

HUB²⁴



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HUB24 | INTERIM REPORT 1HFY24

Empowering
better financial
futures, **together.**

HUB24

HUB24 has delivered strong growth during 1HFY24 whilst remaining focused on enhancing value for our customers, delivering on our strategic objectives, and pursuing our purpose to empower better financial futures together.

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Appendix 4D

Half-year ended 31 December 2023 under ASX Listing Rule 4.2A.3

Results for announcement to the market

Current period: 1 July 2023 to 31 December 2023

Prior corresponding period: 1 July 2022 to 31 December 2022

Key information	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000	% change
Revenue from ordinary activities ¹	156,715	137,703	14%
Net profit/(loss) after tax for the period attributable to equity holders	21,532	15,531	39%
	Cents	Cents	
Basic earnings per share	26.53	19.47	36%
Diluted earnings per share	25.70	18.89	36%

1. Includes revenue from customers, interest and income from investments in associates. See page 15 and note 2.1 for further details.

Dividends

	Amount per security cents	Franked per security %	Total Amount \$'000
Interim dividend (per share)	18.50	100	15,025

Subsequent to half-year ended 31 December 2023 the directors have determined a fully franked interim dividend of 18.5 cents per share (a fully franked 14.0 cents per share interim dividend was paid following the half-year ended 31 December 2022).

Dates for the dividend are as follows:

Ex-date	18 March 2024
Record date	19 March 2024
Dividend payment date	16 April 2024

Explanation of results

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

	31 Dec 2023	30 June 2023
Net tangible assets (per fully paid ordinary share) ¹	\$0.57	\$0.63

1. Net tangible assets (NTA) used for the calculation of NTA per fully paid ordinary share are inclusive of both right of use asset and lease liabilities.

Entities over which control has been gained or lost during the period

During the period ended 31 December 2023, the HUB24 Group voluntarily deregistered Xplore Equity Finance Pty Ltd and Topdocs Edge Pty Ltd. Please refer to note 6.2 in the financial report for more information.

Details of associates and joint venture entities

HUB24 Group owns 34.4% (30 June 2023: 31.5%) of the equity of Diverger Limited, a diversified financial services business providing integrated accounting and wealth management services to the Australian Market. Please refer to note 8.2 in the financial report for more information.

Auditor review

The Interim Report is based on the consolidated half-year end report that has been reviewed by the HUB24 Group's auditors, Deloitte Touche Tohmatsu.

1HFY24 Financial Highlights and Key Metrics



GROUP

Total revenue

\$156.7m ▲ 14%

Underlying EBITDA¹

\$55.0m ▲ 10%

Underlying NPAT²

\$30.4m ▲ 14%

Cost to income ratio

64.9% ▲ 110bps

Diluted earnings per share

25.7¢ ▲ 36%

Fully franked interim dividend

18.5¢ per share ▲ 32%

1HFY23 dividend: 14.0 cents per share



PLATFORM

Platform revenue

\$120.0m ▲ 17%

Platform net inflows³

\$7.2b ▲ 26%³

Platform FUA of

\$72.4b ▲ 30%⁴

PARS FUA of

\$18.8b ▲ 9%⁵

Number of active advisers

4,297 ▲ 16%



TECH SOLUTIONS

Tech Solutions revenue

\$34.8m ▲ 4%

Class number of accounts⁶

203,860 ▲ 3%

Class document orders⁷

182,204 ▲ 2%

Companies on Class corporate messenger⁸

697,573 ▲ 12%

All percentage changes shown above are relative to 1HFY23, unless stated otherwise.

1. Refer to Note 2.1 for more information.

2. Refer to Directors' Report for more information on Group Underlying NPAT.

3. Platform net inflows of \$7.2 billion from continuing business operations (including a \$1.8 billion migration from Insignia Financial's incumbent administrator to the Insignia Financial private label (Rhythm) administered on the HUB24 platform).

4. Custodial FUA Administration Services.

5. Non-custodial FUA as Portfolio Administration and Reporting Services (PARS).

6. Number of Class accounts as at 31 December 2023 consists of Class Super, Class Portfolio and Class Trust licenses.

7. Documents paid for by PAYG and subscription customers for the last 12 months to 31 December 2023. Prior periods have been adjusted to reflect an updated methodology.

8. Number of active companies as at 31 December 2023.

Directors' report

Your Directors present their Interim Report together with the financial statements, on the Consolidated Group (referred to hereafter as “HUB24 Group”) consisting of HUB24 Limited (referred to hereafter as “the Company”) and the entities it controlled for the half-year ended 31 December 2023 (“1HFY24”) and the Auditor’s Report thereon.

Directors

The following persons were Directors of the Company, from the beginning of the financial year and up to the date of this report, unless otherwise stated:

- Mr Paul Rogan (appointed Chairman 16 November 2023. Director prior to 16 November 2023)
- Mr Andrew Alcock (Managing Director)
- Mr Anthony McDonald
- Ms Catherine Kovacs
- Ms Rachel Grimes AM
- Mr Bruce Higgins (Chairman retired from the board on 16 November 2023)

Joint Company Secretaries

- Mr Andrew Brown
- Ms Kitrina Shanahan

Operating and financial review

Group overview

HUB24 Limited (‘the Company’) is a financial services company that was established in 2007 and is a leading provider of integrated platform, technology and data solutions to the Australian wealth industry. HUB24 Limited is listed on the Australian Securities Exchange (ASX) under the code ‘HUB’ and includes the award-winning HUB24 platform, the Xplore platform, the Class businesses, HUBconnect and the newly acquired myprosperity business. As at 16 February 2024, HUB24 Group’s market capitalisation was approximately \$3.0 billion.

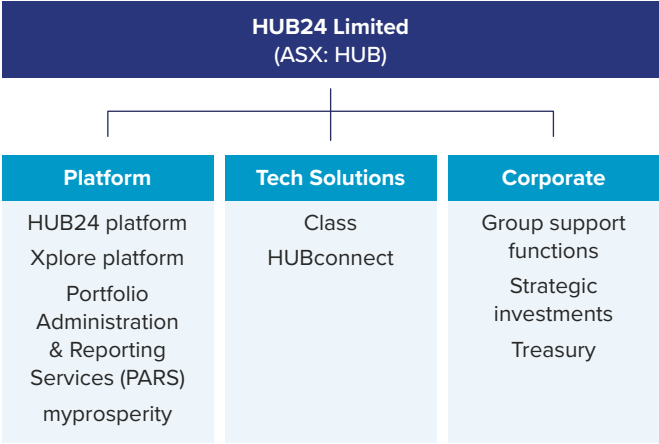
The HUB24 Group’s purpose is to “*empower better financial futures, together*”. To fulfil this purpose, the HUB24 Group delivers platform and technology solutions that allow financial professionals to deliver superior outcomes for their clients.

The HUB24 Group’s head office is based in Sydney and it provides its products and services across all Australian states and territories.

As at 31 December 2023, the HUB24 Group employed 883 people on a full-time equivalent (FTE) basis.

Principal activities

The HUB24 Group operates two core revenue generating segments and a Corporate segment as shown in the diagram below:



Platform

The Platform segment comprises the HUB24 investment and superannuation platform (HUB24 platform), the Xplore Wealth investment and superannuation platform (Xplore Wealth platform), Portfolio Administration & Reporting Services (PARS) and myprosperity.

The HUB24 and Xplore platforms are used by financial professionals to efficiently administer their clients’ investments held through a superannuation and/or investment product under custodial arrangements.

As one of the fastest growing platform providers in the market, the HUB24 platform is recognised for providing choice and innovative product solutions. It offers financial professionals and their clients a comprehensive range of investment options, including market- leading managed portfolio solutions, and enhanced transaction and reporting functionality.

The Xplore platforms provide complementary capabilities including high net worth product features, managed accounts, superannuation services and PARS capability. Xplore’s products and services are being migrated to the HUB24 platform in phases. The Xplore Wrap (XPW), Xplore Super Funds and Administration business were migrated to the HUB24 platform or discontinued during FY23. Moving forward, the migration of the Xplore Managed Accounts (XMA) and Managed Discretionary Accounts (MDA) products to the HUB24 technology platform are on track to substantially be completed in FY24. The MDA migration to the HUB24 platform is expected to be finalised in 1HFY25. Generally most of these products will be closed to new licensees after the migrations are completed. However in some circumstances, where relevant, licensees currently utilising these products will continue to have access to the Xplore products via the HUB24 platform.

In addition, the HUB24 Group also offers PARS, a non-custody portfolio service which provides administration, corporate action management and tax reporting services for financial professionals and their clients.

myprosperity

myprosperity is a leading provider of client portals for accountants and financial professionals. The all-in-one secure portal delivers a total view of household wealth, making it easier for households to collaborate with their financial professionals across all aspects of their financial lives. myprosperity’s client portal is used by over 467 accounting and financial advisory firms, representing circa 72,000 households¹.

1. HUB24 data as at December 2023.

Directors' report

Tech solutions

The Tech Solutions segment comprises Class and HUBconnect.

Class

Class delivers trust accounting, portfolio management, legal documentation, corporate compliance and SMSF administration solutions to over 6,000 service providers¹ across Australia who utilise Class to drive business automation, increase profitability and deliver better client service.

Class's core offering is self-managed superannuation fund (SMSF) administration software. Its solutions have gained industry recognition for product innovation and customer service excellence.

Customers using the Class Super, Class Portfolio and Class Trust solutions represented over 203,000 accounts as at 31 December 2023.

Class also operates in the document and corporate compliance segment through the service offerings provided under the NowInfinity brand².

NowInfinity is a leading cloud-based entity management and corporate compliance solution. In the Investment Trends 2023 SMSF Adviser & Accountant Report, NowInfinity was recognised as the most used legal document provider for SMSF related legal compliance.

HUBconnect

HUBconnect provides technology and data services to the wealth industry, delivering an innovative range of products and services solutions to enable financial professionals, licensees, and stockbrokers to efficiently run their businesses and service their clients.

HUBconnect leverages data and technology capabilities to provide solutions that solve common challenges faced by stockbrokers, licensees and professional advisers in the delivery of financial advice.

