



# ANNUAL REPORT 2013

# CORPORATE INFORMATION

## 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)

Jason Entwistle  
(acting Chairman – resigned 19 October 2012)

Darren Pettiona  
(resigned 26 September 2012)

Robert Bishop  
(resigned 25 July 2012)

Otto Buttula  
(Chairman – resigned 25 July 2012)

David Spessot  
(resigned 26 September 2012)

Robert Spano  
(resigned 19 October 2012)

## Company Secretary

Matthew Haes

## Registered Office and Principal Place of Business

Level 45, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Telephone: (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](http://www.hub24.com.au)

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# RESULTS FOR ANNOUNCEMENT TO THE MARKET

## Appendix 4E

	Year ended 30 June 2013		Year ended 30 June 2012		
	\$'000		\$'000		% change
<b>From continuing operations</b>					
Revenue from ordinary activities	1,806	From	853	Increase	112%
Net loss for the year attributable to members	(5,798)	From	(23,098)	Decrease	-75%
<b>From discontinued operations</b>					
Revenue from ordinary activities	5,278	From	6,446	Decrease	-18%
Net loss for the year attributable to members	(3,985)	From	(7,418)	Decrease	-46%
<b>From continuing and discontinued operations</b>					
Revenue from ordinary activities	7,084	From	7,299	Decrease	-3%
Net loss for the year attributable to members	(9,783)	From	(30,516)	Decrease	-68%

### Dividends

The Directors have not declared a final dividend for the year ended 30 June 2013 (2012: Nil).

### Explanation of Result

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

	30 June 2013	30 June 2012
Net tangible assets per fully paid ordinary share	\$0.255	\$0.352

### Entities Over Which Control Has Been Gained or Lost During the Period

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

### Auditor Review

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

# CHAIRMAN AND CEO REPORT

## Dear Shareholders

On behalf of the Directors we are pleased to announce the results for HUB24 for the year ended 30 June 2013.

HUB24 has achieved significant growth demonstrated by the increase in advisers using our platform up 75%. Funds Under Administration (FUA) have grown since July 2012 by 291% to \$479 million as at the date of this report and we expect FUA to grow rapidly in the coming year. Our Statement of Financial Position is significantly stronger and as at 30 June 2013 our cash position was \$9.5 million.

The company has reported a consolidated net loss after income tax for the year of \$9.8 million, after recognising amortisation and depreciation charges of \$1.0 million. This result included the losses from the stockbroking business which was divested during the year. On a continuing operations basis the HUB24 business reported a net loss after income tax of \$5.8 million. Operating losses are to be expected as the HUB24 business focusses on attracting and servicing new clients to increase in scale. We anticipate that these losses will continue to narrow as the platform business grows.

## Corporate

During the year there have been changes to the Directors, Chairman and Chief Executive Officer of the company. Today we have a Board that has the full support of shareholders and the company has a strong executive team led by Andrew Alcock, our new CEO, who commenced in July.

Shareholders have been very supportive of the company with the capital raised during the year totalling \$12.7 million. As at 30 June we have \$9.5 million in cash and cash equivalents. Our net tangible assets are \$10.0 million, representing 25.8 cents per share.

## Operations

We are making excellent progress in establishing HUB24 as the leading next-generation investment and superannuation platform.

Based on in-house proprietary technology, the HUB24 platform is designed specifically to meet Australian regulatory requirements for superannuation, pension and investor directed portfolio service client accounts.

HUB24 is a truly independent platform, not owned by a fund manager, insurer, dealer group or bank. Our independence and strong internal technology development capability allows us to have full control over product development priorities. We have been recognised for delivering platform enhancements at a more rapid rate than most, if not all of our competitors, providing a significant competitive advantage.

The HUB24 platform has two main offerings:

- HUB24 Invest – a comprehensive investment portfolio solution designed to meet the needs of individuals, trusts and self-managed super funds. Operating as an Investor Directed Portfolio Service (IDPS), HUB24 Invest provides access to a very broad range of investment options allowing the implementation of highly customised portfolio solutions
- HUB24 Super – a comprehensive, public offer superannuation fund that provides accumulation, account-based pension and transition to retirement pension accounts. The broad range of investment options allows significantly flexible design to build superannuation savings and draw a pension in retirement.



Bruce Higgins and  
Andrew Alcock

# CHAIRMAN AND CEO REPORT

## Company Successes

FUA growth of 291% to

**\$479m**

at the date of this report, including \$140m in our superannuation offer launched last year

Cash and cash equivalents of

**\$9.5m**

and no corporate debt

Single focus and new corporate identity

**HUB24**

having successfully divested and transitioned the stockbroking business

Growth in active advisers of

**75%**

servicing 46 financial planning groups with 6 white label agreements

Launch of

**New features**

including market access share trading and improvements to the adviser interface providing easier access to meaningful information

HUB24 awarded

**1st**

Most New Developments and 3rd in the product category by market researcher Investment Trends, in December 2012 Platform Report covering 25 leading platforms\*

Received in July 2013, a Research & Development tax incentive payment from AusIndustry of

**\$1.1m**

for our qualifying investment in the development of the HUB24 platform during the 2012 financial year

Today we have 46 financial planning groups with commercial agreements to distribute the HUB24 platform. The popularity and scalability of our market-leading managed portfolio functionality within the HUB24 platform is demonstrated by the 170 managed portfolios operated by professional fund managers, dealer groups and asset consultants on behalf of their clients. This capability supports the achievement of superior outcomes for investors and the number of portfolios is set to increase, with several currently under development. Our platform offers over 900 managed funds, more than 770 listed securities, 65 exchange traded funds and 12 term deposits across five banks, in addition to multiple margin lending and insurance options.

The Future of Financial Advice (FoFA) reforms announced last year became mandatory from 1 July 2013 and are designed to improve the trust and confidence of Australian retail investors in the financial planning sector. These reforms are targeted to address conflicts of interest that may impact the quality of financial advice provided to Australian investors. The HUB24 platform is compliant with these requirements and provides dealer groups and advisers access to a modern platform without the legacy of remuneration conflicts.

## Investorfirst Stockbroking Business

The Directors conducted a strategic review of operations in November 2012 that resulted in a decision to exit the stockbroking business and focus wholly on the further development and commercialisation of the HUB24 platform. This decision was taken to avoid incurring further losses due to the unexpected continuation of poor performance in equity markets and an overall challenging business environment for small to medium stockbroking businesses.

In December 2012, the company announced the divestment of the stockbroking business to Wilson HTM Investment Group Ltd (Wilson HTM). This transaction resulted in the transfer of a number of clients, advisers and analysts to Wilson HTM, which was effected on 8 February 2013.

The company recorded a loss on sale of the stockbroking business of \$2.201 million. This loss includes all costs associated with the windup of this business such as contract closures, excess office rental space, vesting of options and redundancies.

## Corporate Governance

The Board of HUB24 Limited is committed to achieving and demonstrating standards of corporate governance that are best practice and compliant with the Australian Stock Exchange (ASX) regulations and principles 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.

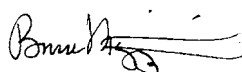
Our remuneration report is enclosed. This outlines the Group remuneration policies, Board performance and the senior executive remuneration policies and compensation.

## Outlook

HUB24 currently services over 230 financial advisers from some of Australia's leading financial advisory firms. We have a strong pipeline of opportunity for FUA growth from existing clients and new clients, including a number of white label client opportunities.

Our strategy is to position HUB24 as the independent platform of choice for independent financial advisers, stockbrokers and accountants. Our investment in HUB24 is aimed at maintaining and extending our platform capability to deliver broad investment choice. This includes market-leading managed portfolio functionality, high quality reporting to advisers and clients and access to excellent online functionality through the AdviserHub and InvestorHub portals.

On behalf of the Directors we wish to thank our management team and all employees for their commitment and customer service focus across all segments 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 2013



**Andrew Alcock**  
Chief Executive Officer

# PLATFORM OVERVIEW

## Our Industry

HUB24 operates in a growing sector, in which assets held on investment platforms are expected to almost double by 2026 according to the Rice Warner 'Personal Investments Market Projections Report 2012'. Our capability is well positioned given the report specifically concludes that 'Wrap platforms, including separately managed accounts and model portfolio products, will be the fastest growing segment' of the personal investments market.

Additionally, the progressive rise in employer Superannuation Guarantee (SG) contributions from 9% to 12% commencing from 1 July 2013, will underpin the growth of superannuation in Australia. 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.

According to the December 2012 Platform Benchmarking Report published by Investment Trends, there is currently around \$260 billion held in retail investment platforms. Of this, 29% is held in Investor Directed Portfolio Services (IDPS), with 37% in superannuation and 34% in pension accounts. The report highlighted there was an estimated \$100 million invested in platform development across the industry in 2012 at an average of \$8 million per platform

owner. HUB24 invested less than 35% of the industry average whilst winning the award from Investment Trends for Most New Developments.

## About HUB24

HUB24 Limited is a financial services company listed on the Australian Stock Exchange. The business is focussed on the delivery of the HUB24 platform which supports the achievement of 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 and is not owned by, or aligned to any bank, fund manager or institution. It does not operate its own financial advice channel.

The business is focussed on the delivery of the HUB24 platform which supports the achievement of superior superannuation and investment outcomes for investors by offering choice, flexibility and transparency



## Platform Heritage

HUB24 commenced development of the platform in 2007 and launched in 2009. Since then we have continued to add products, features and investments at a rapid rate. The following is a brief history of key milestones in the platform's development.

### 2007

HUB24 was incorporated and platform development commenced

### 2009

Investment platform launched as Managed Discretionary Account service

Platform offered access to Separately Managed Accounts and Exchange Traded Funds

### 2010

Added listed securities, managed funds, term deposits and margin lending

Added online applications, model portfolios and an iPhone app for advisers and investors

### 2011

Platform relaunched as an Investor Directed Portfolio Service

Added online corporate actions, regular savings and payments, exchange traded options and white label branding capability

### 2012

HUB24 superannuation fund launched

Group and retail insurance options added

New managed portfolio capability added

Added dealer group margin capability for white label arrangements

Expanded range of term deposit and margin lending providers

### 2013

New listed security trading capability

Further expansion of insurance providers

Adviser interface completely rebuilt allowing easier access to client and portfolio information

Improved report and online application format

New email notification functionality

# PLATFORM OVERVIEW

## Key Strengths

### Managed Portfolio Heritage

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

### Independence

Our independence ensures we are able to objectively offer the best choice of service providers for advisers and investors. This includes a range of term deposits, margin lenders and insurers. Our non-reliance on in-house products to generate revenue is a key differentiation point compared to institutionally owned platforms where 'house' brand investment and insurance products are widely promoted.

The 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 access. Clients can also access account information through a dedicated iPhone app. 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.

### Industry Recognition

HUB24 was awarded the Most New Developments Award by market researcher Investment Trends, in their December 2012 Platform Benchmarking Report.\* This award recognises HUB24's rapid advancements in platform functionality and our position as an established alternative to major bank-owned platforms.

HUB24 improved its rating by 23% in the 12 months to December 2012, with the next best platform improving 9%. This significant increase reflects our investment in the superannuation product, retail and group insurance options and direct market access share trading. The platform was also ranked third in the Product category and seventh overall out of 25

\*Results from Investment Trends 2012 Platform Report, based on a face-to-face research and audit methodology.

leading platforms. This is a remarkable achievement given the short space of time HUB24 has been operating and the success of our R&D program in comparison to other established platforms.



## Our Success

The quality of the HUB24 platform and related services, the speed with which we develop new features, the unique managed portfolio functionality and our independence from institutions have contributed to the strong momentum that the platform is currently experiencing. Month-on-month growth in FUA has averaged 9.25% for the year ended 30 June 2013, with a strong pipeline of new clients promising further growth momentum during FY2014.

The number of advisers using the platform has increased by 75% since July 2012, with average FUA per adviser increasing by 64% 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, producing increasing momentum in FUA growth.

Since winning the Most New Developments Award in 2012, we have continued to improve the platform with better client reporting, a new email notification system, additional insurance options, a group insurance quote calculator and other features. We will continue to invest in platform improvements during FY2014 to maintain our market leading technology position, believing it will drive adoption by advisers as their preferred platform.

HUB24 won a number of new dealer clients throughout 2013 as well as recently winning an initiative to deliver a white label platform for InterPrac, a licensee with over 90 representatives offering a range of services that includes financial planning to the almost 9000 National Tax and Accountants' Association (NTAA) members.

## R&D Incentive

HUB24 received an R&D tax incentive payment from AusIndustry of \$1.1 million in July for the 2012 financial year 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.

