HUB24

'19

INTERIM REPORT FOR THE HALF-YEAR 31 DECEMBER 2018

CONTENTS

APPENDIX 4D – HALF-YEAR 31 DECEMBER 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 31 December 2018 $	Half-year ended 31 December 2017 $		% change
From continuing and discontinuing operations:				
Revenue from ordinary activities	48,495,903	41,011,452	Up	18.2%
Net profit/(loss) after tax for the year attributable to members	3,181,960	2,290,734	Up	38.9%
Basic earnings per share	5.14	3.90	Up	31.8%
Diluted earnings per share	5.03	3.76	Up	33.8%

DIVIDENDS

Subsequent to the half-year ended 31 December 2018 the directors have declared an interim dividend of 2.0 cents per share (31 December 2017: Nil)

Ex-date	13 March 20019
Record date	14 March 2019
Dividend payment date	11 April 2019

EXPLANATION OF RESULTS

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

	31 December 2018	31 December 2017
Net tangible assets per fully paid ordinary share	$0.42	$0.36

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

HUB24 Limited has not gained nor lost control of any entity during the period.

AUDITOR REVIEW

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

CORPORATE INFORMATION

HUB24 LIMITED

ACN 124 891 685

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2, 7 Macquarie Place
Sydney NSW 2000

AUDITOR

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

DIRECTORS

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

SECRETARIES

Mark Goodrick
(appointed 31 December 2018)

Wendy McIntyre
(appointed 31 December 2018)

Matthew Haes
(resigned 31 December 2018)

SHARE REGISTRY

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

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

WEBSITE

www.hub24.com.au

DIRECTORS' REPORT

Your Directors present their interim report together with the financial statements, on the Consolidated group (referred to hereafter as "the Group" or "HUB24") consisting of HUB24 Limited (referred to hereafter as "the company") and the entities it controlled for the half-year ended 31 December 2018 ("1HFY19"). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS AND COMPANY SECRETARY

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

Mr Bruce Higgins, Chairman
Mr Andrew Alcock, Managing Director
Mr Ian Litster
Mr Anthony McDonald
Mr Paul Rogan

OPERATING AND FINANCIAL REVIEW

CONSOLIDATED ENTITY OVERVIEW

HUB24 Limited operates the HUB24 investment and superannuation platform, provides financial advice to clients through financial advisers authorised by Paragem Pty Ltd and provides application and technology products through Agility Applications Pty Ltd.

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

Paragem (the Licensee) provides licensee services and is a wholly owned subsidiary and boutique dealer group. It comprises a network of 28 financial advice businesses which deliver high quality, goals-based advice. It provides compliance, software, education and support to the practices enabling advisers to provide clients with financial advice across a range of products.

Agility (IT Services) provides application and technology products to the financial services industry, currently servicing approximately 50% of Australia's stockbroking market. It earns software license and consulting fees from data, software and infrastructure.

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

The Group recorded a 16.5% increase in revenue to $47,346,900 for 1HFY19 ($40,641,694 for 1HFY18). Record half yearly net inflows were achieved of $2.1 billion despite challenging and disrupted markets, with market movements negatively impacting FUA and Platfrom revenue.

The Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which was up 32.4% to $6,493,009 for 1HFY19 ($4,902,550 in 1HFY18), with statutory Net Profit After Tax (NPAT) up 38.9% to $3,181,960 for 1HFY19 ($2,290,735 for 1HFY18).

The key items driving the Group Underlying EBITDA performance for 1HFY19 were:

- Funds Under Administration (FUA) growth in the Platform segment from $6.9 billion at 31 December 2017 to $10.0 billion at 31 December 2018, an increase of 45.6%. Record net inflows of $2.1 billion were achieved during 1HFY19 in the context of structural change and distraction across the industry. Our capability to assist advisers with bulk FUA transitions has supplemented organic adviser flows to maintain growth in these conditions.
- Platform revenue to external customers increased by 35.4% to $25,403,237 for 1HFY19 ($18,765,394 for 1HFY18) while platform expenses (direct, operating and growth expenses) increased by 26.5% to $17,452,407 ($13,795,865 for 1HFY18). Revenue was impacted by adverse market movements and higher levels of assisted FUA transition, which involve the in-specie transfer of assets, and as a consequence reduce trading margin revenue for new accounts.
- The Group continues to invest in the business in order to support its growth ambitions of a targeted $19–23 billion FUA by June 2021. In this period the operating expense base has included senior appointments in finance, operations and risk and compliance and the associated recruitment costs. Operating expenses also include growth investment expenses, predominantly headcount resources dedicated to distribution, future platform development and business strategy to drive future growth. In 1HFY19 two senior distribution executives were recruited. It is expected that this overall investment in operating expenses will ensure the business has the capability to reliably take-on new FUA and be leveraged over a growing FUA base in future periods.

