUA growth over the financial year.

ACQUISITIONS

During the financial year HUB24 has devoted significant resources to reviewing the market for suitable synergistic acquisitions that could provide opportunity to deliver scale to the business.

No acquisitions were made during the financial year, however progress was made and a transaction to acquire Paragem Pty Ltd was announced to the market on 21 August 2014. Subject to completion we believe the acquisition and strategy in developing the Paragem business for independently minded financial advisers will deliver considerable earnings growth for the company in the coming years.

The acquisition of Paragem is consistent with HUB24's strategy to pursue significant growth by partnering with quality independently minded financial advisers (IFAs). We will be working together with Paragem and HUB24's existing highly valued advice licensees with the company continuing to develop solutions for the benefit of the IFA market and consumers. Together we will provide a compelling home for like-minded financial advisers who value choice and the ability to freely run their own business, while working with HUB24 to develop better, more cost effective client outcomes.

Both HUB24 and Paragem will retain their existing business and brands and will continue to operate independently. Importantly, Paragem will retain its open architecture approach to approved products and platforms and HUB24 will maintain its focus on supporting the growth and prosperity

Platform statistics ¹	Jun '14	Mar '14	Dec '13	Sep '13	Jun '13	TTM*
FUA – total	\$853.8m	\$730.2m	\$618.9m	\$527.5m	\$384.6m	122.0%
Net fund inflows (Qtr)	\$117.7m	\$108.7m	\$60.8m	\$106.5m	\$56.7m	107.6%
Gross inflows (Qtr)	\$166.8m**	\$126.6m	\$80.0m	\$120.5m	\$69.6m	139.7%
Number of active Advisers	345	314	307	278	236	46.2%

1. Statistics are approximate, have been rounded and are not audited. Inflows do not include any market movement.

* % variance of Trailing Twelve Months.

** A one-off, non-recurring outflow of \$20m in June contributed to the variance between gross inflows and netflows for the June '14 quarter.

of its existing licensee clients and pursuing new client opportunities with its market-leading platform solution.

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

HUB24's platform will enhance Paragem advisers' ability to act in the best interests of their clients. We will offer a pathway to a broad investment universe, free of product issuer conflict, utilising direct securities, managed accounts, traditional managed funds as well as multiple term deposit and insurance providers. Our competitive advantage is that we are not aligned with product manufacturers and therefore not constrained in the products we offer.

OPERATIONS

In August the Shareholders approved the change of company name to HUB24 Limited to align our name with our business.

In November we relocated the office to the ASX building in Bridge St Sydney and in the process improved our security within our building while reducing our tenancy expenses.

During the financial year HUB24 reviewed platform administration fees to improve competitive market positioning and attract higher account balances and transaction fees to improve margins from increasing scale. These changes have been implemented during the second half of the financial year.

HUB24 has undertaken substantial effort to incorporate the introduction of significant new regulatory requirements during the financial year including Stronger Super, RG148 for Investor Directed Portfolio Services (IDPS) and the implementation of short form Product Disclosure (PDS) disclosure documents. We have also confirmed regulatory NTA requirements for the company at 0.5% of IDPS assets from 1 July 2014. The implementation of these requirements, while delivering significant FUA growth, is testament to the quality and dedication of the HUB24 team.

Platform developments during the financial year have focussed upon specific client requests and projects to ensure operational scalability by decreasing administration

staff required to service FUA. In February we commenced development of significant enhancements to the HUB24 capability that will broaden our market appeal to a wider range of clients and these will be announced in the coming months as they are released.

CORPORATE GOVERNANCE

The Board of HUB24 is committed to achieving and demonstrating standards of corporate governance that are best practice 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

Our strategy is to position HUB24 as the independent platform of choice for financial advisers, stockbrokers and accountants while building a profitable, scalable business.

We see opportunity in a changing market where HUB24 is able to take advantage of new regulations, adviser and clients' needs for compliance to deliver state of the art reporting and investment products.

We will continue to invest in platform development and operational efficiency, with the objective of accelerating FUA to the platform.

On behalf of the 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

29 August 2014



Andrew Alcock
Chief Executive Officer

BUSINESS OVERVIEW

OUR INDUSTRY

Australia's investment fund pool was estimated to be the third largest in the world at 30 June 2013 at \$1,553bn, underpinned by employer Superannuation Guarantee (SG) contributions, which are progressively rising from 9.5% to 12% commencing from 1 July 2014. Much of this growth is in the SMSF sector where investment platforms, especially those that offer a broad choice of investment and insurance options, are well positioned to participate in this growth.

HUB24 operates in a sector fuelled by legislated growth via superannuation, growth in the trend towards directly held assets and growth in managed portfolios. 'Wrap platforms, including separately managed accounts and model portfolio products, will be the fastest growing segment' according to the Rice Warner 'Personal Investments Market Projections Report 2013'.

Against this industry expansion Australia has been through a period of unprecedented regulatory change including reforms to superannuation and financial advice laws. While many platforms have been diverting significant resources to changing legacy systems to comply with new regulations, the HUB24 platform has been able to focus on the continued development of its inhouse proprietary technology and addressing client needs. This nimble responsiveness has underpinned HUB24's FUA increase during 2014.

ABOUT HUB24

HUB24 Limited is a financial services company focussed on the delivery of the HUB24 platform which supports superior superannuation and investment outcomes for investors by offering choice, flexibility and transparency. HUB24 provides a next-generation service with state-of-the-art portfolio management, transaction and reporting solutions for licensees, financial advisers, accountants, stockbrokers, and investment managers.

HUB24 was established by a team with extensive experience in building leading technology solutions for the financial services industry. As specialists in proprietary platform technology, we are able to rapidly respond to demand and provide customised solutions for clients including the delivery of white label solutions for our larger corporate customers.

HUB24 operates independently of product manufacturers and is not owned by, or aligned to any bank, fund manager or insurance institution.

OUR GROWTH

Over the financial year, HUB24 grew funds under administration to \$854m as at 30 June 2014, representing an increase of 122% over the year. With consecutive quarters of record inflows during the second half of the 2014 financial year, growth momentum is continuing into FY15 with funds under administration standing at \$991m as at 28 August 2014.

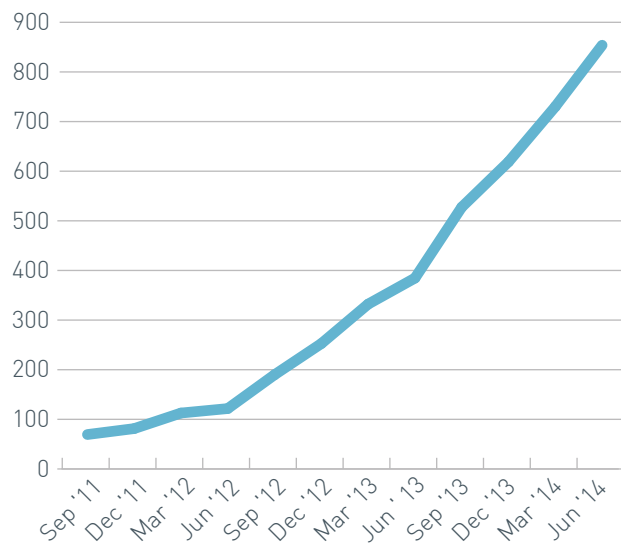
PROJECTED SUPERANNUATION ASSETS (2012 TO 2033)



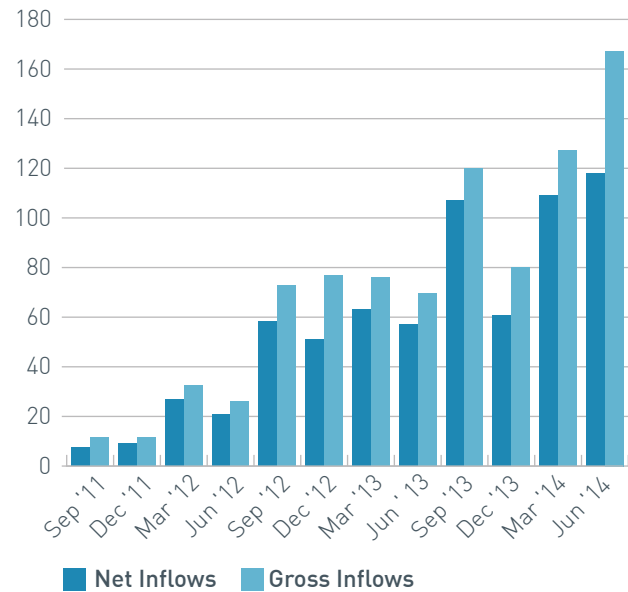
Source: Deloitte Actuaries & Consultants, 2013

KEY PLATFORM STATISTICS

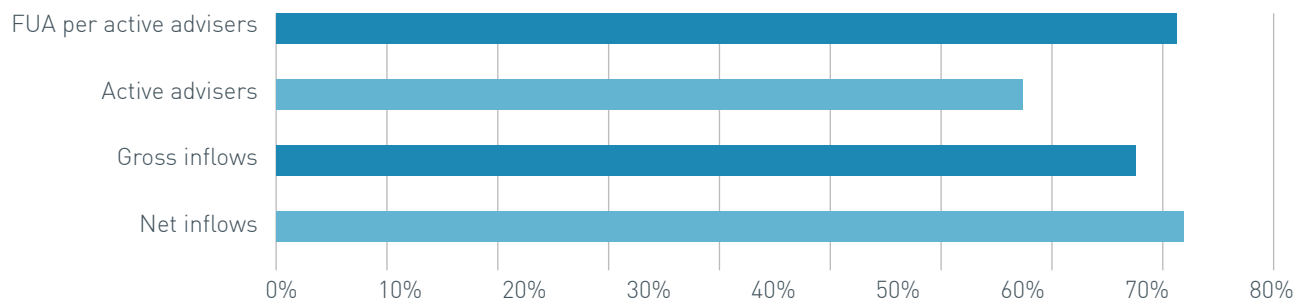
FUA BALANCE \$M



INFLOWS – QUARTERLY \$M



YEAR ON YEAR INCREASES (FY14 OVER FY13)



The number of advisers using the platform has increased by 46.2% over the financial year, with average FUA per adviser increasing by 71.7% over that time. Given that many of the advisers are relatively new to using the HUB24 platform,

we expect significant upside in both the penetration of the platform into the advisers' businesses, increasing average FUA per adviser, and the recruitment of new advisers, continuing the increased momentum in FUA growth.

INDUSTRY RECOGNITION¹

HUB24 ranked very well in the Investment Trends Report 2013 improving our overall position following our first place award for Most New Developments in 2012. Key highlights for HUB24 include:

- Ranking 3rd for Product Offering with a significantly improved score due to the leading capabilities of the platform
- Improvement in overall ranking from 7th to 5th place, moving ahead of two major institutionally-owned wrap providers
- The only platform that ranked in the top 10 in all 7 categories
- Ranked 1st in 9 out of 41 sub-categories amongst 25 respondents.

KEY STRENGTHS

MANAGED PORTFOLIOS

HUB24's market-leading managed portfolio capability enables licensees to offer advisers and their clients fully implemented Separately Managed Accounts (SMAs) and managed portfolios comprising a range of asset types and classes. This implementation model enables dealer groups to participate in the value chain as a product manufacturer as well as proving a very efficient tool of adviser practices. Investors using managed portfolios are able to benefit from professional investment management in a structure with potentially lower fees and taxes, transparency of underlying holdings and online tax optimisation tools.

HUB24's managed portfolios offer significant advantages over traditional managed funds as a vehicle to access professional investment management services.

