HFA Holdings Limited

ABN 47 101 585 737

Appendix 4D

Half-Year Ended 31 December 2011

(All comparisons to half-year ended 31 December 2010)

Results for announcement to the market

		% movement		USD '000 [1]
Revenue from ordinary activities	Down	0%	to	32,876
Earnings before interest, tax, depreciation and amortisation	Down	60%	to	4,041
Profit/(loss) from ordinary activities after tax attributable to members	Down	177%	to	(2,228)
Net profit/(loss) for the period attributable to members	Down	177%	to	(2,228)

Dividend information

	Amount per share (US cents)	Franked amount per share (US cents)	Tax rate for franking
2012 interim dividend per share (to be paid)	2.0	2.0	30%
2011 final dividend per share (paid 25 November 2011)	5.0	5.0	30%
Total dividends per share	7.0	7.0	30%

Interim dividend dates

Record date	2 March 2012
Payment date	30 March 2012

HFA dividends are determined in US dollars. However, shareholders will receive their dividend in Australian dollars. Currency conversion will be based on the foreign exchange rate on the record date of 2 March 2012.

	31 Dec 2011 (US cents)[1]	31 Dec 2010 (US cents)[1]
Net tangible assets per security	(2.36)	(50.42)[2]

[1] The functional currency of HFA Holdings Limited changed to US dollars from Australian dollars, effective 1 March 2011. Consistent with this change, the presentation currency of the Group has also changed to US dollars.

[2] Adjusted for the impact of the 1 March 2011 4 to 1 consolidation of shares on issue.

Additional Appendix 4D disclosure requirements can be found in the notes to the half-year financial report.

This report is based on the consolidated half-year financial report which has been subject to a review by KPMG.

HFA Holdings Limited

ABN 47 101 585 737

and its controlled entities

31 December 2011

Interim Financial Report

Contents

Directors' report

The directors present their report together with the interim financial report of HFA Holdings Limited and its subsidiaries (the "Group") for the six months ended 31 December 2011 and the review report thereon.

Directors

The directors of HFA Holdings Limited (the "Company"/"HFA") at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Mr Spencer Young (Chairperson)	Appointed 15 May 2003 *Executive Director 15 May 2003 - 13 April 2007* *Non-executive Director 13 April 2007 - 18 September 2007* *Executive Director 18 September 2007 - 10 November 2011* *Non-executive Director 10 November 2011 - current*
Mr FP (Andy) Esteban	Appointed 18 June 2008
Mr John Larum	Appointed 12 December 2008
Mr Michael Shepherd	Appointed 16 December 2009
Mr Anthony Civale	Appointed 25 February 2011
Mr Grant Kelley	Appointed 25 February 2011
Mr James Zelter	Appointed 25 February 2011
Executive	
Sean McGould	Appointed 3 January 2008

Principal activities

The principal activity of the Group during the course of the six months ended 31 December 2011 was the provision of investment management products and services to investors globally via Lighthouse Investment Partners, LLC and Certitude Global Investments Limited ("Certitude").

HFA Holdings Limited is a company limited by shares that is incorporated in Australia. A wholly owned subsidiary, HFA Lighthouse Holdings Corp is the parent entity of the US based Lighthouse Group ("Lighthouse"), which through Lighthouse Investment Partners, LLC acts as a global absolute return funds manager and adviser, and operates a managed account program for its funds and clients. Another wholly owned subsidiary, Certitude, acts as the responsible entity and manager of schemes in Australia.

US dollar functional currency

On 1 March 2011, HFA Holdings Limited elected to adopt US dollars (USD) as its functional currency and as the presentation currency for the purpose of Group financial reporting. The functional currency of an entity is the currency of the primary economic environment in which the entity operates, and should reflect the economic substance of the underlying events and circumstances relevant to the Company.

As the majority of the Group's revenue, debt and issued convertible notes are denominated in USD, this change will provide shareholders with a more accurate reflection of the Company's and Group's underlying performance.

The interim financial statements for the Group for the six months ended 31 December 2011, including comparative information have been presented in USD, unless otherwise indicated as being presented in Australian dollars (AUD). Numbers not previously reported in USD have been indicated by the use of the word "Represented".

