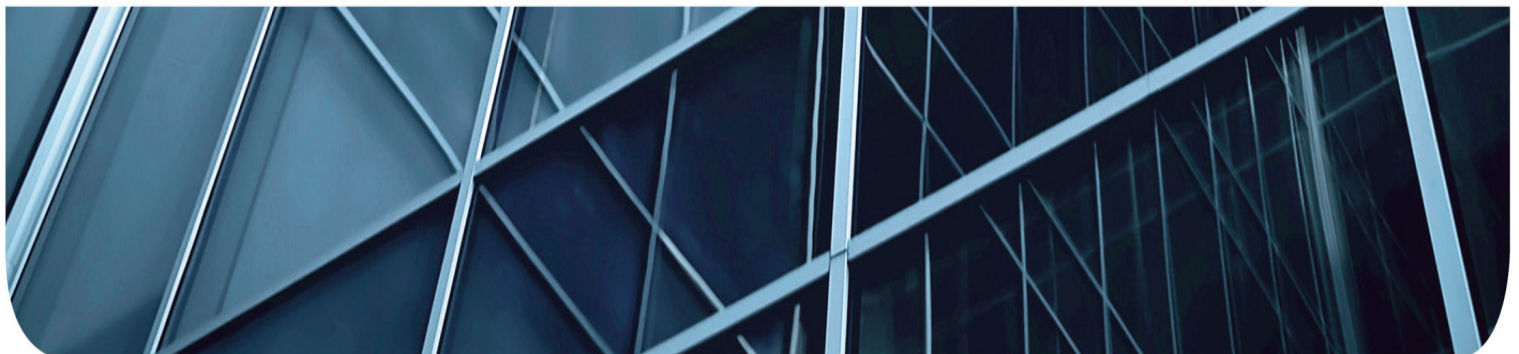




HFA Holdings Limited
and its controlled entities

Annual Financial Report

30 June 2012





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The numbers in this Annual Report have been presented in US dollars (USD), unless otherwise indicated as being presented in Australian dollars (AUD).

Chairman's review

Welcome to the HFA Holdings Limited (the 'Company'/'HFA') annual report for the 2012 financial year.

Global financial markets have continued the challenging conditions of recent years. Despite this, the Group achieved a 15% growth in Assets Under Management and Advice (AUMA), finishing the year with \$6.6 billion of AUMA as at 30 June 2012.

Asset raising remains difficult around the globe, as on-going market uncertainty has meant investors continue to be hesitant in committing investment capital. Despite this, both the Lighthouse and Certitude businesses have used this year wisely to invest in strong foundations for growth and pursue opportunities to expand the products and services they can bring to investors.

Whilst the Group is seeing an improvement in prospects, potential new investors continue to be cautious. We remain encouraged that these prospects will be realised, however we acknowledge that the global deleveraging cycle will most likely continue for some time. The Group has worked hard at positioning the business to provide investment products and solutions that will assist clients in the current environment and into the future.

As outlined in past reports, our US-based business, Lighthouse, took the initiative over five years ago to begin to evolve their business model. All of the work and resources spent developing their managed account program is attracting client attention. Lighthouse is now in a strong position to deliver customised client solutions that provide transparency, control and flexibility. One of the most important concerns of clients is transparency. Lighthouse has listened carefully to its clients and continues to find new ways of delivering useful, timely information. The data that Lighthouse is capturing on a daily basis is unique and is used actively to improve the investment decision making process in its funds. Lighthouse management believes that a combination of timely, accurate data and skilled judgement provides the best opportunity for sustainable investment performance. The Group is excited about several of the mandates Lighthouse received this year and the way in which Lighthouse continues to transform its business.

These benefits are further being marketed here by our Australian business, Certitude Global Investments, which is targeting key institutions, multi-managers and family offices with mounting interest in these investment capabilities.

Results

The Group's net operating revenue is unchanged from the prior year, however increased operating expenses led to an overall drop in profitability.

The increase in the Group's expenses was driven by two key areas:

- maintaining appropriate remuneration and incentive arrangements to retain and motivate staff to continue to meet the demands of clients in the evolving business; and
- further investment of time and money into technology improvements and investment risk management systems.

Dividends

The Company has continued to pay dividends after recommencing them last year. The board has determined to pay a fully-franked final dividend of 3.0 cents per share. Added to the interim dividend of 2.0 cents per share, the Company will pay total dividends of 5.0 cents per share for the 2012 financial year.

With investment markets likely to remain volatile in the foreseeable future, it is difficult to forecast exactly how this will impact on the Company's plans to expand and grow its operations. However, as the Company has demonstrated in the past, we will continue to adapt to changing market conditions in order to improve our client offerings.

I would like to take this opportunity to thank our shareholders for their ongoing support of the Company. I would also like to thank my fellow board members, as well as the senior management and staff of HFA, Lighthouse and Certitude for their continued efforts despite challenging market conditions over the past four years.

Kind regards,



Spencer Young
Chairman

Business overview

HFA is the listed Australian holding company for a specialist global funds management business, primarily providing absolute return fund products and services to investors with the aim of achieving consistent risk adjusted returns.

The Company comprises two business segments:

- United States ('US') based Lighthouse Investment Partners, LLC; and
- the Australian based Certitude Global Investments Limited.



- and employs a team of 116 high calibre employees that are located across the world.



As at 30 June 2012, the group manages USD 6.6 billion in assets under management and advice.

Whilst our core expertise is in hedge fund investing, both the US and Australian businesses are expanding and evolving their business strategies to include a range of investment strategies.

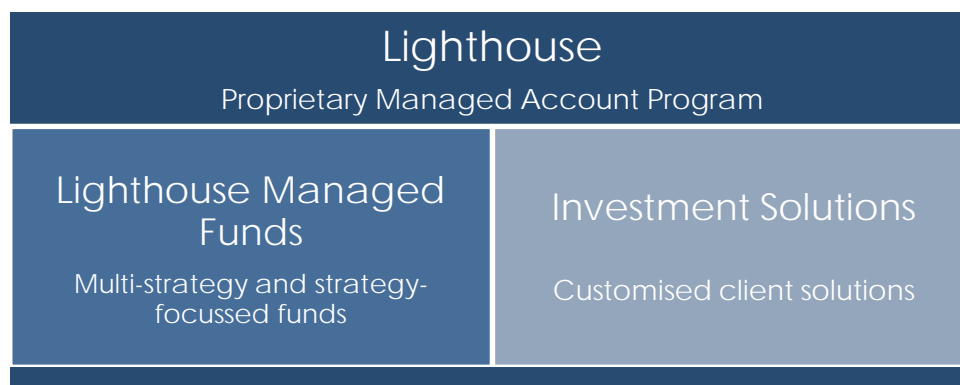
Business overview

Lighthouse Investment Partners

Lighthouse Investment Partners, LLC ('Lighthouse') is a US based investment manager dedicated to managing funds of hedge funds for diversification and absolute return.

Lighthouse has an investor base that spans North America, Europe, and Asia and includes high net worth individuals, family offices, endowments, foundations, trusts, investment banks, benefit plans, pension funds, healthcare and insurance companies.

Lighthouse has developed two separate business lines, each of which utilise its proprietary managed account program:



Lighthouse Managed Funds

Lighthouse believes the most effective way to achieve diversification from traditional markets is through exposure to intelligently and actively managed portfolios of hedge funds. Lighthouse's overall objective is to create and deliver innovative investment solutions that compound investor capital.

Lighthouse manages a number of multi-strategy and strategy-focused funds. The funds utilise Lighthouse's proprietary managed account investment structure, in which Lighthouse Funds own the assets custodied in a prime brokerage account and authorise external fund managers to trade the assets within predetermined guidelines. The managed account structure provides:

- transparency into asset positions;
- vast amounts of daily data to allow timely risk management and monitoring of external fund managers;
- enhanced control and security of assets;
- investment flexibility;
- administrative cost savings; and
- overall improved liquidity compared to traditional fund-of-fund structures.

All of these benefits significantly improve the investment process and allows Lighthouse to better monitor the investment strategies of their funds.

Whilst many of Lighthouse's competitors are starting to utilise managed account structures through external providers due to increased pressure from investors and regulators for transparency into asset holdings, Lighthouse began building their proprietary managed account solution more than five years ago. As a result, the managed account program has been designed to be an integral part of Lighthouse's investment process.

Business overview

Investment Solutions - Customised client solutions

The development of the managed account program for Lighthouse's own managed funds created a new opportunity for Lighthouse to develop a customised client solutions business. This business offers investors who are able to commit to a significant investment size the ability to access the benefits of the managed account structure in their own customised portfolio. Lighthouse is able to work closely with large strategic investors to customise their alternative investment exposure and meet specific needs across middle office, risk monitoring and investment advisory services. Investors can choose some or all of the available services depending on their own requirements, and fees are structured accordingly.



Up until July of 2011, the Lighthouse managed account structure was utilised exclusively by Lighthouse's own managed funds. As at the end of this financial year, Lighthouse had established several sizable strategic clients on the platform, and believes that customised client solutions will represent a significant area of growth in the future.

Certitude Global Investments

Certitude is an Australian-based provider of global investment manager skill. Certitude selects leading active investment managers from around the globe and brings their expertise to Australian investors.

Building on its roots of providing global hedge fund products to Australian investors, Certitude has evolved its business strategy over the past two years to meet the changing needs of Australian investors. This has involved adding new global investment partners, and broadening its product suite to include a wider spectrum of asset class choices.

When selecting its partners and products, Certitude seeks to offer investors active solutions with the aim to deliver outperformance, or 'alpha', allowing investors to optimise their portfolios and complement their passive or index-driven strategies.



Certitude's partners

The foundation of the Certitude business is finding strong investment manager partners. The focus is on global partners who demonstrate quality investment processes, depth of experience and resources, and a focus on delivering outperformance through active investment decisions.

Certitude's investment partners are located across all the major financial markets, are highly regarded in their industries and have a strong track record. Certitude's current partners are Threadneedle Investments (UK), Columbia Management Investment Advisers, LLC (US), Lighthouse Partners, LLC (US) and Marshall Wace Gavekal Asia Limited (Hong Kong).

The expertise of Certitude's combined partners provide it, and therefore its investors, with insight into global investment opportunities, and has allowed Certitude to create a product range which spans a broader range of global asset sectors.

In Australia, Certitude provides investment products to retail, high net worth and institutional investors via the operation and distribution of Australian domiciled managed funds.

Review of operations and results

Consolidated Group operating and financial review

Consolidated results

<i>in thousands of USD</i>	2012	2011
Revenue	66,150	67,969
Investment management costs	(11,382)	(12,304)
Net income from operating activities	54,768	55,665
Other income	-	2
Operating expenses, excluding depreciation and amortisation	(40,180)	(34,256)
Net finance costs, excluding interest income / (expense)	(103)	2
Earnings before interest, tax, depreciation, amortisation and equity settled transactions	14,485	21,413
Equity settled transaction expenses	725	(1,733)
Earnings before interest, tax, depreciation and amortisation	15,210	19,680
Depreciation and amortisation	(10,024)	(10,054)
Net interest expense	(2,479)	(3,215)
Profit before income tax	2,707	6,411
Income tax expense	(17)	(884)
Net profit after income tax	2,690	5,527
Basic EPS (cents)	2.71	4.51

The Group generated earnings before interest, tax, depreciation and amortisation of \$15.210 million for the financial year ended 30 June 2012, down 23% on the previous period.

The Group recorded a consolidated profit after income tax of \$2.690 million (2011: \$5.527 million).

Net income from operating activities

Group revenue decreased by 3% on the prior year to \$66.150 million. This decrease was driven by a \$3.018 million decrease in performance fees compared to the prior year, partially offset by a \$1.249 million increase in management fees due to higher AUMA in the 2012 financial year.

The small fall in revenue resulted in a 2% decrease in net income from operating activities to \$54.768 million.

Operating expenses

Operating expenses (excluding depreciation and amortisation costs) increased to \$40.180 million for the financial year ended 30 June 2012. This represents an increase of \$5.924 million or 17% when compared to the prior financial year. This is predominately due to an increase in personnel expenses, fund administration costs and professional fees associated with the Lighthouse business, as well as the negative impact of the increase in the average AUD/USD exchange rate for the year to 1.0319 (2011: 0.9891).

Debt and net interest expense

On 7 March 2011, the Company issued \$75 million of convertible notes. Of the proceeds from the issue of the convertible notes, \$65 million was used to pay down debt outstanding under the Westpac Cash Advance Facility (CAFA).

Since 30 June 2011, the Group has reduced USD denominated debt from \$28.323 million to \$26.323 million.

This reduction in debt, as well as the expiry in October 2010 of interest rate swaps on the USD denominated debt, has resulted in a decrease in net interest expense for the Group for the 2012 financial year.

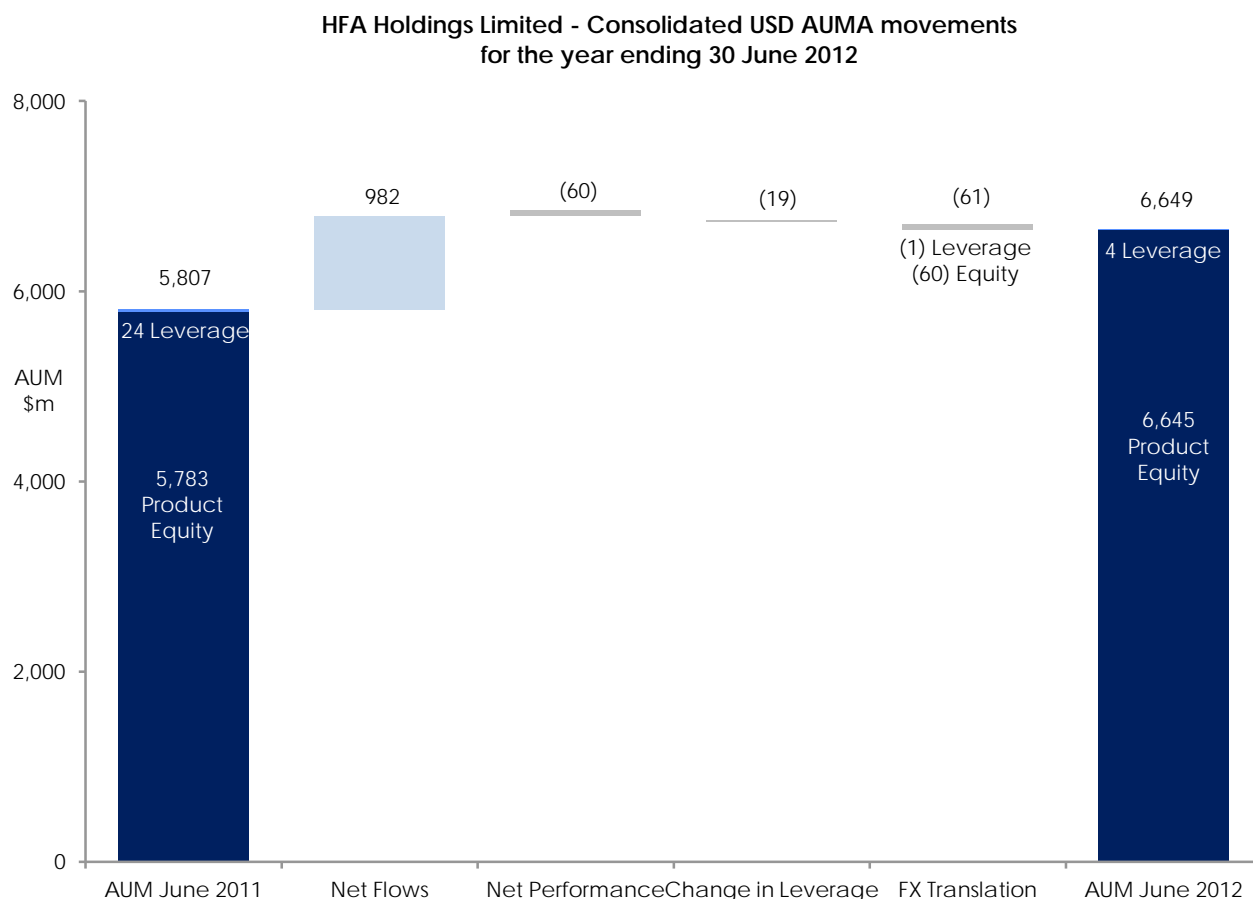
Review of operations and results (continued)

Consolidated Group operating and financial review (continued)

Assets under management and advice (AUMA)

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

As at 30 June 2012, HFA had total AUMA of \$6.649 billion (2011: \$5.807 billion). This represents an increase of 15% in AUMA since the end of the previous financial year. The following chart shows how performance, net flows, reduction in leverage within the products and foreign exchange translation impacted AUMA over the financial year:



Lighthouse results and operations

The 2012 year saw the beginning of Lighthouse's new business model, with the launch of its customised client solutions business adding to the range of services it can offer new and existing clients. Whilst the proprietary managed account program built by Lighthouse over the past 5 years continues to underpin its traditional managed funds business, for the first time this year Lighthouse has allowed large strategic investors to directly access the benefits delivered by managed accounts.

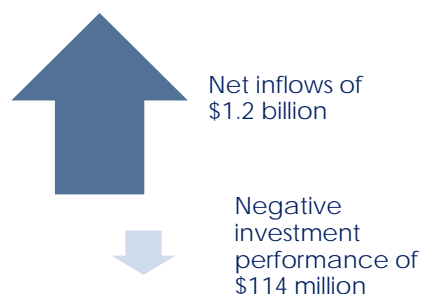
Lighthouse believes that a combination of timely, accurate data delivered by the managed accounts program, and the skilled judgement of their experienced investment professionals, provides the best opportunity for sustainable investment performance for both its managed funds and its individual customised client solutions investors.

Lighthouse results and operations (continued)

AUMA

AUMA for Lighthouse has increased from \$4.641 billion to \$5.705 billion, an increase of 23% for the financial year ended 30 June 2012.

This increase is driven by both positive net inflows for the year of \$1,179 million, partially offset by slightly negative investment performance across the Lighthouse products of \$114 million.



The inflows increasing AUMA are mainly for Lighthouse's customised client solutions business. Clients are required to commit to a minimum invest size, and the scale of the client's investment allows Lighthouse to offer tailored fee arrangements.

Net income from operating activities

With the growth of Lighthouse's customised solutions business, Lighthouse's average net management fee (after investment management costs) earned on AUMA decreased 23% to 0.92%.

Despite this lower net management fee, the positive AUMA growth for the 2012 financial year has resulted in net income from operating activities for the US Lighthouse operations of \$47.730 million, up 2% from the prior year. Lighthouse has been the major contributor to the Group's result, with the US operations accounting for approximately 83% of net operating income.

Performance fee revenue was also lower this year, down to \$245 thousand (2011: \$2.554 million) reflecting the lower investment performance of the Lighthouse funds this year due to difficult markets.