CORPORATE

The following options, performance rights and shares were issued in accordance with schemes approved by shareholders. These schemes contain ambitious targets, including FUA targets of up to $26 billion, in order to incentivise and align key staff towards HUB24 achieving its growth objectives:

- 375,704 share options were issued to staff and executives in the six months to 31 December 2018 (465,565 in 1HFY18)
- 570,942 performance rights were issued to staff, executives and directors in the six months to 31 December 2018 (143,223 in 1HFY18)
- 600,000 shares were issued for options exercised by staff and executives in the six months to 31 December 2018 (6,069,324 in 1HFY18).

DIVIDENDS

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

Subsequent to the end of the financial half year, the directors declared an unfranked interim dividend of 2.0 cents per share to be paid in April 2019 ($nil for 1HFY18).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS OCCURRING AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since 31 December 2018 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

With the continued growth in FUA onto the HUB24 investment and superannuation platform and continuing success of its supporting businesses, the company expects its financial results to continue improving with scale.

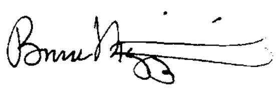
ENVIRONMENTAL REGULATION AND PERFORMANCE

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration for the consolidated group, as required under section 307C of the Corporations Act 2001, is set out on page 7.

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



Bruce Higgins
Chairman

Sydney
25 February 2019

Deloitte.

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

25 Feburary 2019

Dear Board Members

HUB24 Limited

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

As lead audit partner for the review of the financial statements of HUB24 Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan

Declan O'Callaghan
Partner
Chartered Accountant

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Consolidated	
	Notes	Half-year ended 31 Dec 2018 $	Half-year ended 31 Dec 2017 $
Revenue from continuing operations			
Revenue	3	47,346,900	40,641,694
Fair value gain on contingent consideration	12	721,643	175,268
Interest and other income		427,360	194,490
		48,495,903	**41,011,452**
Expenses			
Platform and custody fees		(2,947,982)	(2,583,916)
Licensee fees		(17,526,581)	(16,635,691)
Employee benefits expense	3	(15,707,395)	(12,488,683)
Property and occupancy costs		(1,105,494)	(782,779)
Depreciation and amortisation expense	3	(1,290,095)	(995,995)
Administrative expenses	3	(5,646,682)	(4,400,856)
		(44,224,229)	**(37,887,920)**
Profit before income tax		**4,271,674**	**3,123,532**
Income tax expense	7	(1,089,714)	(832,797)
Profit after income tax for the half-year		**3,181,960**	**2,290,735**
Other comprehensive income		-	-
Total comprehensive income for the half year		**3,181,960**	**2,290,735**
Total comprehensive income for the half year attributable to ordinary members of HUB24 Limited		**3,181,960**	**2,290,735**
		Cents	Cents
Earnings per share for profit attributable to ordinary equity members of HUB24 Limited			
Basic earnings per share	5	5.14	3.90
Diluted earnings per share		5.03	3.76

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Consolidated	
	Notes	31 Dec 2018 $	30 June 2018 $
Assets			
Current assets			
Cash and cash equivalents		15,464,302	16,958,996
Trade and other receivables		5,803,759	5,088,028
Other current assets		1,511,028	764,737
Total current assets		**22,779,089**	**22,811,761**
Non-current assets			
Receivables		2,011,220	2,011,220
Intangible assets	6	34,348,885	32,023,318
Deferred tax assets	7	12,275,021	13,361,288
Property, plant and equipment	8	2,128,873	2,214,341
Total non-current assets		**50,763,999**	**49,610,167**
Total assets		**73,543,088**	**72,421,928**
Liabilities			
Current liabilities			
Trade and other payables	9	4,025,587	5,227,744
Provisions	10	3,802,349	4,080,145
Deferred income		417,479	417,479
Total current liabilities		**8,245,415**	**9,725,368**
Non-current liabilities			
Provisions	11	967,917	881,862
Other non-current liabilities	12	3,004,718	2,926,872
Deferred income		819,751	1,022,260
Total non-current liabilities		**4,792,386**	**4,830,994**
Total liabilities		**13,037,801**	**14,556,362**
Net assets		**60,505,287**	**57,865,566**
Equity			
Issued capital	13	97,409,804	96,183,908
Reserves	14	4,342,925	3,942,850
Profit reserve	14	8,766,228	5,088,013
Accumulated losses		(50,013,670)	(47,349,205)
Total equity		**60,505,287**	**57,865,566**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2018