HUBconnect Broker has a long history of working with stockbrokers to deliver innovative business reporting and support tools. HUBconnect Broker streamlines and integrates client data and connects to a range of broking business reporting and back-office support tools that provide key insights and enable the efficient delivery of stockbroking operations.

For financial planners and licensees HUBconnect utilises innovative technology such as machine learning, artificial intelligence, and natural language processing. HUBconnect integrates, refines, stores and supplies structured and unstructured data.

Through integrated data feeds, automated reporting and analytics, HUBconnect delivers efficiencies for some of the time-consuming and costly processes that increase the cost of delivering advice. HUBconnect serves a growing number of respected and high-profile financial services companies and their clients.

Corporate

The HUB24 Group is a strategic shareholder in Diverger Limited (Diverger), which is a diversified financial services business providing integrated accounting and wealth management services to the Australian Market. Under a Technology Partnership and Distribution agreement Diverger is a cornerstone client for HUBconnect's data and technology services.

In September 2023, Diverger and Count Limited (Count) entered into a Scheme Implementation Agreement. Refer to the significant events occurring after balance sheet date on page 5 for further details.

Review and results of operations

The key items regarding the HUB24 Group's performance for 1HFY24 were:

Funds under administration³

- Total Funds Under Administration (FUA) increased by 25% to \$91.2 billion (1HFY23: \$73.0 billion);
- Platform⁴ FUA increased by 30% to \$72.4 billion (1HFY23: \$55.8 billion); and
- PARS⁵ FUA increased by 9% to \$18.8 billion (1HFY23: \$17.2 billion).

Revenue

- Group operating revenue increased by 14% to \$156.7 million (1HFY23: \$137.7 million);
- Platform segment revenue increased by 17% to \$120.0 million (1HFY23: \$102.7 million); and
- Tech Solutions revenue increased by 4% to \$34.8 million (1HFY23: \$33.4 million) from software licensing and consulting services.

UEBITDA

- The HUB24 Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (UEBITDA) before Notable items (refer to note 2.1), increased by 10% to \$55.0 million (1HFY23: \$49.9 million); and
- UEBITDA performance included expenses of \$101.7 million (1HFY23: \$87.8 million).

Underlying net profit after tax

- Underlying Net Profit After Tax represents NPAT before Notable Items. Underlying NPAT increased by 14% to \$30.4 million (1HFY23: \$26.6 million);
- Strategic transactions and project costs⁶ of \$4.6 million have been recognised in 1HFY24 (1HFY23: \$4.0 million). This includes Xplore implementation and integration costs, and costs related to large migrations; and
- Acquisition amortisation of \$8.0 million includes Xplore of \$1.9 million, Class of \$4.9 million, Ord Minnett of \$0.5 million and myprosperity of \$0.7 million.

1. Class service providers represents practices of accountants, administrators and advisers as at 31 December 2023.

2. NowInfinity is a wholly owned subsidiary of Class.

3. Non-IFRS measures.

4. Platform FUA refers to the custodial portfolio.

5. PARS FUA refers to the non-custodial portfolio.

6. Includes administrative and resourcing costs related to strategic transactions and project costs.

Directors' report

	Half-year ended 31 Dec 2023 \$ million	Half-year ended 31 Dec 2022 \$ million
Reconciliation of Underlying NPAT to Statutory NPAT		
Underlying NPAT	30.4	26.6
Strategic transactions and project costs	(4.6)	(4.0)
Acquisition amortisation	(8.0)	(8.5)
Impairment of non-financial assets	—	(3.3)
Tax effect on notable items	3.7	4.7
Statutory NPAT	21.5	15.5

Statutory NPAT

- Statutory Net Profit After Tax (NPAT) increased by 39% to \$21.5 million (1HFY23: \$15.5 million).

Cash flows

- The HUB24 Group generated strong operating cashflows of \$35.1 million (\$39.7 million before strategic transaction and project costs), 17% up from \$30.1 million (\$34.2 million before strategic transaction and project costs).

Capital management

The HUB24 Group has access to a \$5 million working capital facility, which remained undrawn during the period.

The HUB24 Group has in place a revolving line of credit facility with CBA which covers the whole Group totaling \$31 million. \$1 million remained undrawn during the period.

In addition, the accordion¹ facility of \$50 million is available to the HUB24 Group specifically for strategic transactions, which remained undrawn during the period.

The HUB24 Group, through its licensed subsidiaries, fully complied with the minimum regulatory capital requirements for IDPS Operators and providers of custodial services for the period ended 31 December 2023.

During 1HFY24, the HUB24 Group purchased \$10 million of treasury shares on market to service the HUB24 Group's Employee Share Plans (1HFY23: \$nil).

During 1HFY24, the HUB24 Group purchased 302,929 HUB24 shares on market as part of the share buy-back announced in August 2023 at an average price of \$33.00 for total consideration of \$10 million (1HFY23: \$nil). All shares purchased have been cancelled. The on market share buy-back has a targeted maximum value of \$50m.

Options and performance rights

The following options, performance rights and shares were issued in accordance with schemes approved by shareholders. These schemes contain ambitious targets, including Group FUA targets of greater than \$100 billion by FY25, in order to incentivise and align key employees towards the HUB24 Group achieving its strategic objectives:

- 194,053 performance rights were issued to employees, executives and the Managing Director in the six months to 31 December 2023 (1HFY23: 393,628).

Significant changes in the state of affairs

There have been no other significant changes in the nature or state of affairs of the HUB24 Group.

Dividends

Subsequent to 31 December 2023, the Directors have determined an interim dividend of 18.5 cents per share fully franked to be paid on 16 April 2024.

The fully franked interim dividend of 18.5 cents per share represents a 32% increase in interim dividends for shareholders (1HFY23: 14.0 cents per share) and a payout ratio of 49% of Underlying NPAT (1HFY23: 42%).

The Board's dividend policy targets a payout ratio between 40% and 60% of the HUB24 Group's annual underlying net profit after tax over the medium term subject to prevailing market conditions and alternate uses of capital.

Significant events occurring after balance sheet date

As disclosed above, subsequent to 31 December 2023, the following items have occurred:

- Directors have determined a fully franked interim dividend of 18.5 cents per share (a fully franked interim dividend of 14.0 cents per share was determined in 1HFY23); and
- In September 2023, Diverger and Count Limited (Count) entered into a Scheme Implementation Agreement under which Count will acquire 100% of the issued shares in Diverger by way of a Scheme of Arrangement (the "Scheme") between Diverger and its shareholders. On 23 January 2024 Diverger shareholders approved the Scheme of Arrangement and following Court approval on 15 February 2024, the Scheme became effective on 16 February 2024. Implementation of the Scheme is scheduled for 1 March 2024, when the HUB24 Group will become a shareholder in Count. Indicative financial impacts of the transaction for the HUB24 Group are a ~12% shareholding in Count and an accounting gain on sale between \$5-6 million (pre tax) which will be reflected as a notable item in 2HFY24. Further details of the HUB24 Group's investment in Count and financial impacts of the transaction will be provided in the HUB24 Full Year 2024 Financial Reporting.

No other significant matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the HUB24 Group's operations, the results of those operations, or the HUB24 Group's state of affairs in future financial years.

1. Subject to standard lending terms and conditions.

Directors' report

Likely developments and expected results

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

Environmental regulation and performance

The HUB24 Group's operations are not subject to significant environmental regulations under either Commonwealth or State legislation and the Directors are not aware of any material non compliance with environmental regulations pertaining to the operations or activities during the period covered by this report.

The HUB24 Group released its Sustainability Report in August 2023. This report covers the 2023 financial year from 1 July 2022 to 30 June 2023 (FY23). This report reflects our most material social, environmental and governance opportunities.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is included on page 7.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, amounts have been rounded off in the Directors' Report and the Interim Report to the nearest thousand dollars or, in certain cases, to dollars where indicated.

This report is made in accordance with a resolution of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.



Mr Paul Rogan
Chairman, Independent Non-Executive Director
Sydney
20 February 2024

Auditor's independence declaration



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

20 February 2024

Dear Directors,

Auditor's Independence Declaration to HUB24 Limited

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

As lead audit partner for the review of the half year financial report of HUB24 Limited for the half year ended 31 December 2023, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Stuart Alexander".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to read "Stuart Alexander".

Stuart Alexander
Partner
Chartered Accountants

Interim financial statements

For the half-year ended 31 December 2023

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Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2023

	Notes	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Income			
Revenue from customers	2.1, 2.2	154,802	136,076
Interest and other income		1,444	1,066
Share of profit from associates	6.3	469	561
Total income		156,715	137,703
Expenses			
Platform and custody expenses		(12,217)	(12,591)
Employee related expenses	2.3	(70,433)	(60,343)
Depreciation and amortisation expense	2.3	(14,922)	(14,129)
Administrative expenses	2.3	(23,644)	(18,853)
Share based payments expense	7.1	(5,798)	(4,420)
Interest expense – lease liability	3.4.2	(177)	(154)
Interest expense – other		(931)	(656)
Impairment charge on non-financial assets	6.3	—	(3,248)
Total expenses		(128,122)	(114,394)
Profit before income tax		28,593	23,309
Income tax expense	5.1	(7,061)	(7,778)
Profit after income tax for the period		21,532	15,531
Total comprehensive income for the half-year attributable to ordinary equity holders of HUB24 Limited		21,532	15,531
		Cents	Cents
Earnings per share, attributable to ordinary equity holders of HUB24 Limited			
Basic earnings per share	2.4	26.53	19.47
Diluted earnings per share	2.4	25.70	18.89