Operating expenses

Lighthouse operating expenses have increased by 24%. The largest component is a \$3.612 million increase in personnel expenses. \$2.793 million of this relates to enhancement of short term remuneration incentives to retain and motivate Lighthouse staff.

Other increases relate to:

- \$979 thousand of additional professional/consulting fees incurred. In particular \$575 thousand was spent on continuing to build Lighthouse's enhanced risk management system, whilst the remaining increase related to legal fees associated with establishing clients for the customised client solutions business; and
- \$826 thousand of additional administration expenses, largely in relation to technology solutions for the funds and other expenses relating to the administration of Lighthouse funds.

Outlook

Lighthouse will continue to develop both the managed fund and customised client solutions businesses over the coming year. Whilst investors remain cautious in committing capital, Lighthouse has been active in meeting with prospective clients and ensuring they continue to service their existing client base.

In addition, Lighthouse is exploring other opportunities for growth. In February this year, Lighthouse purchased a 10% stake in 361° Capital, LLC, a provider and distributor of alternative investment mutual funds. The investment represents a strategic alliance between the two companies, whereby Lighthouse will use their expertise to work with 361° Capital, LLC to expand its product range of liquid alternative investment vehicles. The arrangement represents a new distribution channel for Lighthouse.

Lighthouse is committed to utilising its intellectual capital and strengths to diversify its business and take advantage of opportunities which are created by the constantly changing investment management environment.

Certitude results and operations

Conditions in the Australian retail funds management sector have remained challenging in the 2012 financial year, with many retail investors retaining and/ or building larger allocations to cash than ever before. Over the past two years the Certitude business has used this slowed period of industry growth to resolve residual issues resulting from the Global Financial Crisis ('GFC'), and in parallel lay the ground work for growth by pursuing its new strategic direction through the diversification of its investment partners, products and client base.

Despite the difficulty in raising assets, Certitude made some positive achievements during the 2012 financial year. Of particular note was:

- signing a relationship deed to exclusively market and distribute Columbia Management for Global Fixed Income into the Australian retail and whole market;
- launching the well-rated Threadneedle Global Equity Fund (unhedged) in September 2011; and
- receiving the Money Management/ Lonsec award for 'Global Long/Short Manager of the Year' for the LHP Global Long/Short Fund in May 2012.

AUMA

Consistent with the broader Australian funds management industry, the Certitude business experienced a fall in overall AUMA over the 2012 financial year. The 15% reduction in AUMA was caused by net outflows from products of AUD192 million, AUD71 million of which was from the closed-ended structured products.

On a positive note, AUD25 million in new assets were invested into the LHP Global Long/Short Fund and the Certitude Asian Opportunities Fund.

The close-ended structured products outflows, which represented 33% of total gross outflows, were due to returning investors capital for the HFA Partners Fund and clients redeeming before maturity period. A portion of these funds generated little to zero management fees to the Certitude business, and as such, had only a nominal impact on Certitude's profitability.

Certitude's open-ended products were responsible for a 10% reduction in total AUMA, which is broadly in line with industry average.

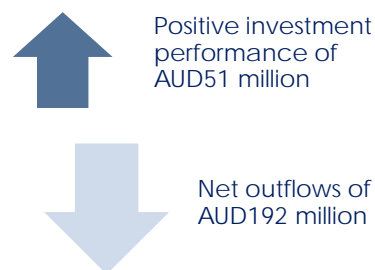
Of the open ended funds the LHP Diversified Investments Fund received net redemptions of AUD119 million. The majority of these redemptions occurred in the first half of the financial year when the fund was returned to its standard monthly liquidity terms, and were largely transferred to cash as opposed to competitor funds. In the second half of the year the redemption demand reduced considerably as the fund was recognised as a quality performer. Since then the fund has received an investment rating upgrade from Lonsec, and several prominent dealer groups and platforms have re-instated the fund to their approved product lists.

Pleasingly, despite the difficult investment markets, fund performance had a positive impact on AUMA, contributing AUD51 million of growth in AUMA.

Net income from operating activities

Certitude operations experienced a 19% decrease in net income from operating activities to \$7.038 million. This is consistent with the 18% decrease in average AUMA compared to the 2011 financial year, as well as a 4.5% reduction in the average AUD net management fee (after investment costs).

Despite difficult markets, Certitude earned \$417 thousand of performance fee revenue of the year (2011: \$1,127 thousand).



Certitude results and operations (continued)

Operating expenses

The Australian business has continued to focus on controlling operating costs.

Whilst personnel costs increased by 12% in Australian dollar terms, this was due to once-off termination/redundancy payments required to put in place the correct employee resources to pursue Certitude's business strategy, and a \$337 thousand increase in short term incentive remuneration for staff retention. The current headcount of 27 employees is considered optimal for the business, and personnel costs for the Australian business are expected to remain steady over the coming year.

Excluding personnel costs, Certitude reduced its operating expenditure by 7% in Australian dollar terms, particularly in areas such as professional fees and administration costs

Outlook

We anticipate volatile global market conditions will continue and therefore in the short-term the results of the Australian operations will still be impacted. In addition, Certitude's HFA Octane Global Funds will be fully allocated to cash exposure at the end of September 2012, after which time Certitude will reduce its management fee on these funds to 0.1% per annum.

To combat the resultant decrease in management fee revenue, Certitude is looking to other avenues to boost its revenues in the short-term, including the distribution of private equity funds with a new, highly-regarded international specialist partner.

The implementation of Certitude's business strategy, which is to distribute high quality products that are liquid, transparent and simple, is laying the foundations for renewed AUMA growth and profitability over the medium-term and the Australian business is already starting to see the results of this hard work for the 2013 financial year. As and when investors overcome some of their current reticence and begin to allocate capital away from cash and into other asset classes, Certitude has positioned itself to benefit. The development of a balanced product range, strong investment partners, and a focus on developing new and enhancing existing relationships, the Certitude business is positioned to take advantage of positive changes in investor sentiment.

Board of directors

Our board comprises eight members, and provides the Company with the benefit of diverse experience and expertise in the financial services sector. The names and particulars of the directors of HFA Holdings Limited at any time during or since the end of the financial year are:

Director	First appointed	Status				Audit & Risk Committee		Remuneration & Nominations Committee	
		Chair	Independent	Non-executive	Executive	Chair	Member	Chair	Member
S Young	15 May 2003	✓		✓					
FP (Andy) Esteban	18 June 2008		✓	✓		✓			✓
J Larum	12 December 2008		✓	✓			✓	✓	
M Shepherd	16 December 2009		✓	✓			✓		✓
A Civale	25 February 2011			✓					✓
G Kelley	25 February 2011			✓			✓		
J Zelter	25 February 2011			✓					
S McGould	3 January 2008				✓				

Spencer Young Non-Executive Chair

Spencer founded HFA Asset Management in 1998 which later listed on the ASX in April 2006 via an IPO of HFA Holdings Limited. He has over 29 years of investment and management experience including relationships with a network of international alternative investment managers. Spencer holds a B.Eng (U.Qld) and an MBA from the Harvard Business School. Through his executive career he has held several senior investment positions including executive director of Rothschild Australia Private Equity and Lend Lease Corporation's senior executive in the USA for venture capital and private equity investments. On 10 November 2011 Spencer resigned as Chief Executive Officer of HFA Holdings Limited. He continues on the board as non-executive Chair.

Fernando (Andy) Esteban Independent Non-Executive Director

Andy holds a Bachelor of Business majoring in Accounting, is a CPA and a Member of the Australian Institute of Company Directors. He has over 32 years experience in the financial services industry, of which 21 years were with Perpetual Trustees Australia Ltd. In 1999 he established FP Esteban and Associates, a private business specialising in implementing and monitoring risk management and compliance frameworks in the financial services industry. He has provided consulting services to a number of domestic and global organisations in Australia and South East Asia. From July 2005 until June 2008 he was an independent director of Credit Suisse Asset Management (Australia) Ltd. He is currently the Chair of the board of Certitude Global investments Limited, a wholly-owned subsidiary of HFA Holdings Limited.

John Larum Independent Non-Executive Director

John has extensive experience in the financial services industry having held a range of senior positions including, President of China Business for UBS Global Asset Management, Chief Executive Officer of UBS Global Asset Management (Australia), and Chief Economist for UBS Warburg (Australia). Prior to joining UBS, he spent more than a decade with the Federal Treasury in Canberra, where he rose to the position of Assistant Secretary, Domestic Economy Branch. John holds a Bachelor of Commerce (Econometrics) from the University of New South Wales and a Master of Economics from the Australian National University. John is also a Graduate of the Australian Institute of Company Directors.

Board of directors (continued)

Michael Shepherd

Independent Non-Executive Director

Michael has extensive experience in financial markets and the financial services industry having held a range of senior positions including Vice Chairman of ASX Limited, and directorships of several of ASX's subsidiaries including Australian Clearing House Pty Ltd. He was also National President of the Financial Services Institute of Australasia. Currently, Michael is Chairman of the Shepherd Centre and is an independent Compliance Committee Member for UBS Global Asset Management (Australia) Limited. Michael is also a Senior Fellow (SF Fin), Life Member and past President of the Financial Services Institute of Australasia and a Member of the Australian Institute of Company Directors.

Anthony Civale

Non-Executive Director

Anthony is the Lead Partner and Chief Operating Officer of Apollo Capital Management, LLC, Apollo's \$50 billion assets under management credit oriented capital markets business. Previously, Anthony, served as a Senior Partner in Apollo's private equity business. In addition to HFA, Anthony currently serves on the board of directors of Berry Plastics Group. Anthony has previously served on the board of directors of Goodman Global Inc., Harrah's Entertainment, Prestige Cruises and Covalence Specialty Materials. Anthony is also involved in charitable endeavours including his service on the Board of Trustees of Middlebury College and the Board of Directors of Youth, I.N.C. Prior to joining Apollo in 1999, Anthony was employed by Deutsche Bank Securities and Bankers Trust Company in their Financial Sponsors Group within the Corporate Finance division. Anthony holds a Bachelor of Arts in Political Science from Middlebury College, Vermont, USA.

Grant Kelley

Non-Executive Director

Grant is co-head of Asia Pacific for Apollo Global Management and also leads their real estate investment activities in the region. He joined Apollo in January 2010 and has over 20 years experience in Asian corporate strategy and private equity, including from 2004-2008, as Chief Executive Officer of Colony Capital Asia, where he received a number of industry awards. Grant holds a Bachelor of Laws degree from the University of Adelaide, a Masters degree in International Relations from the London School of Economics and Political Science, and a MBA from the Harvard Business School.

James Zelter

Non-Executive Director

James is the Chief Executive Officer of Apollo Capital Management and Chairman and Chief Executive Officer of Apollo Investment Corporation. From 1994 to 2006 James held various positions within Citigroup and its predecessor companies, including Chief Investment Officer of Citigroup Alternative Investments. During this period, James also served on the Global Fixed Income Management Committee and the Division Planning Committee. In addition, he was a standing member of the Citigroup Pension Investment Committee, the Salomon Smith Barney Capital Partners Investment Committee and the Citigroup Mezzanine Partners Investment Committee. Prior to joining Citigroup in 1994, James was employed by Goldman Sachs & Co. James is a board member of DUMAC, the investment management company that oversees the Duke Endowment and Duke Foundation. James holds a degree in Economics from Duke University, North Carolina, USA.

Sean McGould

Executive Director

Sean is the co-founder of Lighthouse and serves as Chief Executive Officer, President and Co-Chief Investment Officer. He supports the investment team in the manager search, selection and review process and is the Chairman of the Investment Committee. Sean has been overseeing all aspects of the portfolios since August 1996. Sean joined Asset Management Advisors ("AMA"), a multi-family office as Chief Investment Officer in August 1996. Lighthouse was formally spun out of AMA in 1999. For the past 15 years, Sean has been investing in various alternative investment strategies. Prior to founding Lighthouse, Sean was the director of the Outside Trader Investment Program at Trout Trading Management Company and was responsible for the allocation of the fund's assets to external alternative asset strategies. Prior to Trout, Sean worked for Price Waterhouse and passed the Certified Public Accountant examination.

Corporate governance statement

The corporate governance statement is arranged in the following sections:

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Corporate governance statement (continued)

1. Corporate governance at HFA

HFA Holdings Limited recognises the value of good corporate governance. The board believes that effective governance processes and procedures add to the performance of the Company and its subsidiaries (the 'Group'), the creation of shareholder value and engenders the confidence of the investment community.

1.1. Commitment to governance

This statement sets out the principle features of HFA's corporate governance framework and main governance practices. The Company, as a listed entity, is required to report on the extent to which it has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's (ASXCGC) second edition of its Corporate Governance Principles and Recommendations.

Further information on the Company's corporate governance practices, including copies of charters and policies referred to in this statement, is available from the corporate governance section of the Company's website (www.hfaholdings.com.au). These documents are reviewed regularly for compliance with changes in governance standards or law. Throughout the financial year, an extensive evaluation and analysis of the Company's corporate governance framework was carried out. Resulting from this, the board has realigned the delegation of some core responsibilities between itself and its Committees as follows:

- responsibility for risk management has been delegated to the Audit Committee, which has been renamed the Audit and Risk Committee; and
- the responsibilities of the Nominations Committee, which had previously been undertaken by the board, were delegated to the Remuneration Committee, which has been renamed the Remuneration and Nominations Committee.

Accordingly, board and committee charters were updated, as were a number of Group policies.

1.2. ASX Corporate Governance Council Recommendations Checklist

The below table cross-references the ASXCGC Recommendations to the relevant sections of the corporate governance statement and the remuneration report.

ASX Corporate Governance Principles and Recommendations	Reference
Principle 1: Lay solid foundations for management and oversight	
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2.1, 2.2
1.2 Companies should disclose the process for evaluating the performance of senior executives.	2.2, Directors' report 17.
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	2.1, 2.2, Directors' report 17.
Principle 2: Structure the board to add value	
2.1 A majority of the board should be independent directors.	2.3, 2.5
2.2 The chairman should be an independent director.	2.4
2.3 The roles of the chairman and chief executive officer should not be exercised by the same individual.	2.5
2.4 The board should establish a nomination committee.	3.1, 3.3
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2.9
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	2.4, 2.5, 2.3, 2.7, 2.9, 3.3, 4
Principle 3: Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code.	6.1
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	3.3.1
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	3.3.1

Corporate governance statement (continued)

1. Corporate governance at HFA (continued)

1.2. ASX Corporate Governance Council Recommendations Checklist (continued)

ASX Corporate Governance Principles and Recommendations		Reference
Principle 3: Promote ethical and responsible decision-making		
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	3.3.2
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	3.3.1, 6.1
Principle 4: Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	3.1, 3.2
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not Chair of the board; and ▪ has at least 3 members 	3.2
4.3	The audit committee should have a formal charter.	3.2
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	3.2, 3.2.1, 4
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	5.2
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	5.2
Principle 6: Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	5.1
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	5.1
Principle 7: Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	7.1
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it about the effectiveness of the company's management of its material business risks.	7.2
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) or the chief financial officer (or equivalent) that the declaration given under section 295A Corporations Act (declaration about the listed entity's financial statements) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	7.3
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	7.1, 7.2, 7.3
Principle 8: Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	3.1, 3.3
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair; and ▪ has at least three members. 	3.3
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	3.3 and Directors' report 17.
8.4	Companies should provide the information indicated in the Guide to reporting on Principal 8.	3.3, 4.0, 6.3 and Directors' report 17.

2. Board of directors

2.1. Board roles and responsibilities

The board's primary role is the protection and enhancement of long-term shareholder value. In order to achieve this, the board is responsible for setting the strategic direction of the Group and for monitoring management's implementation of that strategy. The board operates in accordance with the principles set out within the board charter. The charter specifically reserves a number of key matters for consideration and decision by the board. These responsibilities include:

- ensuring the integrity of governance, audit, risk management and regulatory compliance programs and processes;
- reviewing and approving corporate strategies, budgets, plans and policies developed by management and evaluating the performance of the Group against those strategies and business plans;
- appointing, removing and evaluating the performance of key management personnel (refer section 17.1), including Chief Executive Officers (CEO) and the Chief Financial Officer (CFO);
- reviewing board and management succession planning;
- monitoring financial performance (including the audit process) to understand at all times the financial position of the Company;
- oversight of the Company's continuous disclosure obligations including approving the Company's statutory accounts and Directors' report;
- reporting to shareholders and other stakeholders;
- capital management, including issues, calls on, forfeiture of shares, declaration of dividend and share buy backs;
- establishment, membership and role of board committees; and
- reviewing the performance of the board and board committees.

The board has also established a framework for management of the Group including a system of internal controls, a risk management system and the establishment of appropriate ethical standards and codes of conduct. The framework includes:

- internal controls (for example: dual signatories, reconciliations, and segregation of duties);
- business risk management processes (risk register, compliance plans for the operation of managed investment schemes, staff trading policies, and employee manuals); and
- ethical standards and codes of conduct (director code of conduct, employee code of conduct, and employee manuals).

2.2. Management

Whilst the board retains responsibility for the overall strategic direction and operational control of the Group, the board has delegated the responsibility for the day to day operation and administration of the Group to the various officers, subsidiary directors, executives and management of the Group. Management must consult with the board on matters that are sensitive, extraordinary, or of a strategic nature or are otherwise outside their delegated authority limits.

At the Company's 2011 AGM, Mr S Young stepped down as CEO of the Group. Following Mr Young's decision to step down, the board undertook a review of the responsibilities which had been allocated to the board, the Group CEO and management. The CEOs of the Company's two separate operating subsidiaries, Mr S McGould (CEO of Lighthouse) and Mr C Mowll (CEO of Certitude) now report directly to the HFA board. The board believes that as the US and Australian entities operate as distinct business units this provides an efficient and effective operating structure. The board continues to be assisted in its oversight functions by the joint company secretaries.

Performance appraisals are conducted at least annually for all employees, including management. In light of the changes to the management structure of the Group, following Mr S Young's resignation as Group CEO, the Remuneration and Nominations Committee is reviewing the method by which the performance appraisals of the subsidiary CEOs are carried out.

Induction processes for new senior executives and other employees are tailored according to their position and responsibilities.

2. Board of directors (continued)

2.3. Board composition

HFA's Board Charter requires that the board must have a broad range of expertise, and the Constitution requires the board to be comprised of not less than four and no more than nine directors, of which a majority must be non-executives. The Constitution sets out the requirements for a director's re-election which are, in summary, that any director appointed since the last Annual General Meeting (AGM) must stand for election at the next AGM. Of the remaining directors if the number is five or less, then two must retire from office and if the number is five or more, one-third of those must retire from office. If a director wishes to seek re-election they must formally indicate their willingness to do so. The Remuneration and Nominations Committee must approve their candidacy, taking into account the requirements of the Board and the Group. Details of the directors, including their qualifications, experience, date of appointment and independent status, are set out on pages 12-13.

The board considers the current number of eight directors as appropriate given the scope and nature of the Company's operations.