	Attributable to owners of HUB24 Limited				
Consolidated	**Issued capital $**	**Reserves $**	**Profit reserves $**	**Retained earnings $**	**Total $**
Opening balance as at 1 July 2018	96,183,908	3,942,850	5,088,013	(47,349,205)	57,865,566
Comprehensive income for the half-year	-	-	-	3,181,960	3,181,960
Transfer to profit reserves	-	-	5,846,425	(5,846,425)	-
Total comprehensive income for the half-year	**-**	**-**	**5,846,425**	**(2,664,465)**	**3,181,960**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	-	(2,168,210)	-	(2,168,210)
Capital raising costs	(8,044)	-	-	-	(8,044)
Options granted – employees	-	638,215	-	-	638,215
Options exercised	1,062,940	(238,140)	-	-	824,800
Issue of treasury shares to employees	171,000	-	-	-	171,000
	1,225,896	**400,075**	**(2,168,210)**	**-**	**(542,239)**
Balance at 31 December 2018	**97,409,804**	**4,342,925**	**8,766,228**	**(50,013,670)**	**60,505,287**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Consolidated	Issued capital $	Reserves $	Profit reserves $	Retained earnings $	Total $
	Attributable to owners of HUB24 Limited				
Opening balance as at 1 July 2017	89,148,977	4,106,404	-	(49,639,941)	43,615,440
Total comprehensive income for the half-year	**-**	**-**	**-**	**2,290,735**	**2,290,735**
Transactions with owners in their capacity as owners:					
Shares issued for deferred consideration	3,936,440	(718,300)	-	-	3,218,140
Capital raising costs	(8,566)	-	-	-	(8,566)
Share based payments	1,702,079	-	-	-	1,702,079
Options granted – employees	-	566,460	-	-	566,460
Options exercised	592,559	(592,559)	-	-	-
Share based payments – Paragem Option holders*	-	(83,062)	-	-	(83,062)
Issue of treasury shares to employees	151,000	-	-	-	151,000
	6,373,512	**(827,461)**	**-**	**-**	**5,546,051**
Balance at 31 December 2017	**95,522,489**	**3,278,943**	**-**	**(47,349,206)**	**51,452,226**

*Paragem option holders include a share based payment expense of $47,138 for the half-year ended 31 December 2017, offset by an adjustment of $130,200 due to remuneration for post transaction services for option holders.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated	
	Half-year ended 31 Dec 2018 $	Half-year ended 31 Dec 2017 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	50,962,857	44,400,867
Payments to suppliers and employees (inclusive of GST)	(47,701,815)	(39,827,789)
Interest received	154,465	26,729
Net cash inflow from operating activities	**3,415,507**	**4,599,807**
Cash flows from investing activities		
Payments for office equipment	(263,999)	(1,508,303)
Payments for intangible assets	(3,266,700)	(1,989,520)
Net cash (outflow) from investing activities	**(3,530,699)**	**(3,497,823)**
Cash flows from financing activities		
Dividends paid	(2,168,210)	-
Payments for capital raising costs	(11,492)	(12,238)
Proceeds from issues of shares and other equity securities	800,200	1,695,257
Net cash (outflow)/inflow from financing activities	**(1,379,502)**	**1,683,019**
Net (decrease)/increase in cash and cash equivalents	**(1,494,694)**	**2,785,003**
Cash and cash equivalents at the beginning of the financial year	16,958,996	10,836,645
Cash and cash equivalents at end of the half-year	**15,464,302**	**13,621,648**

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Half-Year Report of HUB24 Limited and its controlled entities ("the Group" or "HUB24") for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Board of Directors on 25 February 2019 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.

HUB24 is limited by shares and incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX:HUB).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Group consisting of HUB24 Limited and its subsidiaries

BASIS OF PREPARATION

This general purpose interim financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all the notes of the type normally included in the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. Accordingly, it is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2018 and considered together with any public announcements made by HUB24 Limited and its controlled entities during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX listing rules and the Corporations Act 2001.

PARENT ENTITY FINANCIAL INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

COMPLIANCE WITH IFRS

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

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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

New accounting standards

The Group's assessment of the impact of new accounting standards and interpretations is set out below.

(i) AASB 9 Financial Instruments and its consequential amendments

The Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

transition provisions of AASB 9 allow an entity not to restate comparatives. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. A provision for doubtful debts is recognised as at 31 December 2018 and the application of AASB9 does not have a material impact on the amount reported and disclosures made in the Group's financial statements.