Directors' report

Operating and financial review

Consolidated results

For the six months ended: *In thousands of USD*	**31 December 2011**	**31 December 2010** Represented
Revenue	32,876	32,883
Investment management costs	(6,152)	(6,053)
Operating income	**26,724**	**26,830**
Operating expenses, excluding depreciation and amortisation	(21,386)	(16,605)
Net finance costs, excluding interest income / (expense)	(221)	235
Earnings before interest, tax, depreciation, amortisation and equity settled transactions	**5,117**	**10,460**
Equity settled transaction expenses	(1,076)	(331)
Earnings before interest, tax, depreciation and amortisation	**4,041**	**10,129**
Depreciation and amortisation	(5,014)	(5,005)
Net interest income / (expenses)	(1,248)	(1,967)
Profit/(loss) before income tax	**(2,221)**	**3,157**
Income tax benefit / (expense)	(7)	(266)
Net profit/(loss) after income tax	**(2,228)**	**2,891**
Basic EPS (cents)	**(0.445)**	**2.464**

The above presentation of the Group's consolidated results is unaudited and unreviewed, however it is based on amounts extracted from the reviewed financial statements and reconciles to the profit / (loss) before and after income tax as reported in the Condensed Consolidated Income Statement on page 9.

This presentation of the Group's results is intended to provide a measure of the Group's performance before the impact of non-cash expense items such as equity settled transactions and depreciation and amortisation, as well as interest costs associated with the Group's external debt facility and convertible notes on issue.

Net finance costs, excluding interest income / (expense), includes fair value movements on investments held in Group managed products, finance costs such as bank fees, and foreign currency gains and losses recognised in relation to monetary assets and liabilities.

Net income from operating activities

Group revenue and net income from operating activities has remained consistent with the corresponding prior year period at $32.876 million and $26.724 million respectively.

Lighthouse

Net income from operating activities for the US Lighthouse operations was $23.271 million, up 3.2% from the corresponding prior year period. This increase was driven by a 28.4% growth in average AUMA when compared to the six months ended 31 December 2011, partially offset by a 19.3% reduction in the average net management fee (after investment management costs) earned on AUMA.

The reduction in net management fees reflects the business unit's previously stated broadening of its client base to include investment mandates and managed account program services for large institutional clients such as pension funds, which generally earn lower fees than Lighthouse's traditional fund-of-fund products.

Directors' report

Net income from operating activities (continued)

Certitude

Certitude operations experienced a 19.3% decrease in net income from operating activities to $3.453 million. This reflects17.3% decrease in average AUD AUMA when compared to the six months ended 31 December 2010. The average net management fee(after investment management costs) has decreased by 10.7%, as fixed investment management costs relating to distribution channels such as master trusts and platforms have remained relatively steady despite the fall in AUMA.

Operating expenses

Operating expenses (excluding depreciation and amortisation costs) increased to $21.386 million for the six months ended 31 December 2011. This represents an increase of $4.781 million or 28.8% when compared to the corresponding prior year period. This is predominately due to an increase in personnel expenses, professional fees and fund related expenditure.

Personnel expense has increase as a result of the following factors:

- As outlined in the Company's financial report for the year ended 30 June 2011, Lighthouse is continuing to focus on the expansion of its capabilities. As a result of this expansion, and the associated need to attract and retain suitably qualified staff, a review of the Lighthouse compensation structure has been undertaken to ensure that staff are remunerated in line with industry standards. This has resulted in an increase in personnel expense. While some benefits of these expenditures have been realised, it is expected that the full benefits of these expansion activities will be reflected in the Group's results in following financial years.
- A one off expense relating to the finalisation of the former Group Chief Executive Officer's service agreement (refer to note 14).
- A one off expense relating to a reduction in staff resulting from a restructure of the Australian Certitude business.

Lighthouse has incurred additional professional fees in the current period in relation to the development of an Investment Analyst Risk Management System and legal fees associated with new business opportunities.

Lighthouse fund related expenditure has increased due to ongoing charges incurred in relation to the outsourcing of technology solutions to their fund administrator GlobeOp, as well as additional expenditure incurred in relation to both liquidating funds and potential new funds. Certitude has experienced an increase in fund related expenditure in relation to its newest product offerings (the Certitude Asian Opportunities Fund and Threadneedle Global Equity Fund).

Equity settled transactions

The Group's equity settled transaction expense of $1.076 million for the six months to 31 December 2011 relates to:

- performance rights issued in December 2010 to the former Group Chief Executive Officer ("CEO"), a significant portion of which vested upon his resignation in November 2011;
- performance rights issued in December 2010 to key management personnel and other key employees of Lighthouse Investment Partners, LLC; and
- performance rights issued in April 2011 to the Apollo Group as consideration for services provided under the terms of the Marketing Agreement entered into between the Apollo Group and Lighthouse Investment Partners, LLC.

The $331 thousand of equity settled transaction expense recognised in the prior period related to performance rights issued to the former Group CEO.

Please refer to note 11 for additional detail.

Directors' report

Debt and net interest expense

On 7 March 2011, the Company issued $75 million of convertible notes. The first interest accrual period in relation to these convertible notes ended on 7 September 2011. Interest accrued for this period was capitalised in accordance with the note subscription agreement, resulting in a $2.268 million increase in the face value of the notes.