Where a board vacancy arises, or the board believes it would be beneficial to appointment another director to the board, the Remuneration and Nominations Committee would lead the process to assess the skills, knowledge, diversity and experience already represented on the board and the requirements of the Group in order to identify any gaps in the skills and experience of the board as a whole. Utilising this analysis and working within the requirements set by the Constitution and the convertible note agreement, the Remuneration and Nominations Committee would seek to identify candidates for the position.

2.4. Chair of the board

As noted in section 2.2 above, Mr S Young stepped down as the CEO of the Group on 10 November 2011, but retained his position as a non-executive director and Chair of the board. Mr Young is not an independent director. However, the board believes that Mr Young has the appropriate knowledge, experience and skills to continue to undertake the role of Chair of the board.

The Company was not in compliance with ASX Corporate Governance Recommendations 2.2 during the financial year.

2.5. Director independence

The board's charter details the definition of independence which has been adopted by the board. Those directors identified as independent are required to advise the board and the joint company secretaries where circumstances arise where they no longer satisfy the requirements to be identified as independent. Regardless of whether they satisfy the board's definition of independence, all directors should bring an independent judgement to bear on board decisions.

Under the terms of the convertible note, the convertible note holders may nominate three directors to the board of HFA Holdings Limited, as their representatives. The nominated directors, Messrs Civale, Kelley and Zelter hold positions with Apollo Global Management, LLC or its affiliates (the Apollo Group), were elected by shareholders at the Company's Extraordinary General Meeting held on 25 February 2011. As holder of convertible notes issued by the Company and as party to a Marketing Agreement with HFA's US subsidiary, Lighthouse Investment Partners, LLC, the Apollo Group is a related party of the HFA Holdings Limited Group. Messrs Civale, Kelley and Zelter are, therefore, not considered independent.

In addition, as noted in section 2.4 above, the Chair of the board is not an independent director.

Accordingly, the board does not have a majority of independent directors. The board has adopted a number of policy measures to ensure that independent judgement is exercised and maintained in respect of its decision-making processes.

2. Board of directors (continued)

2.5. Director independence (continued)

These include:

- directors are entitled to seek independent professional advice at the Company's expense, subject to prior consultation with the Chair;
- directors should have a clear understanding of obligations arising out of any perceived or actual conflicts of interest as these are clearly stated in the directors' Code of Conduct. Directors who have a conflict of interest in relation to a particular item of business must absent themselves from the board or committee meeting before commencement of discussion on the topic;
- non-executive directors may confer on a needs basis without management in attendance; and
- the Remuneration and Nominations Committee and the Audit and Risk Committee are each chaired by an independent director, and each must be comprised of a majority of independent directors.

The Company was not in compliance with ASX Corporate Governance Recommendations 2.1 during the financial year. The Company was not in compliance with Recommendation 2.3 for part of the financial year.

2.6. Director appointment

At the time of their appointment, directors receive a formal letter which sets out the key terms and conditions of their appointment, including expectations in regard to attendance and preparation for board meetings, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice. The roles and responsibilities of the subsidiary CEOs and CFO are formally outlined.

The Group educates new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors are encouraged to interact with management to gain a better understanding of business operations, and are encouraged to undertake continuing education in relation to the Group and the industry in which it operates to update and enhance their skills and knowledge.

2.7. Independent professional advice and access to Company information

The board and each of the committees and individual directors have the authority to seek any information they require from any employee or external party. Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chair, may seek independent professional advice from a suitably qualified adviser at the Company's expense. A copy of the advice received by the director is to be made available to all other members of the board, except in cases where the advice pertains to matters such as remuneration of executive directors.

2.8. Board meetings

The board meets approximately every two months, with additional meetings held to address specific issues as required. Meeting frequency and attendance for the financial year are set out in section 4.

The agenda for meetings is prepared in conjunction with the Chair, subsidiary CEOs, CFO and joint company secretaries to ensure adequate coverage of strategic, financial, governance and compliance matters. Board papers are circulated in advance of the meetings. Senior executives are invited to attend board meetings and are available for contact by non-executive directors between meetings. The directors may have closed sessions without any executive involvement during meetings at their discretion.

2.9. Board performance review

During the financial year the board undertook its first independently facilitated review of the performance of the board and Chair. The data gathered through the review, which was in the form of an online questionnaire, was collated and analysed to identify key issues. A number of recommendations were made as a result of the review and the board will look to action these over time.

3. Committees of the board

3.1. Overview

To assist in the execution of its responsibilities, the board has established two standing committees, the Audit and Risk Committee and the Remuneration and Nominations Committee.

The Audit and Risk Committee and the Remuneration and Nominations Committee each have a charter, available on the Company's website, which sets out the respective duties and responsibilities of that committee. Committee charters are reviewed on a regular basis, most recently in the current financial year as part of the broader corporate governance framework review. The review of the Group's corporate governance framework resulted in the reassignment of a number of responsibilities including, the Remuneration Committee taking on the responsibilities of the Nominations Committee, which had previously been undertaken by the board, and the Audit Committee taking on the responsibility of oversight of the Group's risk management systems and strategies, which had also previously been a board responsibility.

3.2. Audit and Risk Committee

The Audit and Risk Committee assists the board in discharging its oversight responsibilities in relation to audit and financial reporting matters and the Company's risk management systems. The committee charter requires that the committee be comprised of at least three non-executive directors, the majority of which must be independent. The committee Chair may not be the Chair of the board.

The members of the committee during the year and their qualifications are set out on pages 12-13. Committee meeting frequency and attendance for the financial year are set out in section 4.

At the discretion of the committee, the external auditor and other members of the board and management may be invited to attend committee meetings.

The primary responsibilities of the committee, as set out in its charter, are as follows:

- overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial reports, including:
 - reviewing the appropriateness of accounting policies adopted in relation to financial reporting;
 - assessing management's process surrounding the financial reporting process;
 - considering the results of the audit, including recommendations submitted by the external auditor and management's responses; and
 - making recommendations to the board regarding those matters;
- recommending the interim and annual financial reports to the board;
- reviewing the effectiveness of internal controls;
- overseeing the Company's risk management systems and strategies;
- reviewing the Company's process for monitoring compliance with laws and regulations; and
- considering and reporting to the board on any other matters that board may refer to the committee from time to time.

Further information on the Company's risk management system and compliance controls is included in section 7.

The committee also reviews the independence of the external auditor and audit process, including:

- making recommendations to the board regarding the appointment/removal of the external auditor and rotation of the external audit partner;
- assessing the performance of the external auditor; and
- reviewing non-audit services provided by the external auditor and providing recommendations to the board in relation to auditor independence.

3. Committees of the board (continued)

3.2. Audit and Risk Committee (continued)

The committee meets with the external auditor during the year in order to:

- discuss the audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the draft annual and half-year financial reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents prior to announcement of results; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations.

3.2.1. External auditor

The role of the external auditor is to provide an independent opinion that the Company's financial reports are true and fair and comply with the applicable regulations. KPMG is the Company's external auditor. The external auditor must remain independent of the Group at all times and comply with APES 110 Code of Ethics for Professional Accountants pertaining to financial independence and business relationships.

The lead audit engagement partner should be rotated after a period of no longer than five years and may not resume the role until at least two years have elapsed. Mr S Board, the current lead audit engagement partner was first appointed for the financial year ended 30 June 2011.

Restrictions are placed on non-audit work performed by the auditor and projects outside the scope of the audit require the approval of the Audit and Risk Committee. An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in note 24 of the financial statements.

3.3. Remuneration and Nominations Committee

The formation of the combined Remuneration and Nominations Committee was approved by the board on 18 August 2011. The role of the Remuneration and Nominations Committee is to advise the board on matters relating to the remuneration of the directors, the subsidiary CEOs and other senior executives of the Company and on matters relating to the composition and performance of the board.

The committee charter requires that the committee be comprised of at least three non-executive directors, the majority of which must be independent.

The members of the committee during the year and their qualifications are set out on pages 12-13. Committee meeting frequency and attendance for the financial year are set out in section 4.

At the discretion of the committee, other members of the board and management may be invited to attend committee meetings.

The primary responsibilities of the committee in regard to its remuneration duties, as set out in its charter are:

- reviewing the remuneration framework of directors and making recommendations to the board regarding same;
- ensuring the board has sufficient information to make informed decisions in relation to the performance reviews and remuneration of directors, the subsidiary CEOs and other senior executives;

3. Committees of the board (continued)

3.3. Remuneration and Nominations Committee (continued)

- reviewing the remuneration framework for senior executives (including superannuation and incentive policies / schemes) and making recommendations to the board on same. In fulfilling this role, the Committee will have regard to the Company's remuneration policy to ensure that senior executive remuneration packages:
 - motivate management to pursue long term growth and success of the Company within an appropriate control framework;
 - demonstrate a clear relationship between senior executive performance and remuneration; and
 - are consistent with accepted industry practice and governance guidelines;
- reviewing and making recommendations to the board on the Company's recruitment, retention and termination policies and procedures for senior executives;
- reviewing the senior executive performance assessment processes and results as they reflect the capability of management to realise the business strategy;
- reviewing, and making recommendations to the board in regard to employee incentive schemes, including short term incentive strategy, performance targets and bonus payments and the administration and operation of any employee share plan(s) and other incentive plans provided by the Company;
- reviewing and recommending to the board major amendments to the long term incentive plan/s and related allocation/s of equities;
- reviewing and making recommendations to the board on matters of remuneration by gender and strategies to address any gender pay gap; and
- considering and reporting to the board on any such other matters as the board may refer to the Committee from time to time.

In carrying out its nominations functions, the primary responsibilities of the committee, as set out in its charter are:

- overseeing the appointment, re-election and induction process for new directors;
- reviewing the size and composition of the board, including the assessment of the necessary and desirable competencies of board members and making recommendations regarding the appointment/re-appointment and removal of directors having regard to the skills and expertise required, as well as directors' past performance and contribution to the Company;
- evaluating the performance of the board, board committees and individual directors and nominating the Chair of the board for consideration and approval by the board;
- reviewing board and director succession plans;
- development of plans for identifying, assessing and enhancing director competencies;
- reviewing, and making recommendations to the board in relation to, the Company's achievement of its diversity objectives; and,
- considering and reporting to the board on any other matters that the board may refer to the committee from time to time.

Corporate governance statement (continued)

3. Committees of the board (continued)

3.3. Remuneration and Nominations Committee (continued)

3.3.1. Diversity

HFA recognises the organisational strength, ability and opportunity that diversity brings. The Group is committed to providing an environment in which all employees are treated with fairness and respect and have equal access to opportunities available at work. HFA values and respects the contributions of people with diverse backgrounds and experiences. The Group seeks to harness the opportunities and business benefits that a range of ideas and perspectives brings to the organisation. Throughout the financial year the Group has focused on growing diversity at all levels of the business in order to reinforce the importance of equality in the workplace. HFA facilitates this practice by making decisions based on merit in regard to recruitment, internal promotions and leadership development.

The Remuneration and Nominations Committee is responsible for overseeing the Company's strategies on diversity, including monitoring the Company's achievements against diversity objectives. Through the financial year, HFA has undertaken and continues to develop initiatives targeted at improving diversity within the Group, including a refinement and improvement of its recruitment processes. The Group has introduced recruitment guidelines that aim to encourage the selection of a diverse range of individuals for positions when they arise. Central elements of the guidelines include instruction around wording to be used in advertisements and the use of gender balanced selection panels which aim to identify and reduce unconscious gender bias. The Group has continued to provide employees with equitable learning and development opportunities.

The Group's US subsidiaries are required to comply with US employment law. Where possible and practicable, Lighthouse Partners has sought to achieve the objectives and operate in accordance with the spirit of the Group's diversity policy.

Diversity objectives for the financial year ended 30 June 2012

Objective	Measure	Progress towards achievement
Establishment of recruitment guidelines that aim to encourage the selection of a diverse range of individuals for positions when they arise	Establishment and adoption of guidelines by management.	Complete
Use of recruitment guidelines to ensure recruitment processes are carried out in a manner which will encourage the growth of diversity within the Group.	Employees involved in recruiting to annually report on use of guidelines.	As at 30 June 2012, no recruitment within the Group had been carried out since establishment of the recruitment guidelines. This is an ongoing objective.
Provision of equitable learning and development opportunities for all employees.	Analysis of time and money spent on learning and development on each individual to be completed annually.	An analysis of time and money spent on learning and development for individual Certitude employees was completed. An average amount of money spent on learning and development for each Lighthouse employee was reported.
Successful integration of diversity principles in human resources practices and employee policies in order to cultivate an environment wherein employees have the opportunity to achieve an appropriate work/life balance; specifically where, if required, flexible working hours may be agreed if appropriate to business needs.	Completion of a review of the Employee Manuals and, where necessary, amendment to current policies or introduction of new policies.	The review of Certitude's Employee Manual has been completed. A number of areas were identified for amendment and it is anticipated these changes will be made in the first quarter of the next financial year. Lighthouse is deemed to be an equal opportunity employer that does not discriminate based on age, ethnicity, race, gender, sexual orientation etc. Lighthouse is supportive of its employees' lifestyle demands and has appropriate leave policies, including parental leave, in place to facilitate, as much as possible, appropriate work/life balance.

Corporate governance statement (continued)

3. Committees of the board (continued)

3.3. Remuneration and Nominations Committee (continued)

3.3.1. Diversity (continued)

The Remuneration and Nominations Committee will set diversity objectives for the 2013 financial year with the intention of continuing to develop HFA as an employment environment where the diverse backgrounds and experiences of its employees are respected and treated with equal merit and individuals are given the same opportunities for growth and development regardless of their background or position.

3.3.2. Gender diversity within the Group

	Male	Female	Total	% Female
Total Employees*	87	29	116	25%
Senior Executive	5	1	6	17%
Board	8	0	8	0%

* Total includes S McGould as an executive director but excludes Certitude and HFA non-executive directors.

4. Directors' meetings

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2012, and number of meetings attended by each director were:

Director	Board Meetings		Audit and Risk Committee		Remuneration and Nominations Committee*	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
S Young	7	7	-	-	-	-
FP (Andy) Esteban	7	7	3	2	8	8
J Larum	7	7	3	3	8	8
M Shepherd	7	7	3	3	8	8
A Civale	7	6	-	-	8	7
G Kelley	7	2	3	3	-	-
J Zelter	7	2	-	-	-	-
S McGould	7	7	-	-	-	-

* On 18 August 2011 the board approved the formation of a combined Remuneration and Nominations Committee. Prior to that, the responsibilities of the Nominations Committee had been undertaken by the board.

5. Shareholders

The board believes that effective shareholder communications and continuous disclosure policies enhance the Company's strong culture of disclosure and its commitment to keeping shareholders and the relevant markets informed. A summary of each policy is available on the Company's website.

5.1. Shareholder communications

The board believes that shareholders should have access to the latest information about the Company, utilising, where practicable, electronic communications together with more traditional means of communication. Shareholder communications and market disclosures issued by the Company are approved by the board, the Chair or the relevant subsidiary CEO. The Company facilitates communication with shareholders through the following:

- the Company's continuous disclosure policy which is designed to facilitate compliance with continuous disclosure obligations imposed under the Corporations Act 2001 and ASX Listing Rules;
- the Company's website which contains relevant information about the Company's activities and corporate governance framework;
- participation by shareholders at the Company's general meetings, to ensure a high level of accountability and identification with the Group's strategy and goals; and
- attendance by the Company's auditor at the Company's AGM to answer shareholder queries regarding the conduct of the audit and the preparation and content of the auditor's report.

The Company places all market announcements, relevant news releases and any other information that is an official market release on its website as soon as reasonably practicable after such information is released to the ASX. Important issues are presented to shareholders at general meetings as single resolutions. In particular, shareholders are requested to vote on the election and re-election of directors, the aggregate remuneration of non-executive directors, the granting of options and shares to directors, the remuneration report and changes to the Constitution.

A copy of the Company's Constitution is available to any shareholder upon request.

5.2. Continuous disclosure

The Company's continuous disclosure policy outlines the procedures to be adopted to ensure compliance with continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules. The policy sets out the procedures for identifying material price sensitive information and reporting such information to the company secretary for review. The joint company secretaries are responsible for ensuring HFA complies with continuous disclosure requirements in relation to the disclosure of those matters which are deemed to be administrative in nature. The board is responsible for disclosure of other matters including company transforming events and matters of strategic or reputational significance.

6. Ethical and responsible behaviour

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. Processes are in place to promote and communicate these standards of ethical behaviour.

6.1. Codes of conduct

The board is committed to ensuring that the highest standards of honesty, integrity, ethics and legality are upheld and enforced. Accordingly, the board has adopted both a Directors' and Employees' Code of Conduct. These were both reviewed during the financial year as part of the comprehensive review of the Company's corporate governance framework. A number of changes were made to the Codes to ensure they complied with the ASXCGC Recommendations, met best practice and reflected the way that the company operates. Following review, the Codes were circulated to staff and were placed on the HFA website. The Group has advised each director and employee that they must comply with the Directors' or Employees' Codes of Conduct, as applicable, and the relevant subsidiary Employee Manual. The Codes and Employee Manuals aim to:

- communicate the expected standards of behaviour;
- communicate directors' and employees' responsibilities to shareholders, fellow employees, the broader community and other relevant stakeholders; and
- protect the interests of shareholders, employees and other relevant stakeholders.

Any breach of the Codes is considered a serious matter which may result in disciplinary action, including termination of employment.

Copies of the Codes are available on the Company's website.

6.2. Conflicts of interest

Directors have a duty to avoid conflicts of interest between the best interests of the Company and their own personal or commercial interests. Every Director must be aware of both actual and potential conflicts of interest. Directors are required to disclose conflicts of interest, potential or actual, to the full Board immediately. All positions and external Directorships must be disclosed to the full Board. If a conflict arises, common law requires that a Director with a conflict of interest should refrain from voting, entering into any discussion or even being present during relevant Board discussions. Details of director related entity transactions with the Group are set out in note 26 to the financial statements.

6.3. Trading

The Company's trading policy highlights the Corporations Act 2001 restrictions in relation to insider trading, and prohibits its directors and employees from dealing in HFA securities at any time if that person is in possession of price sensitive information that has not been made public. The policy complies with the ASX listing rule requirements on trading policies. Under the policy:

- employees may not deal in HFA securities except during the six week period commencing the first business day after the announcement of half-yearly and annual results to the ASX, or the AGM, or any additional period as determined by the board, unless authorisation has been granted by the board in accordance with the procedure outlined in the policy;
- directors or key management personnel (refer section 17.1) are prohibited from engaging in short-term, speculative or derivative trading in relation to HFA Securities; and
- employees may not engage in transactions or arrangements designed to limit the economic risk of security holdings in the Company over invested entitlements.

A summary of the policy is available on the Company's website.

6.4. Quality and integrity of personnel

Directors and employees are required to comply with all Group policies and any breaches are considered serious matters which may result in disciplinary action. Training and development, appropriate remuneration and incentives, and annual performance reviews for all employees create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions in the event of unexpected departures.