Advantages include:

- Tax effectiveness, as no inheritance of underlying capital gains
- Transparency
- No buy/sell differential charged on entry

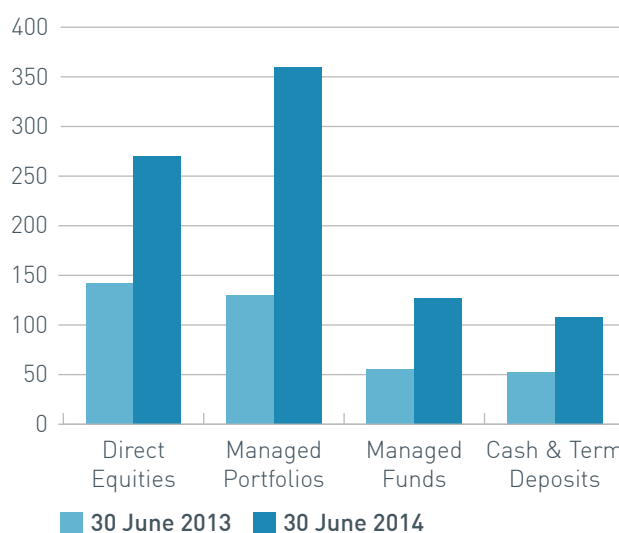
1. Investment Trends December 2013 Platform Benchmarking Report, based on extensive analyst reviews of 25 platforms across 454 functional points.

- 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.

The increasing popularity of managed portfolios is underlined by the Investment Trends Platform Report 2013 which found that 17% of advisers were planning to start using SMAs within the next 12 months, up from 10% the year before.

HUB24 currently administers over 188 managed portfolios, the most of any full service wrap platform in the market, underlining the scalability of the HUB24 solution. These portfolios are managed by professional fund managers, licensees and asset consultants. The popularity amongst advisers of the managed portfolio functionality is evidenced by the 170% growth in managed portfolios funds under administration during the year. Managed portfolios represented 42% of HUB24 platform FUA at 30 June 2014, up from 31% a year earlier.

FUA BY INVESTMENT TYPE \$M



INDEPENDENCE

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

range of term deposit, margin lending and 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.

The Future of Financial Advice (FoFA) reforms have created a new regulatory environment that is removing conflicted remuneration and hidden fees. HUB24 is at the forefront of platforms in delivering a compliant technology solution that enables licensees to deliver more comprehensive services to clients and be rewarded for those services by participating more widely in the value chain should they wish to do so.

TECHNOLOGY

HUB24 has purpose-built a proprietary technology platform in-house which allows us to have full control over development priorities and provide tailored solutions for our clients. We are not constrained by external vendors, and are recognised for delivering platform enhancements at a more rapid rate than most, if not all, of our competitors, providing a significant competitive advantage.

Our clients, including advisers, fund managers and investors enjoy real-time access to investment and account information through 24/7 web and mobile access. Our technology incorporates electronic account opening, trading, reports, statements and communications, which

enable HUB24 to deliver efficient and cost-effective services to all clients.

A key channel opportunity for HUB24 is the ability to brand or 'white label' our platform for licensees with enough scale who want to tailor their platform solution. 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.

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.

R&D INCENTIVES CONTINUE

HUB24 received an R&D tax incentive payment from AusIndustry of \$1.1 million in July 2013 for the 2012 financial year and \$0.4 million in March 2014 for the 2013 financial year. These incentives related to the significant investment made in the ongoing development of the HUB24 investment and superannuation platform. The company continues to invest in the development of new features and will apply for further payments based on eligibility in the coming year.

DIRECTORS' REPORT

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 2014. The names and details of the company's Directors in office during the financial year and until the date of this report are as follows.



BRUCE HIGGINS



VAUGHAN WEBBER

BRUCE HIGGINS B ENG CP ENG, MBA, FAICD CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Bruce Higgins has extensive experience as a company director and chief executive both within Australia and internationally and has mentored and directed profitable rapid growth businesses for the past 25 years. Bruce has previous roles relevant to the activities of the company as director of technology and software solutions businesses with both software engineering and e-learning businesses, start-up and successful restructure and commercialisation of listed companies. Bruce has prior experience as Chairman and Non-Executive Director on a variety of listed companies over the past 13 years.

Bruce is currently Chairman and Non-Executive Director of Legend Corporation Limited and Chairman and Non-Executive Director of Q Technology 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 (appointed August 2011, resigned August 2013).

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 11 years in corporate finance at a leading Australian stockbroker 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. 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.

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 18 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' 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	510,000
Hugh Robertson	86,500
Ian Litster	3,588,751
Vaughan Webber	Nil

CONSOLIDATED ENTITY OVERVIEW

The consolidated entity operates the HUB24 investment and superannuation platform.

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 investment options including market leading managed portfolio functionality, efficient and cost effective trading, and comprehensive reporting, for all types of investors – individuals, companies, trusts or self-managed super funds.

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

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were the provision of investment and superannuation portfolio administration services.

CAPITAL RAISING

The company conducted a capital raising during the year ended 30 June 2014 to meet the capital expenditure requirements of the HUB24 platform and meet ASIC regulatory capital requirements for IDPS Operators and providers of custodial services.

\$10.6 million in capital was raised from a placement of 5,837,020 ordinary shares at \$1.30 on 11 October 2013 and 2,307,692 ordinary shares at \$1.30 on 3 December 2013. The second tranche of the capital raising was completed following approval by shareholders at the Annual General Meeting held on 27 November 2013.

REVIEW OF FINANCIAL RESULTS

The consolidated entity recorded a net loss after income tax for the year ended 30 June 2014 of \$8.4 million (2013: \$9.8 million).

The loss after income tax from the continuing operations (HUB24 Platform) for the year ended 30 June 2014 was \$7.7 million or \$6.7 million when adjusted for depreciation, amortisation and impairment expenses (2013: \$5.8 million, or \$4.8 million when adjusted for depreciation, amortisation and impairment expenses).

This negative variance in the loss after income tax to the prior year was contributed to by:

- Reduction in R&D incentive of \$0.8 million
- Fewer headcount costs capitalised during FY14 of \$0.6 million
- An increase in share based payment expenses of \$0.4 million.

The loss after income tax from the discontinued operation (Stockbroking) for the year ended 30 June 2014 was \$0.7 million (2013: \$4.0 million).

Key financial results	Year ended 30 June 2014	Year ended 30 June 2013	% change
FUA (million)	854	384	122.4%
INCOME	\$	\$	
Revenue	3,209,190	1,228,366	161.3%
Platform direct costs	(3,461,416)	(2,597,463)	(33.3%)
Gross Profit	(252,226)	(1,369,097)	81.6%
Gross Profit margin	(7.9%)	(111.5%)	
Operating expenses	(3,724,652)	(3,309,439)	(12.5%)
EBITDA (Pre-investment)	(3,976,878)	(4,678,536)	15.0%
EBITDA (Pre-investment) margin	(123.9%)	(145.8%)	
Investment	(3,686,922)	(1,841,703)	
EBITDA (post investment)	(7,663,800)	(6,520,239)	(17.5%)
EBITDA (Post-investment) margin	(238.8%)	(203.2%)	
Depreciation & amortisation	(1,028,915)	(1,029,775)	
EBIT	(8,692,715)	(7,550,014)	(15.1%)
EBIT Margin	(270.9%)	(235.3%)	
Interest	535,391	577,771	
NPBT	(8,157,324)	(6,972,243)	(17.0%)
NPBT Margin	(254.2%)	(217.3%)	
Tax	414,137	1,173,832	
NPAT	(7,743,187)	(5,798,411)	(33.5%)
NPAT Margin	(241.3%)	(180.7%)	
Discontinued operations	(679,825)	(3,984,560)	
NPAT (post Discontinued Operations)	(8,423,012)	(9,782,971)	13.9%
NPAT (post Discontinued Operations) Margin	(262.5%)	(304.8%)	
Capitalised development costs	327,773	927,617	
Cashflow			
Operating cashflow (including capitalised costs)	(5,986,701)	(10,211,364)	

Key financial results	30 June 2014	30 June 2013	% change
FINANCIAL POSITION			
Net assets	19,440,417	17,322,128	12.2%
Cash & cash equivalents	13,779,844	9,542,846	44.4%

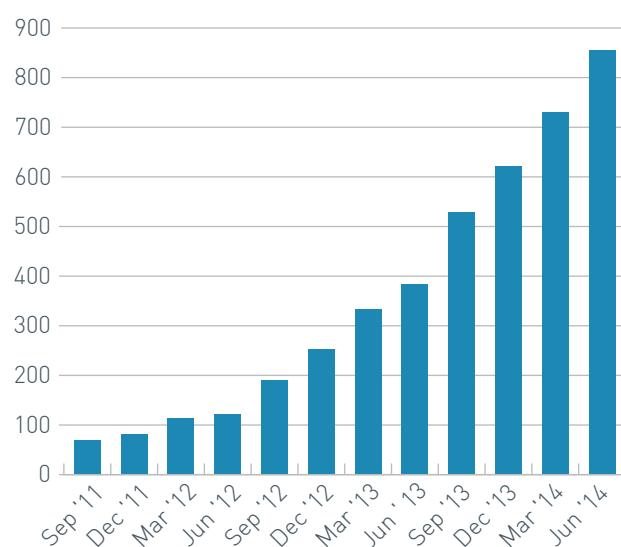
The result for Continuing Operations contained the following significant items:

GROSS PROFIT

- An increase in operational revenue from \$1.2 million to \$3.2 million driven by an increase in client FUA from \$384.6 million to \$853.8 million over the Financial Year to 30 June 2014
- Gross Profit for the full year was a loss of \$0.3 million an improvement of 82% on the prior year. A positive Gross Profit of \$0.06 million was generated in the second half of the financial year and we expect this trend to continue
- The increase in direct costs, driven by increased transaction volumes in platform trading and insurance, was 33.2% while revenues increased by 161%.

The following chart shows the quarterly movement in FUA (including market movement) which has driven the 161% increase in revenue during the financial year.

FUA BALANCE \$M

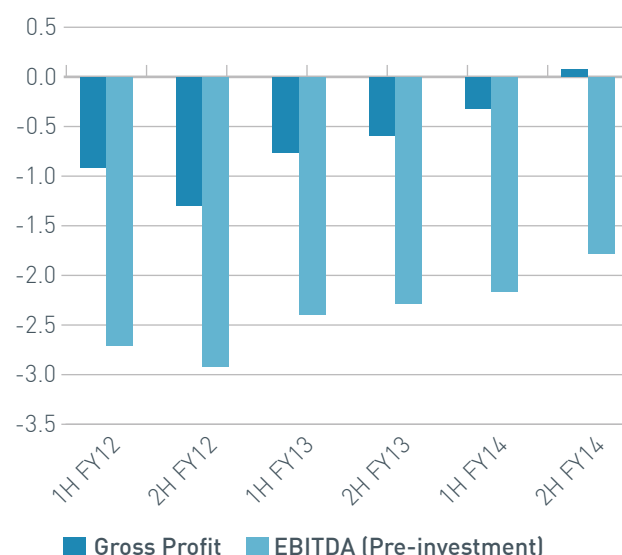


EBITDA (PRE-INVESTMENT)

The Directors are of the view that an important measure of the company's progress is the EBITDA

(pre-investment) which is the company's representation of the EBITDA result HUB24 would record if the company were to service only the current amount of FUA and associated client accounts – it assumes no resource expense invested to bring additional FUA onto the platform. During the year this improved from a loss of \$4.7 million to a loss of \$3.9 million an improvement of 15%.

GROSS PROFIT & EBITDA (PRE-INVESTMENT) TREND \$M



EBITDA (POST-INVESTMENT)

EBITDA (Post investment) for the year ended 30 June 2014 has declined by 17.5% over the previous corresponding period. This result reflects the decision by the Board to invest in the business to accelerate FUA to the platform while furthering platform development and enhanced services to advisers and their clients. Sustaining this rate of investment to transition FUA onto the platform will continue to accelerate the improved financial performance of the company.

In February we commenced development of significant enhancements to the HUB24 capability that will broaden our market appeal to a wider range of clients and these will be announced in the coming months as they are released.

OTHER ITEMS

Other significant items included in the result for Continuing Operations were:

- Amortisation of \$1.0 million associated with the platform intangible asset and depreciation of \$0.05 million associated with office equipment
- The capitalisation of platform development costs of \$0.3 million (\$0.9 million: prior corresponding period) for product features to support additional revenue streams
- Share based payments expense of \$0.4 million relating to the issue of options to staff, executives and a director in August 2013
- An R&D incentive of \$0.4 million (credit to income tax expense) relating to the ongoing investment in platform development.