We will continue to invest in platform improvements during FY2014 to maintain our market-leading technology position, believing it will drive adoption by advisers as their preferred platform

# HUB24 DIRECTORS

The HUB24 Board is committed to delivering the leading investment platform solution to our client. Each Director contributes their own relevant expertise to guide the business to profitability and success, with a strong focus on corporate governance.

## **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 11 years and has also served in CEO or executive roles with Raytheon and Honeywell.

Bruce is currently Chairman and Non-Executive Director of Legend Corporation Limited and Chairman and Non-Executive Director of Q Technology consolidated entity. 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:

- Chairman of TSV Holdings Limited (appointed July 2007, resigned August 2010)
- Global Heath Limited (appointed January 2010, resigned November 2010)
- 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 10 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 Wentworth Holdings 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.

Each Director contributes their own relevant expertise to guide the business to profitability and success, with a strong focus on corporate governance

## Hugh Robertson

### Executive Director

Hugh Robertson has over 25 years experience in the financial services industry, commencing his stockbroking career in 1983. During that time he was 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 Wentworth Holdings Limited and Rattoon 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.

## 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).



Left to right:

Ian Litster  
Bruce Higgins  
Hugh Robertson  
Vaughan Webber

# HUB24

## EXECUTIVE TEAM

Our HUB24 executive team has broad experience in Australian financial services and particularly investment platforms. As business leaders in their field, they are recognised for their extensive accomplishments. Collectively, they are well positioned to lead the HUB24 business into the future.

### Andrew Alcock

#### Chief Executive Officer

Andrew has over 20 years experience across wealth management encompassing advice, platforms, industry superannuation, insurance and information technology. Andrew was formerly Chief Operating Officer of Genesys Wealth Advisers and Head of the Genesys Equity Program, where he was a director of over 20 financial planning practices across Australia. His previous executive roles include General Manager for Asteron's wealth management business, where he was responsible for a broad range of superannuation and investment solutions for investors, employers, licensees and advisers. Andrew's extensive financial services experience solidly underpins his role as CEO of HUB24 Limited.

### Matthew Haes

#### Chief Financial Officer and Company Secretary

Matthew's financial services experience spans over 16 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 HUB24'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).

### Jason Entwistle

#### Director Strategic Development

Jason Entwistle has over 20 years experience in financial services, establishing and managing a number of successful wealth management-related businesses. In 1990, he was part of a small team that created the successful Navigator master trust (now owned by National Australia Bank). Jason consulted extensively on portfolio administrative platforms to over 20 leading financial institutions throughout Asia Pacific and the UK. He was the co-founder of Avanteos, which was launched in 2001 as Australia's first online wrap platform and later purchased by the Commonwealth Bank of Australia.

HUB24, our investment and superannuation platform, was built by some of Australia's most respected and successful pioneers in delivering market-leading financial solutions



## Wes Gillett

### Head of Product and Distribution

Wes has been in the financial services industry for over 24 years, managing sales and marketing teams for several prominent organisations such as Asgard, Skandia, ING and KPMG. His experience spans administration, product, investments, advice and technology, and he has managed multi-million dollar client relationships for over 15 years. Wes has chaired platform investment committees and been involved in product development and industry forums. He also brings substantial insight into the structure and drivers within the platform, superannuation and advice industry and their relationship to all participants, from manufacturers to end customers.

## Joseph Gioffre

### Head of Operations

Joseph Gioffre has over 13 years of operational and client service management experience in financial services, managing operational teams at Colonial First State, Challenger and Ord Minnett. Joseph's experience encompasses asset and investment management, broking, platform and reporting services over a wide spectrum of financial products and asset classes. Joseph is a Director of HUB24 Custodial Services, an ASIC Responsible Manager for HUB24's Australian Financial Services Licence, and a member of the company's Compliance and Risk and Investment Management committees. He is also a senior associate at Finsia and a member of the Australian Institute of Management.



Left to right:

Matthew Haes  
Joseph Gioffre  
Andrew Alcock  
Jason Entwistle  
Wes Gillett

# 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 2013.

## Directors

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

**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 11 years and has also served in CEO or executive roles with Raytheon and Honeywell.

Bruce is currently Chairman and Non-Executive Director of Legend Corporation Limited and Chairman and Non-Executive Director of Q Technology consolidated entity. 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:

- Chairman of TSV Holdings Limited (appointed July 2007, resigned August 2010)
- Global Heath Limited (appointed January 2010, resigned November 2010)
- 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 10 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 Wentworth Holdings 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.

### Hugh Robertson

**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 Wentworth Holdings Limited and Ratoon 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.

### 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.

The names and details of the company's Directors who held office during the financial year but were not company directors at the date of this report are as follows.

- Otto Buttula (Non-Executive Chairman) – resigned 25 July 2012
- Jason Entwistle (Acting Chairman) – resigned 19 October 2012
- Robert Bishop (Non-Executive Director) – resigned 25 July 2012
- Darren Pettiona (Non-Executive Director) – resigned 26 September 2012
- David Spessott (Executive Director) – resigned 26 September 2012
- Robert Spano (Non-Executive Director) – resigned 19 October 2012

## 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 ACSA

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

Matthew's financial services experience spans over 16 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 HUB24'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.

The name and details of the Company Secretary in office during the financial year but not at the date of this report is as follows:

- Andrea Steele (Company Secretary) – resigned 11 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	410,000
Hugh Robertson	161,500
Ian Litster	3,588,751
Vaughan Webber	Nil

## Consolidated Entity Overview

The consolidated entity operates the HUB24 investment and superannuation platform and, until the 2013 financial year, the Investorfirst Securities stockbroking business.

The Investorfirst Securities stockbroking business offered investment advice, investment research, trade execution and clearing and corporate finance activities until February 2013.

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

# DIRECTORS' REPORT

A decision was made by the Board to divest the stockbroking business in December 2012 which was transferred to Wilsons HTM in February 2013.

The sole activity provided by the consolidated entity from March 2013 is the provision of its investment and superannuation portfolio administration service.

## Capital Raisings

The company conducted two capital raisings during the period.

The first capital raising was completed in August 2012 to meet the capital expenditure requirements of the HUB24 platform, fund the deferred consideration commitments of the Marketsplus acquisition, fund operating expenses for both the stockbroking operations to February 2013 and the HUB24 platform during the year and meet the regulatory capital requirements of the business as an ASX market participant and IDPS Operator for the HUB24 platform. A rights issue seeking to raise a total of \$10.298 million was initiated in July 2012, with a total of \$8.396 million raised through the rights issue, shortfall placement and a further placement.

A consolidation of the company's capital (40 to 1) was undertaken on 11 December 2012 after being approved at the company's Annual General Meeting.

The second capital raising, in March 2013, raised \$4.653 million through the placement of approximately 25% of the company's share capital to sophisticated and professional investors at \$0.60 per share.

## Reconciliation of Results for Continuing and Discontinued Operations

The consolidated entity recorded a net loss after income tax for the year ended 30 June 2013 of \$9.783 million (2012: \$30.516 million).

The loss after income tax from the continuing operation (HUB24 Platform) for the year ended 30 June 2013 was \$5.798 million or \$4.769 million when adjusted for depreciation, amortisation and impairment expenses (2012: \$23.098 million, or \$5.928 million when adjusted for depreciation, amortisation and impairment expenses).

The loss after income tax from the discontinued operation (Stockbroking) for the year ended 30 June 2013 was \$3.985 million (2012: \$7.418 million).

Included in this result were the following significant items:

The HUB24 investment and superannuation platform 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

## Continuing Operations

- An increase in operational revenue from \$0.226 million to \$1.228 million driven by an increase in client FUA from \$121.694 million to \$384.568 million over the Financial Year to 30 June 2013. This increase came from \$114.146 million in superannuation and \$248.729 million in IDPS
- Amortisation of \$0.918 million associated with the platform intangible asset and depreciation of \$0.111 million associated with office equipment
- The capitalisation of platform development costs of \$0.927 million for additional product features to support additional revenue streams

- An R&D incentive of \$1.173 million (credit to income tax expense) relating to the ongoing investment in platform development.

## Discontinued Operations

- Loss on disposal of the stockbroking business of \$2.201 million.

The company has analysed its results to attribute revenue and expenses to opening FUA (Existing Operation) and to FUA growth (Growth) during the year for each of financial years 2013 and 2012.

2013 Financial Year	Existing operation \$	Growth \$	Total FY13 \$
<b>FUA</b>	<b>122m</b>	<b>263m</b>	<b>385m</b>
Platform revenue	346,800	881,566	1,228,366
Platform direct costs	2,206,481	2,966,569	5,173,050
Gross margin	(1,859,681)	(2,085,003)	(3,944,684)
Operating expenses	3,503,170	-	3,503,170
<b>EBITDA</b>	<b>(5,362,851)</b>	<b>(2,085,003)</b>	<b>(7,447,854)</b>
EBITDA % of FUA	(4.4%)	(0.8%)	(1.9%)
Depreciation, amortisation and impairment			(1,029,775)
Capitalised development			927,617
<b>EBIT</b>			<b>(7,550,011)</b>
Interest			577,771
<b>Loss before income tax</b>			<b>(6,972,240)</b>
Tax (expense)/benefit			1,173,832
<b>Loss after income tax from continuing operations</b>			<b>(5,798,408)</b>
Loss after income tax from discontinued operations			(3,984,560)
<b>Loss after income tax</b>			<b>(9,782,968)</b>

# DIRECTORS' REPORT

## Composition of Continuing Operations

2012 Financial Year	Existing operation \$	Growth \$	Total FY12 \$
<b>FUA</b>	<b>73m</b>	<b>49m</b>	<b>122m</b>
Platform revenue	135,720	90,541	226,261
Platform direct costs	1,992,298	2,548,281	4,540,579
Gross margin	(1,856,578)	(2,457,740)	(4,314,318)
Operating expenses	3,692,473	-	3,692,473
<b>EBITDA</b>	<b>(5,549,051)</b>	<b>(2,457,740)</b>	<b>(8,006,791)</b>
EBITDA % of FUA	(7.6%)	(5.0%)	(6.6%)
Depreciation, amortisation and impairment			(17,169,826)
Capitalised development			2,747,928
<b>EBIT</b>			<b>(22,428,689)</b>
Interest			626,847
<b>Loss before income tax</b>			<b>(21,801,842)</b>
Tax (expense)/benefit			(1,295,877)
<b>Loss after income tax from continuing operations</b>			<b>(23,097,719)</b>
Loss after income tax from discontinued operations			(7,417,948)
<b>Loss after income tax</b>			<b>(30,515,667)</b>

Platform revenue has increased substantially in FY13 with \$20 million average monthly growth in FUA throughout the year.

Direct fixed costs increased during FY13 with the launch of superannuation and insurance developments via the introduction of Trustee and superannuation administration expenses.

Despite these fixed cost increases in FY13, the gross margin was maintained and EBITDA improved marginally.

We expect further scale benefits in servicing the existing business in FY14 to continue.

The investment in development in FY12, represented by capitalised development costs of \$2.747 million, has underpinned the growth in FUA and revenue of \$0.8 million (2012: \$0.09 million) during FY13.

The business has made the conscious decision to invest in order to accelerate FUA growth so that the company can bring forward scale benefits of the existing cost base.

Increasing the rate of investment to transition FUA onto the platform will accelerate the improved financial performance of the company.

## Review of Operations

During the period, after incurring further losses due to the unexpected continuation of poor performance in equity markets and the overall challenging business environment for the small to medium stockbroking businesses sector, the company's Board conducted a strategic review of operations that resulted in a decision to exit the stockbroking business and focus wholly on the

further development and commercialisation of the HUB24 platform.

The decision to exit the stockbroking business was based on the following factors:

- Expected continuing losses of this business
- Future capital requirements
- Continuing low trade volumes within the local broking industry and consolidation within the major stockbroking firms
- Structural issues, lack of scale and margin compression
- Importance of growing shareholder value and focussing on the HUB24 business as the major driver of shareholder value creation.

On 18 December 2012, the company announced the divestment of the stockbroking business to Wilson HTM. This transaction resulted in the transfer of a number of clients, advisers and analysts to Wilson HTM, which was effected on 8 February 2013.

The company recorded a loss on sale of the stockbroking business of \$2.201 million. This loss includes all costs associated with the windup of this business such as contract closures, excess office rental space, vesting of options and redundancies.

The consolidated entity relinquished its ASX Clear license and ASX Market Participant status on 15 May 2013.

Following the successful exit from the stockbroking business and placement of shares to sophisticated and professional investors, the Board and management have focussed on the HUB24 business and on the development of the senior executive team to lead the platform business and accelerate the growth in FUA in the coming years.