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

Consolidated statement of financial position

As at 31 December 2023

	Notes	31 Dec 2023 \$'000	30 June 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		60,824	72,747
Trade and other receivables	3.1	34,528	29,531
Current tax receivables		2,876	1,847
Other current assets		7,273	6,817
Total current assets		105,501	110,942
Non-Current assets			
Investment in associates	6.3	13,619	12,172
Intangible assets (including goodwill)	3.5	457,979	459,205
Right of use assets	3.4.1	7,795	9,556
Deferred tax assets (net of deferred tax liabilities)	5.2	—	539
Property, plant and equipment		2,620	3,017
Other non-current assets		2,145	1,250
Total non-current assets		484,158	485,739
Total assets		589,659	596,681
Liabilities			
Current liabilities			
Trade and other payables	3.2	13,861	16,630
Provisions	3.3	21,849	24,425
Lease liabilities	3.4.2	3,301	3,765
Other current liabilities		342	127
Total current liabilities		39,353	44,947
Non-current liabilities			
Lease liabilities	3.4.2	5,089	6,434
Provisions	3.3	3,706	4,548
Borrowings	4.1	29,975	29,975
Deferred tax liabilities (net of deferred tax assets)	5.2	5,840	—
Deferred income		306	365
Other non-current liabilities		837	—
Total non-current liabilities		45,753	41,322
Total liabilities		85,106	86,269
Net assets		504,553	510,412
Equity			
Issued capital	4.2.1	478,440	491,477
Profit reserve	4.2.3	73,633	67,178
Share based payment reserves	4.2.2	27,473	26,750
Retained earnings		(74,993)	(74,993)
Total equity		504,553	510,412

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2023

	Notes	Issued capital \$'000	Share based payment reserves \$'000	Profit reserves \$'000	Retained earnings \$'000	Total \$'000
Consolidated						
Opening balance as at 1 July 2023		491,477	26,750	67,178	(74,993)	510,412
Total comprehensive income for the period		—	—	—	21,532	21,532
Transfer to profit reserves		—	—	21,532	(21,532)	—
Transactions with owners in their capacity as owners:						
Dividends paid on ordinary shares		—	—	(15,077)	—	(15,077)
Shares issued transaction costs		(10)	—	—	—	(10)
Shares issued through employee share option plan		636	—	—	—	636
On-market share buy back		(9,997)	—	—	—	(9,997)
Options and rights exercised	4.2.1	6,357	(4,114)	—	—	2,243
Options and rights granted – employees		—	4,837	—	—	4,837
Treasury shares purchased on-market	4.2.1	(10,023)	—	—	—	(10,023)
Balance as at 31 December 2023		478,440	27,473	73,633	(74,993)	504,553
Consolidated						
Opening balance as at 1 July 2022		460,447	19,975	50,231	(74,993)	455,660
Total comprehensive income for the period		—	—	—	15,531	15,531
Transfer to profit reserves		—	—	15,531	(15,531)	—
Transactions with owners in their capacity as owners:						
Dividends paid on ordinary shares		—	—	(10,007)	—	(10,007)
Options and rights exercised	4.2.1	3,876	(2,732)	—	—	1,144
Options and rights granted – employees		—	3,948	—	—	3,948
Balance as at 31 December 2022		464,323	21,191	55,755	(74,993)	466,276

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

Consolidated statement of cash flows

For the half-year ended 31 December 2023

	Notes	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash flows from operating activities			
Receipts from customers		148,419	131,858
Payments to suppliers and employees		(107,964)	(89,562)
Interest received		1,475	965
Interest paid on lease liability	3.4.2	(177)	(154)
Short-term lease payments	3.4.2	(127)	(119)
Strategic transactions and project costs		(4,650)	(4,091)
Income tax payment		(1,869)	(8,844)
Net cash inflow from operating activities		35,107	30,053
Cash flows from investing activities			
Payments for office equipment		(422)	(839)
Payments for intangible assets		(10,848)	(6,855)
Payment for further investment in associates	6.3	(1,393)	—
Dividends received from investment in associate	6.3	415	—
Net cash outflow from investing activities		(12,248)	(7,694)
Cash flows from financing activities			
Loan facility (advance)/repayment		—	14,905
Payment for issuance of shares	4.2	(10)	—
Proceeds from issues of shares and other equity securities		2,243	1,144
Repayment of borrowings		—	(2,968)
Treasury shares purchased on-market	4.2.1	(10,023)	—
On-market share buy back		(9,997)	—
Principal elements of lease payments	3.4.2	(1,918)	(1,830)
Dividends paid	4.2.3	(15,077)	(10,007)
Net cash (outflow)/inflow from financing activities		(34,782)	1,244
Net increase/(decrease) in cash and cash equivalents		(11,923)	23,603
Cash and cash equivalents at beginning of year		72,747	43,454
Cash and cash equivalents at end of period		60,824	67,057

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

Notes to the financial statements

1. OVERVIEW

1.1 CORPORATE INFORMATION

The Interim Report of HUB24 Limited ('the Company') and its controlled entities ('HUB24 Group') for the half-year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Board of Directors on 20 February 2024 and covers the Company as an individual entity as well as the HUB24 Group consisting of the company and its subsidiaries as required by the *Corporations Act 2001*.

HUB24 Limited is a public company limited by shares. It was incorporated and is domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange (ASX:HUB).

The nature of the operations and principal activities of the HUB24 Group are described in the Directors' report.

1.2 BASIS OF PREPARATION

This general purpose condensed consolidated financial report for the half-year ended 31 December 2023 (Interim Report) has been prepared in accordance with AASB 134 *Interim Financial Reporting* as issued by the Australian Accounting Standards Board and the *Corporations Act 2001*, as appropriate for profit orientated companies. 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 Interim Report does not include all the notes normally included in an annual financial report. Accordingly, it is recommended that this Interim Report be read in conjunction with the HUB24 Group's Annual Report for the financial year ended 30 June 2023 and any public announcements made by the Company and its controlled entities during the reporting period in accordance with the continuous disclosure requirements issued by the Australian Securities Exchange (ASX).

The Interim Report includes the four primary statements, namely the consolidated statement of profit and loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows as well as associated notes which the directors believe is required to understand the financial statements and is material and relevant to the performance and results of the HUB24 Group. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. **Overview** contains information that impacts the Interim Report as a whole;
2. **Group performance** brings together the results and operating segment disclosures relevant to the HUB24 Group's activities;
3. **Financial position** provides disclosure on the HUB24 Group's assets and liabilities;
4. **Capital structure and financing** provides information about the debt and equity components of the HUB24 Group's capital, and commentary on the HUB24 Group's exposure to various financial and capital risks, including the potential impact on the results and how the HUB24 Group manages these risks;
5. **Income tax** includes disclosures relating to the HUB24 Group's tax expense and balances;
6. **Group structure** includes disclosures in relation to transactions impacting the HUB24 Group structure;
7. **Employee remuneration** provides commentary on the HUB24 Group's share based payment expenses; and
8. **Other** includes additional disclosures required to comply with Australian Accounting Standards (AAS).

Where applicable within each note, disclosures are further analysed as follows:

- **Overview** provides some context to assist users in understanding the disclosures;
- **Disclosures** (both numbers and commentary) provide analysis of balances as required by AAS;
- **Accounting policies** summarises the accounting policies relevant to an understanding of the numbers; and
- **Critical accounting judgements and estimates** explains the key estimates and judgements applied by the HUB24 Group in determining the numbers.

Notes to the financial statements

1. OVERVIEW continued

New and amended Accounting Standards and Interpretations

New and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are now effective are detailed in note 8.1. These Accounting Standards and Interpretations did not have any notable impact on the financial performance or position of the HUB24 Group. The HUB24 Group has not adopted any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

Rounding

The HUB24 Group is of a kind referred to in the ASIC *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

The HUB24 Group has elected to round off amounts in the Interim Report (and subsequent reports) for the current period and prior comparative period to the nearest thousand dollars or, in certain cases, to dollars in accordance with that instrument.

Going concern

The Interim Report has been prepared on a going concern basis. The directors have, at the time of approving the financial statements, a reasonable expectation that the HUB24 Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Functional and presentation currency

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

1.3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management regularly evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

The current geopolitical events and global inflation concerns have had a global market impact and uncertainty exists as to their implications. Such disruptions can adversely affect the assets, liabilities, performance and liquidity.

Market volatility may impact Funds Under Administration (FUA) and trading based fees, and any movement in the RBA Official Cash Rate may impact cash account fee income. Net inflows have proven to be resilient, our new business pipeline remains strong and assisted FUA transitions are continuing.

Our estimates and assumptions have been prepared based upon conditions existing at the date of this Interim Report. The key areas in which critical estimates and judgements are applied are as follows:

- recognition of intangible assets and impairment testing (note 3.5.1)
- recoverability of deferred tax assets (note 5.2)
- valuation of share based payments (note 7.1)

Notes to the financial statements

2. GROUP PERFORMANCE

Overview

This section provides analysis and commentary on the HUB24 Group's operating activities.

The HUB24 and Xplore Wealth platforms are used by financial advisers to efficiently administer their clients' investments held through a custodial agreement, and PARS is a non-custody portfolio service which provides administration, corporate action management and tax reporting services for stockbrokers and financial advisers.

HUB24 provides technology and data services to the wealth industry, bringing innovative solutions to support licensees, accountants, advisers and stockbrokers to deliver services to their clients, these services are provided through HUBconnect and Class. Class is a market-leading SMSF administration software provider. Their customers include accountants, SMSF administrators, investment advisers, financial planners and lawyers. Class's revenue comprises both subscription and recurring pay per use (PPU) transactional revenue.

myprosperity is a leading provider of client portals for accountants and financial advisers. myprosperity's revenue comprises subscription revenue.

2.1. OPERATING SEGMENTS

Overview

Information is provided by operating segment to assist the understanding of the HUB24 Group's performance. The operating segments are consistent with the basis on which information is provided to the HUB24 Group Executive (identified as the Chief Operating Decision Maker ("CODM")) for measuring performance, being the basis upon which the HUB24 Group's operating activities are managed within the various markets in which HUB24 operates. The Board and Group Executive reviews segment revenues and profits (Underlying EBITDA) on a monthly basis.

No single customer contributed 10 per cent or more to the HUB24 Group's income in either the half year ended December 2023 or December 2022.

The HUB24 Group's operating segments are as follows:

Platform

Platform operating segment comprises the Platform, PARS and myprosperity businesses. The segment provides development of investment and superannuation platform services to financial advisers, stockbrokers, accountants and their clients. This segment includes both custody and non-custody products, and as noted above, incorporates the HUB24, Xplore, PARS businesses and myprosperity.

Tech Solutions

Tech Solutions segment comprises Class and HUBconnect. Class provides cloud-based wealth accounting and corporate compliance services to its clients. Fees are generated via licensing, subscription and PPU fees.