Since 30 June 2011, the Group has reduced its USD denominated secured bank loan from $28.323 million to $27.323 million.

Assets under management and advice

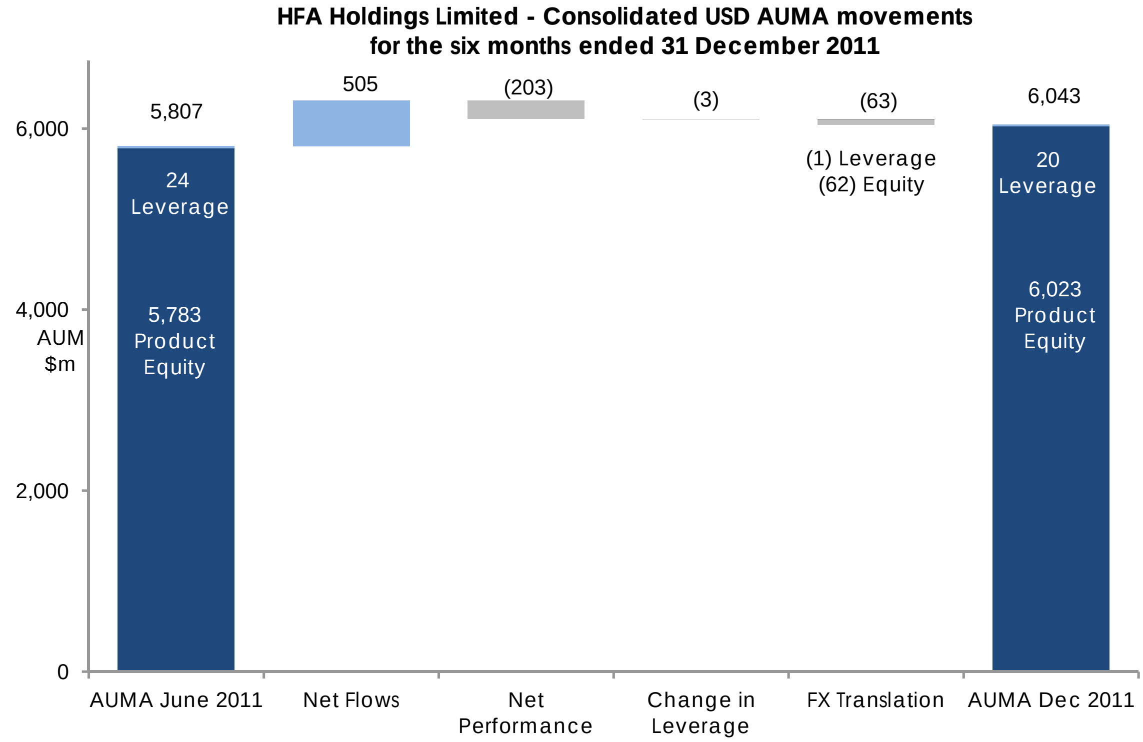
The Group's growth in AUMA demonstrates the steadier conditions experienced by the global investment management industry over the past 18 months, although the continued uncertainty in markets made raising money from investors challenging, both at an institutional and retail level.

As at 31 December 2011, HFA had total AUMA of $6.043 billion (30 June 2011: $5.807 billion). This represents an increase of 4.1% in AUMA since the end of the previous financial year.

Lighthouse achieved positive growth in Assets under Management and Advice (AUMA) of 9.6% for the six months ended 31 December 2011.

After lifting all the remaining restrictions on the HFA Diversified Investment Fund (DIF) and providing solutions for some of their structured products for investors, Certitude reported a 13.5% decrease in AUD AUMA for the six months ended 31 December 2011.

The following chart shows how performance, net flows, reduction in leverage within the products and foreign exchange translation impacted AUMA over the six months ended 31 December 2011:



Directors' report

Dividends

The directors have at the date of this report determined an interim dividend of USD 2 cents per share which will be fully franked and payable on 30 March 2012.

Events subsequent to reporting date

Except for the interim dividend referred to above, in the opinion of the directors of the Company, there has not arisen, in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Lead auditor's independence declaration

The lead auditor's independence declaration required under section 307C of the Corporations Act 2001 is set out on page 7 and forms part of the directors' report for the six months ended 31 December 2011.