## HUB24 Platform

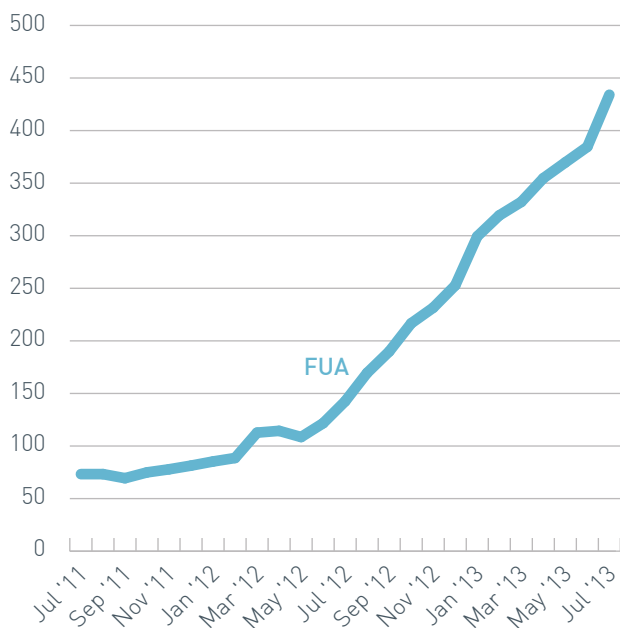
The company has succeeded in commercialising the HUB24 platform with FUA as at the end of June 2013 reaching \$384 million, representing month on month growth of 9.25% since 1 July 2012. Solid growth in fund inflows since the end of the period has further increased FUA at the date of this report to \$479 million.

	30 June 2013	30 June 2012	Annual growth
Funds Under Administration	\$384.6m	\$121.7m	216%
Gross Fund Inflows	\$302.7m	\$80.6m	276%

HUB24 currently services some of Australia's leading independent financial advisory firms. During the year, white label versions of the HUB24 platform came online including the Compass HUB24 Super and Compass HUB24 Invest products operated by the Sentry Group. We have a strong pipeline of opportunity for FUA growth from existing and new clients.

During the period we completed development of the direct market access share trading functionality, which provides financial advisers with straight through processing share trade execution and access to live market data including share prices and market depth information.

### HUB24 Platform – Trend of Monthly Funds Under Administration



# DIRECTORS' REPORT

## Significant Changes in the State of Affairs

The consolidated entity divested the stockbroking business in February 2013. The financial impact of this change is described in Note 8 to the Financial Statements and also set out above in the Directors' Report.

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

## Significant Events After the Reporting Date

On 29 July 2013 Andrew Alcock commenced employment with the company in the role of Chief Executive Officer.

On 7 August the company issued the following:

- 980,000 employee share options to employees under the company's Employee Share Option Plan approved by shareholders in 2011
- 31,000 shares to employees under the share ownership plan.

On 8 August 2013 the company held a General Meeting of shareholders where the following resolutions were approved:

- The change of name of the company to HUB24 Limited
- To refresh the company's placement capacity under ASX Listing Rule 7.1
- To issue 600,000 share options in the company to Andrew Alcock
- To issue 510,000 share options in the company to Bruce Higgins
- To issue 480,000 share options in the company to Jason Entwistle
- To issue 360,000 share options in the company to Wes Gillett.

Other than the matters disclosed above, no other matter or circumstance has arisen since 30 June 2013 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

Further information on likely developments in the operations of the consolidated entity and the expected results of the operations have not been included in this financial report because the Directors believe that the uncertainty of the rate of growth of FUA, market conditions, underlying market movements and general business environment do not provide sufficient certainty to provide a forecast.

HUB24 Custodial Services Ltd, a wholly owned subsidiary of the company, is an Australian Financial Services License (AFSL) holder and is required to meet minimum financial requirements as an IDPS Operator and its custodial function. These regulations impose Net Tangible Asset (NTA) and cashflow projection requirements on the company and are subject to changes by the Australian Securities and Investments Commission (ASIC) from time to time.

The Directors are aware that changes to the financial requirements of Regulatory Guide 166 (June 2013), Class Order 13/760 – AFSL Holders as IDPS operators, Class Order 13/761 – AFSL holders as providers of custodial services and associated explanatory statements and regulatory impact guides may impose additional requirements for the company to hold NTA in excess of the current requirements effective in 1 July 2014 by up to an additional \$5 million above the current maximum requirement of \$5 million. The company is seeking clarification on these requirements from ASIC as these class orders relate to the consolidated entity's specific operations.

## 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 2013 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.

## Contingent Assets and Liabilities

There are no material contingent assets or liabilities of which the consolidated entity is aware that exist at balance date.

## Rounding of Amounts

The company is 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

### 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, and includes the five executives in the company and the consolidated entity receiving the highest remuneration (where applicable).

Director	Board Meetings		Audit, Risk & Compliance Committee Meetings		Remuneration & Nomination Committee	
	Attended	Held*	Attended	Held*	Attended	Held*
Bruce Higgins	12	12	-	-	2	2
Ian Litster	13	13	2	2	2	2
Hugh Robertson	22	24	-	-	-	-
Vaughan Webber	12	12	2	2	2	2
Jason Entwistle	13	13	1	1	-	-
Otto Buttula	5	5	-	-	-	-
David Spessot	11	11	-	-	-	-
Robert Bishop	2	5	-	-	-	-
Darren Pettiona	8	11	-	-	-	-
Robert Spano	13	13	1	1	-	-

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

# DIRECTORS' REPORT

## 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:

- 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 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.

In determining compensation arrangements, the Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of the Key Management Personnel 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 quality team.

## 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 2013 and 30 June 2012 respectively are detailed in the Remuneration of Key Management Personnel section of this Remuneration Report.

## 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
- Cash/equity bonus – Short Term Incentive Plan (STIP)
- Long Term Incentive Plan (LTIP)
- Share based incentives

## Fixed Salary

### Objective and Structure

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

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

## Cash/Equity Bonus – STIP

### Objective and Structure

The objective of the STIP 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.

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

The STIP facilitates annual cash/equity opportunities that reflect performance. Details of the STIP bonuses earned for each executive are detailed below.

## Equity Bonus – LTIP

### 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 individuals is directly linked to performance of the consolidated entity. A portion of incentive payments is dependent on defined earnings targets being met while the remaining portion of the incentive payments is at the discretion of the Remuneration and Nomination Committee.

## Use of Remuneration Consultants

During the financial year ended 30 June 2013 the company sought guidance from Primary Asset Consultants,

# DIRECTORS' REPORT

remuneration and recruitment consultants, to review the proposed structure of remuneration of the Chief Executive Officer including Fixed Remuneration, Short Term Incentive and Long Term Incentive. The guidance was sought by the Chairman of the Board. Primary Asset Consultants received a fee of \$88,800 for the placement of the CEO role and no further fee for remuneration consultant services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from Key Management Personnel. The Board is satisfied that these protocols were followed and as such there was no undue influence.

## **Voting and Comments Made at the Company's 2012 Annual General Meeting**

At the 2012 AGM, 98.19% of votes received supported the adoption of the remuneration report for the year ended 30 June 2012. 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**

Jason Entwistle was appointed as Acting Chief Executive Officer on 26 September 2012.

Jason Entwistle's contractor arrangement was established by taking into account the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations as well as industry practice.

#### **(a) Duration of the Contract**

Jason Entwistle was contracted under a continuing service agreement which expired on 1 August 2013, whereupon he relinquished his Acting Chief Executive role and commenced as Director of Strategic Development with the company.

#### **(b) Remuneration**

- Fixed service fee – a monthly package of \$22,500 (\$270,000 annual equivalent)
- Short Term Incentive – a cash bonus of \$100,000 to be assessed by the Board.

Andrew Alcock was appointed to the role of Chief Executive Officer of the company on 7 May 2013, to commence with the company on 29 July 2013. 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. 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.

Bonuses paid for the year ended 30 June 2013 are discretionary and are not dependent on the satisfaction of a particular performance condition. Specific performance conditions for bonuses will be implemented for the FY14 financial year.

Our independence ensures we are able to objectively offer the best choice of service providers for advisers and investors

## Remuneration of Key Management Personnel

2013			Short Term	Post Employment	Share Based Payments			
\$	Salary and Fees	Cash Bonus	Termination Payment	Super-annuation	Shares	Options	Total	Performance Related %
<b>Non-Executive Directors</b>								
Bruce Higgins <sup>1</sup>	70,560	-	-	-	-	-	70,560	0%
Vaughan Webber <sup>2</sup>	40,376	-	-	-	-	-	40,376	0%
Jason Entwistle <sup>3</sup>	19,383	-	-	-	-	-	19,383	0%
Robert Bishop <sup>4</sup>	3,058	-	-	275	-	-	3,333	0%
Darren Pettiona <sup>5</sup>	9,534	-	-	-	-	-	9,534	0%
Robert Spano <sup>6</sup>	20,000	-	-	-	-	-	20,000	0%
Ian Litster <sup>7</sup>	64,259	-	-	-	-	-	64,259	0%
<b>Sub-Total Non-Executive Directors</b>	<b>227,170</b>	<b>-</b>	<b>-</b>	<b>275</b>	<b>-</b>	<b>-</b>	<b>227,445</b>	
<b>Executive Directors</b>								
Hugh Robertson <sup>8*</sup>	778,124	-	-	-	-	453,540	1,231,664	98%
Otto Buttula <sup>9</sup>	6,815	-	-	-	-	-	6,815	0%
David Spessot <sup>10</sup>	74,529	-	62,500	12,332	-	-	149,361	0%
<b>Sub-Total Executive Directors</b>	<b>859,468</b>	<b>-</b>	<b>62,500</b>	<b>12,332</b>	<b>-</b>	<b>453,540</b>	<b>1,387,840</b>	
<b>Key Management Personnel</b>								
Jason Entwistle <sup>3</sup> – Acting Chief Executive Officer	207,581	-	-	-	-	-	207,581	0%
Wes Gillett <sup>11</sup> – Head of Product and Distribution	44,705	-	-	4,007	-	-	48,712	0%
Joseph Gioffre – Head of Operations	200,000	30,000	-	18,000	-	-	248,000	0%
Matthew Haes – CFO and Company Secretary	205,262	-	-	18,473	-	-	223,735	0%
Neil Sheather <sup>12</sup> – Head of Stockbroking	126,519	-	-	9,298	-	13,668	149,485	0%
Andrea Steele <sup>13</sup> – Company Secretary	72,348	-	-	4,510	-	-	76,858	0%
<b>Sub-Total Key Management Personnel</b>	<b>856,415</b>	<b>30,000</b>	<b>-</b>	<b>54,288</b>	<b>-</b>	<b>13,668</b>	<b>954,371</b>	
<b>Total</b>	<b>1,943,053</b>	<b>30,000</b>	<b>62,500</b>	<b>66,895</b>	<b>-</b>	<b>467,208</b>	<b>2,569,656</b>	

- Bruce Higgins appointed 19 October 2012
- Vaughan Webber appointed 19 October 2012
- Jason Entwistle resigned as Non-Executive Director and appointed Acting Chief Executive Officer 26 September 2012
- Robert Bishop resigned from the Board 25 July 2012
- Darren Pettiona resigned from the Board 26 September 2012
- Robert Spano resigned from the Board 19 October 2012
- Ian Litster appointed 26 September 2012
- Hugh Robertson currently acts in a Non-Executive Director capacity, however, is classified as an Executive Director as at 30 June 2013
- Otto Buttula resigned from the Board 25 July 2012
- David Spessot resigned from the Board 26 September 2012
- Wes Gillett appointed 22 April 2013
- Neil Sheather departed 6 March 2013
- Andrea Steele departed 11 September 2012

\*In February 2013, Hugh Robertson departed the company as an advisor with the divestment of the stockbroking business, whilst remaining as a Director. He remains as an Executive Director for six months, until 8 August 2013, post departure as defined under the *Corporations Act 2001*.

Hugh Robertson's salary and fees were paid to his private company as follows:

Corporate advisory and stockbroking services – Hugh Robertson	13,350
Corporate advisory and stockbroking services – Spouse	742,595
Director fees	22,179
<b>Total</b>	<b>778,124</b>

Hugh Robertson has 750,000 options over ordinary shares with an expiry date of 31 January 2015 and exercise price of \$5.20 per options. These options became fully vested on 8 February 2013 with the divestment of the stockbroking business resulting in a share based payments expense of \$453,540.