The result for Discontinued Operations contained the following significant items:

- Insurance premiums of \$0.4 million associated with run-off cover for the discontinued stockbroking business
- General claims provision expense of \$0.2 million associated with an increase in the estimate of future general claim payments relating to former stockbroking activities.

REVIEW OF OPERATIONS

During the financial year the Board invested in the business teams in order to accelerate the growth of the company and funds onto the platform including the commencement of Andrew Alcock as Chief Executive Officer and appointment of Jason Entwistle as Director, Strategic Developments effective 29 July 2013. The continued investment in technology, FUA transition and operational efficiency has begun to bring results as evidenced by:

GROWTH

- FUA has grown to \$991 million as at the date of this report
- The number of superannuation client accounts on the platform now exceeds those of IDPS accounts with HUBSuper only having commenced in June 2012

- 188 managed portfolios are now offered through the platform with FUA growth in this investment type exceeding overall FUA growth
- Advisers now actively using the platform has increased by 109 to 345 during the financial year
- Revenue has increased by 161%.

FINANCIAL RESOURCES

- HUB24 has a strong balance sheet with cash and cash equivalents of \$13.8 million
- The company is able to take advantage of its listed status and strong financial position in order to position itself for growth by acquisition.

PLATFORM DEVELOPMENT

- HUB24 now ranks in the top 5 platforms in the market in terms of overall functionality¹
- The company has further strengthened the platform development team throughout the year.

The company held an Extraordinary General Meeting on 7 August 2013 whereupon the name of the company was approved and changed to HUB24 Limited from Investorfirst Ltd. This was an important step to reflect the single focus of the business and align our company name with our product and brand.

1,440,000 share options were issued to executives, 1,010,000 share options were issued to staff together with a share issue (tax exempt plan) so that all qualifying employees are now shareholders of the company.

New white label agreements were announced and delivered during the year ended 30 June 2014 for Interprac, Premium and Total Financial Solutions. It is the first time HUB24 has accomplished the launch of white label offerings simultaneously which is testament to HUB24's white labelling capability. These white labels have contributed to the accelerated FUA growth experienced in the second half of the year.

In November we relocated the Sydney office to the ASX building in Bridge St Sydney and in the process improved our security, while reducing our tenancy expenses.

1. Investment Trends December 2013 Platform Benchmarking Report, based on extensive analyst reviews of 25 platforms across 454 functional points.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Since 30 June 2014 HUB24 Limited has agreed to acquire 100% of the issued shares in Paragem Pty Ltd, a boutique AFSL provider, for upfront cash consideration of \$1.0 million, deferred cash consideration of up to a further \$1.0 million and capped earnout consideration of up to \$6.0 million subject to financial performance measured over 3 years and paid in HUB24 ordinary shares no later than 30 September 2017. The acquisition is subject to conditions precedent in favour of HUB24 Limited.

Paragem is a leading boutique dealer group, founded by Ian Knox and Charlie Haynes that has grown strongly to license 20 high quality financial advisory practices across Australia, which advise on more than \$2.5 billion of client funds.

The acquisition of Paragem is consistent with HUB24's strategy to pursue significant growth by partnering with quality independently minded financial advisers (IFAs). We will be working together with Paragem and HUB24's existing highly valued advice licensees with the company continuing to develop solutions for the benefit of the IFA market and consumers. Together we will provide a compelling home for like-minded financial advisers who value choice and the ability to freely run their own business, while working with HUB24 to develop better, more cost effective client outcomes.

Both HUB24 and Paragem will retain their existing business and brands and will continue to operate independently. Importantly, Paragem will retain its open architecture approach to approved products and platforms and HUB24 will maintain its focus on supporting the growth and prosperity of its existing licensee clients and pursuing new client opportunities with its market-leading platform solution.

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

HUB24's platform will enable Paragem advisers to act in the best interests of their clients. We will offer a pathway to a broad investment universe, free of product issuer conflict, utilising direct securities, managed accounts, traditional managed funds as well as multiple term deposit and insurance providers. Our competitive advantage is that we are not aligned with product manufacturers and therefore not constrained in the products we offer.

The Directors also wish to announce the appointment of Andrew Alcock to the Board of the company and the position of Managing Director effective today.

No other matter or circumstance has arisen since 30 June 2014 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Rapid growth in FUA to the investment and superannuation platform and significant platform development over the past two years see the company approaching the significant milestone of \$1 billion in FUA. The company's operations have coped well with this rapid growth and the benefits of scale have begun to emerge during the financial year.

Subject to the completion of the acquisition of Paragem Pty Ltd, the company will commence transitioning this entity during September 2014 and anticipates that it will contribute to earnings growth within the first 12 months.

Management and the Board are confident the prospects of the company will continue to improve 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 2014 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' and financial reports. 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.

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 Key Management Personnel). To prosper, the consolidated entity must attract, motivate and retain highly skilled Key Management Personnel. To this end, the consolidated entity embodies the following principles in its remuneration framework:

Director	Board Meetings		Audit, Risk & Compliance Committee Meetings		Remuneration & Nomination Committee	
	Attended	Held*	Attended*	Held	Attended	Held*
Bruce Higgins	10	10	2	2	1	1
Ian Litster	10	10	2	2	1	1
Hugh Robertson	8	10	-	-	-	-
Vaughan Webber	10	10	2	2	1	1

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

- Focus on sustained growth in shareholder wealth, consisting of share price growth
- Provide competitive rewards to attract high calibre individuals
- Focus the executive on key drivers of value.

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 Key Management Personnel 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 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 2014 and 30 June 2013 respectively are detailed in the Remuneration of Key Management Personnel section of this Remuneration Report.

Directors’ compensation on a monthly basis increased by 2.75% per month in the last 5 months of the financial year and on a full year basis was less than the average staff increase.

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 (STIs)
- Long term Incentives (LTIs)
- 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 (where appropriate), external advice on policies and practices. Key Management Personnel receive their fixed remuneration in cash.

Short term incentives (STIs)

Objective and Structure

The objective of STIs 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.

Long term incentives (LTIs)

Objective and Structure

Key Management Personnel may be eligible to participate as recipients in the Employee Share Option Plan (ESOP) of

the company, which was established at the Annual General Meeting of the company on 28 November 2011 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 Key Management Personnel 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 Key Management Personnel 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 Key Management Personnel 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 Key Management Personnel 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 2014 the company did not use the services of remuneration consultants.

Voting and Comments Made at the Company's 2013 Annual General Meeting

At the 2013 AGM, 98.91% of votes received supported the adoption of the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B. DETAILS OF REMUNERATION

Summary of Key Terms of Chief Executive Officer's Employment Agreement

Andrew Alcock was appointed to the role of Chief Executive Officer of the company on 7 May 2014, and commenced with the company on 29 July 2014. 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 emolument of Key Management Personnel 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).

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 CEO 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. 50% of the STI may be paid in cash and 50% by way of issue of shares in HUB.

STI awards for the executive team in the 2014 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	30%	
Growth	FUA, development targets	45%	60%
Strategy	Deliver strategic opportunities		40%
Compliance & operations	Client transition and system improvements	25%	

For each STI the percentage of the available bonus that was awarded in relation to the 2014 financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

Name	Current Year STI entitlement	
	Awarded	Forfeited
A. Alcock	59.4%	40.6%
J. Entwistle	52.5%	47.5%
W. Gillett	41.0%	59.0%
M. Ballinger	30.3%	69.7%
J. Gioffre	8.5%	-
M. Haes	14.6%	-

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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%
Vaughan Webber	58,300	-	-	-	-	-	-	58,300	0%
Ian Litster	58,300	-	-	-	-	-	-	58,300	0%
Hugh Robertson ¹	58,300	-	-	-	-	-	-	58,300	0%
Sub-total Non-Executive Directors	276,624	-	-	-	-	-	76,289	352,913	-
Key management personnel									
Andrew Alcock ² – Chief Executive Officer	351,293	219,688	-	16,294	636	1,000	80,404	669,315	33%
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%
Mark Ballinger ⁴ – Head of Business Development	158,923	20,000	-	13,340	312	-	-	192,575	10%
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%
Sub-total 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. Hugh Robertson currently acts in a Non-Executive Director capacity, however, was classified as an Executive Director as at 30 June 2013

2. Andrew Alcock was appointed Chief Executive Officer on 31 July 2013

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

4. Mark Ballinger was appointed Head of Business Programs on 16 August 2013

REMUNERATION OF KEY MANAGEMENT PERSONNEL

2013*			Short Term Benefits	Post Employment Benefits	Share Based Payments			
\$	Salary and Fees	Cash Bonus	Termination Payment	Super- annuation	Shares	Options	Total	Performance Related %
Non-Executive Directors								
Bruce Higgins ¹	70,560	-	-	-	-	-	70,560	0%
Vaughan Webber ²	40,376	-	-	-	-	-	40,376	0%
Jason Entwistle ³	19,383	-	-	-	-	-	19,383	0%
Robert Bishop ⁴	3,058	-	-	275	-	-	3,333	0%
Darren Pettiona ⁵	9,534	-	-	-	-	-	9,534	0%
Robert Spano ⁶	20,000	-	-	-	-	-	20,000	0%
Ian Litster ⁷	64,259	-	-	-	-	-	64,259	0%
Sub-total Non-Executive Directors	227,170	-	-	275	-	-	227,445	-
Executive Directors								
Hugh Robertson ⁸	778,124	-	-	-	-	453,540	1,231,664	100%
Otto Buttula ⁹	6,815	-	-	-	-	-	6,815	0%
David Spessot ¹⁰	74,529	-	62,500	12,332	-	-	149,361	0%
Sub-total Executive Directors	859,468	-	62,500	12,332	-	453,540	1,387,840	-
Key management personnel								
Jason Entwistle ³ – Acting Chief Executive Officer	207,581	60,000	-	-	-	-	267,581	22%
Wes Gillett ¹¹ – Head of Product and Distribution	44,705	-	-	4,007	-	-	48,712	0%
Joseph Gioffre – Head of Operations	200,000	10,000	-	18,000	-	-	228,000	0%
Matthew Haes – CFO and Company Secretary	205,262	15,000	-	18,473	-	-	238,735	0%
Neil Sheather ¹² – Head of Stockbroking	126,519	-	-	9,298	-	13,668	149,485	0%
Andrea Steele ¹³ – Company Secretary	72,348	-	-	4,510	-	-	76,858	0%
Sub-total key management personnel	856,415	85,000	-	54,288	-	13,668	1,009,371	
Total	1,943,053	85,000	62,500	66,895	-	467,208	2,624,656	

*2013 remuneration does not include Annual Leave or Long Service Leave.

1. Bruce Higgins appointed 19 October 2012

2. Vaughan Webber appointed 19 October 2012

3. Jason Entwistle resigned as Non-Executive Director and appointed Acting Chief Executive Officer 26 September 2012

4. Robert Bishop resigned from the Board 25 July 2012

5. Darren Pettiona resigned from the Board 26 September 2012

6. Robert Spano resigned from the Board 19 October 2012

7. Ian Litster appointed 26 September 2012

8. Hugh Robertson currently acts in a Non-Executive Director capacity, however, is classified as an Executive Director as at 30 June 2013

9. Otto Buttula resigned from the Board 25 July 2012

10. David Spessot resigned from the Board 26 September 2012

11. Wes Gillett appointed 22 April 2013

12. Neil Sheather departed 6 March 2013

13. Andrea Steele departed 11 September 2012

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

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2014	2013	2014	2013	2014	2013
Non-Executive Directors						
Bruce Higgins	57%	100%	-	-	43%	-
Ian Litster	100%	100%	-	-	-	-
Hugh Robertson	100%	100%	-	-	-	-
Vaughan Webber	100%	100%	-	-	-	-
Other Key Management Personnel						
Andrew Alcock	38%	n/a	38%	n/a	24%	n/a
Mark Ballinger	77%	n/a	23%	n/a	-	n/a
Jason Entwistle	38%	100%	38%	-	23%	-
Joseph Gioffre	88%	91%	-	9%	12%	-
Matthew Haes	84%	88%	-	12%	16%	-
Wes Gillett	39%	91%	39%	-	21%	-

C. SERVICE AGREEMENTS

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 2014 and are subject to review annually by the Remuneration and Nominations Committee. There are no termination payment benefits other than the contracted notice periods.