Signed in accordance with a resolution of directors:

Spencer Young
Chairperson

F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 15th day of February 2012

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To the directors of HFA Holdings Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Stephen Board
Partner

Brisbane
15 February 2012

Condensed consolidated statement of financial position

As at 31 December 2011

In thousands of USD	Note	31 December 2011	30 June 2011
Assets			
Cash and cash equivalents		36,820	28,456
Investments in cash term deposits		7,418	16,360
Trade and other receivables		13,609	12,145
Current tax assets		42	16
Total current assets		**57,889**	**56,977**
Investments		5,191	3,666
Plant and equipment		1,116	1,259
Intangible assets	9	132,181	136,896
Other non-current assets		694	574
Total non-current assets		**139,182**	**142,395**
Total assets		**197,071**	**199,372**
Liabilities			
Trade and other payables		8,450	7,410
Employee benefits		9,777	5,546
Loans and borrowings	10	4,103	3,903
Total current liabilities		**22,330**	**16,859**
Employee benefits		86	245
Loans and borrowings	10	45,273	46,640
Total non-current liabilities		**45,359**	**46,885**
Total liabilities		**67,689**	**63,744**
Net assets		**129,382**	**135,628**
Equity			
Share capital	12	262,240	491,392
Reserves		12,495	12,491
Accumulated losses	12	(145,353)	(368,255)
Total equity		**129,382**	**135,628**

The accompanying notes form an integral part of these condensed consolidated interim financial statements

Condensed consolidated income statement

For the six months ended 31 December 2011

In thousands of USD	Note	31 December 2011	31 December 2010 Represented[1]
Revenue	7	32,876	32,883
Investment management costs		(6,152)	(6,053)
Net income from operating activities		**26,724**	**26,830**
Expenses	7	(26,400)	(21,610)
Equity settled transactions	7,11	(1,076)	(331)
Results from operating activities		**(752)**	**4,889**
Finance income		578	683
Finance costs		(2,047)	(2,415)
Net finance costs		**(1,469)**	**(1,732)**
Profit/(loss) before income tax		**(2,221)**	**3,157**
Income tax expense	8	(7)	(266)
Profit/(loss) for the period		**(2,228)**	**2,891**
Profit/(loss) attributable to:			
Owners of the Company		(2,228)	2,891
Profit/(loss) for the period		**(2,228)**	**2,891**
Earnings per share			
Basic earnings per share (cents per share)	13	(0.445)	2.464
Diluted earnings per share (cents per share)	13	(0.445)	2.464

[1] Refer to note 3 for details regarding the change in the Group's functional and presentation currency.

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2011

In thousands of USD	31 December 2011	31 December 2010 Represented[1]
Profit/(loss) for the period	**(2,228)**	**2,891**
Other comprehensive income		
Foreign currency translation differences for foreign operations	(1,072)	3,186
Effective portion of changes in fair value of cash flow hedges	-	1,159
Net change in fair value of available-for-sale financial assets	-	(11)
Income tax on other comprehensive income	-	3
Other comprehensive income for the period, net of income tax	**(1,072)**	**4,337**
Total comprehensive income for the period	**(3,300)**	**7,228**
Total comprehensive income attributable to:		
Owners of the Company	(3,300)	7,228
Total comprehensive income for the period	**(3,300)**	**7,228**

[1] Refer to note 3 for details regarding the change in the Group's functional and presentation currency.

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2011

		Attributable to equity holders of the Company							
In thousands of USD	Note	Share Capital	Share Based Payments Reserve	Fair Value Reserve	Hedging Reserve	Translation Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2010 (Represented)[1]		447,570	12,318	64	(1,159)	(9,665)	(373,782)	75,346
Total comprehensive income for the period								
Profit for the period		-	-	-	-	-	2,891	2,891
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	3,186	-	3,186
Effective portion of changes in fair value of cash flow hedges		-	-	-	1,159	-	-	1,159
Net change in fair value of available-for-sale financial assets		-	-	(8)	-	-	-	(8)
Total other comprehensive income		-	-	(8)	1,159	3,186	-	4,337
Total comprehensive income for the period		-	-	(8)	1,159	3,186	2,891	7,228
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Share-based payment transactions	11	-	331	-	-	-	-	331
Total transactions with owners		-	331	-	-	-	-	331
Balance at 31 December 2010 (Represented)[1]		**447,570**	**12,649**	**56**	**-**	**(6,479)**	**(370,891)**	**82,905**

[1] Refer to note 3 for details regarding the change in the Group's functional and presentation currency.

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (continued)

For the six months ended 31 December 2011

In thousands of USD	Note	Share Capital	Share Based Payments Reserve	Fair Value Reserve	Hedging Reserve	Translation Reserve	Accumulated Losses	Total Equity
		Attributable to equity holders of the Company						
Balance at 1 July 2011		491,392	17,893	-	-	(5,402)	(368,255)	135,628
Total comprehensive income for the period								
Loss for the period		-	-	-	-	-	(2,228)	(2,228)
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	(1,072)	-	(1,072)
Total other comprehensive income		-	-	-	-	(1,072)	-	(1,072)
Total comprehensive income for the period		-	-	-	-	(1,072)	(2,228)	(3,300)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Share-based payment transactions	11	-	1,076	-	-	-	-	1,076
Dividends to owners of the Company	12	-	-	-	-	-	(5,504)	(5,504)
Issue of convertible notes, net of tax	10,12	1,482	-	-	-	-	-	1,482
Total transactions with owners		1,482	1,076	-	-	-	(5,504)	(2,946)
S256B transfer of Company accumulated losses to reduce share capital	12	(230,634)	-	-	-	-	230,634	-
Balance at 31 December 2011		**262,240**	**18,969**	**-**	**-**	**(6,474)**	**(145,353)**	**129,382**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