# DIRECTORS' REPORT

## Remuneration of Key Management Personnel

2012			Short Term	Post Employment	Share Based Payments			
\$	Salary and Fees	Cash Bonus	Termination Payment	Super- annuation	Shares	Options	Total	Performance Related %
<b>Non-Executive Directors</b>								
Jason Entwistle	53,304	-	-	-	-	-	53,304	0%
Robert Bishop	36,697	-	-	3,303	-	-	40,000	0%
Kim Hogan <sup>1</sup>	15,012	-	-	1,351	-	-	16,363	0%
Darren Pettiona <sup>2</sup>	4,384	-	-	-	-	-	4,384	0%
Robert Spano	40,000	-	-	-	-	-	40,000	0%
<b>Sub-Total Non-Executive Directors</b>	<b>149,397</b>	<b>-</b>	<b>-</b>	<b>4,654</b>	<b>-</b>	<b>-</b>	<b>154,051</b>	
<b>Executive Directors</b>								
Hugh Robertson	910,065	-	-	-	-	76,279	986,344	100%
Otto Buttula	63,583	-	-	-	-	-	63,583	0%
Darren Pettiona <sup>2</sup>	131,761	-	11,538	12,842	-	-	156,141	0%
David Spessot <sup>3</sup>	112,738	-	-	10,146	-	7,469	130,353	0%
<b>Sub-Total Executive Directors</b>	<b>1,218,147</b>	<b>-</b>	<b>11,538</b>	<b>22,988</b>	<b>-</b>	<b>83,748</b>	<b>1,336,421</b>	
<b>Key Management Personnel</b>								
Aaron Bull – Head of IT <sup>4</sup>	123,649	-	-	11,128	-	7,470	142,247	0%
Mark Mansfield – Compliance Manager <sup>5</sup>	65,656	-	-	5,909	-	-	71,565	0%
Matthew Press – COO Stockbroking and Operations <sup>6</sup>	42,918	-	-	3,515	-	-	46,433	0%
Paul Sarkis – Head of Product <sup>7</sup>	117,857	-	-	10,607	-	2,421	130,885	0%
Neil Sheather – Head of Stockbroking <sup>8</sup>	104,852	-	-	9,436	-	2,462	116,750	0%
Ariel Sivikofsky – CFO and Company Secretary <sup>9</sup>	152,279	-	-	12,844	-	-	165,123	0%
Andrea Steele – Company Secretary	192,660	-	-	17,340	-	2,421	212,421	0%
Frances Taylor – Product and Compliance	165,138	-	-	14,862	-	1,937	181,937	0%
Therese Taylor – Compliance and Legal <sup>10</sup>	65,350	-	-	5,882	-	-	71,232	0%
<b>Sub-Total Key Management Personnel</b>	<b>1,030,359</b>	<b>-</b>	<b>-</b>	<b>91,523</b>	<b>-</b>	<b>16,711</b>	<b>1,138,593</b>	
<b>Total</b>	<b>2,397,903</b>	<b>-</b>	<b>11,538</b>	<b>119,165</b>	<b>-</b>	<b>100,459</b>	<b>2,629,065</b>	

1. Kim Hogan resigned from the Board 27 October 2011

2. Darren Pettiona resigned as Chief Executive Officer 30 March 2012 and was appointed as Non-Executive Director 17 May 2012

3. David Spessot appointed Chief Executive Officer-Designate 30 March 2012

4. Aaron Bull appointed 1 September 2011

5. Mark Mansfield appointed 5 January 2012

6. Matthew Press resigned 16 September 2011

7. Paul Sarkis appointed 1 November 2011

8. Neil Sheather appointed 7 September 2011

9. Ariel Sivikofsky resigned 15 March 2012

10. Therese Taylor resigned 11 November 2011

## 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 (including superannuation)	STI <sup>2</sup>	LTI <sup>3</sup>	Term of agreement	Notice period – either party
Andrew Alcock <sup>1</sup> – Chief Executive Officer	\$370,000	100% of base salary	600,000 options*	Unspecified – commenced 29 July 2013	6 months
Jason Entwistle – Director, Strategic Development	\$300,000	100% of base salary	480,000 options*	Unspecified – commenced 1 August 2013	6 months
Wes Gillett – Head of Product and Distribution	\$250,700	100% of base salary	360,000 options*	Unspecified – commenced 19 April 2013	6 months
Matthew Haes – Chief Financial Officer and Company Secretary	\$226,050	Nil	115,000 options**	Unspecified – commenced 26 June 2012	1 month
Joseph Gioffre – Head of Operations	\$223,995	Nil	80,000 options**	Unspecified – commenced 3 July 2012	1 month

1. Andrew Alcock commenced employment 29 July 2013.

2. 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.

3. Options for Andrew Alcock, Jason Entwistle and Wes Gillett with 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.

Options for Matthew Haes and Joseph Gioffre with 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.

\*Options issued 7 August 2013

\*\*Options issued 8 August 2013

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

## D. Share Based Compensation

There were no options or shares issued to Directors or other Key Management Personnel as part of compensation during the year ended 30 June 2013. Refer to Note 23 of the notes to the consolidated Financial Report for options issued to Key Management Personnel after 30 June 2013.

There are no options over ordinary shares affecting remuneration of Directors and other Key Management Personnel in this financial year. Refer to Note 28 of the notes to the consolidated Financial Report for shares and options held by Key Management Personnel.

# DIRECTORS' REPORT

## E. Additional Information

The earnings of the consolidated entity for the five years ended 30 June 2013 are summarised below:

	2013	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
EBITDA	(10,504)	(12,677)	(3,464)	(1,901)	(2,330)
EBIT	(11,534)	(29,847)	(5,235)	(2,204)	(3,536)
Profit /(Loss) after income tax	(9,783)	(30,516)	(4,451)	(1,068)	(2,010)

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

	2013	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Share price at financial year end	\$0.75	\$0.95	\$2.78	\$1.58	\$2.21
Basic earnings per share	(0.008)	(0.044)	(0.009)	(0.005)	(0.02)

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 \$81,000 were paid to BDO (2012: \$Nil). 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.

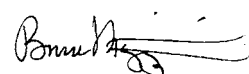
## Proceedings on Behalf of the Company

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 2013

# AUDITOR'S INDEPENDENCE DECLARATION



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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 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'P. Bull', is written over a circular stamp or watermark. The signature is fluid and cursive.

**Paul Bull**  
Partner

**BDO East Coast Partnership**

Sydney, 29 August 2013

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
<b>Principle 1 – Lay solid foundations for management and oversight</b>	
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
<b>Principle 2 – Structure the Board to add value</b>	
2.1 A majority of the Board should be independent Directors.	No
2.2 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.	Yes
2.3 The Chair should be an independent Director.	Yes
2.4 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes
2.5 The Board should establish a nomination committee.	Yes
2.6 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes
<b>Principle 3 – Promote ethical and responsible decision-making</b>	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• The practices necessary to maintain confidence in the company's integrity</li> <li>• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	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.	No
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.	
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
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: 29% (9.4 of 32.4), Women in senior executive positions: 0% (0 of 5), Women on Board: Nil	Yes
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
<b>Principle 4 – Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• Consists only of Non-Executive Directors</li> <li>• Consists of a majority of independent Directors</li> <li>• Is chaired by an independent chair, who is not Chair of the Board</li> <li>• Has at least three members.</li> </ul> <p>The ARCC comprises two members which the Board considers to be sufficient given the overall reduction in Board members to four from seven during the financial year.</p>	Yes 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
<b>Principle 5 – Make timely and balanced disclosure</b>		
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
<b>Principle 6 – Respect the rights of shareholders</b>		
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
<b>Principle 7 – Recognise and manage risk</b>		
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 <i>Corporations Act 2001</i> 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

# CORPORATE GOVERNANCE

Recommendation		Comply
<b>Principle 8 – Remunerate fairly and responsibly</b>		
8.1	The Board should establish a remuneration committee.	Yes
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• Consists of a majority of independent Directors</li> <li>• Is chaired by an independent Chair</li> </ul> <p>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</p> <ul style="list-style-type: none"> <li>• Has at least three members</li> </ul>	Yes No 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.

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.

## 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.

Due to the restructure of the consolidated entity and changes in the HUB24 board and executive management team, no formal review of the skills and performance has been undertaken during the financial year ended 30 June 2013. The following will be addressed during the 2014 financial year:

- How gender diversity is achieved and when to introduce a formal policy
- Review of the performance of the Board members
- Performance of the newly appointed executive management team.

## 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:
  1. Attracts and retains talent
  2. Motivates the CEO and direct reports
  3. Links remuneration with performance and the creation of value for shareholders
  4. 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

# CORPORATE GOVERNANCE

- 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.

The minutes shall be circulated and approved by the Remuneration and Nomination Committee members, and included in the papers for the next full Board meeting after each Remuneration and Nomination Committee 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.

## 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:
  1. Reviewing and reporting to the Board on the half yearly and annual reports and financial statements of the company and associated entities
  2. Monitoring and reviewing the reliability of financial reporting
  3. Monitoring and reviewing mandatory statutory requirements

- External auditor's qualifications, performance and independence, including:
  1. Nominating the external auditor
  2. 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:
  1. Effectiveness of the consolidated entity's internal control systems
  2. Business Continuity and Risk Plan and Disaster Recovery Plan
  3. Consolidated entity's insurance policy and coverage
- Consolidated entity's compliance with legal and regulatory requirements:
  1. Occupational Health and Safety
  2. 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.

# CORPORATE GOVERNANCE

## 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.

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 fortnightly, 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 all companies within 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.

## Procedures

### 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 six 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:
  1. The information is confidential and the ASX has not formed the view that the information has ceased to be confidential
  2. 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](http://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. 15 December to 28 February each year (half yearly reporting period)
2. 15 June to market release of full year results (31 August each year) (full year reporting period)
3. Any period announced by the company, which may include briefings with Institutional investors, individual 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 2013

	Note	CONSOLIDATED	
		2013	2012
		\$	\$
<b>Revenue from continuing operations</b>			
Revenue	6(a)	1,228,366	226,261
Interest and other income		577,771	626,847
		<b>1,806,137</b>	<b>853,108</b>
<b>Expenses</b>			
Platform and custody fees		(838,661)	(418,358)
Employee benefits expenses	6(b)	(4,374,859)	(3,027,831)
Property and occupancy costs	6(c)	(354,115)	(348,126)
Depreciation, amortisation and impairment	6(d)	(1,029,775)	(17,169,826)
Administrative expenses	6(e)	(2,180,967)	(1,690,811)
		<b>(8,778,377)</b>	<b>(22,654,950)</b>
<b>Profit before income tax expense from continuing operations</b>		<b>(6,972,240)</b>	<b>(21,801,842)</b>
Income tax (expense)/benefit	7	1,173,832	(1,295,877)
Loss after income tax from continuing operations		(5,798,409)	(23,097,719)
Loss after income tax from discontinued operations	8	(3,984,560)	(7,417,948)
<b>Loss after income tax for the year</b>		<b>(9,782,968)</b>	<b>(30,515,667)</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>(9,782,968)</b>	<b>(30,515,667)</b>
<b>Total comprehensive loss for the year attributable to ordinary equity members of Investorfirst Limited</b>		<b>(9,782,968)</b>	<b>(30,515,667)</b>
		Cents	Cents
<b>Earnings per share from continuing operations, attributable to ordinary equity members of HUB24 Limited</b>			
Basic earnings per share		(18.65)	(134.57)
Diluted earnings per share		(18.65)	(134.57)
<b>Earnings per share from discontinued operations, attributable to ordinary equity members of HUB24 Limited</b>			
Basic earnings per share		(12.82)	(43.22)
Diluted earnings per share		(12.82)	(43.22)
<b>Earnings per share for profit attributable to ordinary equity members of HUB24 Limited</b>			
Basic earnings per share		(31.47)	(177.79)
Diluted earnings per share		(31.47)	(177.79)

On 11 December 2012 the company's share capital was consolidated on a 40 for 1 basis. Calculations of earnings per share for the current and prior period have been performed on a post share consolidation basis.