(ii) AASB 15 Revenue from Contracts with Customers

The Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018 and supersedes AASB 118. AASB 15 introduced a 5-step approach to revenue recognition. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

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

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

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

Licensee – Control is transferred to the customer as soon as the advisers transact under the contracted licensee terms and conditions. The transactional price and corresponding income value is recognised per the adviser's client receipts on a cash basis (per the individual adviser contracts and underlying fee schedules);

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

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

(iii) AASB 16 Leases

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

The Group has identified all material leases to the Group and is in the process of assessing applicable lease term periods (likelihood of taking option extensions) and the discount rate to be applied.

A preliminary assessment has been undertaken by management to estimate the impact of the standard based on lease arrangements as at 31 December 2018 if AASB 16 was applied at 1 January 2019. The outcome of this assessment can be summarised as follows:

- Recognise a right-of-use asset of $7.3m and a lease liability of $7.7m.
- Lease liability provision of $0.6m previously recognised in respect of the operating leases will be derecognised and the amount factored into the measurement of the right-to-use asset and lease liabilities..
- The 2HFY19 impact on profit or loss is to decrease operating expenses (property & occupancy costs) by $0.9m, to increase depreciation by $0.8m and to increase interest expense by $0.1m.
- Disclosure in the statement of cash flow 2HFY19 will be to decrease cash outflows from operating activities by $0.8m and to increase net cash used in financing activities by the same amount.

This preliminary assessment is indicative and based upon current information that may by its nature change between this reporting date and the application date of AASB 16.

SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements have been prepared using all other accounting policies used in the annual financial statements for the year ended 30 June 2018.

GOING CONCERN

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

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is HUB24 Limited's functional and presentation currency.

COMPARATIVES

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

3. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	Consolidated	
	Half-year ended 31 Dec 2018 $	Half-year ended 31 Dec 2017 $
(a) Revenue		
Platform fees	25,608,171	18,822,941
Licensee fees	18,273,098	17,326,932
IT Services fees	3,465,631	4,491,821
	47,346,900	**40,641,694**
Expenses		
(b) Employee benefits expenses		
Wages and salaries (including superannuation and payroll tax)	12,248,594	9,744,430
Share based payments expense – employees	809,215	717,460
Other employee benefits expenses	2,649,586	2,026,793
	15,707,395	**12,488,683**
(c) Depreciation and amortisation		
Depreciation of office equipment	348,962	240,214
Amortisation of intangible assets	941,133	755,781
	1,290,095	**995,995**
(d) Administrative expenses		
Corporate fees	399,712	201,430
Professional and consultancy fees	942,798	807,155
Information services and communication	1,426,953	1,026,380
Travel and entertainment	689,317	536,669
Share based payments – Paragem option holders	-	(83,062)
Discount on consideration	261,612	333,865
Superfund administrative fees	664,285	804,312
Other administrative expenses*	1,262,005	774,107
	5,646,682	**4,400,856**

*Other administrative expenses includes $654,174 in non-recurring costs primarily relating to a key client transition and expiring IT services contract ($79,800 for the half-year ended 31 December 2017).

4. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

These operating segments are based on the internal reports that are reviewed and used by the executive management team (identified as the Chief Operating Decision Makers, hereafter CODM) in assessing performance and in determining the allocation of resources.

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

KEY ACCOUNTING POLICIES

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

All of the Group's operations are based in Australia. The principal products and services for each of the operating segments are as follows:

PLATFORM FEES

Development and provision of investment and superannuation platform services to financial advisers, stockbrokers, accountants and their clients.

LICENSEE FEES

Provision of financial advice to clients through financial advisers authorised by Paragem Pty Ltd. The Licensee provides compliance, software, education and business support to adviser practices enabling advisers to provide clients with financial advice over a range of products.

IT SERVICE FEES

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

CORPORATE

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

4. OPERATING SEGMENTS (CONTINUED)

Consolidated Half-year ended 31 December 2018	Platform $	Licensee $	IT Services $	Corporate S	Total $
Revenue					
Sales to external customers	25,403,237	18,273,098	3,465,631	-	47,141,966
Expenses	(17,452,407)	(18,352,338)	(3,714,265)	(1,129,947)	(40,648,957)
Underlying EBITDA	**7,950,830**	**(79,240)**	**(248,634)**	**(1,129,947)**	**6,493,009**
Other non-operating items					
Interest revenue	9,549	18,571	543	297,200	325,863
Non-recurring revenue	46,873	-	-	-	46,873
Fair value gain – contingent consideration	-	-	-	721,643	721,643
Share based payments – employee (including payroll tax)	-	-	-	(1,107,994)	(1,107,994)
Non-recurring costs	(653,668)	-	(506)	(263,451)	(917,625)
Depreciation and amortisation	(1,166,170)	(4,179)	(119,746)	-	(1,290,095)
	(1,763,416)	**14,392**	**(119,709)**	**(352,602)**	**(2,221,335)**
Profit before income tax	**6,187,414**	**(64,848)**	**(368,343)**	**(1,482,549)**	**4,271,674**
Income tax (expense)/benefit	-	-	-	(1,089,714)	(1,089,714)
Profit after income tax	**6,187,414**	**(64,848)**	**(368,343)**	**(2,572,263)**	**3,181,960**
Reconciliation to revenue from ordinary activities					
Sales to external customers					47,141,966
Interest revenue					325,863
Non-recurring revenue					46,873
Fair value gain – contingent consideration					721,643
Sublease rental income					101,498
Waived service fees					158,060
Revenue from ordinary activities					**48,495,903**