For the six months ended 31 December 2011

In thousands of USD	31 December 2011	31 December 2010 Represented[1]
Cash flows from operating activities		
Cash receipts from customers	31,776	30,954
Cash paid suppliers and employees	(22,574)	(18,099)
Cash generated from operations	9,202	12,855
Interest received	362	431
Dividends received	-	27
Income taxes paid / (refunded)	(33)	(12)
Net cash from operating activities	**9,531**	**13,301**
Cash flows from investing activities		
Acquisition of plant and equipment	(170)	(239)
Acquisition of investments in financial assets designated at fair value through the profit or loss	(1,605)	(489)
Redemption of investments in cash term deposits	8,178	-
Acquisition of other non-current assets	(133)	(562)
Net cash from/(used) in investing activities	**6,270**	**(1,290)**
Cash flows from financing activities		
Interest paid	(471)	(2,582)
Repayments of borrowings	(1,000)	(6,429)
Finance costs	(21)	(18)
Dividends paid	(5,504)	-
Transaction costs relating to the issue of convertible notes	-	(1,410)
Net cash from/(used in) financing activities	**(6,996)**	**(10,439)**
Net increase in cash and cash equivalents	**8,805**	**1,572**
Cash and cash equivalents at 1 July	28,456	28,106
Effect of exchange rate fluctuations on cash balances held in foreign currencies	(441)	3,050
Cash and cash equivalents at 31 December	**36,820**	**32,728**

[1] Refer to note 3 for details regarding the change in the Group's functional and presentation currency.

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2011

1. Reporting entity

HFA Holdings Limited (the "Company"/"HFA") is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

They do not include all of the information required for full annual financial report, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2011.

The consolidated financial statements of the Group as at and for the year ended 30 June 2011 are available at www.hfaholdings.com.au, or upon request from the Company's registered office at Level 5, 151 Macquarie Street, Sydney NSW 2000.

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 February 2012.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2011.

On 1 March 2011, HFA Holdings Limited elected to adopt US dollars (USD) as its functional currency and as the presentation currency for the purpose of Group financial reporting. As per note 2(c) to the Group's consolidated financial statements as at and for the year ended 30 June 2011, this change in functional currency was applied prospectively as a change in estimate with effect from 1 March 2011 in accordance with the requirements of the Accounting Standards.

The interim financial statements for the Group for the period ended 31 December 2011, including comparative information have been presented in USD, unless otherwise indicated as being presented in Australian dollars (AUD). Numbers not previously reported in USD have been indicated by the use of the word "Represented".

4. Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2011.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2011.

6. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, board of directors review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Australia*. Includes the Australian Certitude business, which acts as the Responsible Entity for Australian based funds, and the Australian service entity Admin Pty Ltd.
- *United States*. Includes the US based Lighthouse Group, which acts as a global absolute return funds manager for US and Cayman Island based funds.

Unallocated / Corporate includes the corporate parent entity, HFA Holdings Limited.

	Australia		United States		Total reportable segments		Unallocated / Corporate		Elimination		Consolidated	
In thousands of USD	31 Dec 2011	31 Dec 2010[1]	31 Dec 2011	31 Dec 2010[1]	31 Dec 2011	31 Dec 2010[1]	31 Dec 2011	31 Dec 2010[1]	31 Dec 2011	31 Dec 2010[1]	31 Dec 2011	31 Dec 2010[1]
External revenue	5,064	5,831	27,812	27,052	32,876	32,883	-	-	-	-	32,786	32,883
Inter-segment revenue (excluding dividends)	-	-	1,170	1,092	1,170	1,092	-	-	(1,170)	(1,092)	-	-
Reportable segment profit/(loss) before income tax	**(930)**	**390**	**1,897**	**4,004**	**967**	**4,394**	**1,281**	**(147)**	**(4,469)**	**(1,090)**	**(2,221)**	**3,157**

[1]Represented

Segment assets

There has been no material change in the allocation of segment assets compared to the Group's consolidated financial statements as at and for the year ended 30 June 2011.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