*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 2013

		<b>CONSOLIDATED</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	20(b)	9,542,846	7,062,254
Trade and other receivables	9	1,383,130	15,619,496
Other current assets	10	343,868	39,042
<b>Total Current Assets</b>		<b>11,269,844</b>	<b>22,720,792</b>
<b>Non-Current Assets</b>			
Office equipment	11	54,929	291,525
Intangible assets	12	7,409,144	7,400,000
Other non-current assets	13	460,339	778,862
<b>Total Non-Current Assets</b>		<b>7,924,412</b>	<b>8,470,387</b>
<b>Total Assets</b>		<b>19,194,256</b>	<b>31,191,179</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	741,399	17,320,587
Provisions	15	1,068,411	417,989
<b>Total Current Liabilities</b>		<b>1,809,810</b>	<b>17,738,576</b>
<b>Non-Current Liabilities</b>			
Provisions	16	62,318	10,548
<b>Total Non-Current Liabilities</b>		<b>62,318</b>	<b>10,548</b>
<b>Total Liabilities</b>		<b>1,872,128</b>	<b>17,749,124</b>
<b>Net Assets</b>		<b>17,322,128</b>	<b>13,442,055</b>
<b>EQUITY</b>			
Issued capital	17	66,843,612	54,151,655
Reserves	18	1,878,436	907,352
Accumulated losses		(51,399,920)	(41,616,952)
<b>Total Equity</b>		<b>17,322,128</b>	<b>13,442,055</b>

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 2013

<b>CONSOLIDATED</b>	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Total</b>
	\$	\$	\$	\$
<b>As at 1 July 2012</b>	<b>54,151,655</b>	<b>907,352</b>	<b>(41,616,952)</b>	<b>13,442,055</b>
Total comprehensive loss for the year	-	-	(9,782,968)	(9,782,968)
<b>Transactions with equity members in their capacity as equity members</b>				
Capital raising	12,691,957	-	-	12,691,957
Employee Options granted	-	971,084	-	971,084
<b>As at 30 June 2013</b>	<b>66,843,612</b>	<b>1,878,436</b>	<b>(51,399,920)</b>	<b>17,322,128</b>
<b>As at 1 July 2011</b>	<b>54,301,655</b>	<b>634,860</b>	<b>(11,101,285)</b>	<b>43,835,230</b>
Total comprehensive loss for the year	-	-	(30,515,667)	(30,515,667)
<b>Transactions with equity members in their capacity as equity members</b>				
Acquisition of shares by ESOT	(150,000)	-	-	(150,000)
Employee Options granted	-	272,492	-	272,492
<b>As at 30 June 2012</b>	<b>54,151,655</b>	<b>907,352</b>	<b>(41,616,952)</b>	<b>13,442,055</b>

*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 2013

		<b>CONSOLIDATED</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		7,056,326	7,328,451
Payments to suppliers and employees (inclusive of GST)		(17,270,607)	(15,531,206)
Interest received		362,860	522,748
Net movement from client and dealer balances		567,882	467,512
<b>Net cash inflow/(outflow) from operating activities</b>	<b>20(a)</b>	<b>(9,283,539)</b>	<b>(7,212,495)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		-	(100,007)
Payment for security deposits		-	(446,600)
Payment for capitalised development costs		(927,825)	(2,747,928)
Proceeds/(payment) for acquisition of shares in subsidiaries, net of cash acquired		-	334,984
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(927,825)</b>	<b>(2,959,551)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share placement		12,691,957	-
Payment of treasury shares		-	(150,000)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>12,691,957</b>	<b>(150,000)</b>
Net increase/(decrease) in cash and cash equivalents		<b>2,480,592</b>	<b>(10,322,046)</b>
Cash and cash equivalents at beginning of year		7,062,254	17,384,300
<b>Cash and cash equivalents at end of year</b>	<b>20(b)</b>	<b>9,542,846</b>	<b>7,062,254</b>

*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 2013

## 1. CORPORATE INFORMATION

The Annual Report of HUB24 Limited (the company or parent entity) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 29 August 2013 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.

The adoption of these Accounting Standards and Interpretations did not have any 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 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income  
The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments required grouping together of items within other comprehensive income on the basis of whether they will eventually be ‘recycled’ to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentations. The amendments also introduced the term ‘Statement of profit or loss and other comprehensive income’ clarifying that there are two discrete sections, the profit or loss section and other comprehensive income section.

### Going concern

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



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

Management regularly reviews the cashflow requirements and financing options for the company and the consolidated entity as part of its normal operations.

The consolidated entity is focussed on the development, commercialisation and revenue growth of the HUB24 investment platform and operating in the current regulatory environment which is likely to require additional capital within the next twelve month period. The consolidated entity has raised capital in prior years from multiple sources for acquisition, regulatory capital requirements, investment platform development and working capital purposes. Accordingly, the directors of the company are confident of sourcing additional capital as and when required.

### **Basis of consolidation**

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

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

Special purpose entities are those entities over which the consolidated entity has no ownership interest but in effect the substance of the relationship is such that the consolidated entity controls the entity so as to obtain the majority of benefits from its operation. There are no special purpose entities.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Foreign currency translation

##### *Functional and presentation currency*

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

#### Revenue and income recognition

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

Revenue is recognised for the major business activities as follows:

##### *Platform revenue*

- Portfolio service fee revenue is recognised and measured at the fair value of the consideration received or receivable on the value of client account balances.
- Cash margin is recognised and measured at the fair value of the interest received or receivable on that portion of client account balances held in cash.
- Broking revenue is recognised and measured at the fair value of the consideration received or receivable on the execution of trades.

##### *Finance income*

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, 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.

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

### Discontinued operations

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

### Cash and cash equivalents

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

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

### Trade and other receivables

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

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

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.

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.

#### *Tax consolidation legislation*

The company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The company and the controlled entities in the tax consolidated consolidated entity continue to account for their own current and deferred tax amounts. 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 consolidated entity.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated entity.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

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

### *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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 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.

#### 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.

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

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.

### **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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 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.

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.



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

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.

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.

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

### Earnings Per Share (EPS)

**Basic EPS** is calculated by dividing the profit 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.

### Accounting Standards Issued Not Yet Effective

The following new and amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 30 June 2013. They have not been adopted in preparing the financial statements for the year ended 30 June 2013 and are expected to impact the consolidated entity in the period of initial application. In all cases the consolidated entity intends to apply these standards from application date as indicated below.

- (i) AASB 9 *Financial Instruments* (issued December 2009 and amended December 2010), AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) - effective for annual reporting periods beginning on or after 1 January 2015.

AASB 9 amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:

1. Amortised cost
2. Fair value through profit or loss
3. Fair value through other comprehensive income.

The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

The consolidated entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.

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

- (ii) AASB 10 *Consolidated Financial Statements* (issued August 2011) – effective for annual reporting periods beginning on or after 1 January 2013.

The main changes under AASB 10 include:

- Introduces 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.
- Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable. This may result in possibly fewer instances of control.
- Additional guidance included to determine when decision making authority over an entity has been delegated by a principal to an agent. Factors to consider include:
  - Scope of decision making authority
  - Rights held by other parties, e.g. kick-out rights
  - Remuneration and whether commensurate with services provided
  - Decision maker's exposure to variability of returns from other interests held in the investee.

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

- (iii) AASB 12 *Disclosure of Interests in Other Entities* (issued August 2011) – effective for annual reporting periods beginning on or after 1 January 2013.

AASB 12 combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

- (iv) AASB 13 *Fair Value Measurement* (issued September 2011) - effective for annual reporting periods beginning on or after 1 January 2013.

Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Under AASB 13 additional disclosures will be required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements.

The consolidated entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.

- (v) AASB 119 *Employee Benefits* (reissued September 2011) - effective for annual reporting periods beginning on or after 1 January 2013.

## NOTES TO THE FINANCIAL STATEMENTS

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

The main changes under AASB 119 include:

- Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.
- Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans
- Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods
- Subtle amendments to timing for recognition of liabilities for termination benefits

The consolidated entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. The consolidated entity has yet to quantify the impact of adopting AASB 119.

- (vi) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (issued July 2011) - effective for annual reporting periods beginning on or after 1 July 2013.

AASB 2011-4 deletes the disclosure requirements for individual key management personnel from AASB 124 *Related Party Disclosures*.

When this standard is first adopted for the year ended 30 June 2014, individual key management personnel disclosures relating to reconciliations of their option and shareholding balances, loans, and other transactions and balances, will no longer be presented in the notes to the financial statements under AASB 124. Instead, Regulation 2M.3.03(1) of the *Corporations Act 2001* requires that these disclosures be included as part of the audited remuneration report.

- (vii) AASB 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039* (issued December 2012) - effective for annual reporting periods beginning on or after 1 January 2013.

AASB 2012-9 deletes Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills In Australia* from the list of mandatory Australian Interpretations to be applied by entities preparing financial statements under the *Corporations Act 2001* or other general purpose financial statements.

There will be no impact on first-time adoption of this amendment as the consolidated entity does not account for proposed changes in taxation legislation until the relevant Bill has passed through both Houses of Parliament, which is consistent with the views expressed by the Australian Accounting Standards Board in their agenda decision of December 2012.

- (viii) AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities* (issued August 2013) - effective for annual reporting periods beginning on or after 1 January 2014.

AASB 2013-5 defines an 'investment entity' and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendment prescribes three criteria that must be met in order for an entity to be defined as an investment entity, as well as four 'typical characteristics' to consider in assessing the criteria. The amendment also introduces disclosure requirements for investment entities into AASB 12 *Disclosure of Interests in Other Entities* and amends AASB 127 *Separate Financial Statements*.

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

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

#### Liquidity risk

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

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

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

#### Market risk

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

#### Capital management

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

##### *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.

##### *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 with employees 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.

#### **5. OPERATING SEGMENTS**

##### **Identification of reportable segments**

The consolidated entity has identified its operating segments based on the internal reports, that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. Discrete financial information about each of these operating businesses is reported to the executive management team on a monthly basis.

The accounting policies used by the consolidated entity in reporting segments internally are the same as those contained in Note 2 to the accounts and in the prior period.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. OPERATING SEGMENTS (CONT'D)

#### *Investment 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, non-unitised portfolios (SMA's), term deposits, bonds, cash and margin lending.

#### *Stockbroking*

The stockbroking segment, now a discontinued operation conducted a business of stockbroking, sponsoring of share issues, secondary placements, investment research and advice, corporate structuring and corporate finance.

#### **Accounting policies and inter-segment transactions**

The accounting policies used by the consolidated entity in reporting segments internally are the same as those contained in Note 2.

#### **Major customers**

The consolidated entity had no external clients from which it derived more than 10% of revenue.

#### **Operating Segment Financial Information**

<b>Year ended 30 June 2013</b>	<b>Stockbroking (Discontinued operations)</b>	<b>Investment Platform</b>	<b>Corporate/ Administration</b>	<b>Total</b>
<b>Revenue</b>				
External revenue	5,215,849	1,228,366	-	6,444,215
<b>Total revenue</b>	<b>5,215,849</b>	<b>1,228,366</b>	<b>-</b>	<b>6,444,215</b>
<b>Segment operating result</b>	<b>(2,184,163)</b>	<b>(2,786,740)</b>	<b>(3,662,635)</b>	<b>(8,633,538)</b>
<i>Other non-operating items:</i>				
Interest and other income	61,685	106,260	471,511	639,456
Bank fees	(6,721)	(21,334)	(21,767)	(49,822)
Bad debts expense	(70,450)	-	-	(70,450)
Depreciation and amortisation	-	(918,681)	(111,094)	(1,029,775)
Onerous contracts expense	(841,588)	-	-	(841,588)
Share based payments expense	(943,323)	-	(27,761)	(971,084)
<b>Loss before income tax expense</b>	<b>(3,984,560)</b>	<b>(3,620,495)</b>	<b>(3,351,746)</b>	<b>(10,956,801)</b>
Income tax benefit				1,173,832
<b>Loss after income tax expense</b>				<b>(9,782,968)</b>

The Corporate/Administration segment has been separately identified, representing unallocated items that do not form part of an operating segment.

The consolidated entity operates in one geographical area being Australia and thus all revenues are derived in Australia.



## 5. OPERATING SEGMENTS (CONT'D)

Year ended 30 June 2012	Stockbroking (Discontinued operations)	Investment Platform	Corporate/ Administration	Total
<b>Revenue</b>				
External revenue	6,445,933	226,261	-	6,672,194
<b>Total revenue</b>	<b>6,445,933</b>	<b>226,261</b>	<b>-</b>	<b>6,672,194</b>
<b>Segment operating result</b>	<b>(2,854,382)</b>	<b>(2,540,780)</b>	<b>(2,401,651)</b>	<b>(7,796,813)</b>
<i>Other non-operating items:</i>				
Interest and other income	-	-	626,846	626,845
Bank fees	-	-	(43,941)	(43,941)
Bad debts expense	(96,746)	-	-	(96,746)
Depreciation and amortisation	(423,697)	(2,095,762)	(5,429)	(2,524,888)
Impairment expense	(4,043,123)	(14,664,135)	(404,499)	(19,111,757)
Share based payments expense	-	-	(272,492)	(272,492)
<b>Loss before income tax expense</b>	<b>(7,417,948)</b>	<b>(19,300,677)</b>	<b>(2,501,166)</b>	<b>(29,219,790)</b>
Income tax expense				(1,295,877)
<b>Loss after income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,515,667)</b>

The consolidated entity operates in one geographical area being Australia and thus all revenues are derived in Australia.