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

Corporate

Provision of support services to the two operating segments which includes property, strategy, finance, risk and compliance, legal, human resources, and other corporate services. Investments in associates are also recognised within this segment.

Notes to the financial statements

2. GROUP PERFORMANCE continued

	Platform \$'000	Tech Solutions \$'000	Corporate \$'000	Total \$'000
Period ended 31 December 2023				
Sales to external customers	120,045	34,757	—	154,802
Share of profit from associates	—	—	469	469
Interest and other income	—	—	1,444	1,444
Total income	120,045	34,757	1,913	156,715
Expenses	(72,178)	(24,642)	(4,918)	(101,738)
Underlying EBITDA	47,867	10,115	(3,005)	54,977
Share based payment expense (including payroll tax)	—	—	(5,798)	(5,798)
Strategic transactions and project costs ¹	(4,556)	—	—	(4,556)
Depreciation and amortisation	(7,630)	(7,292)	—	(14,922)
Interest expense	—	—	(1,108)	(1,108)
Profit/(loss) before income tax	35,681	2,823	(9,911)	28,593
Income tax expense	—	—	(7,061)	(7,061)
Profit/(loss) after income tax	35,681	2,823	(16,972)	21,532
Period ended 31 December 2022				
Sales to external customers	102,688	33,388	—	136,076
Share of profit from associates	—	—	561	561
Interest and other income	—	—	1,066	1,066
Total income	102,688	33,388	1,627	137,703
Expenses	(61,252)	(22,889)	(3,615)	(87,756)
Underlying EBITDA	41,436	10,499	(1,988)	49,947
Share based payment expense (including payroll tax)	—	—	(4,420)	(4,420)
Strategic transactions and project costs ²	(4,031)	—	—	(4,031)
Depreciation and amortisation	(7,195)	(6,934)	—	(14,129)
Impairment of non-financial assets	—	—	(3,248)	(3,248)
Interest expense	—	(627)	(183)	(810)
Profit/(loss) before income tax	30,210	2,938	(9,839)	23,309
Income tax expense	—	—	(7,778)	(7,778)
Profit/(loss) after income tax	30,210	2,938	(17,617)	15,531

1. Strategic transactions and project costs of \$4.6m largely relate to Xplore implementation and integration costs and costs related to large migrations. Refer to page 4 within the Directors' report for more information.

2. Strategic transactions and project costs of \$4.0m largely relate to the Xplore implementation product development costs related to the pilot launch of the HUB24 SMSF Access product. Refer to page 4 within the Directors' report for more information.

Notes to the financial statements

2. GROUP PERFORMANCE continued

2.2. REVENUE

Overview

Platform revenue comprises fees (both FUA, transaction and licensing fees) charged for providing custodial and non-custodial wealth management services to customers and subscriptions charged for myprosperity services. Such services include:

- Custodial platform services via superannuation, MIS, and IDPS products;
- Managed Discretionary Account solutions that incorporate specific requirements of advisory firms, wealth managers and stockbrokers into a private label service;
- Non-custodial portfolio administration and reporting services; and
- myprosperity client portal services.

Tech Solutions revenue comprises fees (license and transaction fees) and commissions from services that include:

- Class develops and distributes cloud-based accounting, investment reporting, document and corporate compliance and administration solutions; and
- HUBconnect provisions application and technology products for the financial services sector. Fees are generated from license and consulting services relating to data management, software and infrastructure as well as fees charged for the provision and maintenance of existing licenses.

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Platform fees	120,045	102,688
License fees	29,843	28,755
Transaction fees	3,628	3,383
Commissions	1,286	1,250
Tech Solutions fees	34,757	33,388
Total	154,802	136,076

Accounting policies

Revenue is measured by reviewing each revenue contract and its respective services to customers to determine its performance obligation while allocating the transaction price to each performance obligation either over time or at a point in time.

Platform fees

- FUA fee revenue is recognised over time which include tiered administration fees and fees on client funds held as cash. FUA fees are accrued daily, paid monthly in arrears for the ongoing provision for agreed services;
- Transaction fees are recognised at a point in time when platform trading for equities, managed funds and insurance occurs; and
- Subscription fee revenue is recognised over time over the duration of the agreement or for as long as the customer has been provided access, the fee is fixed or determinable and collectability is probable.

Tech Solutions fees

Class

- License fee revenue is recognised over time over the duration of the agreement or for as long as the customer has been provided access, the fee is fixed or determinable and collectability is probable;
- Transaction revenue is recognised at a point in time when the documents are sold to customers on a pay per use basis (PPU); and
- Commissions revenue is recognised commission and partner fees at the point in time of sale of a third party's products to customers which provides these customers with a right to access such products.

HUBconnect

- Licence fee revenue is recognised over time in accordance with the performance delivery of agreed services, within a period of 1-6 months; and
- Consulting and transaction fee revenue is recognised at a point in time when advice provided to clients on a time and materials basis.

Notes to the financial statements

2. GROUP PERFORMANCE continued

2.3. EXPENSES

	Notes	31 Dec 2023 \$'000	31 Dec 2022 \$'000
a) Employee benefits expenses			
Wages and salaries (including superannuation and payroll tax)		67,471	56,973
Other employee benefits expenses		1,209	2,040
Travel and entertainment		1,753	1,330
		70,433	60,343
b) Depreciation and amortisation			
Depreciation of right-of-use assets		1,870	1,824
Depreciation of office equipment		819	921
Amortisation of intangible assets		12,233	11,384
		14,922	14,129
c) Administrative expenses			
Corporate fees		1,692	1,688
Professional and consultancy fees		5,018	3,532
Information services and communication		10,241	8,351
Property and occupancy costs		426	320
Strategic transactions and project costs ¹		4,556	4,031
Other administrative expenses		1,711	931
		23,644	18,853
d) Impairment charge on non-financial assets			
Impairment charge on non-financial assets	6.3	—	3,248

1. Includes administrative and resourcing costs related to strategic transactions and project costs.

Notes to the financial statements

2. GROUP PERFORMANCE continued

2.4. EARNINGS PER SHARE

Overview

Earnings per share (EPS) is the amount of profit or loss after income tax attributable to each share. Diluted EPS adjusts the EPS for the impact of shares that are not yet issued but which may be in the future, such as shares potentially issuable from rights, options and employee share-based payments plans.

	31 Dec 2023 Cents	31 Dec 2022 Cents
Earnings per share, attributable to ordinary equity holders of HUB24 Limited		
Basic earnings per share	26.53	19.47
Diluted earnings per share	25.70	18.89

2.4.1 Earnings used for earnings per share measures

Earnings per share is based on profit or loss after income tax attributable to ordinary equity holders of the Company, as follows:

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit after income tax attributable to the owners of HUB24 Ltd used in calculating basic and diluted earnings per share	21,532	15,531
Profit after tax	21,532	15,531

2.4.2 Weighted average number of ordinary shares

	31 Dec 2023 Number	31 Dec 2022 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	81,146,577	79,774,433
Weighted average number of ordinary shares used in calculating diluted earnings per share	83,787,847	82,231,684

Notes to the financial statements

3. FINANCIAL POSITION

3.1 TRADE AND OTHER RECEIVABLES

Overview

Trade and other receivables are principally amounts owed to HUB24 by Platform or Tech Solutions customers. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level.

	31 Dec 2023 \$'000	30 June 2023 \$'000
Trade receivables ¹	34,021	29,013
Other receivables	507	518
	34,528	29,531

1. Net of a provision of doubtful debts of \$404 thousand (1H FY23: \$254 thousand).

Accounting policies

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

The HUB24 Group's impairment model calculates expected credit losses on trade receivables using a provision matrix. Under the model, historic provision rates with current and forward looking estimates are used.

The HUB24 Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by applying historical loss rates to the trade receivable balances and adjusted for forward looking factors to reflect general economic condition of the industry in which the debtors operate and assessment of both the current as well as the forecast direction of conditions at the reporting date.

3.2 TRADE AND OTHER PAYABLES

Overview

Trade payables, deferred consideration and other payables are carried at amortised cost and represent liabilities for goods and services provided to the HUB24 Group prior to the end of the financial year that are unpaid and arise when the HUB24 Group becomes obliged to make future payments in respect of the purchase of these goods and services.

	31 Dec 2023 \$'000	30 June 2023 \$'000
Trade payables	2,633	4,422
Other payables ¹	11,228	12,208
Total trade and other payables	13,861	16,630

1. Other payables includes accruals, deferred revenue and other payables due.

Accounting policies

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the HUB24 Group prior to the end of the period that are unpaid and arise when the HUB24 Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Notes to the financial statements

3. FINANCIAL POSITION continued

3.3 PROVISIONS

Overview

Provisions are recognised when the HUB24 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the HUB24 Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provision is discounted using the current pre-tax rate that reflects the risks specific to the liability.

Employee benefits

Short and long-term benefits

Liabilities for wages and salaries, short term incentives, including non-monetary benefits and annual leave expected to be settled within 12 months (short term) and long service leave after 12 months (long term) 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.

Deferred short term incentive

The provision represents the deferred portion of STI bonus of senior staff members relating to the period.

Lease make good

The provision represents the present value of estimated costs of improvements to the leased premises of the HUB24 Group at the end of the respective lease term.

Third party claims

The estimate of ongoing claims made by third parties in respect of Platform services.

	31 Dec 2023 \$'000	30 June 2023 \$'000
Current Liabilities		
Employee benefits – annual leave	8,253	7,231
Employee benefits – other	12,825	16,509
Third party claims	170	469
Lease make good provision	601	216
Current Liabilities	21,849	24,425
Non-current Liabilities		
Employee benefits – long service leave	3,192	3,036
Employee benefits – deferred short term incentive	—	614
Lease make good provision	514	898
Non-current liabilities	3,706	4,548
Total Provisions	25,555	28,973

Accounting policies

Provisions are recognised when the HUB24 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the HUB24 Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provision is discounted using the current pre-tax rate that reflects the risks specific to the liability.

Notes to the financial statements

3. FINANCIAL POSITION continued

3.4 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Overview

The HUB24 Group leases various property and equipment. Lease agreements are negotiated on an individual basis with bespoke terms and conditions and are typically made for fixed periods of 2 years to 7 years.