4. OPERATING SEGMENTS (CONTINUED)

Consolidated Half-year ended 31 December 2017	Platform $	Licensee $	IT Services $	Corporate S	Total $
Revenue					
Sales to external customers	18,765,394	17,326,932	4,491,821	-	40,584,147
Expenses	(13,795,865)	(17,235,535)	(4,316,303)	(333,894)	(35,681,597)
Underlying EBITDA	**4,969,529**	**91,397**	**175,518**	**(333,894)**	**4,902,550**
Other non-operating items					
Interest revenue	68,910	13,128	1,306	111,043	194,387
Non-recurring revenue	57,650	-	-	-	57,650
Fair value gain – contingent consideration	-	-	-	175,268	175,268
Share based payments – employee (including payroll tax)	-	-	-	(864,456)	(864,456)
Share based payments – Paragem option holders	-	-	-	83,062	83,062
Non-recurring costs	-	-	-	(95,069)	(95,069)
Discount on contingent consideration	-	-	-	(333,865)	(333,865)
Depreciation and amortisation	(629,751)	(1,972)	(135,124)	(229,148)	(995,995)
	(503,191)	**11,156**	**(133,818)**	**(1,153,165)**	**(1,779,018)**
Profit before income tax	**4,466,338**	**102,553**	**41,700**	**(1,487,060)**	**3,123,532**
Income tax (expense)/benefit	-	-	-	(832,797)	(832,797)
Profit after income tax	**4,466,338**	**102,553**	**41,700**	**(2,319,857)**	**2,290,735**
Reconciliation to revenue from ordinary activities					
Sales to external customers					40,584,147
Interest revenue					194,387
Non-recurring revenue					57,650
Fair value gain – contingent consideration					175,268
Revenue from ordinary activities					**41,011,452**

5. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share.

Diluted earnings per share includes all options issued for employees with the exception of the tranche of 24,667 options and the 486,053 Special LTI options, both issued on 12 December 2018. The average share price for the period exceeds the exercise price for all options on issue with the exception of the 24,667 options noted above on the 12 December 2018 issue.

	Consolidated	
	Half-year ended 31 Dec 2018 $	Half-year ended 31 Dec 2017 $
Earnings		
Profit/(Loss) after income tax	3,181,960	2,290,735
Profit/(Loss) after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	3,181,960	2,290,735

	Consolidated	
	Half-year ended 31 Dec 2018 Number	Half-year ended 31 Dec 2017 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	61,906,112	58,796,669
Adjustments for calculation of diluted earnings per share:		
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,380,703	2,076,641
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**63,286,815**	**60,873,310**

	Consolidated	
	Half-year ended 31 Dec 2018 Cents	Half-year ended 31 Dec 2017 Cents
Earnings per share attributable to ordinary equity members of HUB24 Limited		
Basic earnings per share	5.14	3.90
Diluted earnings per share	5.03	3.76

6. INTANGIBLE ASSETS

KEY ESTIMATES AND JUDGEMENTS

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment.

No key estimate or underlying assumptions have been altered from what was disclosed in the full year financial statements, as at 30 June 2018.

6. INTANGIBLE ASSETS (CONTINUED)

Consolidated	Investment platform $	Goodwill $	Agility Connect software $	Agility customer relationship $	Other* $	Total $
Half-year ended 31 December 2018						
At cost	22,671,146	16,325,588	2,540,970	1,284,000	1,202,197	44,023,901
Accumulated amortisation and impairment	(8,380,900)	-	(618,017)	(160,217)	(515,882)	(9,675,016)
Total net carrying amount	**14,290,246**	**16,325,588**	**1,922,953**	**1,123,783**	**686,315**	**34,348,885**
Reconciliations of the carrying amount at the beginning and end of the half-year:						
Opening carrying amount	11,842,102	16,325,588	2,083,199	1,163,918	608,511	32,023,318
Other additions	3,073,094	-	-	-	193,606	3,266,700
Amortisation charge	(624,950)	-	(160,246)	(40,135)	(115,802)	(941,133)
Closing carrying amount	**14,290,246**	**16,325,588**	**1,922,953**	**1,123,783**	**686,315**	**34,348,885**

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

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

*Goodwill has arisen from the business combination with DIY Administration.
**Other is comprised of the Dealer network, Managed fund client list and Software intangibles.