Total Segment Assets	Stockbroking (Discontinued operations)	Investment Platform	Corporate/ Administration	Total
<b>30 June 2013 Segment Assets</b>	<b>3,916,924</b>	<b>11,206,394</b>	<b>4,070,938</b>	<b>19,194,256</b>
<b>30 June 2012 Segment Assets</b>	<b>21,362,716</b>	<b>7,678,586</b>	<b>2,149,877</b>	<b>31,191,179</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	CONSOLIDATED	
	2013	2012
	\$	\$
<b>Revenue</b>		
<b>(a) Interest and other income</b>		
Portfolio service fees	756,924	195,794
Cash margin	203,678	-
Brokerage	134,623	6,526
Other platform fees	133,141	23,941
	<b>1,228,366</b>	<b>226,261</b>
<b>Expenses</b>		
<b>(b) Employee benefits expenses</b>		
Wages and salaries (incl super and payroll tax)	4,084,416	2,755,339
Share based payments expense	27,761	231,570
Other employee benefits expenses	262,683	40,922
	<b>4,374,859</b>	<b>3,027,831</b>
<b>(c) Property and occupancy costs</b>		
Rent	335,405	322,150
Other occupancy costs	18,710	25,977
	<b>354,115</b>	<b>348,126</b>
<b>(d) Depreciation, impairment and amortisation</b>		
Depreciation	111,094	158,843
Amortisation of intangibles	918,681	1,936,920
Impairment of intangibles	-	15,074,063
	<b>1,029,775</b>	<b>17,169,826</b>
<b>(e) Administrative expenses</b>		
Corporate fees	371,561	304,890
Professional and consultancy fees	682,006	595,299
Information services and communication	494,908	415,257
Travel and entertainment	259,406	155,184
Other administrative expenses	373,086	220,181
	<b>2,180,967</b>	<b>1,690,811</b>

## 7. INCOME TAX

### (a) Income tax expense/(benefit)

	CONSOLIDATED	
	2013	2012
	\$	\$
Current tax	-	(57,237)
Research and development claim	(1,173,832)	-
Deferred tax	-	1,353,114
<b>Income tax expense/(benefit)</b>	<b>(1,173,832)</b>	<b>1,295,877</b>

Deferred tax included in income tax expense/(benefit) comprises:

Decrease/(increase) in deferred tax assets	-	1,353,114
(Decrease)/increase in deferred tax liabilities	-	-
	-	1,353,114

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

Loss from continuing operations before income tax	(6,972,240)	(21,801,842)
Loss from discontinued operations before income tax	(3,984,559)	(7,417,948)
	(10,956,799)	(29,219,790)

Prima facie income tax at 30%	(3,287,040)	(8,765,937)
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Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Impairment of intangibles	-	5,735,156
Deferred acquisition expenses	103,860	-
Share based payments	291,325	81,748
Entertainment	4,766	9,781
Sundry items	10,548	4,127
	410,499	5,830,812

Under/(over) provision in prior years	-	(57,237)
Research and development claim	(1,173,832)	-
Adjustment to deferred tax asset	103,491	(89,371)
Non-recognition of deferred tax asset	2,773,050	4,377,610
	1,702,709	4,231,002

<b>Income tax expense/(benefit)</b>	<b>(1,173,832)</b>	<b>1,295,877</b>
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## NOTES TO THE FINANCIAL STATEMENTS

### 7. INCOME TAX (CONT'D)

	CONSOLIDATED	
	2013	2012
	\$	\$
<b>(c) Deferred Tax Asset</b>		
<b>Deferred tax asset comprises temporary differences attributable to:</b>		
Accrued expenses	143,085	99,826
Provisions	339,219	305,573
Intangibles	3,237,560	3,470,818
Capital raising costs	(85,801)	-
Carry forward tax losses	8,848,174	5,670,454
Non-recognition of deferred tax asset	(12,482,237)	(9,546,671)
	<u>-</u>	<u>-</u>
<b>Movements:</b>		
Opening balance	-	1,353,116
Credited/(charged) to profit or loss	(279,729)	4,166,965
(Charged)/credited to equity	(21,450)	(30,730)
Current tax losses	3,177,720	2,280,181
Adjustment to prior year deferred tax asset	(103,491)	89,371
Non-recognition of deferred tax asset	(2,773,050)	(7,858,903)
<b>Closing balance</b>	<u>-</u>	<u>-</u>

At 30 June 2013 the consolidated entity has unused tax losses of \$8,848,174 and other temporary differences of \$3,634,063 (tax effect at 30% value) (2012: unused tax losses of \$5,670,454 and other temporary differences of \$3,876,217 tax effect at 30% value) for which no asset has been recognised.

#### (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.

## 8. DISCONTINUED OPERATIONS

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

### Financial Performance

	CONSOLIDATED	
	2013	2012
	\$	\$
<b>Revenue from discontinued operations</b>		
Revenue	5,215,849	6,445,933
Interest and other income	61,685	-
	<b>5,277,535</b>	<b>6,445,933</b>
<b>Expenses from discontinued operations</b>		
Trading fees	3,914,995	5,085,930
Employee benefits expenses	1,810,161	2,984,077
Property and occupancy costs	450,838	713,356
Depreciation, amortisation and impairment	-	4,466,820
Deferred acquisition expense	346,200	-
Other expenses	538,749	613,698
	<b>7,060,942</b>	<b>13,863,881</b>
<b>Loss before income tax expense from discontinued operations</b>	<b>(1,783,408)</b>	<b>(7,417,948)</b>
Income tax expense	-	-
Loss after income tax	<b>(1,783,408)</b>	<b>(7,417,948)</b>
<b>Loss on disposal before income tax expense</b>	<b>(2,201,152)</b>	<b>-</b>
Income tax expense	-	-
Loss on disposal after income tax expense	<b>(2,201,152)</b>	<b>-</b>
<b>Loss after income tax from discontinued operations</b>	<b>(3,984,560)</b>	<b>(7,417,948)</b>

### Cash flow information

	CONSOLIDATED	
	2013	2012
	\$	\$
Net cash used in operating activities	(3,638,360)	(2,951,128)
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	<b>(3,638,360)</b>	<b>(2,951,128)</b>

### Carrying amounts of assets and liabilities

	CONSOLIDATED	
	2013	2012
	\$	\$
Total assets	-	-
Provisions	43,611	25,561
Total liabilities	43,611	25,561
Net assets	<b>(43,611)</b>	<b>(25,561)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. DISCONTINUED OPERATIONS (CONT'D)

#### Details of the disposal

	CONSOLIDATED	
	2013	2012
	\$	\$
Total sale consideration	1	-
Carrying amount of employee liabilities transferred on sale	43,611	-
Disposal costs	(2,244,764)	-
Loss on disposal before income tax	(2,201,152)	-
Income tax expense	-	-
Loss on disposal after income tax	(2,201,152)	-

### 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2013	2012
	\$	\$
Client receivables	-	15,384,409
Trade receivables	127,031	121,873
Allowance for impairment loss (i)	-	(84,306)
	<b>127,032</b>	<b>15,421,976</b>
Other debtors	1,256,098	197,520
	<b>1,383,130</b>	<b>15,619,496</b>

#### (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 (2012: \$84,306) has been recognised by the consolidated entity in the current year. These amounts have been included in the statement of profit or loss and other comprehensive income as an administrative expense.

Movements in the provision for impairment loss were as follows:

Opening balance	84,306	56,673
Charge for the year	-	96,746
Amounts written off	(84,306)	(69,113)
Closing balance	-	<b>84,306</b>

#### (ii) Other debtors

As at 30 June 2013, a tax refund receivable from the ATO was recognised for a 2012 financial year research and development tax offset claimed with respect to the HUB24 platform of \$1,173,000.

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

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

	0-30 days	31-60 days	61-90 days PDNI *
2013 Consolidated	1,383,130	-	-
2012 Consolidated	15,508,382	111,113	-

\* PDNI - Past due not impaired

CI - Considered impaired

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

### (iii) Fair value and credit risk

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

## 10. CURRENT ASSETS – OTHER CURRENT ASSETS

	CONSOLIDATED	
	2013	2012
	\$	\$
Prepayments	20,100	25,676
Other assets	323,768	13,366
	<b>343,868</b>	<b>39,042</b>

## 11. NON-CURRENT ASSETS – OFFICE EQUIPMENT

	CONSOLIDATED	
	2013	2012
	\$	\$
Computer Equipment		
At cost	104,669	390,024
Accumulated depreciation	(74,347)	(313,034)
	<b>30,322</b>	<b>76,990</b>
Office Furniture and Fittings		
At cost	229,497	457,296
Accumulated depreciation	(204,890)	(253,553)
	<b>24,607</b>	<b>203,743</b>
Leased Assets		
At cost	-	17,500
Accumulated depreciation	-	(6,708)
	-	<b>10,792</b>
<b>Total Office Equipment</b>		
Cost	334,166	864,820
Accumulated depreciation	(279,236)	(573,295)
<b>Total Net Carrying Amount</b>	<b>54,929</b>	<b>291,525</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

	CONSOLIDATED	
	2013	2012
	\$	\$
<b>Reconciliations of the carrying amounts at the beginning and end of the financial year:</b>		
<b><i>Computer Equipment</i></b>		
Carrying amount at beginning	76,990	62,139
Acquisitions through business combinations	-	36,843
Other additions	-	14,327
Disposals	(24,506)	-
Depreciation expense	(22,162)	(36,319)
<b>Net Carrying Amount</b>	<b>30,322</b>	<b>76,990</b>
<b><i>Office Furniture and Fittings</i></b>		
Carrying amount at beginning	203,743	134,137
Acquisitions through business combinations	-	135,894
Other additions	-	57,004
Disposals	(91,806)	-
Depreciation expense	(87,330)	(123,292)
<b>Net Carrying Amount</b>	<b>24,607</b>	<b>203,743</b>
<b><i>Leased Assets</i></b>		
Carrying amount at beginning	10,792	14,000
Additions	-	-
Disposals	(9,190)	-
Depreciation expense	(1,602)	(3,208)
<b>Net Carrying Amount</b>	<b>(0)</b>	<b>10,792</b>
<b>Total Office Equipment</b>		
Carrying amount at beginning	291,525	210,276
Acquisitions through business combinations	-	172,737
Other additions	-	71,331
Disposals	(125,502)	-
Depreciation	(111,094)	(162,819)
<b>Net Carrying Amount</b>	<b>54,929</b>	<b>291,525</b>



## 12. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED	
	2013	2012
	\$	\$
<b>Investment Platform</b>		
At cost	25,493,112	24,565,287
Accumulated amortisation and impairment	(18,083,968)	(17,165,287)
Net carrying amount	<u>7,409,144</u>	<u>7,400,000</u>
<b>Total Net Carrying Amount</b>	<u>7,409,144</u>	<u>7,400,000</u>

### *Reconciliations of the carrying amount at the beginning and end of the financial year:*

<b>Investment Platform</b>		
Opening carrying amount	7,400,000	19,564,222
Acquisitions through business combinations	-	1,106,588
Other additions – capitalised development costs	927,825	2,747,928
Impairment charge	-	(13,922,502)
Amortisation charge	(918,681)	(2,096,236)
Closing carrying amount	<u>7,409,144</u>	<u>7,400,000</u>

### **(a) Impairment tests for intangible assets**

Investment Platform	7,409,144	7,400,000
	<u>7,409,144</u>	<u>7,400,000</u>

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 an eight year period. Cash flows beyond the eight year period are extrapolated using a terminal value.

### **(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 eight 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 (7.4 years from 30 June 2013).

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (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 an impairment of intangible assets of \$3,500,000.

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 an impairment of intangible assets of \$735,000.

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

	CONSOLIDATED	
	2013	2012
	\$	\$
Security deposits and guarantees	460,339	778,862
	<b>460,339</b>	<b>778,862</b>

### 14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2013	2012
	\$	\$
Client payables	-	14,625,597
Trade creditors	321,388	571,186
Sundry creditors	420,011	1,469,007
Deferred consideration	-	654,797
	<b>741,399</b>	<b>17,320,587</b>

### 15. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2013	2012
	\$	\$
Employee benefits -		
Annual leave	292,532	357,989
Broking closure	687,479	-
Lease make good	88,400	60,000
	<b>1,068,411</b>	<b>417,989</b>

#### *Broking closure*

The provision represents the estimated costs associated with exiting the stockbroking business including \$473,001 relating to onerous rental contracts and \$214,478 relating to the finalisation of claims.