Name	Base Salary (inc. superannuation)	STI	LTI	Term of agreement	Notice period – either party
Andrew Alcock – Chief Executive Officer	\$370,000	Up to 100% of base salary ¹	600,000 options ²	Unspecified – commenced 29 July 2013	6 months
Jason Entwistle – Director, Strategic Development	\$300,000	Up to 100% of base salary ¹	480,000 options ²	Unspecified – commenced 1 August 2013	6 months
Wesley Gillett – Head of Product and Distribution	\$250,700	Up to 100% of base salary ¹	360,000 options ²	Unspecified – commenced 19 April 2013	6 months
Matthew Haes – Chief Financial Officer and Company Secretary	\$226,050	Nil	115,000 options ³	Unspecified – commenced 26 June 2012	1 month
Joseph Gioffre – Head of Operations	\$223,995	Nil	80,000 options ³	Unspecified – commenced 3 July 2012	1 month
Mark Ballinger – Head of Business Program	\$220,000	Up to 30% of base salary	Nil	Unspecified – commenced 16 September 2013	3 months

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, Jason Entwistle and Wesley Gillett have a two year sale restriction after vesting and exercise with vesting in three annual tranches no earlier than 12, 24 and 36 months upon achieving share price hurdles.

3. Options for Matthew Haes and Joseph Gioffre have a minimum two year sale restriction after vesting and exercise. Vesting no earlier than 12 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.

D. SHARE BASED COMPENSATION

Options

The terms and conditions of each grant of options affecting remuneration 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
7 August 2013	14 October 2017	\$0.8424	\$0.38	No	Nil
8 August 2013	8 August 2017	\$0.8438	\$0.38	No	Nil
8 August 2013	8 August 2017	\$0.8438	\$0.37	No	Nil

Options granted carry no dividends or voting rights.

Options granted 7 August 2013 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 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. These options can be exercised, subject to satisfaction of vesting conditions, 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
- 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
- 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
- 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
- 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.

Details of options over ordinary shares in the company provided as remuneration to key management personnel are shown below. When exercisable, each option is convertible into one ordinary share of HUB24 Limited between either 1 October to 14 October or 1 April to 14 April. The vesting conditions are set out above.

The exercise price of options is based upon the volume weighted average price of the company's shares traded on the ASX during the 20 days prior to date of grant.

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
Bruce Higgins	2014	2017 2016 2015	510,000	\$188,700	Nil	Nil
Hugh Robertson*	2011	2013	750,000	\$393,000	Nil	Nil
Andrew Alcock	2014	2017 2016 2015	600,000	\$228,000	Nil	Nil
Jason Entwistle	2014	2017 2016 2015	480,000	\$182,400	Nil	Nil
Wes Gillett	2014	2017 2016 2015	360,000	\$136,800	Nil	Nil
Matthew Haes	2014	2015	115,000	\$43,700	Nil	Nil
Joseph Gioffre	2014	2015	80,000	\$30,400	Nil	Nil

*Options vested in February 2013 with an exercise price of \$5.20 and expiry date of 31 January 2015.

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 2014.

E. ADDITIONAL INFORMATION

The earnings of the consolidated entity for the five years ended 30 June 2014 are summarised below:

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
EBITDA	(8,344)	(10,504)	(12,677)	(3,464)	(1,901)
EBIT	(9,373)	(11,534)	(29,847)	(5,235)	(2,204)
Profit/(Loss) after income tax	(8,423)	(9,783)	(30,516)	(4,451)	(1,068)

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

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Share price at financial year end	\$0.82	\$0.75	\$0.95	\$2.78	\$1.58
Basic earnings per share	(0.197)	(0.320)	(1.760)	(0.360)	(0.200)

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 key management personnel 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
Bruce Higgins	410,000	-	100,000	510,000
Hugh Robertson	173,000	-	(86,500)	86,500
Ian Litster	3,588,751	-	-	3,588,751
Andrew Alcock	-	1,187	20,000	21,187
Jason Entwistle	937,715	1,187	-	938,902
Wes Gillett	-	1,187	-	1,187
Matthew Haes	12,896	1,187	6,825	20,908
Joseph Gioffre	8,010	1,187	2,356	11,553

Options

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

Name	Balance at start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at end of the year
Bruce Higgins	-	510,000	-	-	510,000
Andrew Alcock	-	600,000	-	-	600,000
Jason Entwistle	-	480,000	-	-	480,000
Wes Gillett	-	360,000	-	-	360,000
Matthew Haes	-	115,000	-	-	115,000
Joseph Gioffre	-	80,000	-	-	80,000

This concludes the remuneration report which has been audited.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the company support and have substantially adhered to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this Annual Report.

NON-AUDIT SERVICES

Tax, compliance and consulting services of \$64,802 were paid to BDO (2013: \$81,000). 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, 29 August 2014

AUDITOR'S INDEPENDENCE DECLARATION



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www.bdo.com.au

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 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 'P. Bull', with a stylized flourish at the end.

Paul Bull
Partner

BDO East Coast Partnership

Sydney, 29 August 2014

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) in each State or Territory other than Tasmania.

CORPORATE GOVERNANCE

The Board of Directors of the company is responsible for establishing the corporate governance framework of the consolidated entity having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable. The table below summarises the company's compliance with the CGS's recommendations:

Recommendation	Comply Yes/No
Principle 1 – Lay solid foundations for management and oversight	
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes
Principle 2 – Structure the Board to add value	
2.1 A majority of the Board should be independent Directors. As a result of the restructure of the Board in October 2012, the Board is currently comprised of two independent non-executive directors and two non-independent non-executive directors.	No
2.2 The Chair should be an independent Director.	Yes
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes
2.4 The Board should establish a nomination committee.	Yes
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes
Principle 3 – Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. The Company has not established a policy concerning diversity and disclosed the policy or a summary of that policy. It is the intention of the Company to comply with this principle at a time when the size of the Company and its activities warrant establishment of a policy.	No
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. <i>(Refer to 3.2)</i>	No

Recommendation	Comply Yes/No
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. Proportion of women in the whole organisation: 30% (9.8 of 39.8), women in senior executive positions: 0% (0 of 6), women on Board: Nil	Yes
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
Principle 4 – Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee.	Yes
4.2 The audit committee should be structured so that it: • Consists only of Non-Executive Directors • Consists of a majority of independent Directors • Is chaired by an independent chair, who is not Chair of the Board • Has at least three members. The ARCC comprises two members which the Board considers to be sufficient given the overall size of the Board. (The Chair of the Board is a regular invitee to committee meetings)	Yes Yes Yes No
4.3 The audit committee should have a formal charter	Yes
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5 – Make timely and balanced disclosure	
5.1 Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes
Principle 6 – Respect the rights of shareholders	
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes
Principle 7 – Recognise and manage risk	
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes

Recommendation	Comply Yes/No
Principle 8 – Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee.	Yes
8.2 The remuneration committee should be structured so that it:	
• Consists of a majority of independent Directors	Yes
• Is chaired by an independent Chair	No
The Remuneration and Nomination Committee is chaired by a non-executive Director who is defined as non-independent by reason of having a substantial shareholding in the company.	
• Has at least three members	Yes
8.3 Companies should clearly distinguish the structure of Non-Executive Directors remuneration from that of Executive Directors and senior executives.	Yes
8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8	Yes

BOARD FUNCTIONS

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board. The responsibility for the operation and administration of the consolidated entity is delegated, by the Board, to the Chief Executive Officer and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive Officer and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the consolidated entity, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established an Audit, Risk and Compliance Committee, chaired by Vaughan Webber, an independent Director and a Remuneration and Nomination

Committee, chaired by Ian Litster, a Non-Executive Director.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the company
- Development of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored

- Reporting to shareholders
- Determining board size and composition
- Determining terms of reference and scope of Board committees
- Approving the terms and conditions of the appointment of the CEO
- Reviewing the annual performance and progress of HUB24 and the Board in meeting the mission and objectives of HUB24
- Entering into borrowing arrangements.

STRUCTURE OF THE BOARD

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report are included in the Directors' Report. Directors of the company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with), the exercise of their unfettered and independent judgement.

In the context of Director independence, 'materiality' is considered from both the consolidated entity and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the Director in question to shape the direction of the consolidated entity. In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of HUB24 are all considered to be independent:

BRUCE HIGGINS
Non-Executive Director and Chairman
(appointed 19 October 2012)

VAUGHAN WEBBER
Non-Executive Director
(appointed 19 October 2012)

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the company's expense.

PERFORMANCE

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The Board will conduct self-performance evaluations that involve an assessment of each Board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria.

The performance criteria against which Directors and executives are assessed are aligned with the financial and non-financial objectives of the company.

A review of the performance of the Board and its committees was undertaken during the financial year ended 30 June 2014. The board has considered the outcomes of the review and where appropriate will undertake measures to improve the performance of directors and the board as a whole.

The annual review of the performance of the executive team is scheduled to take place during August 2014.

REMUNERATION AND NOMINATION COMMITTEE

The primary function of the Remuneration and Nomination Committee is to assist the Board of Directors of HUB24 Limited in fulfilling its oversight responsibilities to shareholders by:

- Assisting the Board to develop a remuneration strategy and policy that:
 - Attracts and retains talent
 - Motivates the CEO and direct reports
 - Links remuneration with performance and the creation of value for shareholders
 - Is appropriate compared to the market practice.

- Recommending the appropriate size and composition of the Board
- Developing an appropriate criteria for Board membership
- Making proposals on the remuneration framework for non-executive Directors
- Making recommendations on the levels of remuneration for the CEO and CEO's direct reports
- Overseeing the design of equity based incentive plans
- Reviewing annual incentives of the CEO and direct reports
- Reviewing the company's objectives in achieving its diversity objectives
- Overseeing compliance with applicable legal and regulatory requirements associated with remuneration matters
- Considering the circumstances in which external remuneration consultants may be sought
- The company is committed to the principle that its Remuneration and Nomination Committee should be of sufficient size, independence and technical expertise to discharge its mandate effectively.

The Committee shall be comprised of:

- At least three members
- All members of the Committee shall be non-executive Directors
- A majority of independent Non-Executive Directors. 'Independence' for these purposes will be assessed by reference to criteria approved by the Board.

The Chairperson of the Remuneration and Nomination Committee will be appointed by the Board. The Chairperson must be a Non-Executive Director and may not hold the position of the Chairperson of the Board.

The Chairperson of the Committee shall be appointed annually.

Should the Chairperson of the Remuneration and Nomination Committee be absent from a meeting and no acting Chairperson has been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chairperson for that particular meeting.

MEETINGS AND QUORUM

The Remuneration and Nomination Committee will meet at least once per year and at such other times as required. In general, the CEO, Company Secretary and CFO are invited to attend the Remuneration Committee meetings. A quorum of any meeting will be two members.

Minutes of meetings shall be taken by the Company Secretary or their delegate. The agenda and supporting documentation will be circulated to the Remuneration Committee members within a reasonable period in advance of each meeting.

REPORTING REQUIREMENTS

The Remuneration and Nominations Committee is responsible for:

- Reviewing and recommending to the Board for approval the remuneration report to be included in the company's annual report and overseeing the process in support of its preparation
- Reporting to the Board, including recommendations on any specific decisions or actions the board should consider
- Ensuring that shareholder approval is sought for remuneration matters which require it eg shares to executive Directors.

CHARTER AND PERFORMANCE REVIEW

The Remuneration and Nomination Committee Charter is reviewed and updated at least annually and changes required should be recommended to the Board and Remuneration and Nomination Committee for approval. The Committee reviews its own performance annually in conjunction with the review of the performance of the Board.