7. Revenue and expenses

Profit / (loss) before income tax expense includes the following specific revenues and expenses whose disclosure is relevant in explaining the performance of the Group:

in thousands of USD	31 December 2011	31 December 2010 Represented
(a) Revenue		
Management fee income	32,718	30,889
Performance fee income	158	1,994
Total revenue	**32,876**	**32,883**
(b) Expenses		
Personnel expenses	(15,950)	(12,378)
Professional fees	(1,182)	(755)
Occupancy expenses	(1,022)	(1,030)
Marketing and promotion costs	(120)	(74)
Travel costs	(520)	(518)
Depreciation	(299)	(290)
Amortisation intangible assets	(4,715)	(4,715)
Other expenses	(2,592)	(1,850)
Total expenses	**(26,400)**	**(21,610)**
(c) Equity settled transactions		
Equity settled transactions – Personnel expenses	(856)	(331)
Equity settled transactions – Marketing and promotion costs	(220)	-
Total equity settled transactions	**(1,076)**	**(331)**

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

8. Income tax expense

The Group's consolidated effective tax rate for the six months ended 31 December 2011 was 0.3% (for the year ended 30 June 2011: 13.8%; for the six months ended 31 December 2010: 8.45%). The effective tax rate for the six months ended 31 December 2011 was impacted by the following factors:

De-recognition of the Lighthouse Group Deferred Tax Assets

A current period decrease of $716 thousand in deferred tax assets relating to the Lighthouse Group has not been recognised in the profit or loss. This is due to the fact that deferred tax assets relating to the Lighthouse Group have been de-recognised in prior financial years and are carried off balance sheet.

The Lighthouse Group is in a taxable loss position for the six months ended 31 December 2011. Despite the Lighthouse Group generating a positive operating result for this period, the significant tax deduction provided by the amortisation of goodwill created on the acquisition of the Lighthouse Group has nonetheless resulted in a taxable loss for the six months ended 31 December 2011. Until such time as the Lighthouse Group is in a taxable position, the future benefits associated with the Lighthouse Group's existing tax losses and deductible temporary differences will not be recognised on the balance sheet as a deferred tax asset.

De-recognition of the Australian Group Deferred Tax Assets

A current period increase of $766 thousand in deferred tax assets relating to the Australian Tax Consolidated Group ("Australian Group") has not been recognised in the profit or loss. This is due to the fact that deferred tax assets relating to the Australian Group have been de-recognised in the prior financial year and are carried off balance sheet.

The Australian Group is in a taxable loss position for the six months ended 31 December 2011, and is forecast to remain in a tax loss position for the next several years. As a result, as at 31 December 2011, it is not probable that the Australian Group will produce sufficient taxable profits against which these deferred tax assets can be utilised.

The following deferred tax assets have not been recognised:

In thousands of USD	**31 December 2011**	**30 June 2011**
Deductible temporary differences	200,140	204,757
Tax losses	36,476	36,811
	236,616	**241,568**

Unrecognised deferred tax assets as at 31 December 2011 relate to both the US Group: $149,003 thousand (30 June 2011: $149,719 thousand) and the Australian Group: $87,613 thousand (30 June 2011: $91,849 thousand), and consist of impairment losses recognised in previous financial years, carried forward operating tax losses, carried forward capital tax losses and deductible temporary differences.

The value of unrecognised deferred tax assets is reassessed at each reporting date.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

9. Intangible assets

In thousands of USD	31 December 2011	30 June 2011
Goodwill	93,801	93,801
Management rights / customer relationships	36,700	41,288
Trade marks	1,520	1,567
Software	160	240
	132,181	**136,896**

Reconciliation of carrying amount

In thousands of USD	31 December 2011	30 June 2011
Cost		
Balance at beginning of period	575,619	587,496
Written off[1]	-	(11,877)
Balance at end of period	**575,619**	**575,619**
Amortisation and impairment losses		
Balance at beginning of period	(438,723)	(441,170)
Amortisation	(4,715)	(9,430)
Written off[1]	-	11,877
Balance at end of period	**(443,438)**	**(438,723)**
Carrying amounts		
Balance at beginning of period	136,896	146,326
Balance at end of period	**132,181**	**136,896**

[1] The carrying values of intangible assets relating to the Australian business were written down to a nil carrying value during the financial year ended 30 June 2009. The value of these assets was removed from the opening cost and accumulated depreciation balances for the year ended 30 June 2011.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

10. Loans and borrowings

In thousands of USD	31 December 2011	30 June 2011
Current		
Secured Bank Loan	2,000	2,000
Unsecured Convertible Notes	2,103	1,903
	4,103	**3,903**
Non-current		
Secured Bank Loan	25,323	26,323
Unsecured Convertible Notes	19,950	20,317
	45,273	**46,640**
Total loans and borrowings	**49,376**	**50,543**

Current loans and borrowings are the estimated portion of bank loans that are due to be settled within one year under the terms of the current Westpac Cash Advance Facilities Agreement.

The current unsecured convertible notes amount relates to the expected decrease in the carrying value of the convertible notes, using the effective interest rate method.