Under AASB 16 Leases, the HUB24 Group will recognise for all leases with a term of more than 12 months except for those leases where the underlying asset is deemed to be of a low-value:

- a right-of-use asset representing its right to use the underlying asset; and
- a lease liability.

3.4.1 Right of use assets

	31 Dec 2023 \$'000	30 June 2023 \$'000
Total right-of-use assets	7,795	9,556

The additions to right of use assets during 1HFY24 were \$114k (1HFY23 \$1.3 million). These relate to the following:

- HUB24 leased a new printer for 5 years, starting from 1 October 2023.

Right of Use	31 Dec 2023 \$'000	30 June 2023 \$'000
Cost	19,184	19,183
Accumulated Depreciation	(11,389)	(9,627)
Net Book amount	7,795	9,556
<i>Reconciliations of the carrying amounts at the beginning and end of the period:</i>		
Opening net book	9,556	9,525
Additions	114	3,719
Disposals	(5)	—
Depreciation charge	(1,870)	(3,688)
Closing net book amount	7,795	9,556

Notes to the financial statements

3. FINANCIAL POSITION continued

3.4.2 Lease liabilities

	31 Dec 2023 \$'000	30 June 2023 \$'000
Current	3,301	3,765
Non-current	5,089	6,434
	8,390	10,199
<i>Reconciliations of the carrying amounts at the beginning and end of the period:</i>		
Opening net book amount	10,199	10,184
Additions	114	3,719
Disposals	(5)	—
Lease payments	(2,095)	(4,019)
Interest payments	177	315
Closing net book amount	8,390	10,199

	Future value of minimum lease payments \$'000	Interest \$'000	Present value of minimum lease payments \$'000
31 December 2023			
Within 1 year	3,561	(260)	3,301
After 1 year and less than 5 years	4,580	(510)	4,070
More than 5 years	1,189	(170)	1,019
Total	9,330	(940)	8,390
30 June 2023			
Within 1 year	4,080	(316)	3,764
After 1 year and less than 5 years	5,901	(573)	5,328
More than 5 years	1,316	(209)	1,107
Total	11,297	(1,098)	10,199

Notes to the financial statements

3. FINANCIAL POSITION continued

Accounting policies

Under AASB 16, as a lessee the HUB24 Group recognises a right-of-use asset, representing its right to use the underlying asset, and a lease liability, for all leases with a term of more than 12 months, exempting those leases where the underlying asset is deemed to be of a low-value.

The HUB24 Group recognises a right-of-use asset and a lease liability at the lease commencement date, i.e. when the underlying asset is first available for use.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the HUB24 Group's incremental borrowing rate, being the rate that the lessee would pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether purchase; renewal or termination options are reasonably certain to be exercised.

The HUB24 Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes purchase, renewal, or termination options. The assessment of whether the HUB24 Group is reasonably certain to exercise such options impacts the lease term, which affects the value of lease liabilities and right-of-use assets recognised.

The Consolidated statement of profit or loss and the related Notes to the Financial Statements show the following amounts relating to leases:

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Depreciation charge on right-of-use assets	1,870	1,824
Interest expense on lease liabilities	177	154
Expenses relating to short-term leases	127	119
	2,174	2,097

The total cash outflow for leases in the half-year ended 31 December 2023 was \$2.1 million (1HFY23: \$2.0 million).

Notes to the financial statements

3. FINANCIAL POSITION continued

3.5 INTANGIBLE ASSETS

Overview

Intangible assets are assets with no physical substance. The most significant classes of intangible assets of the HUB24 Group by Cash Generating Unit (CGU) are detailed below:

Platforms Segment		Technology Solutions Segment	
Investment Platform CGU	PARS CGU	HUB Connect CGU	Class CGU
Investment Platform (Software)	PARS customer relationships	Agility connect software	Software
Customer Relationship		Agility customer relationship	Customer Relationship
Software			Brand
Goodwill on acquisition			Goodwill on acquisition

The table above is representative of the 1H FY24 and FY23 Intangible assets. Refer to table on the following page for the movement.

	Computer Software \$'000	Customer Relationship \$'000	Brand \$'000	Goodwill \$'000	Total \$'000
Half-year ended 31 December 2023					
At cost	167,521	103,630	8,761	246,246	526,158
Accumulated amortisation and impairment	(52,955)	(15,224)	—	—	(68,179)
Net carrying amount	114,566	88,406	8,761	246,246	457,979
Reconciliations of the carrying amount at the beginning and end of the half-year:					
Opening carrying amount	112,827	91,530	8,761	246,087	459,205
Other additions ¹	10,848	—	—	—	10,848
Addition through acquisition ²	—	—	—	159	159
Amortisation from acquisition	(4,903)	(3,081)	—	—	(7,984)
Amortisation	(4,206)	(43)	—	—	(4,249)
Closing carrying amount	114,566	88,406	8,761	246,246	457,979
Year ended 30 June 2023					
At cost	156,734	103,630	8,761	246,087	515,212
Accumulated amortisation and impairment	(43,907)	(12,100)	—	—	(56,007)
Net carrying amount	112,827	91,530	8,761	246,087	459,205
Reconciliations of the carrying amount at the beginning and end of the financial year:					
Opening carrying amount	101,801	97,180	8,761	221,630	429,372
Other additions ¹	16,188	—	—	—	16,188
Addition through acquisition ²	10,884	529	—	24,457	35,870
Amortisation from acquisition	(10,117)	(6,094)	—	—	(16,211)
Amortisation	(5,929)	(85)	—	—	(6,014)
Closing carrying amount	112,827	91,530	8,761	246,087	459,205

1. Other additions relate to internally generated software across the Platform and Tech Solutions segments.

2. A Purchase Price Accounting (PPA) assessment has been finalised with the outcomes included in the 31 December 2023 interim financial report. 30 June 2023 Provisional PPA balances have been adjusted to reflect the finalisation of the PPA for the myprosperity business acquired. Refer to note 6.1 for more information.

Notes to the financial statements

3. FINANCIAL POSITION continued

Accounting policies

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the HUB24 Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities.

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the HUB24 Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the HUB24 Group are assigned to those units.

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

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

Intangibles

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

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

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.

3.5.1 Impairment testing of intangible assets

Overview

An intangible asset's recoverable value is the greater of its value in use and its fair value less cost to sell.

For intangible assets with a finite life, if there are indicators that the intangible asset's recoverable value has fallen below its carrying value (e.g. due to changing market conditions), an impairment test is performed and a loss is recognised for the amount by which the carrying value exceeds the asset's recoverable value.

Intangible assets that have an indefinite useful life, such as goodwill, are tested annually for impairment or more frequently where there is an indication that the carrying amount may not be recoverable.

Goodwill is allocated to the group of CGU's that are expected to benefit from synergies arising from the acquisition giving rise to the goodwill, which make up the HUB24 operating segments. Operating segments reflect the level at which goodwill is monitored for impairment by management. As the HUB24 Group acquires or disposes of operations, or reorganises the way that operations are managed, reporting structures may change, giving rise to a reassessment of operating segments and the allocation of goodwill to those operating segments.

Notes to the financial statements

3. FINANCIAL POSITION continued

Accounting policies

Impairment testing of goodwill and intangible assets

The recoverable amount of goodwill and other intangible assets with an indefinite useful life have been determined based on a value-in-use calculation derived from cash flow forecasts for each group of CGU's, which make up the HUB24 operating segments. Cash flow forecasts are based on a combination of extrapolated performance to date and management's expectations of future performance based on prevailing and anticipated market factors. Cash flows beyond the forecasting period are extrapolated using a terminal value. The cash flows are then used to calculate the Net Present Value and compared to the carrying value.

Critical accounting judgements and estimates

Estimate of useful life

Management have assessed the remaining useful life of the investment platform and applications based upon the separate platform components. The components' useful lives are:

- Core database with a useful life of 20 years;
- Applications with a useful life of 10 years; and
- User Interface and Product Development with a useful life of 5 years¹.

The assessment of useful life is a key management judgement and the useful life adopted could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are deemed shorter than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold will be written down or off.

Carrying value of goodwill and other indefinite life intangible assets

The carrying value of intangible assets with an indefinite life (including goodwill) are tested annually for impairment. Other intangible assets with a finite life are assessed for indicators of impairment and tested in accordance with AASB136 should indicators arise.

The recoverable amounts of cash generating units and segments have been determined based on value-in-use calculations. These calculations require the use of assumptions including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Details of these assumptions and the potential impact of changes to these assumptions can be found in the FY23 Annual Report.

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

The HUB24 Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the HUB24 Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Capitalisation of development costs

The HUB24 Group capitalises project development costs eligible for capitalisation in relation to the Platform and Tech Solutions. The capitalised costs are all directly attributable costs necessary to create, produce, and prepare assets to be capable of operating in the manner intended and are amortised over the asset's useful life.

Notes to the financial statements

4. CAPITAL STRUCTURE AND FINANCING

Overview

Risk management policies are established to identify and analyse the risks faced by the HUB24 Group, 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 HUB24 Group's activities. The HUB24 Group, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees and consultants understand their roles and obligations.

The Audit, Risk and Compliance Committee (ARCC) oversees how management monitors compliance with the HUB24 Group's risk management policies, procedures and reviews the adequacy of the risk management framework in relation to risks faced. The ARCC is assisted by external professional advisers from time to time.

Credit Risk

Credit risk is the risk of financial loss to the HUB24 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the financial assets of the HUB24 Group, which comprise cash and cash equivalents and principally, trade and loan receivables.

Exposure at reporting date is addressed at each particular note. The HUB24 Group does not hold any credit derivatives to offset its credit exposure.

It is the HUB24 Group'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. In addition, credit risk exposures and receivable balances are monitored on an ongoing basis with the objective that the HUB24 Group's exposure to bad debts is not significant. Management has assessed the expected credit losses on trade receivables and have used a provision matrix to measure the HUB24 Group's impairment losses.

The HUB24 Group also has credit risk in respect of its debtors. In the case of most transactions, revenue is generally earned over a period of several months due to the complexity and size of the work involved. The HUB24 Group manages this risk by entering into contractual agreements with its counterparties, obtaining external legal advice where necessary, at the start of each transaction.