#### *Lease make good*

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

## 15. CURRENT LIABILITIES – PROVISIONS (CONT'D)

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

	Broking closure \$	Lease make good \$
<b>Consolidated - 2013</b>		
Carrying amount at the start of the year	-	60,000
Additional provisions recognised	1,056,066	28,400
Amounts used	(368,587)	-
Carrying amount at the end of the year	<u>687,479</u>	<u>88,400</u>

## 16. NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2013 \$	2012 \$
Employee Benefits -		
Long service leave	<u>62,318</u>	<u>10,548</u>

## 17. ISSUED CAPITAL

	CONSOLIDATED		CONSOLIDATED	
	2013 Number	2012 Number	2013 \$	2012 \$
<b>(a) Issued and paid up capital</b>				
Ordinary shares, fully paid	38,913,469	686,544,268	66,993,612	54,301,655
<b>(b) Other equity securities</b>				
Treasury shares	221,908	8,876,274	(150,000)	(150,000)
<b>Total Issued and paid up capital</b>	<b><u>39,135,377</u></b>	<b><u>695,420,542</u></b>	<b><u>66,843,612</u></b>	<b><u>54,151,655</u></b>
<b>Movements in issued and paid up capital</b>				
Beginning of the financial year	686,544,268	686,544,268	54,301,655	54,301,655
Shares Issued - Placement 20 August 2012	70,000,000	-	1,050,000	-
Shares Issued - Rights issue 23 August 2012	391,519,414	-	5,872,469	-
Shares Issued - Placement 4 September 2012	98,266,597	-	1,473,997	-
Total shares pre consolidation	1,246,330,279	686,544,268		
Share consolidation (40 for 1)	31,158,469	-	-	-
Shares Issued - Placement for 25 March 2013	7,755,000	-	4,653,000	-
Capital raising costs	-	-	(357,509)	-
<b>End of the financial year</b>	<b><u>38,913,469</u></b>	<b><u>686,544,268</u></b>	<b><u>66,993,612</u></b>	<b><u>54,301,655</u></b>
<b>Movement in other equity securities - treasury shares</b>				
Beginning of the financial year	8,876,274	-	150,000	-
Treasury share consolidation (40 for 1)	221,908	-	-	-
Acquisition of shares by ESOT	-	8,876,274	-	150,000
<b>End of the financial year</b>	<b><u>221,908</u></b>	<b><u>8,876,274</u></b>	<b><u>150,000</u></b>	<b><u>150,000</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### 17. CONTRIBUTED EQUITY (CONT'D)

#### *Ordinary shares*

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

On 20 August 2012 the company made a placement of 70,000,000 ordinary shares at \$0.015 per share raising \$1,050,000 (post share consolidation price represents \$0.60).

On 23 August 2012 the company issued 391,519,414 shares through a 1 for 1 non-renounceable pro rata rights issue at \$0.015 per share raising \$5,872,469 (post share consolidation price represents \$0.60).

On 4 September 2012 the company issued 8,266,597 ordinary shares at \$0.015 per share raising \$1,473,997 under the rights offer (post share consolidation price represents \$0.60).

On 25 March 2013 the company issued 7,755,000 ordinary shares at \$0.60 per share raising \$4,653,000 under the rights offer.

#### *Treasury shares*

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

#### *Share consolidation*

At the Annual General Meeting of the company held 30 November 2012, shareholders resolved to approve a consolidation of the company's shares by 40 to 1. The consolidation took effect on 11 December 2012.

### 18. RESERVES

	CONSOLIDATED	
	2013	2012
	\$	\$
<b>Share based payments share reserve</b>	1,878,436	907,352

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

### 19. DIVIDEND FRANKING ACCOUNT

Franking credits available to shareholders of the company for subsequent financial years are \$445,120 (2012: \$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.

## 20. RECONCILIATION OF CASHFLOWS

	CONSOLIDATED	
	2013	2012
	\$	\$
<b>(a) Reconciliation of the net loss after tax to cash flow from operations</b>		
Net Loss after tax for the year	(9,782,968)	(30,515,668)
<i>Non-cash items:</i>		
Bad and doubtful debts	70,450	96,745
Depreciation and amortisation	1,029,775	2,524,888
Disposal/write-off of office equipment	125,502	-
Share based payments expense	971,084	272,492
Impairment of intangibles	-	19,111,757
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	14,165,916	(3,645,029)
(Increase)/decrease in deferred tax assets	-	1,353,114
(Increase)/decrease in other assets	(304,826)	(238,516)
(Increase)/decrease in non current assets	318,523	-
Increase/(decrease) in trade and other payables	(16,579,188)	3,752,062
Increase/(decrease) in provisions	702,193	75,659
<b>Net cash flow from operating activities</b>	<b>(9,283,539)</b>	<b>(7,212,495)</b>
<b>(b) Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents comprises:		
Cash on hand and at bank	9,542,846	4,982,673
Cash at bank - trust account	-	2,079,581
	<b>9,542,846</b>	<b>7,062,254</b>
The net cash position from unpaid buys and cash held on behalf of clients is \$Nil (2012: \$153,716).		
- Cash on hand and at bank	9,542,846	7,062,254
- Unpaid buys	-	1,925,865
- Cash at bank - trust account	-	(2,079,581)
	<b>9,542,846</b>	<b>6,908,538</b>
<b>(c) Terms and conditions</b>		

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

## NOTES TO THE FINANCIAL STATEMENTS

### 21. COMMITMENTS AND CONTINGENCIES

#### (a) Commitments

Future minimum rentals payable under non-cancellable operating leases:

	CONSOLIDATED	
	2013	2012
	\$	\$
Within 1 year	509,879	1,060,432
After 1 year but not more than 5 years	124,451	610,177
<b>Total minimum lease payments</b>	<b>634,330</b>	<b>1,670,609</b>

#### (b) Contingencies

	CONSOLIDATED	
	2013	2012
	\$	\$
<u>Contingent assets and Liabilities</u>		
Nil (2012 : Nil)	-	-
<u>Guarantees</u>		
Australian Securities and Investments Commission	20,000	20,000
Rental bond Level 11, 7 Macquarie Place, Sydney	-	132,211
Rental bond Level 45, 1 Farrer Place, Sydney	270,347	270,347
Rental bond Level 29, 55 Collins St, Melbourne	116,600	116,600
Rental bond Level 13, 115 Pitt St, Sydney	40,056	40,056
Trust Company security deposit	330,000	330,000
	<u>777,003</u>	<u>909,214</u>

### 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 \$971,085 (2012: \$272,492).

The share-based payment plans are described below.

#### (b) Types of share-based payment plans

No employee share options were issued for the year ended 30 June 2013.

Share options have been issued to certain employees as a key component of each individual staff member's overall remuneration as part of the acquisition of the stockbroking, research and advisory teams and the retention of existing staff members. The key terms and conditions of the options are as follows:

## 22. SHARE BASED PAYMENTS PLAN (CONT'D)

### Advisor Plan 1

<b>Number of Options Issued</b>	625,000
<b>Expiry Date</b>	31 January 2016
<b>Exercise Price</b>	The exercise price for each Option (which is payable immediately upon exercise) is \$4.00 per Option.
<b>Vesting Conditions for All Options</b>	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.
<b>Voting</b>	Option holders are not entitled to vote.
<b>Dividends</b>	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
<b>Specific Terms for 625,000 Options</b>	<p><b>Performance-based Component (375,000 options):</b> 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.</p> <p><b>Upfront Component (250,000 options):</b> 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.</p>

There are no cash-settlement alternatives.

### Advisor Plan 2

<b>Number of Options Issued</b>	187,500
<b>Expiry Date</b>	1 January 2016
<b>Exercise Price</b>	The exercise price for each Option (which is payable immediately upon exercise) is \$4.00 per Option.
<b>Vesting Conditions for All Options</b>	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.
<b>Voting</b>	Option holders are not entitled to vote.
<b>Dividends</b>	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
<b>Specific Terms for 187,500 Options</b>	<p><b>Performance-based Options (187,500 options):</b> 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.</p>

There are no cash-settlement alternatives.

22. SHARE BASED PAYMENTS PLAN (CONT'D)

*Advisor Plan 3*

<b>Number of Options Issued</b>	1,500,006
<b>Expiry Date</b>	31 January 2015
<b>Exercise Price</b>	The exercise price for each Option (which is payable immediately upon exercise) is \$5.20 per Option.
<b>Vesting Conditions for All Options</b>	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.
<b>Voting</b>	Option holders are not entitled to vote.
<b>Dividends</b>	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
<b>Specific Terms for 1,500,006 Options</b>	<p><b>Upfront Component (750,000 options):</b> 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.</p> <p><b>Performance-based Component (750,006 options):</b> All the Performance-based options became fully vested in February 2013 with the divestment of the stockbroking business.</p>

There are no cash-settlement alternatives.

*Advisor Plan 4*

<b>Number of Options Issued</b>	150,000
<b>Expiry Date</b>	31 January 2015
<b>Exercise Price</b>	The exercise price for each Option (which is payable immediately upon exercise) is \$5.20 per Option.
<b>Vesting Conditions for All Options</b>	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.
<b>Voting</b>	Option holders are not entitled to vote.
<b>Dividends</b>	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
<b>Specific Terms for 150,000 Options</b>	<p><b>Upfront Component (75,000 options):</b> 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.</p> <p><b>Performance-based Component (75,000 options):</b> All the Performance-based options became fully vested in February 2013 with the divestment of the stockbroking business.</p>

There are no cash-settlement alternatives.



## 22. SHARE BASED PAYMENTS PLAN (CONT'D)

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

<b>Number of Options Issued</b>	190,000
<b>Expiry Date</b>	5 December 2015
<b>Exercise Price</b>	The exercise price for each Option (which is payable immediately upon exercise) is \$3.80 per Option.
<b>Vesting Conditions for All Options</b>	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.
<b>Voting</b>	Option holders are not entitled to vote.
<b>Dividends</b>	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
<b>Specific Terms for 190,000 Options</b>	<p><b>Upfront-based Options (190,000 options):</b>  The Upfront-based 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:</p> <ul style="list-style-type: none"> <li>a) Tranche 1 (2.28 million options) - the date being the 12 month anniversary of 5 December 2011 ('SOP Plan 1 Relevant Date')</li> <li>b) Tranche 2 (2.28 million options) - the date being the 24 month anniversary of the SOP Plan 1 Relevant Date</li> <li>c) Tranche 3 (3.04 million options) - the date being the 36 month anniversary of the SOP Plan 1 Relevant Date.</li> </ul> <p>As at 30 June 2013, 93,500 options have lapsed, 38,750 have vested leaving 57,750 options yet to vest.</p>

There are no cash-settlement alternatives.

### SOP Plan 2

<b>Number of Options Issued</b>	75,000
<b>Expiry Date</b>	4 February 2016
<b>Exercise Price</b>	The exercise price for each Option (which is payable immediately upon exercise) is \$0.10 per Option.
<b>Vesting Conditions for All Options</b>	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.
<b>Voting</b>	Option holders are not entitled to vote.
<b>Dividends</b>	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
<b>Specific Terms for 75,000 Options</b>	<p><b>Upfront-based Options (75,000 options):</b>  The Upfront-based 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:</p> <ul style="list-style-type: none"> <li>a) Tranche 1 (0.9 million options) - the date being the 12 month anniversary of 5 December 2011 ("SOP Plan 2 Relevant Date");</li> <li>b) Tranche 2 (0.9 million options) - the date being the 24 month anniversary of the SOP Plan 2 Relevant Date;</li> <li>c) Tranche 3 (1.2 million options) - the date being the 36 month anniversary of the SOP Plan 2 Relevant Date.</li> </ul> <p>As at 30 June 2013, 25,250 options have lapsed, 27,875 have vested leaving 21,875 options yet to vest.</p>

## NOTES TO THE FINANCIAL STATEMENTS

### 22. SHARE BASED PAYMENTS PLAN (CONT'D)

There are no cash-settlement alternatives.

#### **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 expire 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:

	2013 Number	2013 WAEP \$	2012 Number	2012 WAEP \$
Outstanding at the beginning of the year	3,022,500	\$4.72	1,962,500	\$5.12
Granted during the year	-	-	1,077,500	\$4.00
Forfeited during the year	507,500	\$3.96	17,500	\$4.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at end of the year	2,515,006	-	3,022,500	\$4.72
Exercisable at the end of the year	2,435,381	\$4.88	1,462,500	\$4.92

The outstanding balance as at 30 June 2013 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.
- 312,500 options over ordinary shares with an exercise price of \$4.80 each, fully vested.
- 146,250 options over ordinary shares with an exercise price of \$3.80 each, 66,625 of which are fully vested while 79,625 remain unvested.

#### **(d) Range of exercise price and remaining contractual life**

- 312,500 options have an exercise price of \$4.80 per share and an expiry date of 1 December 2013.
- 1,650,006 options have an exercise price of \$5.20 per share and an expiry date of 31 January 2015.
- 96,500 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.
- 49,750 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.

#### **(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.

## 22. SHARE BASED PAYMENTS PLAN (CONT'D)

The following table lists the inputs to the models used:

	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

On 29 July 2013 Andrew Alcock commenced employment with the company in the role of CEO.

On 7 August the company issued the following :

- 980,000 employee share options to employees under the company's employee share option plan
- 31,000 shares to employees under the share ownership plan.