AUDIT, RISK AND COMPLIANCE COMMITTEE (ARCC)

PURPOSE

The primary function of the ARCC is to assist the Board of Directors of the company in fulfilling its oversight responsibilities to shareholders by reviewing the:

- Integrity of the financial statements of the consolidated entity, including:
 - Reviewing and reporting to the Board on the half yearly and annual reports and financial statements of the company and associated entities
 - Monitoring and reviewing the reliability of financial reporting
 - Monitoring and reviewing mandatory statutory requirements
- External auditor's qualifications, performance and independence, including:
 - Nominating the external auditor
 - Reviewing the adequacy, scope and quality of the annual statutory audit and half yearly statutory review
- Management of financial and operational risk, including a review of the:
 - Effectiveness of the consolidated entity's internal control systems
 - Business Continuity and Risk Plan and Disaster Recovery Plan
 - Consolidated entity's insurance policy and coverage
- Consolidated entity's compliance with legal and regulatory requirements:
 - Work, Health and Safety
 - AFS Licence conditions.

COMPOSITION

The company is committed to the principle that its ARCC should be of sufficient size, independence and technical expertise to discharge its mandate effectively.

The ARCC shall be comprised of two or more Directors, whom shall be Non-Executive Directors, free from any business or other relationship that would materially interfere with their exercise of duties as a member of the ARCC. The Chairman of the ARCC will be an independent Director and not the Chairman of the main holding entity, HUB24 Limited.

All members of the ARCC shall have a working familiarity with basic finance and accounting practices, and at least one member must have financial expertise or at a minimum considerable financial experience. The members of the ARCC are expected to have an understanding of the industries in which the company operates. Where the member does not have the requisite expertise upon initial appointment, financial literacy should be attained within a reasonable period of time after his or her appointment.

Membership should be periodically assessed to ensure the skills and experience are present to undertake the committee's duties and if necessary rotated to ensure the injection of new ideas. ARCC members should not serve on the audit committees of more than two other public companies unless the Board determines that such service does not impair the member's ability to serve on the committee.

The ARCC should be given the necessary power and resources to meet its charter. This will include rights of access to management and to auditors (external and internal) without management present and rights to seek explanations and additional information.

MEETINGS

The ARCC meetings take place as often as required to undertake its role effectively. In general, the Chief Executive Officer, Company Secretary and CFO are invited to attend the ARCC meetings. A quorum of any meeting will be two members.

The ARCC meets at least twice per year with the external auditor, including at least one meeting without management present to discuss any matters that may be unresolved with management. The ARCC must report, follow up and resolve any differences of view between the internal auditors and management.

Minutes of meetings shall be taken by the Company Secretary or their delegate. The agenda and supporting documentation will be circulated to the ARCC members within a reasonable period in advance of each meeting. The minutes shall be circulated and approved by the ARCC members, and included in the papers for the next full Board meeting after each ARCC meeting.

ENSURING THE EFFECTIVENESS OF THE ARCC

In order to ensure that the ARCC is able to effectively carry out its duties, the ARCC shall:

- Have unlimited access to both internal and external auditors and to all senior management and all employees
- Have available to it resources sufficient to engage outside expertise if needed i.e., legal and technical consultants
- Be provided with a status report for all recommendations provided by the auditors for which agreed action is required, which reports include accountable officers and implementation dates.

LIMITATION OF AUDIT, RISK AND COMPLIANCE COMMITTEE'S ROLE

While the Audit, Risk and Compliance Committee has the responsibilities and powers set out in its Charter, it is not the duty of the Audit, Risk and Compliance Committee to plan or conduct audits or to determine that the consolidated entity's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations.

These are the responsibilities of management and the external auditor.

CHARTER AND PERFORMANCE REVIEW

The Charter will be reviewed and updated at least annually and changes required will be recommended to the Board for approval. The Committee annually reviews its own performance in conjunction with the review of the performance of the Board.

The current members of the ARCC are Vaughan Webber and Ian Litster. Their qualifications and experience are set out earlier in this report.

EXECUTIVE COMMITTEE

The HUB24 Executive Committee meets monthly, and its main functions include:

- Ensuring the company is managed in a commercial and legal manner
- Ensuring the company adopts, maintains and applies appropriate business policies and procedures

- Providing direction to management and staff on strategic and policy matters
- Identifying and evaluating new business opportunities.

RISK

Risk is inherent in all of the day-to-day activities of the HUB24 Limited consolidated entity.

ASIC RG 104 states that a risk management framework will depend on the nature, scale and complexity of the business and risk profile. The risk management framework will need to adapt as the business develops.

The purpose of HUB24's risk management framework is to:

- Affirm the company's commitment to the management of risk
- Integrate risk management practices across the company
- Foster a culture where staff assume responsibility for managing risk
- Define the approach to risk management against regulatory and industry standards, and how these apply to the company.

A structured risk management program will provide a number of beneficial outcomes by:

- Enhancing strategic planning through the identification of threats to the company
- Encouraging a proactive approach to issues likely to impact on the company's strategic and operational objectives
- Improving the quality of decision-making by providing structured methods for the exploration of threats, opportunities and resource allocation.

The company has adopted a methodology consistent with Risk Management Standard ISO 31000:2009 for identifying, assessing and managing risks. This standard is now considered to be the acceptable standard for all Australian Financial Service licence holders. This methodology provides a structure for:

- Communicating, mitigating and escalating major risk issues

- Incorporating risk management principles and objectives into strategic, operational and resource planning activities.

RISK MANAGEMENT FRAMEWORK

Board delegation

The company Board sets the organisational appetite for risk and has delegated oversight of the company's risk management function to the ARCC.

Design of framework for managing risk

Risks within HUB24 are entered into the risk register and allocated relevant risk classifications. Risks are measured against operational, HR, financial, strategic and regulatory categories.

Monitoring and review of the framework

Once implemented, the framework must be continually monitored to ensure it remains appropriate for the company. In the absence of any required changes throughout the year, an annual review will be undertaken to ensure the currency of the framework, as well as the internal compliance with the framework.

Continual improvement of the framework

There is an expectation that the framework will develop over time, particularly as the organisation changes size and direction.

TRADING POLICY

All Staff, including Directors and designated Staff, must obtain approval prior to trading in securities of the company. In addition, the company encourages any Staff and Directors who hold company securities to be long term holders, and therefore, short-term trading is discouraged.

TRADING DURING BLACKOUT PERIOD

All Directors and Staff are prohibited from trading in the company's securities in the eight week period prior to

the release of the half year results (end of February) and the full year results (the end of August). There is also an information 'blackout' period for briefings with institutional investors, individual investors or stockbroking analysts to discuss financial information concerning the HUB24 consolidated entity.

During the 'blackout' period, approval will not be given to trade in HUB24 securities unless there is an exceptional circumstance or in compliance with the staff trading policy. An application may be made to the Chairman who may, in their absolute discretion, reject an application to trade during a blackout period. Approval to trade during the blackout period may be allowed, for example, where earnings guidance has been released to the market and the company is satisfied that the market is sufficiently informed.

STAFF TRADING APPROVAL REQUIRED FOR ALL STAFF

All Staff, including Directors and Designated Staff, must complete a Staff Trading Approval Form prior to dealing in HUB24 securities. Directors and Staff must not deal in HUB24 securities before a Staff Trading Approval Form is approved or where authorisation is not given.

The Staff Trading Approval Form must be authorised by any one of the following officers: In the first instance by the Chief Executive Officer or Chief Financial Officer; if neither are available, the Chairman of HUB24 Limited. It is the preference that such approvals be given by the Chief Executive Officer or Chief Financial Officer in the first instance.

CONTINUOUS DISCLOSURE POLICY

GUIDING PRINCIPLE

HUB24 must immediately notify the market via an announcement to the ASX of any market sensitive information [ie. information concerning HUB24 that a reasonable person would expect to have a material effect on the price or value of HUB24's securities].

EXCEPTION TO THE GUIDING PRINCIPLE

Disclosure is not required where one or more of the following requirements apply (LR 3.1A.1):

- It would be a breach of a law to disclose the information
- The information concerns an incomplete proposal or negotiation
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure
- The information is generated for the internal management purposes of the entity.
- The information is a trade secret, and:
 - The information is confidential and the ASX has not formed the view that the information has ceased to be confidential
 - A reasonable person would not expect the information to be disclosed.

Where an announcement is delayed or information has leaked to the market ahead of the announcement a trading halt may need to be considered.

WHAT IS 'MARKET SENSITIVE' INFORMATION?

HUB24's Market Disclosure Committee is responsible for making decisions about what information will be disclosed. The following is the test to be applied:

- Information is market sensitive if there is a substantial likelihood that the information would influence investors in deciding whether to buy, hold or sell HUB24's securities
- Market sensitivity is assessed considering HUB24's circumstances, externally available public information and previous information supplied to the market.

ASX Guidance Note 8 is to be consulted for further information on the application of LR 3.1 and the information which is required to be disclosed to the ASX.

MANAGING MARKET SPECULATION AND RUMOURS

Market speculation and rumours, whether substantiated or not, have a potential to impact HUB24. Speculation may also result in the ASX formally requesting disclosure by HUB24 on the matter. Speculation may also contain factual errors that could materially affect the company.

COMMUNICATION OF DISCLOSABLE INFORMATION

All information disclosed to the ASX in compliance with this policy will be released onto the ASX market platform first and then will be promptly placed on the company's website following receipt of confirmation from the ASX in accordance with this policy. The announcements are located in the Investor Relations section of the HUB24 corporate website, located at www.HUB24.com.au. A summary of this policy has been placed in the Corporate Governance section of the HUB24 website.

TRADING HALTS

It may be necessary to request a trading halt from the ASX to ensure that orderly trading in the company's securities is maintained and to manage disclosure issues. The company's Market Disclosure Committee will make all decisions in relation to trading halts. No HUB24 employee is authorised to seek a trading halt except with the approval of the company's Market Disclosure Committee or the Chairman or the Chief Executive Officer.

MARKET COMMUNICATION

THE COMPANY'S CONTACT WITH THE MARKET

Throughout the year, the company follows a calendar of regular disclosures to the market on its financial and operational results. At all times when interacting with external individuals, investors, stockbroking analysts and market participants, the company adheres to the guiding principle set out in this policy.

COMMUNICATION 'BLACKOUT' PERIODS

To protect against inadvertent disclosure of market sensitive information, the company imposes communication blackout periods between the end of its financial reporting periods (31 December and 30 June) and announcement of results to the market.

The blackout periods in place are:

- 1 January to 28 February each year (half yearly reporting period)
- 1 July to market release of full year results (31 August each year) (full year reporting period)

- Any period announced by the company, which may include briefings with Institutional investors, individual investors or analysts to discuss financial information concerning the consolidated entity or in the event of any other corporate activity deemed to require a blackout period be put in place.

In the blackout periods the company will not hold:

- One on one briefings with institutional investors, individual investors or stockbroking analysts to discuss financial information concerning the company
- Open briefings other than to deal with matters which are the subject of an announcement via the ASX.

The Market Communication Policy assists in maintaining communication with shareholders.

CEO AND CFO CERTIFICATION

In accordance with section 295A of the Corporations Act 2001, the Chief Executive Officer and Chief Financial Officer, as defined under sections 295A(4) and 295A(6) have provided a written statement to the Board that:

- Their view provided on the company's financial report is founded on a sound system of risk management
- Internal compliance and control which implements the financial policies adopted by the Board
- The company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The consolidated entity has established an Audit, Risk and Compliance Committee. It has a formal charter which outlines the primary responsibilities of the committee.

The Audit, Risk and Compliance Committee is composed of Vaughan Webber (Independent Chairman) and Ian Litster.

MAKE TIMELY AND BALANCED DISCLOSURE AND RESPECT THE RIGHTS OF SHAREHOLDERS

The Board strives to ensure that shareholders are provided with sufficient information to assess the performance of the consolidated entity and to make well-informed investment decisions.