The HUB24 Group provides financial guarantees to wholly-owned subsidiaries and has provided a guarantee to CBA with regards to the borrowing facilities in operation during the period.

Liquidity Risk

Liquidity risk is the risk that the HUB24 Group will not be able to meet its financial obligations as they fall due. The HUB24 Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always maintain banking/credit facilities and typically ensures that it has sufficient cash on demand, or access to banking facilities (e.g. overdrafts) to meet operational expenses for a period of 90 days, excluding the potential impact of extreme circumstances that cannot be reasonably predicted.

The HUB24 Group forecasts and actual cash flows are continuously monitored, matching the maturity of assets and liabilities, to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the HUB24 Group's reputation.

Market Risk

Market risk is the risk that changes in market prices will affect the HUB24 Group's income and include price risk.

Capital Management

It is noted that the HUB24 Group, through its licensed subsidiaries, fully complied with the minimum regulatory capital requirements for IDPS Operators and providers of custodial services for the half-year ended 31 December 2023 so as to ensure ongoing capital adequacy.

As part of broader capital management plans, the HUB24 Group has a \$31 million revolving bank loan facility (refer to note 4.1), a \$5 million overdraft facility which remained undrawn during the period and an accordion facility for \$50 million specifically for strategic transactions which remained undrawn during the period.

There were no other changes in the HUB24 Group's approach to capital management during the period.

Interest Rate Risk

Interest rate risk is the risk that RBA Official Cash Rate changes potentially affecting the HUB24 Group's income and includes price risk.

Foreign Exchange Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flow of an exposure will fluctuate because of a change in foreign currency rates. The HUB24 Group's exposure to the risk of a change in foreign currency relate primarily to the HUB24 Group's operating activities (when revenue and expenses are denominated in a foreign currency).

Notes to the financial statements

4. CAPITAL STRUCTURE AND FINANCING continued

4.1 BORROWINGS

Overview

The HUB24 Group has in place loan facilities with The Commonwealth Bank of Australia (CBA).

The HUB24 Group has in place a \$31 million 3 year debt facility with CBA. \$1 million remained undrawn during the period.

In addition, an accordion facility of \$50 million is available to the HUB24 Group specifically for strategic transactions, which remained undrawn during the period.

A \$5 million overdraft facility is available (but undrawn) to the HUB24 Group to assist with working capital requirements.

Loan Facility	31 Dec 2023 \$'000	30 June 2023 \$'000
Non-current	29,975	29,975
Total Non-current	29,975	29,975
Total Group Borrowings	29,975	29,975

HUB24 Group facilities

The overdraft facility was undrawn throughout the period. The HUB24 Group incurs a commitment fee of 0.50% per annum to maintain the overdraft facility with an interest rate of the reference rate on that date less a margin of 6.96% pa.

The 3 year revolving CBA bank loan facility was secured to enable the consolidation of the HUB24 Group debt. \$1 million remained undrawn during the period. The HUB24 Group incurs an undrawn commitment fee of 0.50% per annum to maintain the revolving loan facility with an interest rate of BBSY + 1.9% margin paid quarterly.

The CBA accordion facility of \$50 million was secured specifically for strategic transactions. The HUB24 Group does not incur any line fees, the terms of the facility are aligned to those of the loan facility.

The overdraft, loan and accordion facilities are guaranteed by HUB24 Limited and its operating subsidiaries: Agility Applications Pty Ltd; HUB24 Management Services Pty Ltd; HUB24 Administration Pty Ltd; HUB24 Custodial Services Ltd; HUBconnect Pty Ltd; Xplore Wealth Pty Limited; Xplore Business Services Pty Ltd; Investment Administration Services Pty Limited; Margaret Street Financial Holdings Pty Ltd; Margaret Street Administration Services Pty Ltd; Margaret Street Promoter Services Pty Ltd; Margaret Street Attorney Services Pty Ltd; DIY Master Pty Ltd; Class Pty Limited; Class Technology Pty Ltd; Class Investment Reporter Pty Ltd; NowInfinity Pty Ltd; NowInfinity 3505 Pty Ltd.

The HUB24 Group's regulatory capital requirements are ring-fenced from the CBA security arrangements.

The loan facility and overdraft facility have common and referrable security charges with each facility.

Notes to the financial statements

4. CAPITAL STRUCTURE AND FINANCING continued

4.2 CONTRIBUTED EQUITY AND RESERVES

4.2.1 Issued capital

Overview

Ordinary shares in the Company rank after all creditors, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

During the current period, the HUB24 Group issued share capital and purchased shares on market (treasury shares) for the purposes of settling employee share scheme options and performance rights, utilising a share based payments reserve for this purpose. The HUB24 Group has discretion in settling employee share scheme options and performance rights via the issuance of treasury shares or via issuance of new ordinary shares.

Incremental costs directly attributable to the issue of new equity instruments are shown in equity as a deduction, net of GST from the proceeds.

During 1HFY24, the HUB24 Group purchased 302,929 HUB24 shares on market as part of the share buy-back announced in August 2023 at an average price of \$33.00 for total consideration of \$10 million (1HFY23: \$nil). All shares purchased have been cancelled. The on market share buy-back has a targeted maximum value of \$50m.

	31 Dec 2023 Number	31 Dec 2022 Number	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Issued and paid-up capital				
Ordinary shares, fully paid	81,218,489	80,058,178	483,677	464,446
Treasury shares	(159,642)	(5,985)	(5,237)	(123)
Total issued and paid up capital	81,058,847	80,052,193	478,440	464,323
Movements in issued and paid up capital				
Beginning of the financial year	81,502,338	80,058,178	501,123	468,018
Shares issued through employee share option plan	19,080	—	636	—
On-market share buy back	(302,929)	—	(9,997)	—
Options and rights exercised	502,123	306,647	6,357	3,876
Treasury shares issued from Trust	(502,123)	(306,647)	(14,432)	(7,448)
Total shares	81,218,489	80,058,178	483,687	464,446
Shares issued transaction costs	—	—	(10)	—
End of the period	81,218,489	80,058,178	483,677	464,446
Movement in Treasury shares				
Beginning of the financial year	356,229	312,632	9,646	7,571
Employee share issue	(502,123)	(306,647)	(14,432)	(7,448)
Treasury shares purchased on-market	305,536	—	10,023	—
End of the period	159,642	5,985	5,237	123

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

Accounting policies

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.

Notes to the financial statements

4. CAPITAL STRUCTURE AND FINANCING continued

4.2.2 Share based payment reserves

	31 Dec 2023 \$'000	30 June 2023 \$'000
Share based payments share reserve	27,473	26,750
Movement in reserve		
Opening balance	26,750	19,975
Reserve reclassified to share capital through exercised options and rights	(4,114)	(2,837)
Employee Share Based Payment expense	4,837	9,612
	27,473	26,750

For accounting policy refer to note 71.

4.2.3 Profit reserves

Overview

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

	31 Dec 2023 \$'000	30 June 2023 \$'000
Opening balance	67,178	50,231
Transfer to profit reserves	21,532	38,166
Dividends paid on ordinary shares	(15,077)	(21,219)
	73,633	67,178

4.3 DIVIDENDS

Overview

The HUB24 Group's dividend policy is a target payout ratio of 40%-60% of the HUB24 Group's Underlying Net Profit After Tax.

Our dividend policy is designed to ensure we reward shareholders relative to underlying net profit after tax and maintain sufficient capital for future investment and growth of the business, subject to market conditions.

	31 Dec 2023	30 June 2023	31 Dec 2022
Dividend cents per share	18.5	18.5	14.0
Franking percentage	100	100	100
Payout ratio	49%	47%	42%
Payment Date	16 April 2024	13 October 2023	18 April 2023

The Board has elected to determine an interim dividend of 18.5 cents per share franked at 100%.

Notes to the financial statements

4. CAPITAL STRUCTURE AND FINANCING continued

4.4 FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instruments, measured in accordance with AASB 9 Financial Instruments are as follows:

Consolidated	31 Dec 2023 \$'000	30 June 2023 \$'000
Financial assets		
Cash and cash equivalents	60,824	72,747
Trade & other receivables	34,528	29,531
Other non-current assets	1,250	1,250
Total financial assets	96,602	103,528
Financial liabilities		
Trade & other payables	13,861	16,630
Borrowings	29,975	29,975
Lease liabilities	8,390	10,199
Total financial liabilities	52,226	56,804

For all in the above table, the fair value is equal to the carrying value.

4.5 COMMITMENTS AND CONTINGENCIES

The HUB24 Group had no commitments or contingencies as at 31 December 2023 (FY23 nil).

Notes to the financial statements

5. INCOME TAX

Overview

Income tax expense or credit is the accounting tax outcome for the period and is calculated as the tax payable on the current period taxable income based on the applicable income tax rate for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The relationship between accounting profit or loss and income tax expense or credit is provided in the reconciliation of prima facie tax to income tax expense or benefit (refer to note 5.1). Income tax expense does not equate to the amount of tax actually paid to tax authorities, as it is based upon the accrual accounting concept.

Accounting income and expenses do not always have the same recognition pattern as taxable income and expenses, creating a timing difference as to when a tax expense or benefit can be recognised. These differences usually reverse over time but, until they do, a deferred tax asset or liability is recognised on the balance sheet. Note 5.2 details the composition and movements in deferred tax balances and the key management assumptions applied in recognising tax losses.