7. Risk Management

7.1. Approach to risk management

The board is committed to the establishment and maintenance of adequate risk management systems. A risk management policy, a summary of which is available on the Company website, has been adopted by the board and presents the framework upon which the Company will meet its risk management obligations. The board has delegated responsibilities under this policy to the Audit and Risk Committee.

The policy deals with the risks specific to HFA in its capacity as an ASX listed entity and parent entity to two funds management business units, Lighthouse and Certitude. Each business unit is responsible for ensuring that it has in place appropriate risk management policies and procedures to meet its business, regulatory and operational requirements. During the financial year the Audit and Risk Committee reviewed the Group's risk register and agreed it was satisfied with the management of the risks contained therein and the effectiveness of the risk management policy.

It is the responsibility of every employee to appropriately manage risk within their area of responsibility. To this end HFA places strong emphasis on maintaining a risk-aware culture in its decision making and operational processes.

7.2. Risk management process

Through the risk management process, risk issues are identified, analysed and treated in a consistent manner. The risk management system is designed to:

- provide a framework for identifying, assessing, monitoring and managing risk;
- communicate the roles and accountabilities of participants in the risk management system; and
- highlight the status of risks to which the Company is exposed and ensure they are appropriately managed and monitored.

The Audit and Risk Committee, in conjunction with the joint company secretaries, reviews the status of the Group's risk profile at least annually and reports any changes to the board.

Management identifies risks, which may arise from any internal or external event, by grouping them in a number of categories including: strategic; market; regulatory, compliance and governance; reputation; information technology; financial management; shareholder satisfaction and retention; people; fraud; ethics; insurance; outsourcing; product and business continuity. Risks are managed through the effective implementation of various controls which include:

- the corporate governance framework;
- the risk management framework;
- documented policies and procedures;
- maintenance of a risk register;
- implementation of risk based systems and processes;
- ongoing monitoring of regulatory obligations;
- ongoing supervision of employees;
- checklists to guide activities and project plans to record actions; and
- internal and external reporting.

7.3. Financial reporting

The subsidiary CEOs and the CFO have provided assurance in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors, and revised forecasts for the year are prepared regularly.

7.4. Environmental regulation

The Group's operations are not subject to any significant environmental regulation under either Australian or United States legislation. However, the board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

Directors' report

The directors' report is arranged in the following sections:

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Directors' report (continued)

The directors present their report (including the remuneration report) together with the financial statements of the Group, comprising of HFA Holdings Limited and its subsidiaries, for the financial year ended 30 June 2012.

8. Directors

The directors of HFA Holdings Limited at any time during or since the end of the financial year are set out on page 12. Additional information on the directors (including qualifications and experience and directorships of listed companies held by the directors at any time in the last three years) is set out on pages 12-13.

The number of directors' meetings held (including meetings of committees of the board) and the number of meetings attended by each of the directors of HFA Holdings Limited during the financial year are included in section 4 of the Corporate Governance Statement.

9. Company secretaries

Ms Amber Stoney BCom (Hons) CA was appointed to the position of company secretary on 18 July 2011. Amber previously held the role of company secretary for the period 15 March 2007 until 20 November 2008. Amber also holds the position of Chief Financial Officer.

Ms Kate O'Donohue BA MSc Corp. Gov. ACSA, ACIS was appointed to the position of joint company secretary on 7 March 2012. Kate has over nine years experience working within company secretariat departments of listed and unlisted companies in both Australia and the United Kingdom. Prior to joining HFA, Kate was Assistant Company Secretary at the Financial Services Authority, the United Kingdom's financial regulator.

10. Principal activities

The principal activities of the Group during the course of the financial year were 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'), through which 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, distributes and acts as the responsible entity of managed investment schemes in Australia.

Details of the Consolidated Group are included at note 27 to the financial statements.

11. Dividends

The directors have determined to pay a final ordinary dividend out of the current year profit of the Company at 30 June 2012 of USD 3 cents per ordinary share (fully franked) to be paid on 19 September 2012.

A fully franked final dividend of USD 5 cents per share was paid to shareholders on 25 November 2011 in respect of the year ended 30 June 2011. Together with the fully franked interim dividend of USD 2 cents per share paid to shareholders on 30 March 2012, the total dividend paid during the year ended 30 June 2012 was USD 7 cents per share, fully franked.

12. Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is included in on pages 3-11 of this annual report.

Directors' report (continued)

13. Significant changes in state of affairs

At the Company's 2011 AGM, Mr S Young stepped down as CEO of the Group but retained his position as a non-executive director and Chair of the board. Please refer to section 2.2 of the corporate governance statement for a discussion regarding subsequent changes made to the management structure of the Group.

In the opinion of the directors, other than the matter discussed above, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

14. Likely developments and expected results

Information on likely developments and the expected results of certain operations of the Group are included on pages 3-11 of this annual report.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

15. Events subsequent to end of financial year

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 significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

16. Directors' interests

The relevant interest of each director in the shares, and rights over such instruments issued by the Company at the date of this report is as follows:

Director	Ordinary shares
S Young ¹	7,034,564
FP (Andy) Esteban ²	27,000
J Larum ³	35,526
M Shepherd ⁴	125,000
A Civale	-
G Kelley	-
J Zelter	-
S McGould ⁵	19,438,084

¹ 7,034,564 shares are held indirectly by Mr S Young as Trustee for the Spencer Young Family Trust.

² 27,000 shares are held indirectly by FJE Superannuation Fund.

³ 26,426 shares are held indirectly by Larum Family Super Fund.

⁴ 125,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund.

⁵ 19,436,084 shares are held indirectly by SGM Holdings, LLC.

Directors' report (continued)

17. Remuneration report (audited)

17.1. Overview

The following remuneration report outlines the remuneration arrangements for the Group's key management personnel. Key management personnel are those employees that have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company and senior executives of the Group.

Name	Position held
Non-Executive Directors	
S Young	Chair and Non-Executive Director
F P (Andy) Esteban	Non-Executive Director
J Larum	Non-Executive Director
M Shepherd	Non-Executive Director
A Civale	Non-Executive Director
G Kelley	Non-Executive Director
J Zelter	Non-Executive Director
Executive Directors	
S McGould	Chief Executive Officer, President and Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
Executives	
C Mowll	Chief Executive Officer, Certitude Global Investments Limited
A Stoney	Chief Financial Officer, HFA Holdings Limited
S Perkins	Executive Managing Director, Lighthouse Investment Partners, LLC
K Perkins	Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
R Swan	Chief Operating Officer, Lighthouse Investment Partners, LLC

17.2. Remuneration policy

The overall objective of the Group's remuneration policies is to support the business strategy of the Group by attracting, retaining and rewarding quality executive employees and staff, with a view to aligning employee and shareholder goals. External remuneration benchmarks and surveys are considered where available when setting remuneration levels.

These remuneration policies take into account:

- the capability and experience of key management personnel;
- key management personnel's ability to control relevant performance;
- the Group and business unit performance; and
- the amount of incentives within each key management person's remuneration package.

Remuneration packages include a mix of fixed and variable remuneration, including short and long-term performance linked incentives.

17.3. Fixed remuneration

Fixed remuneration consists of base salary, as well as employer contributions to defined contribution superannuation and retirement plans. Fixed remuneration is determined by reference to appropriate benchmark information where available, and having regard to the senior executive's responsibilities, performance, qualifications and experience.

Lighthouse employees are entitled to non-cash benefits that include educational assistance, adoption assistance and health care benefits.

Fixed remuneration is reviewed at least annually to ensure that it is competitive and reasonable, however there are no guaranteed increases to the fixed remuneration amount. A staff member's remuneration may also be reviewed on promotion. The amount of fixed remuneration is not dependent on the satisfaction of a performance condition, or the performance of the Group or business unit, the Company's share price, or dividends paid by the Company.

Directors' report (continued)

17. Remuneration report (audited)(continued)

17.4. Performance linked remuneration

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward personnel for meeting or exceeding their financial and personal objectives.

17.4.1. Short-term incentives (STI)

The board believes that short-term incentive arrangements should motivate key management personnel and other staff to create wealth for both the Company's shareholders and the investors in the Group's funds and managed accounts. The Group seeks to recognise the contributions and achievements of individuals towards these goals.

Individual performance appraisals are conducted at least annually for all employees, including senior executives, as part of the annual remuneration review process. These performance appraisals assist the board and management to make appropriate remuneration decisions, particularly in relation to short-term incentives.

The short-term incentives are tailored for each business unit. The arrangements in place within the Group are:

HFA Holdings Limited (parent company)

Group CEO STI As Group CEO, Mr S Young was entitled to receive a cash bonus payable in relation to the achievement of certain strategic and financial objectives. Mr Young received a pro rata cash payment upon his resignation from this position on 10 November 2011.

Additionally, Mr Young had short-term share based incentives issued in accordance with the arrangements approved at the Company's AGM on 30 November 2010. These performance rights were subject to the achievement of certain strategic and financial objectives as determined by the board. Upon his resignation as Group CEO on 10 November 2011, Mr Young forfeited the 2012 and 2013 tranches of these rights.

Further detail regarding Mr Young's remuneration is outlined in section 17.5 below.

Holdings STI general bonus pool This discretionary bonus pool is for staff who directly contribute to the operation of the listed parent company, namely staff involved in finance and company secretarial functions.

The total amount of the Holdings STI general bonus pool is approved by the board. The Remuneration and Nominations Committee recommends an STI amount for the CFO, allocated from the total pool.

Lighthouse

Lighthouse STI general bonus pool The total amount of the Lighthouse STI general bonus pool is approved by the board. The amount is determined as 20% of the Lighthouse Group's earnings before interest, tax, depreciation and amortisation (EBITDA), but has been increased at the discretion of the board for the 2012 financial year in order to appropriately motivate and retain Lighthouse staff. Allocation of the Lighthouse STI general bonus pool to staff other than those noted below is determined by the Lighthouse CEO.

In accordance with their service agreements, Mr K Perkins and Mr R Swan are entitled to semi-annual compensation calculated as 1.25% and 1.00% respectively of the gross revenue of Lighthouse Investment Partners, LLC. This semi-annual bonus forms part of the Lighthouse STI general bonus pool.

Performance based STIs are generally paid to Lighthouse employees in the form of cash, however they may be satisfied by the issue of shares.

Lighthouse sales bonus pool Lighthouse distribution staff are eligible to participate in an additional discretionary sales bonus pool. Allocation of this bonus pool is determined by the Lighthouse CEO.

Lighthouse CEO bonus In previous years, the Lighthouse CEO has foregone any STI remuneration. The Remuneration and Nomination Committee is currently reviewing the Lighthouse CEO's STI arrangements, with the intention of determining an entitlement to be paid to the Lighthouse CEO based on his performance and contribution on a calendar year basis.

Directors' report (continued)

17. Remuneration report (audited)(continued)

17.4. Performance linked remuneration (continued)

17.4.1 Short-term incentives (STI) (continued)

Certitude

Certitude STI general bonus pool The total amount of the Certitude STI general bonus pool is approved by the board. Allocation of the Certitude STI bonus pool to staff other than key management personnel is determined by the Certitude CEO.

The Certitude board reviews the performance of the Certitude CEO and makes a recommendation to the Remuneration and Nominations Committee regarding his STI bonus. This is then reviewed and recommended to the board by the Remuneration and Nominations Committee.

Certitude sales bonus pool Australian distribution staff are also eligible for an STI based on a 'Sales Incentive Scheme', which determines the cash bonus as a function of net funds raised by each individual over a pre-determined minimum target.

17.4.2. Long-term incentives (LTI)

HFA has a history of providing employees with the opportunity to participate in ownership of shares in the Company. In March 2008, the Company established the HFA Employee Performance Rights Plan. Rights issued under this plan provide long-term incentives for key management personnel and other employees to contribute to the long-term profitability and share price growth of the Group through direct growth in the value of their shareholdings and future dividend streams.

No consideration is payable by employees upon the issue of performance rights or in respect of the shares to be issued upon exercise of the performance rights. Vesting conditions, including being employed by the Group at relevant vesting dates, and meeting specified performance hurdles must be satisfied for the performance rights to be exercised.

The long-term incentives are tailored for each business unit. Allocations under the performance rights plan are based on considerations such as seniority in the organisation and potential to contribute to the future success of the Group.

HFA Holdings Limited (parent company)

Group CEO LTI In accordance with the arrangements approved by shareholders at the Company's AGM on 30 November 2010, Mr S Young was issued performance rights. The long-term share based incentives were performance rights subject to the achievement of Total Shareholder Return (TSR) and Earnings per Share (EPS) targets over a 3 year period, with vesting over a 5 year period.

Upon his resignation as Group CEO on 10 November 2011 and in accordance with the terms of the plan, the end of the measurement period for the long-term performance rights was adjusted from 30 June 2013 to 30 June 2012, and the available rights under the plan reduced to 51% of the original number available. Further detail regarding Mr Young's LTI remuneration is outlined in section 17.5 below.

2012 HFA Holdings Performance Rights Plan On 5 March 2012, employees of HFA Holdings Limited were granted 100,000 performance rights.

The vesting of the performance rights is conditional on continued employment and on the Group achieving a minimum EBITDA of USD 35 million for the twelve months to June 2014. The HFA board retains the right to exercise its discretion where hurdle thresholds are not met.

Lighthouse

2011 Lighthouse Performance Rights Plan On 20 January 2011, employees of Lighthouse were granted 4,000,000 performance rights.

The vesting of the performance rights is conditional on continued employment and on Lighthouse, on a stand-alone basis, achieving a minimum EBITDA of USD 35 million in a trailing twelve month period, provided such 12 month period commences on or after 1 January 2011 and ends before 31 December 2013. The performance rights will vest prior to the satisfaction of the vesting conditions upon a takeover bid or change of control event.

Certitude

2012 Certitude Performance Rights Plan On 5 March 2012, employees of Certitude were granted 880,000 performance rights.

The vesting of the performance rights is conditional on continued employment and on Certitude achieving a minimum EBITDA of AUD Nil for the twelve months to June 2014. The HFA board retains the right to exercise its discretion where hurdle thresholds are not met.

Directors' report (continued)

17. Remuneration report (audited)(continued)

17.5. Former Group CEO Mr S Young

The former Group CEO, Mr S Young, ceased to be employed in this position on 10 November 2011. Mr Young has remained as a non-executive director and Chair of the board.

In accordance with his employment contract, Mr Young received 11 months' salary in lieu of notice, accrued statutory entitlements, and a pro rata cash STI allocation (paid entirely in cash in November 2011).

The following shares were also issued to Mr Young in accordance with his 2010 CEO Performance Rights Plan:

Retention incentives:

100% (1,183,432) of the shares available under the retention incentive tranches were issued in November 2011 in relation to the achievement of strategic hurdles, including the recapitalisation of the Group, during the 2011 financial year.

Short-term share based incentives:

50% (221,894) of the shares available under the 2011 tranche were issued in November 2011 based on the achievement of defined strategic objectives and the following financial objectives: EBITDA of \$18.9 million, and AUMA of \$7.2 billion relating to the 2011 financial year. These financial objectives were selected as they are key indicators of the Group's performance.

Tranches relating to the 2012 and 2013 financial years were forfeited.

Long-term share based incentives:

In accordance with the plan, the end of the measurement period for the long-term performance rights was adjusted from 30 June 2013 to 30 June 2012, and the available rights under the plan reduced to 51% of the original number available.

- 100% of the remaining available rights subject to the achievement of an Earnings Per Share (EPS) growth rate, were forfeited as at 30 June 2012 due to non-achievement of the performance hurdle.
- 100% of the remaining available rights (210,431) subject to the achievement of a Total Shareholder Return (TSR) hurdle (measured against the ASX 200 Accumulation Index), were forfeited as at 30 June 2012 due to non-achievement of the performance hurdle.

17.6. Relationship between remuneration policy and company performance

The Group's performance is impacted by both internal and external factors, including the ability to motivate and retain key management personnel. In considering the overall level of key management personnel's remuneration, the Remuneration and Nominations Committee have regard to the following indicators:

	2012	2011	2010	2009	2008
Net profit / (loss) after tax (USD 000's)	2,690	5,527	4,205 ¹	(398,117) ¹	31,632 ¹
Dividends paid ² (USD 000's)	7,876	-	-	13,368 ³	13,241 ³
Dividends per share (US cents) paid	7.00	-	-	11.64 ³	21.55 ³
Closing share price (dollars) ⁴	AUD 0.68	AUD 1.23	AUD 0.68	AUD 0.70	AUD 4.64
Change in share price (dollars) ⁴	AUD (0.55)	AUD 0.55	AUD (0.02)	AUD (3.94)	AUD (5.56)

¹ Translated to USD using monthly average exchange rates.

² Represents dividends paid in the relevant financial year.

³ Translated to USD using the spot rate on payment date.

⁴ 2008 - 2010 numbers adjusted to provide reasonable comparative amounts in light of HFA's 1 March 2011 4 to 1 share consolidation.

17. Remuneration report (audited)(continued)

17.7. Service agreements

The Group has entered into service agreements with each member of key management personnel, excluding non-executive directors. These agreements specify the duties and obligations to be fulfilled.

Refer to sections 2.6 of the corporate governance statement, and 17.8 of the remuneration report for details regarding the appointment and remuneration of non-executive directors.

Lighthouse senior executives

Messrs S McGould, S Perkins, K Perkins and R Swan entered into service agreements commencing on 7 March 2011. The agreements are for an initial term of four years and thereafter shall automatically be extended for one year terms unless either the Group or the employee gives not less than sixty days notice of their intention not to extend the agreement.

The Group may terminate the agreement at any time for gross negligence or wilful misconduct ("Good Cause Termination"). In these circumstances there is no entitlement to a termination payment.

The Group may terminate the agreement for any reason other than gross negligence or wilful misconduct at any time by giving not less than sixty days notice.

The employee may terminate the agreement at any time if the Group fails to comply in any material respect with the terms of the agreement, there is a material reduction in the compensation opportunities or there is a material and unconsented change to responsibilities.

The employee may terminate the agreement and his employment at anytime for any reason other than those noted above by giving not less than sixty days notice.

After such termination other than for Good Cause Termination, a payment of \$1,000,000 multiplied by the number of days since the fiscal year ending before termination divided by 365 will be made in lieu of any unpaid bonus.

S McGould and S Perkins are entitled to participate in incentive plans, including equity based plans.

Messrs K Perkins and R Swan, in addition to their base salary, are entitled to semi-annual compensation calculated as 1.25% and 1.00% respectively of the gross revenue of Lighthouse Investment Partners, LLC for the relevant six month period and are entitled to participate in equity based plans.

HFA Holdings and Certitude senior executives

Mr C Mowll and Ms A Stoney are engaged pursuant to executive services agreements.

The Group may terminate the agreements at any time, without notice for a number of reasons including bankruptcy, gross negligence or wilful and serious misconduct. In these circumstances there is no entitlement to a termination payment. The employee may terminate the agreement at any time by giving 6 months notice and the Group may terminate the agreement at any time by giving 6 months notice or payment in lieu.