Information is communicated to shareholders through:

- Annual and half-yearly financial reports
- Annual and other general meetings convened for shareholder review and approval of Board proposals
- Continuous disclosure of material changes to ASX for open access to the public
- A website where all ASX announcements, notices and financial reports can be accessed.

The consolidated entity has adopted formal policies and procedures with regard to the ASX Listing Rules disclosure requirements.

The auditor will be requested to attend the Annual General Meeting of shareholders. Shareholders may ask questions of the auditor about the conduct of the audit and the preparation and content of the audit report.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

		CONSOLIDATED	
		2014	2013
	Note	\$	\$
Revenue from continuing operations			
Revenue	6(a)	3,209,190	1,228,366
Interest and other income		535,391	577,771
		3,744,581	1,806,137
Expenses			
Platform and custody fees		(1,383,665)	(838,661)
Employee benefits expenses	6(b)	(6,896,617)	(4,374,859)
Property and occupancy costs	6(c)	(372,666)	(354,115)
Depreciation, amortisation and impairment	6(d)	(1,028,915)	(1,029,775)
Administrative expenses	6(e)	(2,220,042)	(2,180,967)
		(11,901,905)	(8,778,377)
Profit before income tax expense from continuing operations		(8,157,324)	(6,972,240)
Income tax benefit	7	414,137	1,173,832
Loss after income tax from continuing operations		(7,743,187)	(5,798,408)
Loss after income tax from discontinued operations	8	(679,825)	(3,984,560)
Loss after income tax for the year		(8,423,012)	(9,782,968)
Other comprehensive income		-	-
Total comprehensive loss for the year		(8,423,012)	(9,782,968)
Total comprehensive loss for the year attributable to ordinary equity members of HUB24 Limited		(8,423,012)	(9,782,968)
		Cents	Cents
Earnings per share from continuing operations, attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(18.10)	(18.65)
Diluted earnings per share		(18.10)	(18.65)
Earnings per share from discontinued operations, attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(1.59)	(12.82)
Diluted earnings per share		(1.59)	(12.82)
Earnings per share for profit attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share		(19.69)	(31.47)
Diluted earnings per share		(19.69)	(31.47)

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2014

		CONSOLIDATED	
	Note	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	20(b)	13,779,844	9,542,846
Trade and other receivables	9	405,986	1,383,130
Other current assets	10	419,044	343,868
Total Current Assets		14,604,874	11,269,844
Non-Current Assets			
Office equipment	11	93,561	54,929
Intangible assets	12	6,322,423	7,409,144
Other non-current assets	13	656,096	460,339
Total Non-Current Assets		7,072,080	7,924,412
Total Assets		21,676,954	19,194,256
LIABILITIES			
Current Liabilities			
Trade and other payables	14	662,230	741,399
Provisions	15	1,389,653	1,068,411
Total Current Liabilities		2,051,883	1,809,810
Non-Current Liabilities			
Provisions	16	184,654	62,318
Total Non-Current Liabilities		184,654	62,318
Total Liabilities		2,236,537	1,872,128
Net Assets		19,440,417	17,322,128
EQUITY			
Issued capital	17	76,988,017	66,843,612
Reserves	18	2,275,332	1,878,436
Accumulated losses		(59,822,932)	(51,399,920)
Total Equity		19,440,417	17,322,128

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
As at 1 July 2013	66,843,612	1,878,436	(51,399,920)	17,322,128
Total comprehensive loss for the year	-	-	(8,423,012)	(8,423,012)
Transactions with equity members in their capacity as equity members				
Capital raising	10,113,405	-	-	10,113,405
Employee and Chairman options granted	-	396,896	-	396,896
Employee share issue	31,000	-	-	31,000
As at 30 June 2014	76,988,017	2,275,332	(59,822,932)	19,440,417
As at 1 July 2012	54,151,655	907,352	(41,616,952)	13,442,055
Total comprehensive loss for the year	-	-	(9,782,968)	(9,782,968)
Transactions with equity members in their capacity as equity members				
Capital raising	12,691,957	-	-	12,691,957
Employee options granted	-	971,084	-	971,084
As at 30 June 2013	66,843,612	1,878,436	(51,399,920)	17,322,128

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

		CONSOLIDATED	
	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,530,109	7,056,326
Payments to suppliers and employees (inclusive of GST)		(11,255,535)	(17,270,607)
Interest received		478,200	362,860
Receipt from research and development incentive		1,588,298	-
Net movement from client and dealer balances		-	567,882
Net cash inflow/(outflow) from operating activities	20(a)	(5,658,928)	(9,283,539)
Cash flows from investing activities			
Receipts from return of security deposits		330,403	-
Receipts from sale of intangible asset		122,500	-
Payments for office equipment		(92,349)	-
Payments for intangible assets		(360,726)	(927,825)
Payments for security deposits		(217,307)	-
Net cash inflow/(outflow) from investing activities		(217,479)	(927,825)
Cash flows from financing activities			
Proceeds from capital raising		10,588,126	13,049,466
Payments for capital raising costs		(474,721)	(357,509)
Net cash inflow/(outflow) from financing activities		10,113,405	12,691,957
Net increase/(decrease) in cash and cash equivalents		4,236,998	2,480,592
Cash and cash equivalents at beginning of year		9,542,846	7,062,254
Cash and cash equivalents at end of year	20(b)	13,779,844	9,542,846

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

The Annual Report of HUB24 Limited (the company or parent entity) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 29 August 2014 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 accounting standards and interpretations

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.

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

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

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

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 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.

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.

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

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.

Finance income

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

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.

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.

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

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.

Trade and other receivables

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 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.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

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

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.

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.

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

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.

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

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.

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

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:

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

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

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

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

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.

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 2014. 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 and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 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. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

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

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

While the consolidated entity does not expect the new standard to have an impact, it has yet to perform a detailed analysis of the new guidance.

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.

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

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.

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.

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

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 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. SIGNIFICANT 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 and Research and Development claim

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.

Judgement is required in determining the amount of income tax revenue relating to the research and development claim. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be subject to change. The consolidated entity calculates its research and development claim based on the consolidated entity's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss in the year in which such determination is made.

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

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.

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. Refer to Note 12 for details of these assumptions and the potential impact of changes to these 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 expected potential broking claims based on actual claims and costs incurred to defend claims that have been made over the previous 5 year period. The estimated annual average over this period is used to project claims from the discontinued broking operation over the next two years.

5. OPERATING SEGMENTS

Identification of reportable segments

The consolidated entity operates in the single operating segment of its investment and superannuation platform.

The HUB24 Portfolio Service 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, exchanged traded funds, managed portfolios, term deposits, bonds, cash and margin lending.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

6. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	2014	CONSOLIDATED 2013
	\$	\$
Revenue		
(a) Sales revenue		
Portfolio service fees	1,899,266	756,924
Cash margin	434,553	203,678
Brokerage	435,214	134,623
Other platform fees	440,157	133,141
	3,209,190	1,228,366
Expenses		
(b) Employee benefits expenses		
Wages and salaries (incl super and payroll tax)	6,394,861	4,084,416
Share based payments expense	427,895	27,761
Other employee benefits expenses	73,861	262,683
	6,896,617	4,374,859
(c) Property and occupancy costs		
Rent	312,971	335,405
Other occupancy costs	59,695	18,710
	372,666	354,115
(d) Depreciation, impairment and amortisation		
Depreciation	53,718	111,094
Amortisation of intangibles	975,197	918,681
	1,028,915	1,029,775
(e) Administrative expenses		
Corporate fees	246,131	371,561
Professional and consultancy fees	599,213	682,006
Information services and communication	363,911	494,908
Travel and entertainment	227,495	259,406
Other administrative expenses	783,292	373,086
	2,220,042	2,180,967

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

7. INCOME TAX

(a) Income tax expense/(benefit)

	CONSOLIDATED	
	2014	2013
	\$	\$
Current tax	-	-
Research and development claim	(414,137)	(1,173,832)
Deferred tax	-	-
Income tax expense/(benefit)	(414,137)	(1,173,832)

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	(8,157,324)	(6,972,240)
Loss from discontinued operations before income tax	(679,825)	(3,984,559)
	(8,837,149)	(10,956,799)
Prima facie income tax at 30%	(2,651,146)	(3,287,040)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Deferred acquisition expenses	-	103,860
Share based payments	128,369	291,325
Entertainment	4,247	4,766
Sundry items	26,264	10,548
	158,880	410,499
Under/(over) provision in prior years	-	-
Research and development claim	(414,137)	(1,173,832)
Adjustment to deferred tax asset	330,260	103,491
Non-recognition of deferred tax asset	2,162,006	2,773,050
	2,078,129	1,702,709
Income tax expense/(benefit)	(414,137)	(1,173,832)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

7. INCOME TAX (CONT'D)

	CONSOLIDATED	
	2014	2013
	\$	\$
(c) Deferred Tax Asset		
Deferred tax asset comprises temporary differences attributable to:		
Accrued expenses	118,546	143,085
Provisions	472,293	339,219
Intangibles	3,049,026	3,237,560
Capital raising costs	(172,782)	(85,801)
Carry forward tax losses	11,177,160	8,848,174
Non-recognition of deferred tax asset	(14,644,243)	(12,482,237)
	-	-
Movements:		
Opening balance	-	-
Credited/(charged) to profit or loss	11,304	(279,729)
(Charged)/credited to equity	(178,284)	(21,450)
Current tax losses	2,659,246	3,177,720
Adjustment to prior year deferred tax asset	(330,260)	(103,491)
Non-recognition of deferred tax asset	(2,162,006)	(2,773,050)
Closing balance	-	-

(d) Tax consolidation

(i) Members of the tax consolidated entity and the tax sharing arrangement

The company and its 100% owned Australian resident subsidiaries formed a tax consolidated entity. The company is the head entity of the tax consolidated entity. Members of the consolidated entity have not entered into a tax sharing agreement.

(ii) Tax effect accounting by members of the tax consolidated entity

The head entity and the controlled entities in the tax consolidated entity continue to account for their own current and deferred tax amounts as per UIG 1052 Tax Consolidation Accounting. The consolidated entity has applied the consolidated entity allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated entity. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

8. DISCONTINUED OPERATIONS

Description

On February 8 2013, the consolidated entity disposed of the Broking business to Wilsons for consideration of \$1.

Financial Performance

	CONSOLIDATED	
	2014	2013
	\$	\$
Revenue from discontinued operations		
Revenue	-	5,215,849
Interest and other income	-	61,685
	-	5,277,535
Expenses from discontinued operations		
Trading fees	-	3,914,995
Employee benefits expenses	-	1,810,161
Property and occupancy costs	-	450,838
Deferred acquisition expense	-	346,200
Insurance run-off cover	390,376	-
Loss on trading software disposal	57,544	-
Other expenses	231,905	538,749
	679,825	7,060,942
Loss before income tax expense from discontinued operations	(679,825)	(1,783,408)
Income tax expense	-	-
Loss after income tax	(679,825)	(1,783,408)
Loss on disposal before income tax expense	-	(2,201,152)
Income tax expense	-	-
Loss on disposal after income tax expense	-	(2,201,152)
Loss after income tax from discontinued operations	(679,825)	(3,984,560)

Cash flow information

	CONSOLIDATED	
	2014	2013
	\$	\$
Net cash used in operating activities	(679,825)	(3,638,360)
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	(679,825)	(3,638,360)

Carrying amounts of assets and liabilities

	CONSOLIDATED	
	2014	2013
	\$	\$
Total assets	-	-
Provisions	-	43,611
	-	43,611
Net assets	-	(43,611)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2014	2013
	\$	\$
Trade receivables	306,638	127,031
Allowance for impairment loss (i)	-	-
	306,638	127,032
Other debtors	99,348	1,256,098
	405,986	1,383,130

(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 (2013: \$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	-	84,306
Charge for the year	-	-
Amounts written off	-	(84,306)
Closing balance	-	-

(ii) Other debtors

The tax refund claimed for platform research and development during 2013 was received during the current financial year (\$1,178,000). The current year tax refund for research and development was \$414,679 and was also received during the year.