5.1 RECONCILIATION OF PRIMA FACIE TAX TO INCOME TAX EXPENSE

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
a) Income tax expense		
Current tax expense	688	4,672
Decrease/(increase) in deferred tax assets	3,667	1,124
Prior period deferred tax under/(over) provision	4	391
Prior period under/(over) provision	153	423
(Decrease)/Increase in deferred tax liabilities	2,549	1,168
Income Tax Expense/(Benefit)	7,061	7,778
b) Reconciliation of income tax expense to pre-tax accounting profit		
Profit before income tax expense	28,593	23,309
Prima facie income tax at 30%	8,578	6,992
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	48	96
Non-assessable income	(15)	-
Other deductible expenses	(1,583)	-
Tax credits (carry forward losses, franking credits)	(124)	(124)
Prior period deferred tax under/(over) provision	157	814
Income tax expense	7,061	7,778

Accounting policies

Current tax assets and liabilities 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 legislation used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Tax consolidation

Members of the tax consolidated entity and the tax sharing arrangement

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

Tax effect accounting by members of the tax consolidated Group

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

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

Notes to the financial statements

5. INCOME TAX continued

5.2 DEFERRED TAXES

	31 Dec 2023 \$'000	30 June 2023 \$'000
a) Deferred tax asset		
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Investments	808	824
Accrued expenses	638	611
Provisions	7,737	8,700
Blackhole expenses	1,196	1,484
Carry forward tax losses	6,606	6,640
Employee share costs	3,021	5,800
Revenue in advance	396	—
Lease liabilities	179	193
Closing Balance	20,581	24,252
<i>Movements:</i>		
Opening balance	24,252	17,584
Additions acquired through acquisition	—	1,891
Prior period deferred tax provision	(4)	3,981
Recognised in the Statement of profit or loss	(3,667)	796
Closing balance	20,581	24,252
b) Deferred tax liability		
<i>Temporary differences attributable to:</i>		
Intangibles	26,366	23,664
Depreciable assets	55	49
Closing balance	26,421	23,713
<i>Movements:</i>		
Opening balance	23,713	18,309
Additions acquired through acquisition	159	—
Prior period deferred tax provision	—	2,091
Recognised in the Statement of profit or loss	2,549	3,313
Closing balance	26,421	23,713
Net deferred tax asset/(Net deferred tax liability)	(5,840)	539

Notes to the financial statements

5. INCOME TAX continued

Critical accounting judgements and estimates

Deferred 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 tax liabilities are recognised for all taxable temporary differences except:

- When the deferred 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; and
- When the temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred 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 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; and
- 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 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 tax asset to be utilised.

Unrecognised deferred 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 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.

Recovery of deferred tax assets

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

The deferred tax asset continues to be recognised based on the following management judgements:

- The HUB24 Group continues to generate consistent profitable growth, with improving margins and profit line trends; and
- For the half-year ended 31 December 2023, the HUB24 Group increased profits and is expected to remain profitable.

The HUB24 Group assumes and will continue to monitor that there will be ongoing compliance with relevant tax legislation

5.3 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; and
- 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.

Notes to the financial statements

6. GROUP STRUCTURE

6.1 BUSINESS COMBINATIONS

Acquisition of Subsidiaries

myprosperity Pty Ltd

In the financial year ended 30 June 2023, the HUB24 Group acquired 100 per cent of the issued share capital of myprosperity Pty Ltd, obtaining control of myprosperity Pty Ltd.

myprosperity is a leading provider of client portals for accountants and financial advisers. Integration of myprosperity's unique capability with HUB24's portfolio of products and services, is expected to extend the company's market-leadership position and deliver both increased customer advocacy and new opportunities to further grow market share across the HUB24 Group.

	\$'000
Purchase consideration	
Cash paid – at completion	658
Equity instruments (1,423,876 ordinary shares of the Company)	36,565
Total purchase consideration	37,223
Net cash outflow arising on acquisition	
Cash consideration	658
Less: cash and cash equivalent balances acquired	(305)
Net cash outflow arising on acquisition	353

A Purchase Price Accounting (PPA) assessment has been finalised with the outcomes included in the 31 December 2023 interim Report. 30 June 2023 Provisional PPA balances have been adjusted to reflect the finalisation of the PPA for the myprosperity business acquired. From the provisional PPA disclosed in the 30 June 2023 financial report, the allocation between goodwill and intangibles identified has been updated retrospectively in accordance with AASB 3 Business Combinations. This has resulted in an increase in intangibles identified and a decrease of goodwill recognised of \$11.4m.

	Fair value \$'000
The completed fair values of the acquisition are as follows:	
Cash & Cash Equivalents	305
Trade receivables	243
Prepayments	72
Other current assets	765
Property, plant and equipment	91
Right of use assets	147
Deferred tax assets/(liabilities)	1,891
Total Identifiable assets	3,514
Trade & Other payables	(1,393)
Lease liability	(147)
Provisions	(621)
Total Liabilities assumed	(2,161)
Customer relationships acquired	529
Software acquired	10,885
Intangibles identified	11,414
Total identifiable assets acquired and liabilities assumed	12,767
Goodwill	24,616
Deferred tax on intangible assets identified	(160)
Total purchase consideration	37,223

Notes to the financial statements

6. GROUP STRUCTURE continued

The fair value of the financial assets includes receivables (Net trade debtors and other receivables) with a fair value of \$1.4 million.

The goodwill of \$24.6 million represents the benefits from the synergistic opportunities that will arise from the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the 1,423,876 ordinary shares issued as part of the consideration paid for myprosperity Pty Ltd (\$36.6 million) was determined on the basis of the HUB24 Closing Price of \$25.68 on acquisition date at 30 May 2023.

Acquisition related costs (included in administrative expenses within 2HFY23) amount to \$0.4 million.

6.2 CONTROLLED ENTITIES

During the period ended 31 December 2023, the following entities were voluntarily deregistered resulting in a loss of control by the HUB24 Group. The deregistered entities had been dormant and were no longer required for ongoing business purposes.

	% Equity Interest	
	as at 31 Dec 2023	as at 30 June 2023
Entities Deregistered during the period		
Xplore Equity Finance Pty Ltd	—	100
Topdocs Edge Pty Ltd	—	100

6.3 ASSOCIATED ENTITIES

The HUB24 Group has a 34.4% investment in Diverger Limited (30 June 2023: 31.5%)

Consolidated	31 Dec 2023 \$'000	30 June 2023 \$'000
Investment in Diverger Reconciliation		
Opening investment in Diverger	12,172	15,167
Add: Additional investment during the period	1,393	—
Add: Share of associate profits	469	906
Less: Dividend declared	(415)	(653)
Impairment of investment in Diverger	—	(3,248)
Closing investment in Diverger	13,619	12,172

Refer to note 8.2, Significant events after report date, for additional information.

Notes to the financial statements

6. GROUP STRUCTURE continued

Accounting policies

Associates are entities in which the HUB24 Group has significant influence, but not control, over the operating and financial policies. The HUB24 Group accounts for associates using the equity method. The investments are initially recognised at cost (except where recognised at fair value due to a loss of control of a subsidiary), and increased (or decreased) each year by the HUB24 Group's share of the associate's profit or loss. Dividends received from the associate reduce the investment in associate.

The carrying value of the investment in associate, is assessed for indicators of impairment annually.

If there is objective evidence that the HUB24 Group's net investment in an associate is impaired, the requirements of AASB 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the HUB24 Group's investment. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

In determining the value in use of the investment, an entity estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds from the ultimate disposal of the investment.

In determining the amount of impairment for equity accounted investees that are listed, management has made judgements in identifying non-financial assets that are impaired due to industry factors or whose decline in fair value below original cost is considered significant or prolonged. A significant decline is assessed based on the percentage decline from acquisition cost of the share, while a prolonged decline is based on the length of the time over which the share price has been below cost.

Critical accounting judgements and estimates

1HFY24 Critical accounting judgements and estimates

The key judgement relates to the carrying value of the investment in associate, which is assessed for impairment annually, in accordance with accounting standard AASB 136 Impairment of Assets. Whilst Diverger is listed and the share price is one indicator of value, other factors need to be considered including trading volumes and the strategic value of the investment to HUB24.

As part of this review for the half year ended 31 December 2023, in accordance with AASB 128 Investment in Associates and Joint Ventures, an assessment has been performed, which has confirmed HUB24 Group's opinion, currently there are no indicators of a prolonged decline in the value of the investment.

Notes to the financial statements

7. EMPLOYEE REMUNERATION

7.1 SHARE BASED PAYMENTS

Overview

Share-based payments are equity-based compensation schemes provided to employees, executives, and directors. There are currently three plans in place to provide these benefits, collectively known as the Plans:

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

The HUB24 Group can either issue shares from time to time, or meet any obligation via treasury shares acquired on-market. Any fulltime or part-time employee of the HUB24 Group or any equally-owned joint venture who is offered shares or options is eligible to participate in the Plans.

7.1.1 Recognised share-based payment expense

During the period ended 31 December 2023, HUB24 Group recognised \$5.5 million (\$5.8m when including the impact of payroll tax) of equity-settled share-based payment transactions (1HFY23: \$3.9 million).

Accounting policies

The cost of share based payments is recognised by expensing the fair value of options or rights granted, over the period during which the employees become unconditionally entitled to these benefits. Where the plan will be settled by issuing equity, the corresponding entry is an increase in the share based payment reserve.

At each subsequent reporting date until vesting, the vesting probability is assessed and upon board approval, the cumulative charge will be reflected to the statement of profit or loss and other comprehensive income and share based payment reserve. This takes into account factors such as the likelihood of employee turnover during the vesting period and the likelihood of nonmarket performance conditions being met.

Critical accounting judgements and estimates

Calculating the fair value of share based payments can be complex. Independent consultants use Black-Scholes or similar option pricing models to value options and rights. This calculation includes any market performance conditions and the impact of any non-vesting conditions. Once the fair value has been determined at grant date, it is not revised.

The impact of any service and non-market vesting conditions is excluded from the fair value. Instead, this is included in assumptions about the number of options that are expected to vest. These assumptions are revised at the end of each reporting period.

The impact of any revision to original estimates is recognised as an expense in the Consolidated Statement of profit and loss, with a corresponding adjustment to equity.