Mr Mowll and Ms Stoney may, from time to time, be invited to participate in employee incentive or similar schemes.

17. Remuneration report (audited)(continued)

17.8. Non-executive directors

Non-executive directors receive director fees. The aggregate of non-executive director fees is capped at a maximum of AUD 750,000 per annum (including superannuation), as approved by shareholders at the AGM held on 14 December 2007.

Directors' base fees are presently AUD 80,000 plus superannuation per annum, with the Chair receiving AUD 125,000 per annum. These fees have been determined by reference to external benchmarks, surveys and fees paid to other non-executive directors of comparable companies. Messrs Civale, Kelley and Zelter have elected not to receive remuneration or reimbursement from the Company for their roles as non-executive directors.

Directors' fees cover all main board activities and membership of any committee. Executive and non-executive directors may be reimbursed for reasonable expenses properly incurred in their role as a director.

Non-executive directors are not entitled to participate in executive remuneration schemes, may not receive options or bonus payments, and are not provided with retirement benefits other than statutory superannuation entitlements. Non-executive directors are not entitled to any benefits or payments on retirement from office.

Actual remuneration for non-executive directors for the financial year ended 30 June 2012 was \$426,902 (2011: \$323,437).

17.9. Reporting in United States dollars

In this report the remuneration and benefits reported have been presented in US dollars ('USD'). This is consistent with the functional and reporting currency of the Group.

Compensation for Australian-based employees is paid in Australian dollars, and for reporting purposes, converted to USD based on the average exchange rate for the payment period. The Australian dollar compensation paid during the year ended 30 June 2012 was converted to USD at the average exchange rate of AUD/ USD 1.0319 (2011: AUD/USD 0.9891).

The value of performance rights is converted at the spot rate applicable when the rights are granted.

Directors' report (continued)

17. Remuneration report (audited)(continued)

17.10. Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the consolidated entity are:

		Salary & fees \$	[C] STI cash bonus \$	Short-term			Post-employment	Other long-term	Termination benefits \$	Share-based payments	Total \$	S300A (1)(e)(i) Proportion of remuneration performance based	S300A (1)(e)(vi) Value of shares as a % of remuneration
				Annual leave \$	Health care benefits \$	Total \$	Super-annuation/ retirement plan contributions \$	Long service leave \$		[D] Shares and performance rights \$			
Non-Executive Directors													
S Young	2012 ^[A]	82,083	-	-	-	82,083	7,387	-	-	-	89,470	-	-
	2011	-	-	-	-	-	-	-	-	-	-	-	-
F P (Andy) Esteban	2012 ^[B]	144,466	-	-	-	144,466	13,002	-	-	-	157,468	-	-
	2011 ^[B]	138,474	-	-	-	138,474	12,463	-	-	-	150,937	-	-
J Larum	2012	82,552	-	-	-	82,552	7,430	-	-	-	89,982	-	-
	2011	79,128	-	-	-	79,128	7,122	-	-	-	86,250	-	-
M Shepherd	2012	82,552	-	-	-	82,552	7,430	-	-	-	89,982	-	-
	2011	79,128	-	-	-	79,128	7,122	-	-	-	86,250	-	-
Executive Directors													
S Young	2012 ^[A]	186,496	103,190	(91,219)	-	198,467	8,140	(131,058)	505,003	22,768	603,320	21%	4%
	2011	395,640	49,455	40,051	-	485,146	15,034	53,165	-	985,897	1,539,242	67%	64%
S McGould	2012	250,000	-	-	13,603	263,603	15,000	-	-	-	278,603	-	-
	2011	250,000	-	-	12,434	262,434	15,000	-	-	-	277,434	-	-
Executives													
C Mowll	2012	374,342	278,613	(4,350)	-	648,605	16,278	2,058	-	-	666,941	42%	-
	2011	341,772	237,384	21,520	-	600,676	15,034	568	-	-	616,278	39%	-
A Stoney	2012	232,174	154,785	10,258	-	397,217	16,279	13,467	-	-	426,963	36%	-
	2011	207,384	197,820	7,780	-	412,984	15,034	2,017	-	-	430,035	46%	-
S Perkins	2012	250,000	294,420	-	13,603	558,023	19,926	-	-	(99,933)	478,016	41%	(21%)
	2011	250,000	406,809	-	12,434	669,243	19,931	-	-	99,933	789,107	64%	13%
K Perkins	2012	250,000	733,025	-	13,603	996,628	22,236	-	-	(99,933)	918,931	69%	(11%)
	2011	250,000	482,262	-	12,434	744,696	19,386	-	-	99,933	864,015	67%	12%
R Swan	2012	250,000	594,420	-	13,603	858,023	19,926	-	-	(99,933)	778,016	64%	(13%)
	2011	250,000	406,809	-	12,434	669,243	19,931	-	-	99,933	789,107	64%	13%
Total	2012	2,184,665	2,158,453	(85,311)	54,412	4,312,219	153,034	(115,533)	505,003	(277,031)	4,577,692	41%	(6%)
	2011	2,241,526	1,780,539	69,351	49,736	4,141,152	146,057	55,750	-	1,285,696	5,628,655	54%	23%

Directors' report (continued)

17. Remuneration Report (audited)(continued)

17.10. Directors' and executive officers' remuneration (continued)

Notes in relation to the table of directors' and executive officers' remuneration:

- A Mr S Young stepped down from the position of Group CEO and executive director on 10 November 2011, retaining his position as a non-executive director and Chair of the board. The termination benefit shown in the above table relates to the 11 months salary in lieu of notice Mr Young received in accordance with his employment contract, and accrued statutory entitlements. The negative amounts shown for Mr Young in the annual leave and long service leave columns above represent the movement in accrued employee benefits relating to the payout of Mr Young's entitlements.
- B In addition to the \$82,552 (2011: \$79,128) received by Mr F P (Andy) Esteban for his role as non-executive director of HFA Holdings Limited, he received \$61,914 (2011: \$59,346) for his role as non-executive director of Certitude Global Investments Limited.
- C The STI cash bonus is for performance during the respective financial year and is based on the criteria set out in section 17.4.1. Mr S Perkins' discretionary bonus, previously paid on a semi-annual basis, is now paid on an annual calendar year basis. The 2012 bonus included above relates to the six months ended 31 December 2011 only. His discretionary bonus for the six months ended 30 June 2012 will be paid in January 2013, and has not yet been determined.
- D The amounts shown as share-based payments represent the accounting value for the performance rights, which reflects the fair value of the performance rights at grant date, amortised over the period from grant date to vesting date, adjusted for expected vesting probability at each reporting date. It does not represent the cash value of the performance rights to the executive. The values shown for 2012 reflect a forfeiture of rights (Mr S Young), or a reduction in the expected vesting probability of the rights as at 30 June 2012 (Messrs S Perkins, K Perkins and R Swan), which has resulted in a full or partial reversal of the accounting expense recognised in the 2011 financial year. Refer to sections 17.4.2 and 17.5 for additional details regarding the relevant performance rights plans.

17.11. Analysis of cash bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to key management personnel of the Group are detailed below:

	Included in remuneration	% Vested in year	% Forfeited in year
S Young	103,190	20%	80% ^[C]
C Mowll	278,613	100%	[A]
A Stoney	154,785	100%	[A]
S Perkins	294,420	100%	[A]
K Perkins	733,025	100% ^[B]	0%
R Swan	594,420	100% ^[B]	0%

- A Short-term incentive plans relating to these senior executives are discretionary and no amounts vest in future financial years in respect of the financial year ended 30 June 2012.
- B As per their service agreements, Mr K Perkins and Mr R Swan are entitled to semi-annual compensation calculated as 1.25% and 1.00% respectively of the gross revenue of Lighthouse Investment Partners, LLC. No amounts vest in future financial years in respect of the financial year ended 30 June 2012.
- C Mr S Young held the position of Group CEO and executive-director until 10 November 2011. The board exercised its discretion under the terms of the plan to award 20% of the outstanding STI entitlements which remained available upon Mr Young's resignation, having taken in account Mr Young's period of service in the 2012 financial year and his prior year performance.

17.12. Analysis of performance rights over equity instruments granted as remuneration

Details of the performance rights granted as remuneration to key management personnel are set out in the table below.

The right to receive these shares is conditional on continuing service, and the achievement of certain performance hurdles. Details of performance criteria are set out in sections 17.4.2 and 17.5.

No consideration is payable by employees upon the issue of performance rights or in respect of the shares to be issued upon the exercise of the performance rights.

Directors' report (continued)

17. Remuneration report (audited)(continued)

17.12. Analysis of performance rights over equity instruments granted as remuneration (continued)

Executives	Number of rights granted	Grant date	[B] Fair value per right at grant date \$	[C] Adjusted fair value per right at grant date \$	[B] Fair value per grant at grant date \$	[C] Adjusted fair value per grant at grant date \$	Vesting date	[C] Adjusted vesting date	Financial year in which grant vests	[C] Adjusted financial year in which grant vests	[E] Number of rights vested during 2012	[F] Number of options forfeited during 2012	[F] % Forfeited during 2012
S Young	591,716	30/11/10	0.65	0.65	384,720	383,809	07/10/11	15/11/11	2012	2012	591,716	-	-
	591,716	30/11/10	0.63	0.65	371,061	383,809	07/10/12	15/11/11	2013	2012	591,716	-	-
	443,787	30/11/10	0.65	0.65	286,833	286,833	31/12/11	15/11/11	2012	2012	221,894	221,893	50%
	375,000	[A]	0.81	[D]	302,840	[D]	31/12/12	[D]	2013	[D]	-	375,000	100%
	375,000	[A]	0.65	[D]	244,446	[D]	31/12/13	[D]	2014	[D]	-	375,000	100%
	295,858	21/02/11	1.09	1.15	321,170	340,626	30/12/13	30/06/12	2014	2012	-	295,858	100%
	250,000	21/02/11	0.66	0.73	166,172	183,624	31/12/14	30/06/12	2015	2012	-	250,000	100%
	250,000	21/02/11	0.54	[D]	133,797	[D]	31/12/15	[D]	2016	[D]	-	250,000	100%
	295,858	30/11/10	0.40	0.39	118,375	115,188	31/12/13	30/06/12	2014	2012	-	295,858	100%
	250,000	30/11/10	0.24	0.25	59,632	62,517	31/12/14	30/06/12	2015	2012	-	250,000	100%
	250,000	30/11/10	0.21	[D]	52,899	[D]	31/12/15	[D]	2016	[D]	-	250,000	100%
S Perkins	625,000	20/01/11	0.97	N/A	607,925	N/A	31/12/13	N/A	2014	N/A	-	-	-
K Perkins	625,000	20/01/11	0.97	N/A	607,925	N/A	31/12/13	N/A	2014	N/A	-	-	-
R Swan	625,000	20/01/11	0.97	N/A	607,925	N/A	31/12/13	N/A	2014	N/A	-	-	-
C Mowl	190,000	05/03/12	0.74	N/A	140,505	N/A	15/08/14	N/A	2015	N/A	-	-	-
A Stoney	150,000	05/03/12	0.74	N/A	110,925	N/A	15/08/14	N/A	2015	N/A	-	-	-

A These performance rights formed part of the STI component of the former Group CEO's remuneration package relating to the 2012 and 2013 financial years. Approved financial and strategic performance hurdles for these rights were not set prior to forfeiture due to failure to meet the service condition, therefore grant date was not determined.

B Fair value is calculated at grant date using either the Black Scholes option-pricing model or Monte Carlo simulation technique as appropriate. The total value per grant is allocated to remuneration over the relevant vesting / service period for each grant, after adjustment for estimated vesting probabilities and forfeiture / lapse of rights where appropriate.

C As a result of Mr S Young stepping down as Group CEO on 10 November 2011, vesting dates and measurement periods relating to each outstanding tranche of the CEO Performance Rights Plan were adjusted in accordance with the terms of the plan. This resulted in adjustments to the fair value at grant date for those tranches affected.

D 100% of the rights available under these tranches were forfeited upon Mr S Young's resignation in accordance with the terms of the plan.

E The value of the rights vested during the year, based on the closing market value of the Company's shares on the day they were exercised (AUD 0.88), was \$1,257,587

F Represents rights forfeited during the year due to failure to meet performance criteria, including service conditions. The value of the rights that lapsed during the year was \$1,608,946. This represents the benefits forgone and is calculated at the date the rights lapsed, assuming the performance criteria had been achieved, using Monte Carlo simulation technique or the Black Scholes pricing model as appropriate.

Directors' report (continued)

18. Indemnification and insurance of directors and officers

Indemnification

The Company has agreed to indemnify current directors and former directors against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

The directors have not included details of the amount of the premium paid in respect of the directors' and officers' liability insurance contracts; as such disclosure is prohibited under the terms of the contract. The insurance premiums paid relate to costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain a personal advantage.

19. Auditor

KPMG continues in office as auditor in accordance with section 327 of the Corporations Act 2001.

Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and it is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid or payable to KPMG for audit and non audit services are provided in note 24 of the financial statements.

20. Auditor's independence declaration

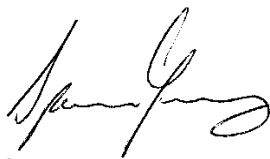
The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 42 and forms part of the directors' report for the financial year ended 30 June 2012.

21. Rounding off

The Group 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.

Directors' report (continued)

This report is made in accordance with a resolution of directors:



Spencer Young
Chair and Non-Executive Director



F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 15th day of August 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 audit for the financial year ended 30 June 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

KPMG

A handwritten signature in black ink that reads 'Board' in a cursive font.

Stephen Board
Partner

Dated at Brisbane this 15th day of August 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

The financial statements for HFA Holdings Limited and its controlled entities for the year ended 30 June 2012 are arranged in the following sections:

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Consolidated statement of financial position

As at 30 June 2012

<i>in thousands of USD</i>	Note	2012	2011
Assets			
Cash and cash equivalents	9a	32,736	28,456
Investments in term deposits	9b	9,259	16,360
Trade and other receivables	10	15,821	12,145
Current tax assets	8b	51	16
Total current assets		57,867	56,977
Investments	11	6,518	3,666
Plant and equipment	13	874	1,259
Intangible assets	14	127,466	136,896
Other non-current assets	12	697	574
Total non-current assets		135,555	142,395
Total assets		193,422	199,372
Liabilities			
Trade and other payables	15	7,373	7,410
Employee benefits	16	6,092	5,546
Loans and borrowings	17	4,311	3,903
Total current liabilities		17,776	16,859
Employee benefits	16	109	245
Loans and borrowings	17	43,787	46,640
Total non-current liabilities		43,896	46,885
Total liabilities		61,672	63,744
Net assets		131,750	135,628
Equity			
Share capital	19	263,785	491,392
Reserves	19	10,772	12,491
Accumulated losses		(142,807)	(368,255)
Total equity attributable to equity holders of the Company		131,750	135,628

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

Consolidated income statement

For the year ended 30 June 2012

<i>in thousands of USD</i>	Note	2012	2011
Revenue	6a	66,150	67,969
Investment management costs		(11,382)	(12,304)
Net income from operating activities		54,768	55,665
Other income	6b	-	2
Expenses	6c	(50,204)	(44,310)
Equity settled transactions	6d	725	(1,733)
Results from operating activities		5,289	9,624
Finance income	7a	1,280	1,519
Finance costs	7a	(3,862)	(4,732)
Net finance costs		(2,582)	(3,213)
Profit before income tax		2,707	6,411
Income tax expense	8a	(17)	(884)
Profit for the year		2,690	5,527
Attributable to:			
Owners of the Company		2,690	5,527
Profit for the year		2,690	5,527
Earnings per share			
Basic earnings per share (US cents)	20	2.71	4.51
Diluted earnings per share (US cents)	20	2.70	4.49

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

Consolidated statement of comprehensive income

For the year ended 30 June 2012

<i>in thousands of USD</i>	Note	2012	2011
Profit for the year		2,690	5,527
Other comprehensive income			
Foreign currency translation differences for foreign operations	7b	(994)	4,263
Effective portion of changes in fair value of cash flow hedges	7b	-	1,159
Net change in fair value of available-for-sale financial assets	7b	-	(91)
Income tax on other comprehensive income	7b	-	27
Other comprehensive income for the year, net of income tax		(994)	5,358
Total comprehensive income for the year		1,696	10,885
Attributable to:			
Owners of the Company		1,696	10,885
Total comprehensive income for the year		1,696	10,885

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

Consolidated statement of changes in equity

For the year ended 30 June 2012

in thousands of USD	Note	Attributable to equity holders of the Company						Total Equity
		Share Capital	Share Based Payments Reserve	Fair Value Reserve	Hedging Reserve	Translation Reserve	Accumulated losses	
Balance at 1 July 2010		447,570	12,318	64	(1,159)	(9,665)	(373,782)	75,346
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	5,527	5,527
<i>Other comprehensive income</i>								
Foreign currency translation differences, net of tax	7b	-	-	-	-	4,263	-	4,263
Effective portion of changes in fair value of cash flow hedges, net of tax	7b	-	-	-	1,159	-	-	1,159
Net change in fair value of available-for-sale financial assets, net of tax	7b	-	-	(64)	-	-	-	(64)
Total other comprehensive income		-	-	(64)	1,159	4,263	-	5,358
Total comprehensive income for the year		-	-	(64)	1,159	4,263	5,527	10,885
Transactions with owners, recorded directly in equity								
Issue of convertible notes, net of tax	17	43,822	-	-	-	-	-	43,822
Issue of share options, net of tax	17	-	3,842	-	-	-	-	3,842
Equity settled transactions	18	-	1,733	-	-	-	-	1,733
Total transactions with owners		43,822	5,575	-	-	-	-	49,397
Balance at 30 June 2011		491,392	17,893	-	-	(5,402)	(368,255)	135,628

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

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2012

<i>in thousands of USD</i>	Note	Attributable to equity holders of the Company						Total Equity
		Share Capital	Share Based Payments Reserve	Fair Value Reserve	Hedging Reserve	Translation Reserve	Accumulated losses	
Balance at 1 July 2011		491,392	17,893	-	-	(5,402)	(368,255)	135,628
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	2,690	2,690
<i>Other comprehensive income</i>								
Foreign currency translation differences, net of tax	7b	-	-	-	-	(994)	-	(994)
Total other comprehensive income		-	-	-	-	(994)	-	(994)
Total comprehensive income for the year		-	-	-	-	(994)	2,690	1,696
Transactions with owners, recorded directly in equity								
Issue of convertible notes, net of tax	17	3,027	-	-	-	-	-	3,027
Equity settled transactions	18	-	(725)	-	-	-	-	(725)
Dividends to equity holders	19	-	-	-	-	-	(7,876)	(7,876)
Total transactions with owners		3,027	(725)	-	-	-	(7,876)	(5,574)
Section 256B reduction in capital	19	(230,634)	-	-	-	-	230,634	-
Balance at 30 June 2012		263,785	17,168	-	-	(6,396)	(142,807)	131,750

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

Consolidated statement of cash flows

For the year ended 30 June 2012

<i>In thousands of USD</i>	Note	2012	2011
Cash flows from operating activities			
Cash receipts from customers		63,810	70,154
Cash paid to suppliers and employees		(52,616)	(47,404)
Cash generated from operations		11,194	22,750
Interest received		1,054	893
Dividends and distributions received		-	28
Income taxes (paid) / refunded		(46)	42
Net cash from operating activities	9c	12,202	23,713
Cash flows from investing activities			
Acquisition of plant and equipment		(222)	(440)
Proceeds from disposal of investment		387	171
Acquisition of investments		(3,096)	(1,493)
Transfers from long term cash deposits		-	(16,360)
Transfers to long term cash deposits		6,383	-
Acquisition of other non-current assets		(135)	(574)
Net cash from investing activities		3,317	(18,696)
Cash flows from financing activities			
Proceeds from the issue of convertible notes		-	75,000
Transaction costs relating to the issue of convertible notes		-	(4,557)
Repayment of borrowings		(2,000)	(75,136)
Borrowing costs		-	(509)
Interest paid		(948)	(3,587)
Dividends paid to equity holders		(7,876)	-
Net cash from financing activities		(10,824)	(8,789)
Net increase/(decrease) in cash and cash equivalents		4,695	(3,772)
Cash and cash equivalents at 1 July		28,456	28,106
Effect of exchange rate fluctuations on cash balances held in foreign currencies		(415)	4,122
Cash and cash equivalents at 30 June	9a	32,736	28,456

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

1. Reporting entity

HFA Holdings Limited (the 'Company' / 'HFA') is a for-profit entity domiciled in Australia. HFA is a company limited by shares, incorporated in Australia whose shares are publicly listed on the Australian Securities Exchange. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (the 'Group').