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

	0-30 days	31-60 days	61-90 days PDNI *
2014 Consolidated	405,986	-	-
2013 Consolidated	1,383,130	-	-

* 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

10. CURRENT ASSETS – OTHER CURRENT ASSETS

	CONSOLIDATED	
	2014	2013
	\$	\$
Prepayments	67,184	20,100
Other assets	351,860	323,768
	419,044	343,868

11. NON-CURRENT ASSETS – OFFICE EQUIPMENT

	CONSOLIDATED	
	2014	2013
	\$	\$
Computer Equipment		
At cost	136,340	104,669
Accumulated depreciation	(96,340)	(74,347)
	40,000	30,322
Office Furniture and Fittings		
At cost	69,153	229,497
Accumulated depreciation	(15,592)	(204,890)
	53,561	24,607
Total Plant and Equipment		
Cost	205,493	334,166
Accumulated depreciation	(111,932)	(279,236)
Total Net Carrying Amount	93,561	54,929

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

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

	CONSOLIDATED	
	2014	2013
	\$	\$
Reconciliations of the carrying amounts at the beginning and end of the financial year:		
<i>Computer Equipment</i>		
Carrying amount at beginning	30,322	76,990
Other additions	31,671	-
Disposals	-	(24,506)
Depreciation expense	(21,993)	(22,162)
Net Carrying Amount	40,000	30,322
<i>Office Furniture and Fittings</i>		
Carrying amount at beginning	24,607	203,743
Other additions	60,678	-
Disposals	(6,978)	(91,806)
Depreciation expense	(24,746)	(87,330)
Net Carrying Amount	53,561	24,607
<i>Leased Assets</i>		
Carrying amount at beginning	-	(10,792)
Disposals	-	(9,190)
Depreciation expense	-	(1,602)
Net Carrying Amount	-	-
Total Office Equipment		
Carrying amount at beginning	54,929	291,525
Other additions	92,349	-
Disposals	(6,978)	(125,502)
Depreciation	(46,739)	(111,094)
Net Carrying Amount	93,561	54,929

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED	
	2014	2013
	\$	\$
Investment Platform		
At cost	25,820,885	25,493,112
Accumulated amortisation and impairment	(19,530,524)	(18,083,968)
Net carrying amount	6,290,361	7,409,144
Software		
At cost	32,953	-
Accumulated amortisation	(891)	-
Net carrying amount	32,062	-
Total Net Carrying Amount	6,322,423	7,409,144
<i>Reconciliations of the carrying amount at the beginning and end of the financial year:</i>		
Investment Platform		
Opening carrying amount	7,409,144	7,400,000
Other additions	327,773	927,825
Other disposals	(472,250)	-
Amortisation charge	(974,306)	(918,681)
Closing carrying amount	6,290,361	7,409,144
Software		
Opening carrying amount	-	-
Other additions	32,953	-
Amortisation charge	(891)	-
Closing carrying amount	32,062	-
(a) Impairment tests for intangible assets		
Investment Platform	6,290,361	7,409,144
Software	32,062	-
	6,322,423	7,409,144

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

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets reviewed by directors covering a six year period. Cash flows beyond the six year period are extrapolated using a terminal value.

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

(b) Key assumptions used for value-in-use calculations

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 and pipeline monitoring.
2. Pre-tax discount rate - The pre-tax discount rate used for the company's value-in-use calculations is 18.5%.
3. Terminal growth rate - The terminal growth rate used for the company's value-in-use calculations is 2.5%.
4. Period over which cashflows have been discounted - Management have used a period of six years to discount projected cashflows for its value-in-use calculations. This period is considered reasonable given the early stage of development of the platform and the remaining useful life over which the intangible assets is being amortised (6.4 years from 30 June 2014).

(c) Impact of possible changes in key assumptions

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 intangible assets.

If the pre-tax discount rate for this CGU had been 2% higher than management estimates (20.5% instead of 18.5%) there would be no impairment of intangible assets.

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

	CONSOLIDATED	
	2014	2013
	\$	\$
Security deposits and guarantees	547,307	460,339
Other assets	108,789	-
	656,096	460,339

14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014	2013
	\$	\$
Trade creditors	237,036	321,388
Sundry creditors	425,194	420,011
	662,230	741,399

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

15. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2014	2013
	\$	\$
Employee benefits - Annual leave	324,686	292,532
Employee benefits - Short term incentive	599,240	-
Broking closure	445,727	687,479
Lease make good	20,000	88,400
	1,389,653	1,068,411

Broking closure

The provision represents the estimated costs associated with exiting the stockbroking business including \$78,712 relating to onerous rental contracts (FY13: \$473,001) and a general claims provision of \$367,015 (FY13: \$214,478).

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:

	Broking Closure	Lease make good
	\$	\$
Consolidated - 2014		
Carrying amount at the start of the year	687,479	88,400
Additional provisions recognised	601,717	-
Amounts used	(843,469)	(68,400)
Carrying amount at the end of the year	445,727	20,000

16. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2014	2013
	\$	\$
Employee benefits - Long service leave	95,212	62,318
Lease Make good	22,344	-
Lease liability	67,098	-
	184,654	62,318

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 FOR THE YEAR ENDED 30 JUNE 2014

Continued

16. NON-CURRENT LIABILITIES – PROVISIONS (CONT'D)

Consolidated - 2014	Lease liability \$	Lease make good \$
Carrying amount at the start of the year	-	-
Additional provisions recognised	67,098	22,344
Amounts used	-	-
Carrying amount at the end of the year	67,098	22,344

17. ISSUED CAPITAL

	CONSOLIDATED		CONSOLIDATED	
	2014 Number	2013 Number	2014 \$	2013 \$
(a) Issued and paid up capital				
Ordinary shares, fully paid	47,058,181	38,913,469	77,107,017	66,993,612
(b) Other equity securities				
Treasury shares	185,111	221,908	(119,000)	(150,000)
Total Issued and paid up capital	47,243,292	39,135,377	76,988,017	66,843,612
Movements in issued and paid up capital				
Beginning of the financial year	38,913,469	686,544,268	66,993,612	54,301,655
Shares issued	-	559,786,011	-	8,396,466
Total shares pre consolidation	38,913,469	1,246,330,279		
Share consolidation (40 for 1)	-	31,158,469	-	-
Shares issued	8,144,712	7,755,000	10,588,126	4,653,000
Capital raising costs	-	-	(474,721)	(357,509)
End of the financial year	47,058,181	38,913,469	77,107,017	66,993,612
Movement in other equity securities - treasury shares				
Beginning of the financial year	221,908	8,876,274	150,000	150,000
Treasury share consolidation (40 for 1)	-	221,908	-	-
Employee share issue	(36,797)	-	(31,000)	-
End of the financial year	185,111	221,908	119,000	150,000

Ordinary shares

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

On 11 October 2013, the company issued 5,837,020 ordinary shares at \$1.30 per share raising \$7,588,126.

On 3 December 2013, the company issued a further 2,307,692 shares at \$1.30 per share raising \$3,000,000.

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 7 August 2013, the company assigned 36,797 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

18. RESERVES

	2014	CONSOLIDATED 2013
	\$	\$
Share based payments share reserve	2,275,332	1,878,436

Represents the share based payments expense under the employee share and option plan.

19. DIVIDEND FRANKING ACCOUNT

Franking credits available to shareholders of the company for subsequent financial years are \$445,120 (2013: \$311,934).

These available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liabilities;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated entity at the year end, and
- (d) franking credits that may be prevented from being distributed in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available reserves to declare dividends. In accordance with the tax consolidation legislation, the company as the head entity in the tax-consolidated group has also assumed the benefit of franking credits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

20. RECONCILIATION OF CASHFLOWS

	CONSOLIDATED	
	2014	2013
	\$	\$
(a) Reconciliation of the net loss after tax to cash flow from operations		
Net Loss after tax for the year	(8,423,012)	(9,782,968)
<i>Non-cash items:</i>		
Bad and doubtful debts	-	70,450
Depreciation and amortisation	1,028,915	1,029,775
Disposal/write-off of office equipment	30,204	125,502
Share based payments expense	427,895	971,084
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	977,144	14,165,916
(Increase)/decrease in other assets	135,580	(304,826)
(Increase)/decrease in non current assets	(200,063)	318,523
Increase/(decrease) in trade and other payables	(79,169)	(16,579,188)
Increase/(decrease) in provisions	443,578	702,193
Net cash flow from operating activities	(5,658,928)	(9,283,539)
(b) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprises:		
Cash on hand and at bank	13,779,844	9,542,846
	13,779,844	9,542,846
- Cash on hand and at bank	13,779,844	9,542,846
	13,779,844	9,542,846

(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 FOR THE YEAR ENDED 30 JUNE 2014

Continued

21. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Future minimum rentals payable under non-cancellable operating leases:

	CONSOLIDATED	
	2014	2013
	\$	\$
Within 1 year	450,063	509,879
After 1 year but not more than 5 years	973,990	124,451
Total minimum lease payments	1,424,053	634,330

(b) Contingencies

HUB24 Custodial Services Ltd, a wholly owned subsidiary and operator of the Investor Directed Portfolio Service (IDPS), has requested a tax ruling from the ATO regarding the separate registration of the IDPS for GST purposes and the extent to which HUB24 Custodial Services Ltd can claim the benefit of Reduced Input Tax Credits (RITC's).

If successful, HUB24 Custodial Services Ltd will be eligible to receive the benefits of RITC's for the previous 4 years. No asset has been recognized within these financial statements.

	CONSOLIDATED	
	2014	2013
	\$	\$
<u>Contingent assets and Liabilities</u>		
Nil (2013 : Nil)	-	-
<u>Guarantees</u>		
Australian Securities and Investments Commission	-	20,000
Rental bond Level 8, 20 Bridge St, Sydney	217,307	-
Rental bond Level 45, 1 Farrer Place, Sydney	-	270,347
Rental bond Level 29, 55 Collins St, Melbourne	116,600	116,600
Rental bond Level 13, 115 Pitt St, Sydney	-	40,056
Trust Company security deposit	330,000	330,000
	663,907	777,003

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 \$427,895 (2013: \$971,085).

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 2014

22. SHARE BASED PAYMENTS PLAN (CONT'D)

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. 170,000 options have lapsed since issue while none have vested.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

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. No options have lapsed since issue nor have any options vested.

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. No options have lapsed since issue nor have any options 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 FOR THE YEAR ENDED 30 JUNE 2014

Continued

22. SHARE BASED PAYMENTS PLAN (CONT'D)

2. Share based payment plans issued prior to 1 July 2013

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.

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.

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Advisor Plan 3

Number of Options Issued	1,500,006
Expiry Date	31 January 2015
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$5.20 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 1,500,006 Options	Upfront Component (750,000 options): The Upfront Component options are available to be exercised at any time after grant date being 19 April 2011. The full exercise price of \$5.20 will be payable upon exercise. Performance-based Component (750,006 options): All the Performance-based options became fully vested in February 2013 with the divestment of the stockbroking business.

There are no cash-settlement alternatives.

Advisor Plan 4

Number of Options Issued	150,000
Expiry Date	31 January 2015
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is \$5.20 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 150,000 Options	Upfront Component (75,000 options): The Upfront Component options are available to be exercised at the exercise price of \$5.20 at any time after grant date being 1 June 2011. Performance-based Component (75,000 options): All the Performance-based options became fully vested in February 2013 with the divestment of the stockbroking business.

There are no cash-settlement alternatives.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

22. SHARE BASED PAYMENTS PLAN (CONT'D)

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 2014, 98,750 options have lapsed, 65,750 have vested leaving 25,500 options yet to vest.

There are no cash-settlement alternatives.

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 2014, 53,125 options have lapsed, 21,875 have vested leaving 25,500 options yet to vest.

There are no cash-settlement alternatives.