Notes to the financial statements

7. EMPLOYEE REMUNERATION continued

7.1.2 Types of share-based payment plans

1. Share based payment plans issued during the period ended 31 December 2023

PARs (Rights)	Issue Date	Number Issued
MD	23 November 2023	31,708
Employees	3 November 2023	162,345

Vesting Terms

Expiry Date	15 years after date of issue
Expected Vesting Period	3 years
Exercise Price	Nil

Vesting Conditions

I. Service	Must be an employee at date of issue.
II. FUA	<p>Performance condition (a) 50% Performance Rights will be subject to the hurdle based on growth in custody FUA which has been set to between \$100 billion and \$112 billion which represents a three year compound annual growth rate (CAGR) of FUA between 16.84% and 21.33% per annum, and a FUA growth of between 59.5% and 78.6%, over the three years to 30 June 2026.</p> <p>The vesting is calibrated as follows: zero vesting will occur if the CAGR in custody FUA is below a minimum level of 16.84% per annum (an increase of 59.5% over three years representing approximately \$100 billion by 30 June 2026); 25% vesting will occur if the CAGR in custody FUA reaches 16.84% per annum (an increase of 59.5% over three years representing approximately \$100 billion by 30 June 2026); 100% vesting will occur if the CAGR in custody FUA reaches 21.33% per annum (an increase of 78.6% over three years representing approximately \$112 billion by 30 June 2026); and vesting between 16.84% and 21.33% per annum CAGR in custody FUA (representing approximately \$100 billion and \$112 billion in FUA for between 25% and 100% vesting) will be on a straight-line basis between these two levels.</p>
III. Market	<p>Performance condition (b) 50% Performance Rights will be subject to, and will vest on, the achievement of a hurdle measuring the Relative Total Shareholder return (RTSR). The RTSR measure compares the Company's total share return (TSR) performance against the TSR performance of companies in the S&P/ASX300 Diversified Financials Index (Index) over the next three years.</p> <p>The vesting is calibrated as follows: zero vesting occurs when the Company's TSR is below a threshold of the 50th percentile performance when compared against the companies in the Index; 25% vesting occurs when the Company's TSR is at a threshold of the 50th percentile performance when compared against the companies in the Index; 100% vesting occurs the Company's TSR is at a threshold of 80th percentile performance when compared against the companies in the Index ; and vesting between 50th percentile and 80th percentile performance against the companies in the Index will be on a straight-line basis between these two levels .</p> <p>Thresholds</p> <p>The measurement of the Company's TSR will be from a baseline using the 40 trading day VWAP for the Company's Shares commencing on 4 August 2023 and ending on 29 September 2023. The 40 trading day VWAP for the Hub24 Share price up to that date was \$31.67. The determination of the TSR achieved over the three year performance period will be on the 40 trading day VWAP of the Shares as traded on the ASX in the 20 trading day period prior to, and post, the 31 August for the relevant prior fiscal year and include dividends during the three year performance period. The TSR of the comparison companies in the Index will be measured in the same way.</p>
Disposal Restrictions	Restriction on sale of shares for 12 months from exercise, except to fund options exercised for associated tax liabilities.

Notes to the financial statements

7. EMPLOYEE REMUNERATION continued

Summary of options and rights granted

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

Summaries of options granted	31 Dec 2023			30 June 2023		
	Number	WAEP	WASP	Number	WAEP	WASP
Outstanding at the beginning of the financial year	484,698	—	—	695,188	—	—
Granted during the period	—	—	—	—	—	—
Forfeited during the period	—	—	—	(1,926)	—	—
Exercised during the period	(296,806)	\$9.67	\$32.52	(208,564)	\$9.67	\$24.04
Expired during the period	—	—	—	—	—	—
Outstanding at the end of the period ¹	187,892	—	—	484,698	—	—
Exercisable at the end of the period	119,342	—	—	324,764	—	—

1. The range of exercise prices is \$12.05 to \$14.29 (FY23 \$12.04 to \$14.29), and weighted average remaining contractual life is 1.44 years (FY23 1.22 years).

Summaries of rights granted	31 Dec 2023			30 June 2023		
	Number	WAEP	WASP	Number	WAEP	WAP
Outstanding at the beginning of the financial year	2,591,869	—	—	2,018,719	—	—
Granted during the period	194,053	—	—	816,160	—	—
Forfeited during the period	(4,913)	—	—	(43,494)	—	—
Exercised during the period	(248,176)	—	—	(199,516)	—	—
Expired during the period	—	—	—	—	—	—
Outstanding at the end of the period	2,532,833	—	—	2,591,869	—	—
Exercisable at the end of the period	416,305	—	—	491,245	—	—

Notes to the financial statements

7. EMPLOYEE REMUNERATION continued

7.1.3 Option pricing model

The fair value of all equity-settled options issued is estimated at the grant date using the Monte Carlo model and Black Scholes option pricing model.

The following table lists the inputs to the models used:

1. Share based payment plans issued during the period ended 31 December 2023.

Rights for MD	FUA target Rights	RTSR target Rights
Dividend Yield (%)	1%	1%
Expected Volatility (%)	30.0%	39.0%
Risk-free Interest Rate (%)	4.6%	4.6%
Life (years)	3.0	3.0
Spot price on Valuation Date (\$)	33.81	33.81
Model used	Monte-Carlo Simulation & Black Scholes	Monte-Carlo Simulation & Black Scholes

Rights for Employees	FUA target Rights	RTSR target Rights
Dividend Yield (%)	1%	1%
Expected Volatility (%)	30.0%	39.0%
Risk-free Interest Rate (%)	4.6%	4.6%
Life (years)	3.0	3.0
Spot price on Valuation Date (\$)	32.25	32.25
Model used	Monte-Carlo Simulation & Black Scholes	Monte-Carlo Simulation & Black Scholes

8 OTHER INFORMATION

8.1 NEW AND AMENDED ACCOUNTING STANDARDS ISSUED BY THE AUSTRALIAN ACCOUNTING STANDARDS BOARD (AASB)

The HUB24 Group adopted all of the new, revised, or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The changes to accounting standards did not have any significant impact on the financial performance or position of the HUB24 Group.

Date Issued	Pronouncement	Effective for annual reporting periods beginning on or after
March 2021	AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates ¹	1 January 2023
June 2021	AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹	1 January 2023
December 2022	AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards ¹	1 January 2023
December 2014	AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²	1 January 2025
March 2020	AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current ²	1 January 2024
November 2022	AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback ²	1 January 2024

1. Adopted by the HUB24 Group in the current year.

2. New, revised, or amended Accounting Standards but not yet adopted.

8.2 SIGNIFICANT EVENTS AFTER REPORT DATE

Subsequent to 31 December 2023, the following items have occurred:

- Directors have determined a fully franked interim dividend of 18.5 cents per share (a fully franked interim dividend of 14.0 cents per share was determined in 1HFY23).
- In September 2023, Diverger and Count Limited (Count) entered into a Scheme Implementation Agreement under which Count will acquire 100% of the issued shares in Diverger by way of a Scheme of Arrangement (the Scheme") between Diverger and its shareholders. On 23 January 2024 Diverger shareholders approved the Scheme of Arrangement and following Court approval on 15 February 2024, the Scheme became effective on 16 February 2024. Implementation of the Scheme is scheduled for 1 March 2024, when the HUB24 Group will become a shareholder in Count. Indicative financial impacts of the transaction for the HUB24 Group are a ~12% shareholding in Count and an accounting gain on sale between \$5-6 million (pre tax) which will be reflected as a notable item in 2HFY24. Further details of the HUB24 Group's investment in Count and financial impacts of the transaction will be provided in the HUB24 Full Year 2024 Financial Reporting.

No other significant matter or circumstance has arisen since 31 December 2023 that has notably affected, or may significantly affect the HUB24 Group's operations, the results of those operations, or the HUB24 Group's state of affairs in future financial years.

Directors' declaration

For the half-year ended 31 December 2023

In the Directors' opinion:

- a. the financial statements and notes set out on pages 8 to 43 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and
 - ii. complying with Accounting Standards AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.



Paul Rogan
Chairman
Sydney

20 February 2024

Independent auditor's review report



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of HUB24 Limited (the "Company") and its subsidiaries (the "HUB24 Group"), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration as set out on page 9-44.

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

- giving a true and fair view of the HUB24 Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the HUB24 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors' Responsibilities for the Half-year Financial Report

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

Independent auditor's review report



Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the HUB24 Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink that reads "Stuart Alexander".

Stuart Alexander
Partner
Chartered Accountants

Sydney, 20 February 2024

Glossary

EBITDA	Earnings before interest, tax, depreciation, amortisation
Funds under administration (FUA)	The value of customer portfolios invested onto the Platform
IDPS	Investor Directed Portfolio Service
MDA	Managed Discretionary Account
MIS	Managed Investment Scheme
Net Tangible Asset per fully paid ordinary share	Total Assets less Total Liabilities adjusted for Intangible Assets, divided by the number of outstanding ordinary paid shares
Notable items	Includes administrative and resourcing costs related to strategic transactions and project costs including Xplore integration related costs and costs related to large migrations, and amortisation relating to the acquisition of Xplore, Class, Ords Minnett and myprosperity
ORFR	Operational Risk Financial Requirement relates to the HUB24 Superannuation Fund's requirement to hold adequate reserves against operational losses in accordance with APRA Prudential Standard SPS114
PARS	Performance Rights
PARS FUA	Portfolio And Reporting Services – refers to the non-custodial portfolio
Platform FUA	Refers to the custodial portfolio
PPA	The final purchase price accounting for the Xplore, Class and myprosperity acquisitions
PPU	Pay Per Unit
SMSF	Self-managed super fund
STI/LTI	Short term incentive/Long term incentive
Underlying EBITDA	Refers to EBITDA excluding notable items

Corporate information

HUB24 LIMITED

ACN 124 891 685

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2, 7 Macquarie Place
Sydney NSW 2000 Australia

DIRECTORS

Mr Paul Rogan (Chairman and Independent Non-Executive Director)
Mr Andrew Alcock (Managing Director)
Mr Anthony McDonald (Independent Non-Executive Director)
Ms Catherine Kovacs (Independent Non-Executive Director)
Ms Rachel Grimes AM (Independent Non-Executive Director)
Mr Bruce Higgins (Chairman and Independent Non-Executive Director retired on 16 November 2023)

COMPANY SECRETARIES

Ms Kitrina Shanahan
Mr Andrew Brown

AUDITOR

Deloitte Touche Tohmatsu

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

ELECTRONIC COMMUNICATIONS

HUB24 encourages our shareholders to receive investor
communications electronically, including the Annual Report.

These reports are available on our website at www.HUB24.com.au.

To register for electronic investor communications, please go to
www.linkmarketservices.com.au and register for online services.

WEBSITE

hub24.com.au

LINKEDIN

<https://www.linkedin.com/company/hub-24/>

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