For details regarding the security and financial undertakings relating to this facility, please refer to the annual financial statements of the Group as at and for the year ended 30 June 2011.

Terms and conditions

			31 December 2011		30 June 2011	
In thousands of USD	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured Bank Loan	LIBOR + 3%	2016	27,323	27,323	28,323	28,323
Unsecured Convertible Notes	6%	2019	77,268	22,053	75,000	22,220
Total loans and borrowings			**104,591**	**49,376**	**103,323**	**50,543**

Convertible notes

In thousands of USD	31 December 2011
Carrying amount of liability at 30 June 2011	22,220
Accreted interest (calculated using the effective interest rate method)	1,357
Interest payable on the face value	(2,310)
Increase in face value due to capitalisation of interest on 7 September 2011	2,268
Amount classified as equity	(1,482)
Carrying amount of liability at 31 December 2011	**22,053**

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

10. Loans and borrowings (continued)

The unsecured convertible notes are held by a related party, Apollo Global Management, LLC and its affiliates. Interest of 6% per annum is payable on the convertible notes on a six monthly basis, which will be capitalised by way of an increase in the face value amount of the convertible notes for the first four years. The first interest payment date occurred on 7 September 2011, and resulted in a $2.268 million increase in the face value of the convertible notes. After the first four years, interest may continue to be capitalised, or paid in cash at the Company’s discretion. The notes may be subject to additional interest which represents the note holders’ participation on an as converted basis in any dividends exceeding $6 million that are paid by the Company in a 12 month period.

The convertible notes mandatorily convert on maturity, being 7 March 2019. However, a noteholder may elect to convert some or all of the convertible notes at any time before they mature. The convertible notes may also be converted by the Company at semi-annual intervals commencing on the fourth anniversary of their issue, provided the volume weighted average sale price of the Shares for the 30 trading days period prior is in excess of 20% greater than the conversion price, or if a change of control event occurs in respect of the majority noteholder. Any default under the terms of the convertible notes does not result in a repayment obligation by the Company. The conversion price is USD 0.9766. The number of shares to be issued is calculated as the principal amount of the convertible notes divided by the conversion price.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

11. Share-based payments

In March 2008, the Company established the HFA Employee Performance Rights Plan. Rights issued under the plan entitle employees and related parties to issued shares in the Company based on the achievement of a number of vesting conditions, such as being employed by the Group at relevant vesting dates, and meeting specified performance hurdles.

The following offers made under the terms of this plan are reflected in the Group's financial statements for the six months ended 31 December 2011.

Employee Remuneration

December 2010 Lighthouse Performance Rights: 4,000,000 performance rights issued to key management personnel and other senior employees of Lighthouse Investment Partners, LLC (Lighthouse).

December 2010 CEO Performance Rights: 3,968,935 performance rights issued to former Group CEO, Mr Spencer Young.

Marketing Expense

April 2011 Apollo Performance Rights: 1,000,000 performance rights issued to the Apollo Group as part consideration for the services provided under the terms of the Marketing Agreement entered into between the Apollo Group and Lighthouse Investment Partners, LLC.

Reconciliation of movements in performance rights

	Number of shares
Outstanding at 30 June 2011	8,968,935
Shares issued during the period in relation to December 2010 CEO Performance Rights	(1,405,326)
Forfeited during the period in relation to December 2010 CEO Performance Rights	(2,002,465)
31 December 2011	**5,561,144**

Share-based payments expense has been recognised in the profit or loss as follows:

In thousands of USD	31 December 2011	31 December 2010 Represented
December 2010 CEO Performance Rights	206	331
December 2010 Lighthouse Performance Rights	650	-
April 2011 Apollo Performance Rights	220	-
Total share-based payment expense	**1,076**	**331**

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

12. Capital

Issues of ordinary shares

On 15 November, HFA Holdings Limited issued 1,405,326 Ordinary Shares to Mr Spencer Young as a result of his stepping down as Chief Executive Officer following the Company's Annual General Meeting on 10 November 2011. The shares were issued pursuant to the HFA Employee Performance Rights Plan and the remuneration arrangements which apply on termination of Mr Young's employment, as approved by shareholders at the 2010 Annual General Meeting.

Reduction in share capital

The following resolution was approved by shareholders of HFA Holdings Limited at the annual general meeting held on 10 November 2011:

"That pursuant to section 256B of the Corporations Act 2001 (Cth) for all other purposes, and with effect from 30 November 2011 the capital of the Company be reduced by applying an amount of up to US$240 million, being a portion of the accumulated losses of the Company against the Company's share capital."

In accordance with this resolution, the share capital of the company was reduced by $230,634 thousand on 30 November 2011.