22. SHARE BASED PAYMENTS PLAN (CONT'D)

Other Unlisted Options

On 1 December 2010, the company issued 312,500 options to Southern Cross Equities Limited as a component of placement fees to Southern Cross Equities Limited as lead manager on the capital raising undertaken in December 2010. These options expired unexercised on 1 December 2013.

There are no cash-settlement alternatives.

(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:

	2014 Number	2014 WAEP \$	2013 Number	2013 WAEP \$
Outstanding at the beginning of the year	2,515,006	\$4.88	3,022,500	\$4.72
Granted during the year	2,960,000	\$0.84	-	-
Forfeited during the year	173,125	\$1.41	507,500	\$3.96
Exercised during the year	-	-	-	-
Expired during the year	312,500	\$4.80	-	-
Outstanding at end of the year	4,959,381	-	2,515,006	-
Exercisable at the end of the year	2,143,881	\$4.92	2,435,381	\$4.88

The outstanding balance as at 30 June 2014 is represented by:

- 1,650,006 options over ordinary shares with an exercise price of \$5.20 each, fully vested.
- 406,250 options over ordinary shares with an exercise price of \$5.20 each, fully vested.
- 113,125 options over ordinary shares with an exercise price of \$3.80 each, 65,750 of which are fully vested while 25,500 remain unvested.
- 840,000 options over ordinary shares with an exercise price of \$0.8424 each, yet to vest.
- 1,950,000 options over ordinary shares with an exercise price of \$0.8438 each, yet to vest.

(d) Range of exercise price and remaining contractual life

- 1,650,006 options have an exercise price of \$5.20 per share and an expiry date of 31 January 2015.
- 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.
- 840,000 options have an exercise price of \$0.8424 per share and an expiry date of 14 October 2017.

(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 FOR THE YEAR ENDED 30 JUNE 2014

Continued

22. SHARE BASED PAYMENTS PLAN (CONT'D)

The following table lists the inputs to the models used:

- Share based payment plans issued during the year ended 30 June 2014

	SOP - Employees	SOP – Executives	SOP - Chairman
Dividend Yield (%)	-	-	-
Expected Volatility (%)	80	80	80
Risk-free Interest Rate (%)	2.4	2.4	2.4
Expected Life of Options (Months)	26	28	28
Option Exercise Price (\$)	\$0.8424	\$0.8438	\$0.8438
Average Share Price at Measurement Date (\$)	\$0.91	\$0.91	\$0.91
Model Used	Black-Scholes	Black-Scholes	Black-Scholes

- Share based payment plans issued prior to 1 July 2013

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

23. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Since 30 June 2014 HUB24 Limited has agreed to acquire 100% of the issued shares in Paragem Pty Ltd, a boutique AFSL provider, for upfront cash consideration of \$1.0 million, deferred cash consideration of up to a further \$1.0 million and capped earnout consideration of up to \$6.0 million subject to financial performance measured over 3 years and paid in HUB24 ordinary shares no later than 30 September 2017. The acquisition is subject to conditions precedent in favour of HUB24 Limited.

Paragem is a leading boutique dealer group, founded by Ian Knox and Charlie Haynes that has grown strongly to license 20 high quality financial advisory practices across Australia, which advise on more than \$2.5 billion of client funds.

The acquisition of Paragem is consistent with HUB24's strategy to pursue significant growth by partnering with quality independently minded financial advisers (IFAs). We will be working together with Paragem and HUB24's existing highly valued advice licensees with the company continuing to develop solutions for the benefit of the IFA market and consumers. Together we will provide a compelling home for like-minded financial advisers who value choice and the ability to freely run their own business, while working with HUB24 to develop better, more cost effective client outcomes.

23. SIGNIFICANT EVENTS AFTER THE REPORTING DATE (CONT'D)

Both HUB24 and Paragem will retain their existing business and brands and will continue to operate independently. Importantly, Paragem will retain its open architecture approach to approved products and platforms and HUB24 will maintain its focus on supporting the growth and prosperity of its existing licensee clients and pursuing new client opportunities with its market-leading platform solution.

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

HUB24's platform will enable Paragem advisers to act in the best interests of their clients. We will offer a pathway to a broad investment universe, free of product issuer conflict, utilising direct securities, managed accounts, traditional managed funds as well as multiple term deposit and insurance providers. Our competitive advantage is that we are not aligned with product manufacturers and therefore not constrained in the products we offer.

The Directors also wish to announce the appointment of Andrew Alcock to the board of the company and the position of Managing Director effective today.

No other matter or circumstance has arisen since 30 June 2014 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

24. LOSS PER SHARE

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

	CONSOLIDATED	
	2014	2013
	\$	\$
Earnings per share from continuing operations		
Profit/(Loss) after income tax	(7,743,187)	(5,798,409)
Profit /(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	(7,743,187)	(5,798,409)
	CONSOLIDATED	
	2014	2013
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	42,786,411	31,082,524
	Cents	Cents
Basic earnings per share	(18.10)	(18.65)
Diluted earnings per share	(18.10)	(18.65)
Earnings per share from discontinuing operations		
	\$	\$
Profit/(Loss) after income tax	(679,825)	(3,984,559)
Profit /(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	(679,825)	(3,984,559)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	42,786,411	31,082,524
	Cents	Cents
Basic earnings per share	(1.59)	(12.82)
Diluted earnings per share	(1.59)	(12.82)
Earnings per share for loss		
	\$	\$
Profit/(Loss) after income tax	(8,423,012)	(9,782,968)
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	(8,423,012)	(9,782,968)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

24. LOSS PER SHARE (CONT'D)

	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	42,786,411	31,082,524
	Cents	Cents
Basic earnings per share	(19.69)	(31.47)
Diluted earnings per share	(19.69)	(31.47)

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	
	2014	2013
	\$	\$
Amounts received or due and receivable by BDO:		
Audit and review of financial statements and other regulatory returns	92,500	120,000
Tax and other services	64,802	81,000
Total audit and other fees	157,302	201,000

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	
	2014	2013
Hub24 Custodial Services Limited (formerly ANZIEX Ltd)	100	100
HUB24 International Nominees Pty Ltd (formerly ANZIEX 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
Aequus Capital Ltd **	-	100
HUB24 Administration Pty Ltd	100	100
HUB24 Services Pty Ltd	100	100
Alert Trader Pty Ltd *	-	100
Alert Trader Publishing Pty Ltd **	-	100
Alert Trader Securities Pty Ltd **	-	100
Marketsplus Holdings Pty Ltd	100	100
Marketsplus Australia Pty Ltd	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

26. RELATED PARTY DISCLOSURES (CONT'D)

* This company was deregistered on 3 July 2014.

** 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	
	2014	2013
	\$	\$
Profit/(Loss) after income tax	(9,947,544)	(4,313,539)
Total comprehensive income	(9,947,544)	(4,313,539)

Statement of Financial Position

Total current assets	139,054	1,449,263
Total assets	21,373,186	20,810,430
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	77,107,342	66,993,937
Reserves	1,332,009	935,114
Accumulated losses	(57,066,165)	(47,118,621)
Total equity	21,373,186	20,810,430

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Office equipment

The parent entity had no capital commitments as at 30 June 2014 and 30 June 2013.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Continued

28. KEY MANAGEMENT PERSONNEL

Key management personnel compensation

	CONSOLIDATED	
	2014	2013
	\$	\$
Short term employment benefits	2,309,934	2,035,553
Post employment benefits	103,634	66,895
Share based payments	302,531	467,208
Total compensation	2,716,099	2,569,656

29. FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise cash, receivables, and payables. For the year ended 30 June 2014, 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	
	2014	2013
	\$	\$
Cash and cash equivalents at end of period	13,779,844	9,542,846
100 basis points increase in interest rate	137,798	95,428
50 basis points decrease in interest rate	(68,899)	(47,714)
Net impact on loss after tax		
Loss for the year	(8,423,012)	(9,782,968)
100 basis points increase in interest rate	(8,285,214)	(9,687,539)
50 basis points decrease in interest rate	(8,491,911)	(9,830,682)

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 FOR THE YEAR ENDED 30 JUNE 2014

Continued

29. FINANCIAL INSTRUMENTS (CONT'D)

	CONSOLIDATED	
	2014	2013
	\$	\$
Not later than one month	415,374	405,452
Later than 1 month not later than 3 months	229,271	333,947
Later than 3 months not later than 1 year	17,585	2,000
Later than 1 year	-	-
	662,230	741,399

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 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
30 June 2013					
Consolidated Financial assets:					
Cash and cash equivalents	9,542,846	-	-	-	9,542,846
Trade and other receivables	1,383,130	-	-	-	1,383,130
	10,925,976	-	-	-	10,925,976
Consolidated Financial liabilities:					
Trade and other payables	405,452	333,947	2,000	-	741,399
	405,452	333,947	2,000	-	741,399
Net maturity	10,520,524	(333,947)	(2,000)	-	10,184,577

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 FOR THE YEAR ENDED 30 JUNE 2014

Continued

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 2014:

	CONSOLIDATED	
	\$	\$
	Carrying amount	Fair value amount
Current Assets		
Rental bonds and guarantees	116,600	116,600
Non-Current Assets		
Rental bonds and guarantees	547,307	547,307
	663,907	663,907

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.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2014

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 2014 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, 29 August 2014

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 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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) in each State or Territory other than Tasmania.



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 2014 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 19 to 28 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

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

Paul Bull
Partner

Sydney, 29 August 2014

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 26 August 2014.

DISTRIBUTION OF EQUITY SECURITIES

Ordinary share capital – 47,058,181 fully paid ordinary shares are held by 1,451 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	428	165,191	0.4
1,001–5,000	474	1,315,184	2.8
5,001–10,000	210	1,696,221	3.6
10,001–100,000	283	8,672,363	18.4
100,001 and over	56	35,209,222	74.8
Totals	1,451	47,058,181	100.0

Holding less than a marketable parcel of shares, based on the closing price \$1.14 on 26 August 2014, are 244 shareholders.

OPTIONS

4,959,381 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	8,289,012	17.6
ACORN CAPITAL LTD	4,738,278	10.1
IAN LITSTER & Related Parties	3,588,751	7.6

HUB24 LIMITED FULLY PAID ORDINARY SHARES

TOP 20 HOLDINGS AS AT 26-08-2014

Holder Name	Balance at 26-08-2014	%
UBS NOMINEES PTY LTD	3,895,896	8.3
THORNEY HOLDINGS PTY LTD	3,878,000	8.2
NATIONAL NOMINEES LIMITED	3,423,322	7.3
CITICORP NOMINEES PTY LIMITED	2,559,468	5.4
CS FOURTH NOMINEES PTY LTD	2,006,260	4.3
LITSTER & ASSOCIATES PTY LTD <CYNTHIA & CHERINE A/C>	1,504,911	3.2
FINOOK PTY LTD <B & A JAMES SUPER FUND A/C>	1,475,000	3.1
WEALTHPLAN TECHNOLOGIES PTY LTD	1,247,545	2.7
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,203,496	2.6
JASFORCE PTY LTD	1,202,001	2.6
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,131,531	2.4
BRISPOP NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	850,238	1.8
SKYLYX PTY LTD <TAN FAMILY INVESTMENT A/C>	774,793	1.6
EGG AU PTY LTD <JJE FAMILY A/C>	692,715	1.5
MR BRUCE HIGGINS & MRS RUTH HIGGINS <HIGGINS FAMILY S/F A/C>	510,000	1.1
CRX INVESTMENTS PTY LTD	500,000	1.1
ANZ TRUSTEES LIMITED <THE JO & JR WICKING A/C>	492,125	1.0
LITSTER & ASSOCIATES PTY LTD <CYNTHIA AND CHERINE A/C>	462,000	1.0
RACT SUPER PTY LTD <RAND SUPER FUND A/C>	400,000	0.9
MR PETER BARRETT CAPP <CAPP FAMILY A/C>	350,000	0.7
LITSTER & ASSOCIATES PTY LTD <C & C SUPER FUND A/C>	350,000	0.7
Total	28,909,301	61.4
Total Issued Capital	47,058,181	



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