HFA has two Australian domiciled wholly owned subsidiaries, Certitude Global Investments Limited ('Certitude') and Admin Pty Ltd ('Admin'). Certitude is the responsible entity for the Australian based investment schemes. Admin is a service entity to Certitude and provides administrative services including staff, premises and other resources to Certitude and the Company.

HFA's US operations (the 'Lighthouse Group') comprises eight foreign entities being HFA Lighthouse Holdings Corp, HFA Lighthouse Corp, LHP Investments LLC, Lighthouse Investment Partners LLC, Lighthouse Partners NY LLC, Lighthouse Partners UK LLC (all incorporated in the United States), Lighthouse Partners Limited (HK) (incorporated in Hong Kong) and LHP Ireland Fund Management Limited (incorporated in Ireland). Lighthouse Investment Partners LLC is the investment manager for the Lighthouse investment schemes.

The registered office of HFA is Level 5, 151 Macquarie Street, Sydney NSW 2000.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the board of directors on 15 August 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis. As such, the consolidated financial statements have been prepared on a historical cost basis except for the following items in the statement of financial position:

- financial instruments at fair value through the profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value.

The methods used to measure fair value are discussed further in note 4.

(c) Functional and presentation currency

The consolidated financial statements are presented in US dollars ('USD'), which is the Company's functional currency.

The amounts contained in this financial report have been rounded to the nearest thousand dollars in accordance with the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998, unless otherwise stated.

2. Basis of preparation (continued)

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimations applied to determine the reported amounts of assets, liabilities, income and expenses is included in the following notes:

- note 8a - utilisation of tax losses
- note 11 - measurement of investments
- note 14 - measurement of the recoverable amounts of cash-generating units containing goodwill
- note 18 - measurement of share based payments
- note 21 - valuation of financial instruments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 8a - utilisation of tax losses
- note 18 - measurement of share based payments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

The consolidated financial statements are those of the Group, comprising HFA Holdings Limited (the parent company) and all entities that HFA Holdings Limited controlled from time to time during the period and at the reporting date.

(i) Business combinations

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

For acquisitions between 1 July 2004 and 1 July 2009, goodwill represents the excess of the costs of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the costs of the acquisition.

No acquisitions have been carried out post 1 July 2009.

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (continued)

(b) Foreign currency

The results and financial position of all Group entities that have a functional currency different to the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to equity.

Transactions in foreign currencies are translated to the respective functional currency of Group entities at rates of exchange ruling on the date of those transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets such as investments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in equity.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial instruments (including instruments designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Cash and cash equivalents and investments in term deposits: Cash and cash equivalents and investments in term deposits comprise cash balances, call deposits and investments in term deposits with a maturity period of greater than 90 days.

Trade and other receivables: Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value, and then subsequently measured at amortised cost using the effective interest rate method, less impairment losses (see accounting policy (g)).

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) *Non-derivative financial assets (continued)*

Available-for-sale financial assets: Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy(g)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Available-for-sale financial assets at 30 June 2012 represent a non-controlling membership interest in a US based limited liability company, over which the Group does not have significant influence.

Financial assets at fair value through profit or loss: A financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on the fair value in accordance with the Group's investment strategy or risk management strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(ii) *Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The Group has the following non-derivative financial liabilities:

Trade and other payables: Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.

Loans and borrowings: Loans and borrowings are recognised initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derivative financial instruments, including hedge accounting

The Group has held derivative financial instruments to hedge certain foreign currency and interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein accounted for as described below.

Cash flow hedges

Changes in fair value of derivative hedging instruments designated as cash flow hedges are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.

(iv) Compound financial instruments

Compound financial instruments issued by the Group comprise mandatorily convertible notes, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. Fair value is calculated by discounting estimated future cash flows using a market rate of interest. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method, which ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried on the balance sheet. Interest expense in this context includes amortisation of transaction costs as well as any interest or coupon payable while the liability is outstanding.

The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(v) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3. Significant accounting policies (continued)

(d) Leased assets

The Group is not a party to any finance leases. Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(e) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Ongoing repairs and maintenance is expensed as incurred.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within 'expenses' in profit or loss.

(ii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and equipment	7 years
Leasehold improvements	Lease term
Computer equipment	3 - 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. The carrying value of plant and equipment is reviewed for impairment (see accounting policy (g)) when events or changes in circumstances indicate the carrying value may not be recoverable.

(f) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a).

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses (see accounting policy (g)).

(ii) Management rights and customer relationships

Where acquired separately, management rights and customer relationship assets are capitalised at cost. Subsequent to acquisition, the assets are measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy (g)).

(iii) Other intangible assets

Other intangible assets acquired by the Group, which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

(iv) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Management rights and customer relationships	5 - 10 years
Trademarks	20 years
Capitalised software development costs	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies (continued)

(g) Impairment

(i) *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy (n)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite lives are tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognised if, as a result of a past event the Group has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

3. Significant accounting policies (continued)

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other long-term employee benefits

The Group's obligation in relation to long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate used is the government cash deposit rate at reporting date.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

(iv) Share based payments

The Group provides benefits to its employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity settled transactions').

The grant date fair value of share-based payment awards granted to employees is recognised as equity settled transaction expense in the profit or loss, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market based vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects: (i) the grant date fair value of the award; (ii) the extent to which the vesting period has expired; and (iii) the current best estimate of the number of awards that will vest.

Share based payment arrangements in which the Group receives services as consideration for its own equity instruments are also accounted for as equity settled share-based payment transactions.

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

Management fees and performance fees

Periodic management fees are received for management services provided by Group entities that act as investment manager in relation to various investment products. These fees are recognised as revenues as the management services are provided.

Periodic performance fees are received by Group entities that act as investment manager of various investment products when the performance of the product exceeds a predetermined level. These fees are recognised as revenues when it is established that performance of the investment product has exceeded the required level.

3. Significant accounting policies (continued)

(k) Investment management costs

Investment management costs consist of fees for investment management services from investment advisors and distribution rebates paid to financial advisors and other third party distributors. These costs are recognised on an accrual basis.

(l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets held at fair value through the profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, bank charges, losses on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Fees paid in relation to the negotiation of the Group's finance facility are also included in finance costs for the year ended 30 June 2011.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(n) Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 May 2006 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is HFA Holdings Limited.

3. Significant accounting policies (continued)

(o) Segment reporting

Segment results that are reported to the operating subsidiaries' CEO's and the board of directors include items directly attributable to a segment.

Unallocated items comprise assets and liabilities relating to the corporate parent entity, HFA Holdings Limited, corporate expenses and balances that are eliminated on consolidation of the Group.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of the fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in note 21.

Investments in financial assets at fair value through profit or loss: The fair value of these investments is determined by reference to their closing unit price or quoted closing bid price at the reporting date.

Investment in available-for-sale financial assets: The fair value of this investment at 30 June 2012 has been determined based on transaction price. This is due to the fact that the investment was made in February 2012 and was made on an arm's length basis based on normal business considerations. In addition, no events have occurred prior to 30 June 2012 to alter management's assessment of the fair purchase price of the membership interest acquired. Therefore, transaction price continues to be the best evidence of fair value at 30 June 2012.

Non-derivative financial liabilities: Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Share-based payment transactions: The fair value of employee performance rights plans are measured using either Monte Carlo simulation technique, or the Black Scholes pricing model. Measurement inputs include share price on grant date, exercise price of the instrument, life of the instrument, expected dividends, and the risk free interest rate (based on government bonds) and any market based conditions attached to the rights. Service and non-market conditions are not taken into account in determining fair value.

5. 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, the board of directors reviews 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.

Corporate includes the corporate parent entity, HFA Holdings Limited.

Integration between segments

\$336 million (2011: \$576 million) of AUMA which is managed by Certitude is invested in funds managed by Lighthouse. This cross investment results in management and performance fee rebates between the Australian and US reportable segments.

Major revenue source

The Group's revenue relates to management and performance fees received for management services provided by Group entities that act as investment manager in relation to various investment products.

48% (2011: 50%) of the Group's total revenue relates to management fees and performance fees earned on the Lighthouse Diversified Fund, which represents 32% of Group AUMA as at 30 June 2012 (2011: 42%).

12% (2011: 11%) of the Group's total revenue relates to management fees and performance fees earned on the Lighthouse Global Long/Short Fund, which represents 13% of Group AUMA as at 30 June 2012 (2011: 11%).

Revenue from both these major revenue sources is included in revenue for the United States segment.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

5. Operating segments (continued)

In thousands of USD	Reportable Segments						Reconciliation to consolidated totals					
	Australia		United States		Total reportable segments		Corporate		Elimination		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External revenue	9,951	11,953	56,199	56,016	66,150	67,969	-	-	-	-	66,150	67,969
Inter-segment revenue	-	-	2,209	2,497	2,209	2,497	-	-	(2,209)	(2,497)	-	-
Investment management costs	(2,913)	(3,319)	(10,678)	(11,482)	(13,591)	(14,801)	-	-	2,209	2,497	(11,382)	(12,304)
Net income from operating activities	7,038	8,634	47,730	47,031	54,768	55,665	-	-	-	-	54,768	55,665
Other income	-	1	-	1	-	2	-	-	-	-	-	2
Operating expenses (excluding depreciation and amortisation)	(8,867)	(8,138)	(28,686)	(23,185)	(37,553)	(31,323)	(2,627)	(2,933)	-	-	(40,180)	(34,256)
Net finance income / (costs) (excluding interest)	23	(23)	32	(157)	55	(180)	12,377	1,272	(12,535)	(1,090)	(103)	2
Earnings before interest, tax, depreciation, amortisation and equity settled transactions	(1,806)	474	19,076	23,690	17,270	24,164	9,750	(1,661)	(12,535)	(1,090)	14,485	21,413
Equity settled transactions	-	-	748	(748)	748	(748)	(23)	(985)	-	-	725	(1,733)
Earnings before interest, tax, depreciation and amortisation	(1,806)	474	19,824	22,942	18,018	23,416	9,727	(2,646)	(12,535)	(1,090)	15,210	19,680
Depreciation and amortisation	(132)	(209)	(9,892)	(9,845)	(10,024)	(10,054)	-	-	-	-	(10,024)	(10,054)
Interest revenue	1,045	949	4	3	1,049	952	83	19	-	-	1,132	971
Interest expense (secured debt)	-	-	(943)	(3,277)	(943)	(3,277)	-	(51)	-	-	(943)	(3,328)
Interest expense (convertible notes)	-	-	-	-	-	-	(2,668)	(858)	-	-	(2,668)	(858)
Reverse impairment of parent entity investment in subsidiary	-	-	-	-	-	-	-	122,822	-	(122,822)	-	-
Reportable segment profit / (loss) before income tax	(893)	1,214	8,993	9,823	8,100	11,037	7,142	119,286	(12,535)	(123,912)	2,707	6,411
Income tax (expense) / benefit	-	(836)	(17)	22	(17)	(814)	-	(70)	-	-	(17)	(884)
Reportable segment profit / (loss) after income tax	(893)	378	8,976	9,845	8,083	10,223	7,142	119,216	(12,535)	(123,912)	2,690	5,527
Segment assets	21,473	23,765	165,174	170,619	186,647	194,384	304,901	292,188	(298,126)	(287,200)	193,422	199,372
Segment liabilities	(3,326)	(3,731)	(35,081)	(36,220)	(38,407)	(39,951)	(23,627)	(24,255)	362	462	(61,672)	(63,744)
Net segment assets	18,147	20,034	130,093	134,399	148,240	154,433	281,274	267,933	(297,764)	(286,738)	131,750	135,628

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

6. Revenue and expenses

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

<i>in thousands of USD</i>	2012	2011
(a) Revenue		
Management fee income	65,379	64,130
Performance fee income	662	3,681
Origination fees	109	158
Total revenue	66,150	67,969
(b) Other income		
Sundry income	-	2
Total other income	-	2
(c) Expenses		
Personnel expenses ¹	(29,412)	(25,092)
Professional fees	(2,474)	(1,762)
Occupancy expenses	(2,056)	(1,954)
Marketing and promotion costs	(194)	(141)
Travel costs	(1,099)	(1,103)
Depreciation	(594)	(624)
Amortisation of intangible assets	(9,430)	(9,430)
Other expenses	(4,945)	(4,204)
Total expenses	(50,204)	(44,310)
(d) Equity settled transactions		
Equity settled transactions – Personnel expenses	617	(1,625)
Equity settled transactions – Marketing and promotion costs	108	(108)
Total equity settled transactions	725	(1,733)

¹ Includes consolidated contributions to defined contribution and pension plans of \$927 thousand (2011: \$888 thousand).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

7. Finance income and costs

(a) Recognised directly in profit or loss

<i>in thousands of USD</i>	2012	2011
Finance income		
Interest income on bank deposits	1,132	971
Dividend and distribution income on available-for-sale financial assets	4	28
Net change in fair value of financial assets at fair value through profit or loss	144	357
Net foreign exchange gain	-	163
Total finance income	1,280	1,519
Finance costs		
Interest expense (secured debt)	(943)	(3,328)
Interest expense (convertible notes)	(2,668)	(858)
Finance costs	(55)	(546)
Net change in fair value of financial assets at fair value through profit or loss	(196)	-
Total finance costs	(3,862)	(4,732)
Net finance costs recognised in profit or loss	(2,582)	(3,213)

(b) Recognised directly in other comprehensive income

<i>in thousands of USD</i>	2012	2011
Foreign currency translation difference for foreign operations	(994)	4,263
Effective portion of changes in fair value of cash flow hedges	-	1,159
Change in fair value of available-for-sale financial assets transferred to profit or loss	-	(91)
Income tax on income and expense recognised directly in equity	-	27
Finance income attributable to equity holders recognised directly in equity, net of tax	(994)	5,358

<i>in thousands of USD</i>	2012	2011
Recognised in:		
Translation reserve	(994)	4,263
Hedging reserve	-	1,159
Fair value reserve	-	(64)
	(994)	5,358

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

8a. Income tax expense

(a) Recognised in the income statement

<i>in thousands of USD</i>	2012	2011
Current tax expense		
Current year (expense) / benefit	(24)	(277)
Under / (over) provided in previous periods	7	(357)
	(17)	(634)
Deferred tax expense		
Change in unrecognised temporary differences	-	(250)
	-	(250)
Income tax expense reported in income statement	(17)	(884)

(b) Income tax recognised in other comprehensive income

<i>in thousands of USD</i>	2012			2011		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Foreign currency translation difference for foreign operations	(994)	-	(994)	4,263	-	4,263
Effective portion of changes in fair value of cash flow hedges	-	-	-	1,159	-	1,159
Change in fair value of available-for-sale financial assets	-	-	-	(91)	27	(64)
Income tax benefit / (expense) recognised in equity	(994)	-	(994)	5,331	27	5,358

(c) Reconciliation of effective tax rate

<i>in thousands of USD</i>	2012	2011
Profit before income tax	2,707	6,411
Income tax using the Company's domestic tax rate of 30% (2011: 30%)	(812)	(1,923)
Effect of tax rates in foreign jurisdictions *	(657)	(675)
Non-deductible expenses	(853)	(457)
Tax benefits not included in accounting profit	-	15
Tax exempt income	-	27
Current year tax losses for which no deferred tax asset is recognised	(4,147)	(801)
Changes in unrecognised temporary differences	6,445	3,287
Under / (over) provided in previous periods	7	(357)
Income tax expense reported in income statement	(17)	(884)

* The Group's US subsidiaries operate in a tax jurisdiction with higher tax rates.

8a. Income tax expense (continued)

(c) Reconciliation of effective tax rate (continued)

The Group's consolidated effective tax rate for the year ended 30 June 2012 was 0.63% (for the year ended 30 June 2011: 13.8%). The effective tax rate for the year ended 30 June 2012 was impacted by the following factors:

Non recognition of the Lighthouse Group Deferred Tax Assets

A current year movement of \$(3,367) thousand (2011: (\$3,587)) in deferred tax assets relating to the Lighthouse Group has not been recognised in the income statement. This is due to the fact that deferred tax assets relating to the Lighthouse Group are being carried off balance sheet.

The Lighthouse Group is in a taxable loss position for the year ended 30 June 2012. Despite the Lighthouse Group generating a positive operating result for the year, 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 year ended 30 June 2012. 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.

Non recognition of the Australian Group Deferred Tax Assets

Excluding the impact of foreign currency movements, a current year movement of \$1,069 thousand (2011: \$1,101) in deferred tax assets relating to the Australian Tax Consolidated Group ('Australian Group') have not been recognised in the income statement. This is due to the fact that deferred tax assets relating to the Australian Group are being carried off balance sheet.

The Australian Group consists of HFA Holdings Limited, Admin Pty Ltd and Certitude Global Investments Limited.

The Australian Group is in a taxable loss position for the year ended 30 June 2012, and is forecast to remain in a tax loss position for the next several years. As a result, as at 30 June 2012, it is not probable that the Australian Group will produce sufficient taxable profits against which these deferred tax assets can be utilised.

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

8b. Tax assets and liabilities

(a) Current tax assets

<i>in thousands of USD</i>	2012	2011
Current tax assets	51	16

The current tax asset for the Group represents the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority.