This reduction represents the sum of the Company's accumulated losses as at 30 November 2011. The reduction in capital did not result in a return of capital to shareholders or the cancellation of any shares.

Convertible notes

On 7 September 2011, interest payable on the convertible notes was capitalised by way of an increase in the face value of the notes (refer note 10). $1,482 thousand of the total $2,268 thousand of capitalised interest was classified as equity in accordance with Australian Accounting Standards.

Dividends Paid

The following dividends were paid by the HFA Holdings Limited:

For the six months ended: *In thousands of USD*	31 December 2011	31 December 2010
5 cents (AUD 4.7 cents) per qualifying ordinary share fully franked (2010: $Nil)	5,504	-

On 25 November 2011, the Company paid a final dividend of USD 5.0 cents per share, fully franked. In addition, the convertible note interest instalment noted in the previous section is treated as a dividend for taxation purposes, and as such was also fully franked in accordance with dividend benchmarking rules.

The Board disclosed its intention to determine a final dividend relating to the 2011 financial year in the consolidated financial statements of the Group as at and for the year ended 30 June 2011, and sufficient parent entity current year profits were available to do so.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

12. Capital (continued)

Dividends Paid (continued)

There continues to be significant uncertainty regarding the Australian Taxation Office's (ATO) position in relation to a Company's ability to frank dividends where it has accumulated losses. The ATO released Draft Tax Ruling TR2011/D8 'Income Tax: Section 254T of the Corporations Act and the assessment and franking of dividends paid from 28 June 2010' on 21 December 2011, outlining its proposed position in relation to this issue.

As the final Tax Ruling is not expected to be released until after 24 February 2012, there is a possibility that the Company's determination and payment of franked dividends may be challenged. Should it be found that the dividends were not eligible to be franked, there is a possibility that the Company will need to advise shareholders of a change to the franked status of the dividends; the Company may incur a penalty against its franking account; and/or withholding tax may be incurred in relation to the Convertible Note interest.

Interim dividend

The directors have at the date of this report determined an interim dividend of USD 2 cents per share which will be fully franked and payable on 30 March 2012.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

13. Earnings per share

	31 December 2011	31 December 2010 Represented
Basic earnings per share (US cents per share)	(0.445)	2.464[1]
Diluted earnings per share (US cents per share)	(0.445)	2.464[1]

Earnings used in calculating earnings per share

In thousands of USD	31 December 2011	31 December 2010 Represented
Profit/(loss) attributable to ordinary equity holder of the Company	(2,228)	2,891
Adjustment for interest on mandatorily convertible notes	1,357[2]	-
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	(871)	2,891

Weighted average number of shares

In thousands of shares	31 December 2011	31 December 2010
Issued ordinary shares at 31 December	118,738	469,330
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	195,933	117,333[1]

[1] Prior year earnings per share has been restated to reflect the following two factors:

- On 1 March 2011, the issued capital of the Company was consolidated on the basis that every 4 shares on issue were consolidated into one share.
- During the financial year ended 30 June 2011, the Group made a voluntary change in accounting policy that resulted in a restatement of profit attributable to equity holders of the parent and earnings per share. This change in accounting policy relates to the change in Group presentation currency from Australian dollars to US dollars.

[2] For the purposes of calculating earnings per share, the mandatorily convertible notes are treated as being converted. Net profit/(loss) is therefore adjusted for interest costs recognised on the convertible notes, as on conversion, the convertible notes would no longer have an impact on profit.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 31 December 2011

14. Related parties

Transactions with key management personnel

As a result of the resignation of the Group's former Chief Executive Officer, the Group recognised an expense of $661,218 representing 12 month's salary (pursuant to Mr Young's Executive Service Agreement), accumulated annual and long service leave, and short term cash incentives relating to the financial year ended 30 June 2011 and current financial year up until resignation date.

In addition, Mr Young was issued with 1,405,326 Ordinary Shares pursuant to the HFA Employee Performance Rights Plan (refer notes 11 and 12).

15. Events subsequent to reporting date

Except for the interim dividend referred to in note 12, there has not arisen in the interval between the end of the reporting period and the date of this report, any other item, transaction or event of a material nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

For the six months ended 31 December 2011

In the opinion of the directors of HFA Holdings Limited (the "Company"):

1. the consolidated interim financial statements and notes set out on pages 8 to 25, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the period ended on that date; and

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

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

Dated at Sydney this 15th day of February 2012

Signed in accordance with a resolution of the directors:

Spencer Young	**F P (Andy) Esteban**
Chairperson	Non-Executive Director

Independent auditor's review report to the members of HFA Holdings Limited

We have reviewed the accompanying interim financial report of HFA Holdings Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2011 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of HFA Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the interim period ended on that date; and

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

KPMG

KPMG

J Board

Stephen Board
Partner

Brisbane
15 February 2012