Intangible assets are allocated to the consolidated entity's cash-generating units (CGUs) as required by AASB136. Intangibles are associated with a CGU as listed below:

Investment Platform CGU	Licensee CGU	IT Services CGU
Investment Platform	Dealer network	Agility connect software
Managed fund client list	Software	Agility customer relationship
Software		Software
Goodwill on acquisition of Paragem, Agility and DIY		

7. INCOME TAX

KEY ESTIMATES AND JUDGEMENTS

Recovery of deferred tax assets

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

The deferred tax asset continues to be recognised as at 31 December 2018 based on the following management judgements:

- The company continues to be profitable with consistent growth, margins and profit line trends over the last 5 financial years;
- For the half-year ended 31 December 2018, the Group has increased profit performance and is expected to remain profitable.

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

The Group continues to ensure that there will be ongoing compliance with relevant tax legislations.

Research and development expenditure

The income tax calculation for the half-year ended 31 December 2018, included in the financial statements is based on a number of estimates. A material estimate of this calculation relates to research and development (R & D) expenditure. Remuneration expenses of the development team are the largest component of the R & D expenditure, which for the half-year ended 31 December 2018, comprise 90% of the total estimated R & D claim. This percentage allocation is consistent with the actual R & D claim most recently lodged for the financial year ended 30 June 2017.

	Consolidated	
	Half-year ended 31 Dec 2018 $	Half-year ended 31 Dec 2017 $
(a) Income tax expense/(benefit)		
Deferred tax expense/(benefit)	1,089,714	832,797
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	1,109,555	851,577
(Decrease)/increase in deferred tax liabilities	(23,289)	(22,452)
Deferred tax – debited/(credited) directly to equity	3,448	3,672
	1,089,714	**832,797**
(b) Reconciliation of income tax expense/(benefit) to pre tax accounting profit/(loss)		
Profit from continuing operations before income tax expense	4,271,674	3,123,532
Prima facie income tax at 30%	1,281,501	937,059
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D expenditure – accounts	169,805	331,133
Entertainment – non-deductible	22,106	22,256
Employee share plan costs – non-deductible	242,765	215,238
Other expenses – non-deductible	-	(24,919)
Other income – non-assessable	(229,826)	(65,915)
	1,486,351	**1,414,852**

7. INCOME TAX (CONTINUED)

	Consolidated	
	Half-year ended 31 Dec 2018 $	Half-year ended 31 Dec 2017 $
Temporary difference (R&D)	(396,637)	(582,055)
Income tax expense	**1,089,714**	**832,797**
Other disclosure items		
Deferred tax – debited/(credited) directly to equity	(3,448)	(3,672)

	Consolidated	
	31 Dec 2018 $	30 Jun 2018 $
(c) Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Intangibles – other	452,667	1,120,469
Accrued expenses	124,059	104,817
Provisions	1,434,492	1,492,015
Carry forward tax losses	5,319,423	6,722,820
Non-refundable carry forward tax offsets	5,354,425	4,327,016
Sundry DTA	36,367	63,852
	12,721,433	**13,830,989**
Movements:		
Opening balance	13,830,989	16,292,173
Prior period deferred tax under/(over) provision	-	127,318
Intangibles – other	(667,802)	(539,733)
Accrued expenses	19,242	(34,772)
Provisions	(57,523)	191,740
Carry forward tax losses	(1,403,397)	(3,113,369)
Non-refundable carry forward tax offsets	1,027,409	933,662
Sundry DTA	(27,485)	(26,030)
	12,721,433	**13,830,989**
(d) Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
DTL on intangibles	446,412	469,701
Movements:		
Opening balance	469,701	515,351
Other intangibles	(23,289)	(45,650)
Closing balance	**446,412**	**469,701**
Net deferred tax asset	**12,275,021**	**13,361,288**
Other disclosure items:		
Capital raising costs in Equity	(3,448)	(15,549)

7. INCOME TAX (CONTINUED)

TAX CONSOLIDATION

Members of the tax consolidated entity and the tax sharing arrangement

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

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 and liabilities arising from unused tax losses and unused tax credits (if any) assumed from controlled entities in the tax consolidated entity.

8. NON-CURRENT ASSETS – OFFICE EQUIPMENT

KEY ESTIMATES AND JUDGEMENTS

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.