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

<i>in thousands of USD</i>	2012	2011
Deductible temporary differences	197,018	208,147
Tax losses	37,487	33,421
	234,505	241,568

Unrecognised deferred tax assets for the year ended 30 June 2012 relate to both the Australian Group \$88,170 thousand (2011: \$91,849 thousand) and the US Group \$146,335 thousand (2011: \$149,719 thousand) and consist of impairment losses recognised in previous financial years, capital losses, carried forward operating tax losses and deductible temporary differences.

Additional disclosure in relation to de-recognition of deferred tax assets is included in note 8a.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

9a. Cash and cash equivalents

<i>in thousands of USD</i>	2012	2011
Cash at bank	23,117	21,793
Deposits at call	9,619	6,663
	32,736	28,456

At balance date, USD deposits earn interest of 0.1%, while AUD deposits earn interest of between 2% and 5.56%.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 21.

9b. Investments in term deposits

<i>in thousands of USD</i>	2012	2011
Investments in term deposits	9,259	16,360

Relates to investments in cash term deposits with a maturity period of greater than 90 days at inception. At balance date, investments in term deposits earn interest of between 5.6% and 5.75%.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 21.

9c. Reconciliation of cash flows from operating activities

<i>in thousands of USD</i>	Note	2012	2011
Cash flows from operating activities			
Profit for the year		2,690	5,527
Adjustments for:			
Depreciation expense	6c	594	624
Amortisation of intangible assets	6c	9,430	9,430
Equity settled transactions	6d	(725)	1,733
Interest expense on financial liabilities measured at amortised cost	7a	3,611	4,186
Borrowing costs		-	509
Net loss on disposal of plant & equipment		-	4
Profit on disposal of investments		-	(88)
Fair value gain/(loss) on financial assets at fair value through profit or loss		(144)	(269)
Unrealised foreign currency loss/(gain)		103	(151)
Income tax expense/(benefit), less income tax paid		(29)	926
Operating cash flow before changes in working capital and provisions		15,530	22,431
(Increase)/decrease in receivables		(3,581)	(215)
(Increase)/decrease in other assets		(120)	(534)
Increase/(decrease) in payables		(132)	491
Increase/(decrease) in employee benefits		505	1,540
Net cash from operating activities		12,202	23,713

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

10. Trade and other receivables

<i>in thousands of USD</i>	2012	2011
Receivables due from Group managed products	14,160	10,521
Other receivables and prepayments	1,661	1,624
	15,821	12,145

Receivables comprise management fees, performance fees, and recoverable costs from Group managed products and are non-interest bearing and generally on 30 to 90 day terms.

Other receivables and prepayments relate to items such as prepaid expenses (principally in relation to insurance policies) and interest receivable on cash deposits.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 21.

11. Investments

<i>in thousands of USD</i>	2012	2011
Available-for-sale financial assets	1,396	-
Financial assets designated at fair value through profit or loss	5,122	3,666
	6,518	3,666

Available-for-sale financial assets consist of a 10% membership interest acquired by Lighthouse during the financial year in a US based limited liability company experienced in managing alternative investments. This investment was made with the aim of developing an ongoing working relationship.

The financial assets designated at fair value through profit or loss consist of units held in Group managed products that otherwise would have been classified as available-for-sale. The Group's investments in these products do not result in ownership percentages that indicate control or significant influence.

The Group's exposure to credit, liquidity and market rate risks related to other investments is disclosed in note 21.

12. Other non-current assets

<i>in thousands of USD</i>	2012	2011
Lease guarantee deposits	697	574
	697	574

Lease guarantee deposits relate to funds that are held in nominated accounts in relation to security deposits for the lease of office premises.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

13. Plant and equipment

<i>in thousands of USD</i>	Furniture and Equipment	Computer Equipment	Leasehold Improvements	Total
Cost				
Balance at 1 July 2010	963	1,332	670	2,965
Additions	35	405	-	440
Disposals	-	(87)	-	(87)
Effect of movement in exchange rate	29	117	85	231
Balance at 30 June 2011	1,027	1,767	755	3,549
Balance at 1 July 2011	1,027	1,767	755	3,549
Additions	4	218	-	222
Disposals	-	-	-	-
Effect of movement in exchange rate	(8)	(30)	(21)	(59)
Balance at 30 June 2012	1,023	1,955	734	3,712
Depreciation				
Balance at 1 July 2010	(274)	(991)	(323)	(1,588)
Depreciation charge for the year	(142)	(355)	(127)	(624)
Disposals	-	83	-	83
Effect of movement in exchange rate	(11)	(84)	(66)	(161)
Balance at 30 June 2011	(427)	(1,347)	(516)	(2,290)
Balance at 1 July 2011	(427)	(1,347)	(516)	(2,290)
Depreciation charge for the year	(127)	(370)	(97)	(594)
Disposals	-	-	-	-
Effect of movement in exchange rate	3	23	20	46
Balance at 30 June 2012	(551)	(1,694)	(593)	(2,838)
Carrying amounts				
At 1 July 2010	689	341	347	1,377
At 30 June 2011	600	420	239	1,259
At 1 July 2011	600	420	239	1,259
At 30 June 2012	472	261	141	874

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

14. Intangible assets

<i>in thousands of USD</i>	Goodwill	Mgmt rights / Customer Relationships	Trademarks	Software	Total
Cost					
Balance at 1 July 2010	501,240	83,556	1,900	800	587,496
Written off ¹	(1,721)	(10,156)	-	-	(11,877)
Balance at 30 June 2011	499,519	73,400	1,900	800	575,619
Balance at 1 July 2011	499,519	73,400	1,900	800	575,619
Balance at 30 June 2012	499,519	73,400	1,900	800	575,619
Amortisation and impairment losses					
Balance at 1 July 2010	(407,439)	(33,093)	(238)	(400)	(441,170)
Amortisation for the year	-	(9,175)	(95)	(160)	(9,430)
Written off ¹	1,721	10,156	-	-	11,877
Balance at 30 June 2011	(405,718)	(32,112)	(333)	(560)	(438,723)
Balance at 1 July 2011	(405,718)	(32,112)	(333)	(560)	(438,723)
Amortisation for the year	-	(9,175)	(95)	(160)	(9,430)
Balance at 30 June 2012	(405,718)	(41,287)	(428)	(720)	(448,153)
Carrying amounts					
At 1 July 2010	93,801	50,463	1,662	400	146,326
At 30 June 2011	93,801	41,288	1,567	240	136,896
At 1 July 2011	93,801	41,288	1,567	240	136,896
At 30 June 2012	93,801	32,113	1,472	80	127,466

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 during the year ended 30 June 2011.

14. Intangible assets (continued)

Impairment testing of intangible assets

The recoverable amount of goodwill and intangible assets is calculated as the present value of the estimated future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to those assets. Impairment testing on intangible assets is carried out annually, or when an impairment indicator exists (see note 3(g)).

For the purpose of impairment testing, intangible assets are allocated to the following cash generating unit:

US based funds management cash generating unit (US CGU) <i>in thousands of USD</i>	Carrying amount	
	2012	2011
Goodwill	93,801	93,801
Management rights/customer relationships	32,113	41,288
Trademarks	1,472	1,567
Software	80	240
	127,466	136,896

Impairment testing carried out on the US CGU as at 30 June 2012 and 30 June 2011 did not result in the recognition of any additional impairment losses.

The recoverable amount of the CGU was determined based on a value-in-use calculation.

This calculation uses cash flow projections based on financial forecasts approved by the board of directors covering a three year period. Cash flows beyond the three years are extrapolated using a long term growth rate based on the CPI long term forecast plus the real GDP forecast for the United States (2012: 4.5%, 2011: 5%).

Investment management costs and operating expenses are extrapolated based on ratios consistent with the third year of the approved financial forecasts.

Post-tax discount rates are then applied to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate applied was 14.3% (2011: 15.3%).

A reasonably possible change in the growth rate and discount rate applied would not result in an implied impairment.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

15. Trade and other payables

<i>in thousands of USD</i>	2012	2011
Trade creditors	291	279
Other creditors and accruals	7,082	7,131
	7,373	7,410

Trade creditors are non-interest bearing and normally settled on 30 to 90 day terms.

Other creditors and accruals relate to items such as GST payable, accrued operating expenses, interest on the secured bank loan and convertible notes, investment management costs and product expenses.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 21.

16. Employee benefits

<i>in thousands of USD</i>	2012	2011
Current		
Salaries and wages accrued	5,857	5,084
Liability for annual leave	235	462
	6,092	5,546
Non-current		
Liability for long service leave	109	245
	109	245

17. Loans and borrowings

<i>in thousands of USD</i>	2012	2011
Current		
Secured Bank Loan (USD Facility)	2,000	2,000
Unsecured Convertible Notes	2,311	1,903
	4,311	3,903
Non-current		
Secured Bank Loan (USD Facility)	24,323	26,323
Unsecured Convertible Notes	19,464	20,317
	43,787	46,640
Total loans and borrowings	48,098	50,543

Current Secured Bank Loan relates to the portion of the bank loan required to be paid within one year.

Current Unsecured Convertible Notes relates to the expected movement in the portion of the outstanding convertible notes classified as debt over the 12 months to 30 June 2013.

Terms and debt repayment schedule

The terms and conditions of the outstanding loan and borrowings as at 30 June 2012 were as follows:

<i>in thousands of USD</i>	Nominal interest rate	Year of maturity	2012		2011	
			Face value	Carrying amount	Face value	Carrying amount
Secured Bank Loan (USD Facility)	LIBOR + 3%	2016	26,323	26,323	28,323	28,323
Unsecured Convertible Notes	6%	2019	79,580	21,775	75,000	22,220
Total loans and borrowings			105,903	48,098	103,323	50,543

17. Loans and borrowings (continued)

Convertible notes

<i>In thousands of USD</i>	2012	2011
Carrying amount of liability at 1 July	22,220	-
Proceeds from the issue of convertible notes (75 notes x \$1,000,000 par value)	-	75,000
Transaction costs	-	(4,557)
Share option expense	-	(3,842)
Net proceeds	-	66,601
Interest payable on face value at 6% per annum	(4,666)	(1,417)
Increase in face value due to the capitalisation of accrued interest	4,580	-
Amount of interest capitalised classified as equity	(3,027)	(43,822) ¹
Accretive interest (calculated using the effective interest rate method)	2,668	858
Carrying amount of liability at 30 June	21,775	22,220

¹The amount of the convertible notes classified as equity during the financial year ended 30 June 2011 (\$43,822 thousand) was net of attributable transaction costs of \$2,998 thousand and share option expense of \$2,528 thousand.

Interest of 6% per annum is payable on the face value of the convertible notes, which will be capitalised by way of an increase in the principal amount of the convertible notes for the first four years. 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.

Secured bank loan

Secured bank loans as at 30 June 2012 comprise of the following facilities available under a Cash Advance Facilities Agreement with Westpac Banking Corporation:

- Facility A (USD Lighthouse Group Acquisition Facility)

Financial undertakings include that HFA and its related entities will ensure that:

- EBITDA for each preceding 12 month period ending on the date of calculation is always:
 - (i) (where the date of calculation occurs on or before 31 December 2011) at least 2.5 times; and
 - (ii) (where the date of calculation occurs after 31 December 2011) at least 3.5 times,
 greater than the interest expense for the same period (excluding interest expense recognised on convertible notes)
- Assets under management of the Consolidated Group are not less than \$2.6 billion.

The financial undertakings are tested quarterly, based on the preceding 12 months.

The Group's exposure to interest rate risk related to loans and borrowings is disclosed in note 21.

18. Share-based payments

The following share-based payment arrangements are reflected in the Group's financial statements for the year ended 30 June 2012.

Performance Rights

Employee Remuneration

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

The following offers have been made under the terms of this plan:

2008 Employee Performance Rights: 3,955,000* rights issued to key management personnel and other employees of the Australian Business. This plan expired on 31 December 2010. No rights vested and no accounting expense was recognised for 2011 or 2012 financial years.

2010 CEO Performance Rights: 3,968,935 rights issued to Group CEO, Mr S Young.

2011 Lighthouse Performance Rights: 4,000,000 rights issued to key management personnel and other senior employees of Lighthouse.

2012 HFA Holdings Performance Rights: 100,000 rights issued to employees of HFA.

2012 Certitude Performance Rights: 880,000 rights issued to employees of Certitude.

Marketing Expense

2011 Apollo Performance Rights: As part of the consideration for the services provided by the Apollo Group under the terms of the Marketing Agreement entered into between the Apollo Group and Lighthouse Investment Partners, LLC, Apollo were issued with 1,000,000 performance rights under the HFA Employee Performance Rights Plan.

Reconciliation of movements in performance rights

	Number of
Outstanding at 1 July 2010	470,000*
Forfeited - 2008 Employee Performance Rights	(470,000)*
Issued - 2010 CEO Performance Rights	3,968,935
Issued - 2011 Lighthouse Performance Rights	4,000,000
Issued - 2011 Apollo Performance Rights	1,000,000
Outstanding at 30 June 2011	8,968,935
Vested - 2010 CEO Performance Rights (shares issued)	(1,405,326)
Forfeited - 2010 CEO Performance Rights	(2,563,609)
Issued - 2012 Holdings Performance Rights	100,000
Issued - 2012 Certitude Performance Rights	880,000
Outstanding at 30 June 2012	5,980,000

* Pre 1 March 2011 4 to 1 share consolidation

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

<i>in thousands of USD</i>	2012	2011
2010 CEO Performance Rights	23	986
2011 Lighthouse Performance Rights	(640)	639
2011 Apollo Performance Rights	(108)	108
Total share-based payment expense	(725)	1,733

The negative expense share-based payment expense recognised for the 2012 financial year is due to a reversal of accounting expense recognised in the previous financial year due to the following factors:

- Forfeiture of rights under the 2012 CEO Performance Rights Plan due to the failure to meet service and performance vesting conditions under the plan.
- A reduction the expected vesting probabilities applied to both the 2011 Lighthouse and 2011 Apollo Performance Rights Plans.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

18. Share-based payments (continued)

Terms and conditions of share-based payments

Description	Tranche	Number of rights granted	Grant date	Vesting date	[B] Adjusted vesting date	Financial year in which grant vests	[B] Adjusted financial year in which grant vests	Number of rights vested during 2012	[D] Number of options forfeited during 2012	Rights outstanding at 30 June 2012	Vesting Conditions
2010 CEO Performance Rights	Tranche 1 - Retention Rights	591,716	30/11/10	07/10/11	15/11/11	2012	2012	591,716	-	-	Continued employment; Strategic Objectives set by Company board of directors.
	Tranche 2 - Retention Rights	591,716	30/11/10	07/10/12	15/11/11	2013	2012	591,716	-	-	Continued employment; Strategic Objectives set by Company board of directors.
	Tranche 3 - STI Rights FY11	443,787	30/11/10	31/12/11	15/11/11	2012	2012	221,894	221,893	-	Continued employment; FY11 Financial Objectives (\$18.9m EBITDA and \$7.2b AUMA); Strategic Objectives set by Company board of directors.
	Tranche 4 - STI Rights FY12	375,000	[A]	31/12/12	[C]	2013	[C]	-	375,000	-	Continued employment; FY12 Financial Objectives (EBITDA and AUMA); Strategic Objectives set by Company board of directors.
	Tranche 5 - STI Rights FY13	375,000	[A]	31/12/13	[C]	2014	[C]	-	375,000	-	Continued employment; FY13 Financial Objectives (EBITDA and AUMA); Strategic Objectives set by Company board of directors.
	Tranche 6 - EPS Rights FY13	295,858	21/02/11	30/12/13	30/06/12	2014	2012	-	295,858	-	Continued employment; EPS absolute compound growth target for 1/7/2010 to 30/6/2012 period[B]: 37% growth = 50% vest; 40% growth = 75% vest; 43% growth = 100% vest.
	Tranche 7 - EPS Rights FY14	250,000	21/02/11	31/12/14	30/06/12	2015	2012	-	250,000	-	
	Tranche 8 - EPS Rights FY15	250,000	21/02/11	31/12/15	[C]	2016	[C]	-	250,000	-	
	Tranche 9 - TSR Rights FY13	295,858	30/11/10	31/12/13	30/06/12	2014	2012	-	295,858	-	Continued employment; TSR performance relative to ASX 200 Accumulation Index for 1/7/2010 to 30/6/2012 period[B]: Top 50th percentile = 50% vest; Top 75th percentile, 75% vest; top 90th percentile 100% vest.
	Tranche 10 - TSR Rights FY14	250,000	30/11/10	31/12/14	30/06/12	2015	2012	-	250,000	-	
	Tranche 11 - TSR Rights FY15	250,000	30/11/10	31/12/15	[C]	2016	[C]	-	250,000	-	

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

18. Share-based payments (continued)

Terms and conditions of share-based payments (continued)

Description	Tranche	Number of rights granted	Grant date	Vesting date	[B] Adjusted vesting date	Financial year in which grant vests	[B] Adjusted financial year in which grant vests	Number of rights vested during 2012	[D] Number of options forfeited during 2012	Rights outstanding at 30 June 2012	Vesting Conditions
2011 Lighthouse Performance Rights	Tranche 1	4,000,000	20/01/11	31/12/13	N/A	2014	N/A	-	-	4,000,000	Continued employment; Lighthouse Investment Partners, LLC on a stand-alone basis, achieving a minimum EBITDA of USD 35 million in a trailing twelve month period between 1/01/2011 and 31/12/2013.
2011 Apollo Performance Rights	Tranche 1	1,000,000	01/04/11	31/12/13	N/A	2014	N/A	-	-	1,000,000	Lighthouse Investment Partners, LLC on a stand-alone basis, achieving a minimum EBITDA of USD 35 million in a trailing twelve month period between 1/01/2011 and 31/12/2013.
2012 Holdings Performance Rights	Tranche 1	100,000	05/03/12	15/08/14	N/A	2015	N/A	-	-	100,000	Continued employment; HFA Holdings Limited on a consolidated basis, achieving a minimum EBITDA of USD 35 million for the twelve month period ending 30 June 2014.
2012 Certitude Performance Rights	Tranche 1	880,000	05/03/12	15/08/14	N/A	2015	N/A	-	-	880,000	Continued employment; Certitude Global Investments Limited on a stand-alone basis, achieving a minimum EBITDA of AUD Nil for the twelve month period ending 30 June 2014.

A These performance rights formed part of the STI component of the former Group CEO's remuneration package relating to the 2012 and 2013 financial years. Approved financial and strategic performance hurdles for these rights were not set prior to forfeiture due to failure to meet the service condition, therefore grant date not determined.

B Mr S Young stepped down as Group CEO on 10 November 2011. As a result, vesting dates and measurement periods relating to each outstanding tranche of the CEO Performance Rights Plan were adjusted in accordance with the terms of the plan. The shorter vesting periods resulted in adjustments to the fair value at grant date for those tranches affected. The measurement period for the EPS and TSR tranches were reduced from a 3 year period ending 30 June 2013 to a 2 year period ending 30 June 2012 (refer section 17.5 of the directors' report for additional detail).