On 8 August 2013 the company held a General Meeting of shareholders where it approved :

- The change of name of the company to HUB24 Limited
- To refresh the company's placement capacity under ASX Listing Rule 7.1
- To issue 600,000 share options in the company to Andrew Alcock
- To issue 510,000 share options in the company to Bruce Higgins
- To issue 480,000 share options in the company to Jason Entwistle
- To issue 360,000 share options in the company to Wes Gillett.

Other than the matters disclosed above, no other matter or circumstance has arisen since 30 June 2013 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

### 24. LOSS PER SHARE

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

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Earnings per share from continuing operations</b>		
Profit/(Loss) after income tax	(5,798,408)	(23,097,719)
Profit/(Loss) after income tax attributable to the owners of HUB24 Limited used in calculating basic and diluted earnings per share	(5,798,408)	(23,097,719)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	31,082,524	17,163,607
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(18.65)	(134.57)
Diluted earnings per share	(18.65)	(134.57)
<b>Earnings per share from discontinued operations</b>		
	<b>\$</b>	<b>\$</b>
Profit/(Loss) after income tax	(3,984,560)	(7,417,948)
Profit/(Loss) after income tax attributable to the owners of HUB24 Limited used in calculating basic and diluted earnings per share	(3,984,560)	(7,417,948)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	31,082,524	17,163,607
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(12.82)	(43.22)
Diluted earnings per share	(12.82)	(43.22)
<b>Earnings per share for loss</b>		
	<b>\$</b>	<b>\$</b>
Profit/(Loss) after income tax	(9,782,968)	(30,515,667)
Profit/(Loss) after income tax attributable to the owners of HUB24 Limited used in calculating basic and diluted earnings per share	(9,782,968)	(30,515,667)

## 24. LOSS PER SHARE (CONT'D)

	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	31,082,524	17,163,607
	Cents	Cents
Basic earnings per share	(31.47)	(177.79)
Diluted earnings per share	(31.47)	(177.79)

On 11 December 2012 the company's share capital was consolidated on a 40 for 1 basis. Calculations of earnings per share for the current and prior period have been performed on a post share consolidation basis.

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	
	2013	2012
	\$	\$
Amounts received or due and receivable by BDO:		
Audit and review of financial statements and other regulatory returns	120,000	94,500
Tax and other services	81,000	-
<b>Total audit and other fees</b>	<b>201,000</b>	<b>94,500</b>

## 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	
	2013	2012
HUB24 Custodial Services Limited (formerly ANZIEX Ltd)	100	100
HUB24 International Nominees Pty Ltd (formerly ANZIEX Nominees Ltd)	100	100
Capfirst Securities Ltd *	-	100
Firstfunds Ltd	100	100
INQ Management Services Ltd	100	100
Investorfirst Securities Ltd	100	100
HUB24 Nominees Pty Ltd (formerly Kardinia Nominees Pty Ltd)	100	100
Researchfirst Ltd	100	100
Captain Starlight Nominees Pty Ltd	100	100
Findlay & Co Stockbrokers Ltd**	100	100
Aequus Capital Ltd	100	100
HUB24 Administration Pty Ltd	100	100
Utrade Securities Pty Ltd (formerly HUB24 Operations Pty Ltd) *	-	100
HUB24 Services Pty Ltd	100	100
Alert Trader Pty Ltd **	100	81
Alert Trader Investment Management Pty Ltd *	-	81
Alert Trader Publishing Pty Ltd **	100	81

## NOTES TO THE FINANCIAL STATEMENTS

### 26. RELATED PARTY DISCLOSURES (CONT'D)

Name	% Equity Interest	
	2013	2012
Alert Trader Securities Pty Ltd **	100	81
Marketsplus Holdings Pty Ltd	100	100
Marketsplus Australia Pty Ltd	100	100

\* These companies were deregistered on 22 August 2012.

\*\* These companies are no longer trading and there is no intention that they will resume activities. As part of an ongoing restructuring of the consolidated entity, a process has been initiated to liquidate these non trading entities and further reduce the company's future compliance costs.

#### (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	
	2013	2012
	\$	\$
Profit/(Loss) after income tax	(4,914,139)	(35,056,025)
<b>Total comprehensive income</b>	<b>(4,914,139)</b>	<b>(35,056,025)</b>

#### Statement of Financial Position

Total current assets	1,904,984	4,237,644
<b>Total assets</b>	<b>20,810,430</b>	<b>13,021,468</b>
Total current liabilities	-	767,543
<b>Total liabilities</b>	<b>-</b>	<b>767,543</b>
<b>Equity</b>		
Issued capital	66,973,939	54,151,655
Reserves	935,144	907,352
Accumulated losses	(47,118,621)	(42,805,082)
<b>Total equity</b>	<b>20,810,430</b>	<b>12,253,925</b>

#### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2013 and 30 June 2012.

#### Capital commitments - Office equipment

The parent entity had no capital commitments for office equipment as at 30 June 2013 and 30 June 2012.

#### Significant accounting policies

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

## 28. KEY MANAGEMENT PERSONNEL

### (a) Key management personnel compensation

	CONSOLIDATED	
	2013	2012
	\$	\$
Short term employment benefits	2,035,553	2,409,441
Post employment benefits	66,895	119,165
Share based payments	467,208	100,459
<b>Total compensation</b>	<b>2,569,656</b>	<b>2,629,065</b>

### (b) Option holdings of Key Management Personnel

Options held in HUB24 Limited (number)

	Balance at 1 July 2012	Granted as remuneration	Forfeited	Balance at 30 June 2013	Exercisable	Not Exercisable
Mr. Hugh Robertson	750,000	-	-	750,000	750,000	-
Neil Sheather	18,750	-	-	18,750	18,750	-
David Spessot	37,500	-	37,500	-	-	-
Andrea Steele	12,500	-	12,500	-	-	-
<b>Total Option holdings</b>	<b>818,750</b>	<b>-</b>	<b>50,000</b>	<b>768,750</b>	<b>768,750</b>	<b>-</b>

### (c) Share holdings of Key Management Personnel

Shares held in HUB24 Limited (number)

2013	Balance at 1 July 2012	Share based payment	On and off market purchases/ (sales)	Net change	Balance at 30 June 2013
Bruce Higgins	-	-	410,000	410,000	410,000
Hugh Robertson	-	-	161,500	161,500	161,500
Ian Litster	1,811,177	-	1,777,574	1,774,574	3,588,751
Jason Entwistle	571,048	-	366,667	366,667	937,715
Matthew Haes	-	-	12,896	12,896	12,896
Joseph Gioffre	-	-	8,010	8,010	8,010
<b>2012</b>			On and off market purchases/ (sales)	Net change	Balance at 30 June 2012
	Balance at 1 July 2011	Share based payment			
Otto Buttula	797,500	-	-	-	797,500
Darren Pettiona	1,628,075	-	(58,167)	(58,167)	1,569,908
Robert Spano	185,798	-	-	-	185,798
Jason Entwistle	566,048	-	5,000	5,000	571,048
Andrea Steele	12,500	61	-	61	12,561

## NOTES TO THE FINANCIAL STATEMENTS

### 29. FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise cash, receivables, and payables. For the year ended 30 June 2013, 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:

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
<b>Cash and cash equivalents at end of period</b>	<b>9,542,846</b>	<b>7,062,254</b>
100 basis points increase in interest rate	95,428	70,623
50 basis points decrease in interest rate	(47,714)	(35,311)
<b>Net impact on loss after tax</b>		
Loss for the year	(9,782,968)	(30,515,667)
100 basis points increase in interest rate	(9,687,539)	(30,466,231)
50 basis points decrease in interest rate	(9,830,682)	(30,540,385)

#### *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:

	<b>CONSOLIDATED</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Not later than one month	405,452	16,665,789
Later than 1 month not later than 3 months	333,947	-
Later than 3 months not later than 1 year	2,000	654,797
Later than 1 year	-	-
	<b>741,399</b>	<b>17,320,586</b>



## 29. FINANCIAL INSTRUMENTS (CONT'D)

### *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
<b>30 June 2013</b>					
Consolidated financial assets:					
Cash and cash equivalents	9,542,846	-	-	-	9,542,846
Trade and other receivables	1,383,130	-	-	-	1,383,130
	<u>10,925,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,925,976</u>
Consolidated financial liabilities:					
Trade and other payables	405,452	333,947	2,000	-	741,399
	<u>405,452</u>	<u>333,947</u>	<u>2,000</u>	<u>-</u>	<u>741,399</u>
<b>Net maturity</b>	<b>10,520,524</b>	<b>(333,947)</b>	<b>(2,000)</b>	<b>-</b>	<b>10,184,577</b>
<b>30 June 2012</b>					
Consolidated financial assets:					
Cash and cash equivalents	7,062,254	-	-	-	7,062,254
Trade and other receivables	15,619,496	-	-	-	15,619,496
	<u>22,681,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,681,750</u>
Consolidated financial liabilities:					
Trade and other payables	16,665,789	-	654,797	-	17,320,586
	<u>16,665,789</u>	<u>-</u>	<u>654,797</u>	<u>-</u>	<u>17,320,586</u>
<b>Net maturity</b>	<b>6,015,960</b>	<b>-</b>	<b>(654,797)</b>	<b>-</b>	<b>5,361,163</b>

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.

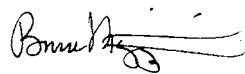
The net fair value of financial assets and liabilities approximates their carrying values and the methods for estimating fair values are outlined in the relevant notes to the financial statements.

# DIRECTORS' DECLARATION

In the opinion of the Directors:

- a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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 2013

# INDEPENDENT AUDITOR'S REPORT



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Australia

## 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 2013, 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.

# INDEPENDENT AUDITOR'S REPORT



## Independence

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

## Opinion

In our opinion:

- (a) the financial report of HUB24 Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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 21 to 28 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

## BDO East Coast Partnership

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

Paul Bull  
Partner

Sydney, 29 August 2013

# 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 2013.

## Distribution of Equity Securities

Ordinary share capital – 38,913,469 fully paid ordinary shares are held by 1,056 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	387	130,404	0.335
1,001–5,000	270	725,730	1.865
5,001–10,000	99	778,705	2.001
10,001–100,000	242	8,019,267	20.608
100,001 and over	58	29,259,363	75.191
<b>Totals</b>	<b>1,056</b>	<b>38,913,469</b>	<b>100.000</b>

Holding less than a marketable parcel of shares, based on the closing price \$1.38 on 26 August 2013, are 224 shareholders.

## Options

5,445,006 options are held by option holders. Options do not carry a right to vote.

## Substantial Shareholders – Quoted Ordinary Securities

Holder name	Number fully paid	%
Thorney Holdings Pty Ltd & Related Parties	6,876,256	17.671
Ian Litster & Related Parties	3,588,751	9.222
Pie Funds Management Ltd	2,913,764	7.488

## HUB24 Limited Fully Paid Ordinary Shares

### Top 20 Holdings as at 26 August 2013

Holder name	Number fully paid	%
Thorney Holdings Pty Ltd	3,878,000	9.966
Ubs Nominees Pty Ltd	3,431,751	8.819
Aust Executor Trustees Sa Ltd <Tea Custodians Limited>	2,913,764	7.488
Litster & Associates Pty Ltd <Cynthia & Cherine A/C>	1,504,911	3.867
Finook Pty Ltd <B & A James Super Fund A/C>	1,250,000	3.212
Wealthplan Technologies Pty Ltd	1,247,545	3.206
Jasforce Pty Ltd	1,202,001	3.089
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	1,117,239	2.871
Hsbc Custody Nominees (Australia) Limited	777,924	1.999
Skylyx Pty Ltd <Tan Family Investment A/C>	774,793	1.991
Egg.au Pty Ltd	622,715	1.600
M & M Global Services Pty Ltd	550,000	1.413
Papl Ebsco Pty Ltd <Rand Super Fund A/C>	500,000	1.285
Litster & Associates Pty Ltd <Cynthia And Cherine A/C>	462,000	1.187
Rbc Investor Services Australia Nominees Pty Limited <Bkcust A/C>	448,868	1.154
Mr Bruce Higgins & Mrs Ruth Higgins <Higgins Family S/F A/C>	410,000	1.054
Parmms Enterprises Pty Limited <Collins Family A/C>	402,184	1.034
Rojo Green Pty Limited <Rojo Super Fund A/C>	370,580	0.952
Litster & Associates Pty Ltd <C & C Super Fund A/C>	350,000	0.899
Arkwright Developments Pty Limited <The Findlay A/C>	310,000	0.797
<b>Total</b>	<b>22,524,275</b>	<b>57.883</b>
<b>Total Issued Capital</b>	<b>38,913,469</b>	



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