Consolidated Half-year ended 31 December 2018	Computer equipment $	Office furniture and fittings $	Total $
Cost or fair value	1,980,684	1,847,269	3,827,953
Accumulated depreciation	(1,263,958)	(435,122)	(1,699,080)
Net book amount	**716,726**	**1,412,147**	**2,128,873**
Reconciliations of the carrying amounts at the beginning and end of the half-year:			
Opening net book amount	739,308	1,475,033	2,214,341
Additions	162,417	101,582	263,999
Disposals	(505)	-	(505)
Depreciation charge	(184,494)	(164,468)	(348,962)
Closing net book amount	**716,726**	**1,412,147**	**2,128,873**

8. NON-CURRENT ASSETS – OFFICE EQUIPMENT (CONTINUED)

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

9. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2018 $	30 June 2018 $
Trade creditors	463,062	1,023,235
Deferred contingent consideration – Agility	822,500	1,360,377
Key contract consideration – Agility	300,000	300,000
Sundry creditors	2,440,025	2,544,132
Total trade and other payables	**4,025,587**	**5,227,744**

DEFERRED CONTINGENT CONSIDERATION – AGILITY

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

On 14 July 2017 $200k was paid and 5 January 2018 $1.5m was paid for deferred consideration and was subject to performance conditions and warranty claims being met. As at the date of these accounts a further $300,000 is to be paid on the renewal of a key client contract and $822,500 payable in March 2019 (half cash settled and half settled through the issuance of HUB24 ordinary shares). Refer Note 12 for non-current deferred contingent consideration $3.0m.

10. CURRENT LIABILITIES – PROVISIONS

EMPLOYEE BENEFITS

Short term benefits

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

Long term benefits

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

Superannuation and other post-employment benefits

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

LEASE MAKE GOOD

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

	Consolidated	
	31 Dec 2018 $	30 June 2018 $
Employee benefits – Annual leave	1,439,693	1,289,635
Employee benefits – Short term incentive	2,014,628	2,505,366
Lease make good provision	45,988	45,988
Rental lease liability	302,040	239,156
	3,802,349	**4,080,145**

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

Consolidated	Broking claims $	Rental lease liability $	Lease make good $	Other sundry $
Half-year ended 31 December 2018				
Carrying amount at the start of the year	-	239,156	45,988	-
Additional provisions recognised/(released)	-	62,884	-	-
Carrying amount at end of half-year	**-**	**302,040**	**45,988**	**-**
Year ended 30 June 2018				
Carrying amount at the start of the year	420,150	38,193	122,892	197,021
Additional provisions recognised/(released)	(420,150)	200,963	-	-
Amounts paid during the year	-	-	(76,904)	(197,021)
Carrying amount at end of year	**-**	**239,156**	**45,988**	**-**

11. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	31 Dec 2018 $	30 June 2018 $
Employee benefits – long service leave	763,747	693,936
Lease make good provision	89,544	70,185
Rental lease liability	114,626	117,741
	967,917	**881,862**

MOVEMENTS IN PROVISIONS

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

Consolidated	Lease make good $	Rental lease liability $
Half-year ended 31 December 2018		
Carrying amount at start of year	70,185	117,741
Additional provisions recognised/(released)	19,359	(3,115)
Carrying amount at end of half-year	**89,544**	**114,626**
Year ended 30 June 2018		
Carrying amount at start of year	48,066	111,575
Additional provisions recognised/(released)	22,119	6,166
Carrying amount at end of year	**70,185**	**117,741**

12. OTHER NON-CURRENT LIABILITIES

DEFERRED CONTINGENT CONSIDERATION – AGILITY

Management's estimate of the performance over the earnout period until 3 January 2020 against set criteria requires significant judgement. As at 31 December 2018 management estimate that 63% of the revised performance criteria will be met over the year to 3 January 2020, resulting in fair value deferred contingent consideration of $3.8 million.
(30 June 2018, estimated to be $4.3 million in total purchase consideration based on management's judgement that 66% of the performance criteria would be met). Refer Note 9 for current deferred contingent consideration $0.8 million.

The impacts upon the financial statements for the half-year ended 31 December 2018 of the change to management's estimate are as follows:

Contingent consideration – Agility	Decrease by $721,643
Total contingent consideration	**Decrease by $721,643**
Fair value gain on contingent consideration – Agility	Increase by $721,643
Total fair value gain on contingent consideration	**Increase by $721,643**

In the circumstances where all performance criteria were 10% lower than expected, the following impact would result:

Contingent purchase consideration	Decrease by $551,451
Fair value gain	Increase by $551,451

12. OTHER NON-CURRENT LIABILITIES (CONTINUED)

Consolidated Half-year ended 31 December 2018	Contingent consideration $
Carrying amount at start of year	2,926,872
Unwinding of discount	121,279
Fair value gain on contingent consideration (profit and loss)	(43,433)
Carrying amount at end of half-year	**3,004,718**

Consolidated Year ended 30 June 2018	Contingent consideration $
Carrying amount at start of year	5,972,607
Amounts reclassified/released during the year	(1,360,377)
Unwinding of discount	523,224
Fair value gain on contingent consideration (profit and loss)	(2,208,582)
Carrying amount at end of year	**2,926,872**

13. ISSUED CAPITAL

	31 Dec 2018 Number	31 Dec 2017 Number	31 Dec 2018 $	31 Dec 2017 $
Issued and paid up capital				
Ordinary shares, fully paid	62,188,666	61,049,999	97,448,060	95,570,341
Other equity securities				
Treasury shares	(56,596)	(70,789)	(38,256)	(47,852)
Total issued and paid up capital	**62,132,070**	**60,979,210**	**97,409,804**	**95,522,489**
Movements in issued and paid up capital				
Beginning of the financial year	61,588,666	54,980,675	96,231,758	89,213,158
Shares issued	600,000	6,069,324	824,800	4,920,221
Transfer from share based payment reserve	-	-	238,140	1,310,859
Additional paid up capital	-	-	161,406	134,669
Total shares	**62,188,666**	**61,049,999**	**97,456,104**	**95,578,907**
Capital raising costs	-	-	(8,044)	(8,566)
End of the half-year	**62,188,666**	**61,049,999**	**97,448,060**	**95,570,341**
Movement in other equity securities – treasury shares				
Beginning of the financial year	70,789	94,949	47,850	64,182
Employee share issue	(14,193)	(24,160)	(9,594)	(16,330)
End of the half-year	**56,596**	**70,789**	**38,256**	**47,852**

13. ISSUED CAPITAL (CONTINUED)

ORDINARY SHARES FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

On 22 August 2018, the Group issued 160,000 ordinary shares for options exercised by employees of the Group for consideration of $156,800.

On 31 August 2018, the Group issued 200,000 ordinary shares for options exercised by employees of the Group for consideration of $196,000.

On 8 October 2018, the Group issued 80,000 ordinary shares for options exercised by employees of the Group for consideration of $78,400.

On 12 November 2018, the Group issued 60,000 ordinary shares for options exercised by employees of the Group for consideration of $147,600.

On 28 November 2018, the Group issued 75,000 ordinary shares for options exercised by employees of the Group for consideration of $184,500.

On 10 December 2018, the Group issued 15,000 ordinary shares for options exercised by employees of the Group for consideration of $36,900.

On 31 December 2018, the Group issued 10,000 ordinary shares for options exercised by employees of the Group for consideration of $24,600.

ORDINARY SHARES FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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

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

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 September 2018, the company transferred 14,193 shares to eligible employees under the HUB24 Employee Share Ownership Plan.

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

14. RESERVES

GENERAL RESERVES

	Consolidated	
	31 Dec 2018 $	30 June 2018 $
Share based payments share reserve	4,342,925	3,942,850
Movement		
Opening balance	3,942,850	4,106,404
Reserve reclassified to share capital through options exercised	(238,140)	(1,377,294)
Employee share based payment expense	809,215	1,447,802
Share based payment to Paragem option holders	-	(83,062)
Shares issued through HUB24 Share Ownership Trust	(171,000)	(151,000)
Closing balance	**4,342,925**	**3,942,850**

PROFIT RESERVES

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

	Consolidated	
	31 Dec 2018 $	30 June 2018 $
Profit reserve	8,766,228	5,088,013
Movement		
Opening balance	5,088,013	-
Transfer to profit reserves	5,846,425	5,088,013
Dividends provided for or paid	(2,168,210)	-
Closing balance	**8,766,228**	**5,088,013**

15. SIGNIFICANT EVENTS AFTER REPORT DATE

No matters or circumstances have arisen since 31 December 2018 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

IN THE DIRECTORS' OPINION:

a. the financial statements and notes set out on pages 8 to 32 are in accordance with the *Corporations Act 2001*, including:

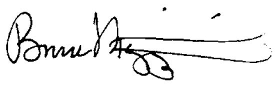
   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date, and

   ii. complying with Accounting standard AASB 134 Interim Financial Reporting, Corporations Regulations 2001, and other mandatory professional reporting requirements; and

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

c. this declaration has been made after receiving the declarations by the Chief Executive Officer and Chief Financial Officer required by section 305(5) of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors.



Bruce Higgins
Chairman

Sydney
25 February 2019

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

We have reviewed the accompanying half-year financial report of HUB24 Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 33.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Deloitte.

Conclusion

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

(a) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 25 February 2019

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