C 100% of the rights available under these tranches were forfeited upon Mr S Young's resignation in accordance with the terms of the plan.

D Rights forfeited during the year represents rights that have lapsed due to failure to meet performance criteria, including service conditions.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

18. Share-based payments (continued)

Inputs for measurement of grant date fair values

The grant-date fair values of the share-based payments outlined above have been measured using the Black Scholes option-pricing model or Monte Carlo simulation technique as appropriate. The fair value, and inputs used in the measurement of the fair values are the following:

Share based payment		Fair value per right at grant date \$	Share price at grant date \$	AUD/USD exchange rate at grant date	Expected vesting Period (years)	Expected dividend yield	Expected volatility (weighted average volatility) ^[D]	Risk-Free interest rate (based on government bonds)
2010 CEO Performance Rights	Tranche 1 - Retention Rights ^[A]	0.65	AUD 0.70	0.9618	0.95	4%	60%	4.634% - 5.076%
	Tranche 2 - Retention Rights ^[A]	0.65	AUD 0.70	0.9618	0.95	4%	60%	4.634% - 5.076%
	Tranche 3- STI Rights FY11	0.65	AUD 0.70	0.9618	0.95	4%	60%	4.634% - 5.401%
	Tranche 4 - STI Rights FY12 ^[B]	0.81	AUD 1.16	1.0739	1.51	4%	60%	4.862% - 5.326%
	Tranche 5 - STI Rights FY13 ^[B]	0.65	AUD 1.16	1.0739	2.51	4%	60%	4.862% - 5.326%
	Tranche 6 - EPS Rights FY13 ^[A]	1.15	AUD 1.20	1.0117	1.36	4%	60%	4.862% - 5.076%
	Tranche 7 - EPS Rights FY14 ^[A]	0.73	AUD 1.20	1.0117	1.36	4%	60%	4.862% - 5.076%
	Tranche 8 - EPS Rights FY15	0.54	AUD 1.20	1.0117	4.86	4%	60%	4.862% - 5.326%
	Tranche 9 - TSR Rights FY13 ^[A]	0.39 ^[C]	AUD 0.70	0.9618	1.58	4%	60%	4.634% - 5.076%
	Tranche 10 - TSR Rights FY14 ^[A]	0.25 ^[C]	AUD 0.70	0.9618	1.58	4%	60%	4.634% - 5.076%
	Tranche 11 - TSR Rights FY15	0.21 ^[C]	AUD 0.70	0.9618	5.09	4%	60%	4.634% - 5.401%
2011 Lighthouse Performance Rights	Tranche 1	0.97	AUD 1.10	0.9966	3.0	4%	N/A	5.147%
2011 Apollo Performance Rights	Tranche 1	1.21	AUD 1.30	1.0345	2.75	4%	N/A	5.034%
2012 Holdings Performance Rights	Tranche 1	0.74	AUD 0.78	1.0717	2.45	5%	N/A	3.707%
2012 Certitude Performance Rights	Tranche 1	0.74	AUD 0.78	1.0717	2.45	5%	N/A	3.707%

A The fair values and inputs for these tranches have been updated to reflect the adjustments made in accordance with the terms of the CEO Performance Rights Plan due to Mr S Young stepping down from the position of Group CEO in November 2011 (refer section 17.5 of the directors' report for additional detail).

B These performance rights formed part of the STI component of the former Group CEO's remuneration package relating to the 2012 and 2013 financial years. Approved financial and strategic performance hurdles for these rights were not set prior to forfeiture due to failure to meet the service condition, therefore grant date not determined. These values reflect the estimated fair value for these two tranches as at 30 June 2011. Any accounting expense based on these fair values recognised during the 2011 financial year was reversed during the current 2012 financial year.

C The TSR condition applying to these rights is a market based condition and has been reflected in grant date fair value of these rights. The valuation was performed using Monte Carlo simulation technique which simulates HFA's future share prices (according to key assumptions) and HFA's TSR relative to members of the ASX 200 Accumulation Index over the measurement period.

D Based on the long term historical share price volatility of HFA, excluding an unusual period of volatility between 2008/2009 relating to disruptions to the financial markets.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

19. Capital and reserves

Movement in ordinary shares on issue

<i>in thousands of shares</i>	2012	2011
Balance at beginning of financial year	117,333	469,330
Exercise of performance rights – 15 November 2011	1,405	-
1 for 4 share consolidation – 1 March 2011	-	(351,997)
Balance at end of financial year	118,738	117,333

Ordinary shares

The Company does not have authorised capital or par value in respect of issued shares.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up HFA, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of HFA.

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 June 2011 plus the final dividend paid in relation to the 2011 financial year. The reduction in capital did not result in a return of capital to shareholders or the cancellation of any shares.

Performance rights

On 15 November 2011, 1,405,326 ordinary shares were issued to the former Group CEO Mr S Young under the CEO Performance Rights Plan. Please refer to note 18 for additional details regarding the performance rights plan under which these shares were issued.

Share options

On 7 March 2011, in connection with the convertible note transaction, the Apollo Group was issued with 31,250,000 share options, each convertible into one fully paid ordinary share in the capital of the Company at an exercise price of AUD 8.00 and exercisable during a period of 8 years following issue.

The fair value of the share options was measured at the date of issue using the Black Scholes option-pricing model. The fair value and inputs used in the measurement of the fair value were as follows:

Share based payment	Fair value per right at grant date \$	Share price at grant date \$	Exercise price \$	AUD / USD exchange rate	Expected vesting period (years)	Expected dividend yield	Expected volatility (weighted average volatility)	Risk-Free interest rate (based on government bonds)
2011 Apollo Share Options	0.123	AUD 1.40	AUD 8.00	1.0127	8	4%	45%	5.47%

The fair value of the options is deemed to represent an additional borrowing cost of the convertible note issue. During the financial year ended 30 June 2011, the fair value of the options (\$3,842) was recognised in the share based payments reserve, and then split to reduce the carrying value of the equity component of the notes (share capital \$2,528) and the carrying value of the debt component of the notes (loans and borrowings \$1,314).

Share consolidation

In February 2011, the general meeting of shareholders authorised that the issued capital of the Company be consolidated on the basis that every 4 shares or options on issue be consolidated into 1 share or option to take effect on 1 March 2011.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

19. Capital and reserves (continued)

Nature and purpose of reserves

<i>in thousands of USD</i>	2012	2011
Translation reserve	(6,396)	(5,402)
Share based payments reserve	17,168	17,893
	10,772	12,491

The translation reserve is used to record foreign currency differences arising from the translation of the financial statements of foreign operations.

The share based payments reserve used to record share based payments associated with performance rights and share options.

Dividends

The following dividends were paid by the Company:

<i>in thousands of USD</i>	2012
Final ordinary dividend for the year ended 30 June 2011 of USD 5 cents (AUD 4.7 cents) per fully paid share paid on 25 November 2011	5,503
Interim ordinary dividend for the year ended 30 June 2012 of USD 2 cents (AUD 1.9 cents) per fully paid share paid on 30 March 2012	2,373
	7,876

The directors have determined to pay a final ordinary dividend out of current year profits of the Company at 30 June 2012 of USD 3 cents per ordinary share (fully franked) to be paid on 19 September 2012. The dividends have not been provided for and there are no income tax consequences.

<i>in thousands of USD</i>	The Company	
	2012	2011
Dividend franking account		
Amount of franking credits available to shareholders of HFA Holdings Limited for subsequent financial years	6,074	11,972

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has assumed the benefit of \$6,074 thousand (2011: \$11,972 thousand) franking credits.

20. Earnings per share

<i>in thousands of USD</i>	2012	2011
Basic earnings per share	2.71	4.51
Diluted earnings per share	2.70	4.49

Reconciliation of earnings used in calculating earnings per share

<i>in thousands of USD</i>	2012	2011
Profit attributable to ordinary equity holder of the Company	2,690	5,527
Adjustment for interest on mandatorily convertible notes	2,668	858
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	5,358	6,385

For the purposes of calculating earnings per share, the mandatorily convertible notes are treated as being converted. Net profit 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.

20. Earnings per share (continued)

Weighted average number of shares used in calculating basic earnings per share

The calculation of basic earnings per share is based on the time weighted total number of ordinary shares outstanding. This includes shares which have vested and been issued under the Group's employee performance rights plan, as well as the total number of shares that would be issued on the conversion of mandatorily convertible notes issued on 7 March 2011.

<i>in thousands of shares</i>	Note	2012	2011
Weighted average number of shares issued			
Issued ordinary shares at 1 July	19	117,333	469,330
4 to 1 share consolidation effective 1 March 2011		-	(351,997)
Vested employee performance rights		878	-
Mandatorily convertible notes		79,433	24,196
Weighted average number of ordinary shares used in calculating basic earnings per share		197,644	141,529

Weighted average number of shares used in calculating diluted earnings per share

The calculation of diluted earnings per share is based on the time weighted total number of ordinary shares outstanding as calculated above, with the addition of the time weighted average of potential ordinary shares outstanding in relation to employee performance rights plans. Performance rights issued under employee performance rights plans are only considered to be outstanding if all vesting criteria other than service periods have been met as at reporting date.

<i>in thousands of shares</i>	Note	2012	2011
Weighted average number of shares issued			
Issued ordinary shares at 1 July	19	117,333	469,330
4 to 1 share consolidation effective 1 March 2011		-	(351,997)
Vested employee performance rights		1,405	-
Mandatorily convertible notes issued 7 March 2011		79,433	24,196
Outstanding employee performance rights		-	697
Weighted average number of ordinary shares used in calculating diluted earnings per share		198,171	142,226

Other information

31,250,000 (2011: 31,250,000) Apollo Share Options have been excluded from the calculation of diluted earnings per share because they are not currently considered to be dilutive (i.e. the exercise price is higher than the average share price since issue). These options have not been included in the determination of basic earnings per share. Details relating to the options are included in note 19.

5,980,000 (2011: 7,341,716) performance rights granted to employees and Apollo have not been included in the calculation of diluted earnings per share unless they would have been considered issuable as at reporting date based on the achievement of vesting criteria other than service periods and when their conversion to ordinary shares would decrease earnings per share, or increase loss per share. Details regarding outstanding performance rights granted to employees are included in note 18.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

21. Financial instruments

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk and equity price risk)

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

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

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Audit and Risk committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework.

The Group holds the following financial instruments:

<i>in thousands of USD</i>	Note	2012	2011
Financial assets			
Cash and cash equivalents	9a	32,736	28,456
Investments in term deposits	9b	9,259	16,360
Trade and other receivables	10	15,821	12,145
Available-for-sale financial assets	11	1,396	-
Financial assets at fair value through profit or loss	11	5,122	3,666
Other non-current assets – lease guarantee deposits	12	697	574
		65,031	61,201
Financial liabilities			
Trade and other payables	15	7,373	7,410
Employee benefits	16	6,201	5,791
Secure bank loans	17	26,323	28,323
Convertible notes	17	21,775	22,220
		61,672	63,744

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rates where available or to historical information about counterparty default rates.

Cash and cash equivalents, investments in term deposits and lease guarantee deposits.

Cash and cash equivalents, investments in term deposits and lease guarantee deposits held in Australia are held with bank and financial institution counterparties, which are rated A2 to A1+ (Standard & Poor's).

Cash and cash equivalents and lease guarantee deposits held in the United States are held in deposit accounts which are rated A2 (Standard & Poor's).

21. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables

Trade and other receivables are predominantly comprised of management fees, performance fees and other related fees from products managed by the Group.

At reporting date, 89% of the Group's trade and other receivables related to management fees, performance fees and other related fees owing from products managed by the Group (2011: 87%); 45% of receivables relate to the Lighthouse Diversified Fund, the largest fund managed by the Group (2011: 44%). 100% (2011: 100%) of the trade receivables balance is not past due.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables.

Available-for-sale financial assets

Available-for-sale financial assets comprise of an investment in the unquoted securities of a US based limited liability company experienced in managing alternative investments, with a maximum exposure equal to the carrying amount of the investment. Based on the financial position and forecasts of the investment entity at balance date, management does not consider that any impairment allowance is necessary in respect of this financial asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of investments in unquoted securities where the investment entity is managed by the Group. Based on historical performance, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

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

The Group maintains 12 month rolling forecasts, which assist it in monitoring cash flow requirements and optimising its return on cash investments. The Group ensures that it has sufficient cash on demand to meet operational requirements, including the servicing of obligations relating to loans and borrowings. This approach excludes the potential impact of extreme circumstances which cannot be predicted.

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

<i>in thousands of USD</i>	Note	Carrying value	Con- tractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
30 June 2012								
Secured bank loans	17	26,323	(29,401)	(1,462)	(1,437)	(2,828)	(23,674)	-
Trade and other payables	15	7,373	(7,373)	(7,373)	-	-	-	-
Employee benefits	16	6,201	(6,201)	(2,098)	(3,993)	(63)	(24)	(23)
		39,897	(42,975)	(10,933)	(5,430)	(2,891)	(23,698)	(23)
30 June 2011								
Secured bank loans	17	28,323	(32,150)	(1,472)	(1,447)	(2,849)	(26,382)	-
Trade and other payables	15	7,410	(7,410)	(7,410)	-	-	-	-
Employee benefits	16	5,791	(5,790)	(2,694)	(2,988)	-	(87)	(21)
		41,524	(45,350)	(11,576)	(4,435)	(2,849)	(26,469)	(21)

There are no contractual cash flows associated with the convertible notes. The notes mandatorily convert on maturity, and interest of 6% per annum payable on the face value of the convertible notes is capitalised by way of an increase in the principal amount of the convertible notes for the first four years, after which it may continue to be capitalised, or paid in cash at the Company's discretion.

21. Financial instruments (continued)

Liquidity risk (continued)

As disclosed in note 17, the Group has a secured bank loan which contains a number of debt covenants. A breach of covenant may require the Group to repay the loan earlier than indicated in the above table. However, as at 30 June 2012, the Group has significant headroom in relation to each of its financial covenants.

The secured bank loan is a variable interest rate loan. The interest payments contained in the above table reflect the relevant rate at period end and may change as market interest rates change.

Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on revenue, expenses, receivables and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. This relates primarily to the AUD denominated transactions and balances recognised by HFA Holdings Limited which has a functional currency of USD.

In addition, the Group is exposed to currency risk in respect of net assets relating to the Group's subsidiaries with an AUD functional currency and the translation of its AUD earnings.

At reporting date, the Group's exposure to currency risk arises from AUD denominated assets and liabilities that are held by Group entities with a USD functional currency as follows:

<i>in thousands of USD</i>	2012	2011
HFA Holdings Limited		
Cash and cash equivalents	2,978	1,390
Investments in term deposits	-	1,074
Trade and other receivables	308	474
Trade and other payables	(195)	(250)
Employee Benefits	(153)	(376)
Lighthouse Investment Partners, LLC		
Trade and other receivables	362	462

As at 30 June 2012, the majority of HFA Holdings Limited's financial assets and liabilities are denominated in USD. However due to its position as the parent entity of the Australian listed group, it retains a number of working capital balances that are denominated in AUD, as shown above.

Sensitivity analysis

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date to movement in the AUD/USD exchange rate, with all other variables held constant.

<i>in thousands of USD</i>	Post tax profits (decrease) / increase	
	2012	2011
AUD/USD: appreciation of 10%	330	190
AUD/USD: depreciation of 10%	(330)	(190)

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2012	2011	2012	2011
AUD/USD	1.0319	0.9891	1.0191	1.0739

21. Financial instruments (continued)

Market Risk (continued)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's cash and cash equivalents, investments in term deposits and variable rate secured bank loans which expose the Group to cash flow interest rate risk.

The Group does not currently have any interest rate swaps in place in relation its variable rate borrowings. Reviews of interest rate structures are performed to monitor potential exposure. The interest rate profile of financial liabilities is detailed in note 17.

Fair value sensitivity analysis for fixed rate instruments

The fair value of the fixed rate convertible notes has been calculated at inception by discounting estimated future cash flows using a market rate of interest, and then subsequently measured at amortised costs using the effective interest method. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at reporting date would not have impacted the carrying value of the Group's variable rate instruments, and would therefore have had no impact on the Group's equity or profit or loss.

Price risk

The Group is exposed to risk in relation movements in the fair value of its financial assets at fair value through profit or loss, which comprise of investments in unquoted securities where the investment entity is managed by the Group, and available-for-sale financial assets comprise of an investment in the unquoted securities of a US based limited liability company.

Sensitivity analysis

The following table summarises the sensitivity of the balance of financial assets at fair value through the profit or loss held at reporting date to movements unit price.

<i>in thousands of USD</i>	Post tax profits (decrease) / increase	
	2012	2011
Fair value + 10%	651	229
Fair value -10%	(651)	(229)

Fair values

The carrying values of financial assets and liabilities approximate their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data

<i>in thousands of USD</i>	Note	Level 1	Level 2	Level 3	Total
30 June 2012					
Available-for-sale financial assets	11	-	-	1,396	1,396
Financial assets at fair value through profit or loss	11	-	5,122	-	5,122
Convertible notes	17	-	(21,775)	-	(21,775)
		-	(16,653)	1,396	(15,257)
30 June 2011					
Financial assets at fair value through profit or loss	11	-	3,666	-	3,666
Convertible notes	17	-	(22,220)	-	(22,220)
		-	(18,554)	-	(18,554)

21. Financial instruments (continued)

Fair values (continued)

Fair value hierarchy (continued)

The fair value of financial assets at fair value through profit or loss determined by reference to their closing unit price or quoted closing bid price at the reporting date.

The fair value of the fixed rate convertible notes has been calculated at inception by discounting estimated future cash flows using a market rate of interest, and then subsequently measured at amortised costs using the effective interest method.

Available-for-sale financial assets comprise of an investment in the unquoted securities of a US based limited liability company and as such, a quoted market price is not available. The fair value of this investment at 30 June 2012 has been determined based on transaction price. This is due to the fact that the investment was made in February 2012 and was made on an arm's length basis based on normal business considerations. In addition, no events have occurred post February 2012 to alter management's assessment of the fair purchase price of the membership interest acquired. Therefore, transaction price continues to be the best evidence of fair value at 30 June 2012.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

<i>in thousands of USD</i>	2012	2011
Balance at 1 July	-	-
Purchases	1,396	-
Balance at 30 June	1,396	-

Capital management

The Group aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, the level of dividends paid and related dividend policy. Capital consists of share capital, retained losses, share options and the equity portion of convertible notes.

There were no changes to the Group's approach to capital management during the year.

The Group's net debt to adjusted equity ratio at reporting date was as follows:

<i>in thousands of USD</i>	2012	2011
Total liabilities	61,672	63,744
Less: cash and cash equivalents, and investments in term deposits	(41,995)	(44,816)
Net debt	19,677	18,928
Total equity	131,750	135,628
Net debt to adjusted equity ratio at 30 June	0.15	0.14

The Group's capital management policies are also monitored to ensure that they are within the requirements of the Group's external debt facility, and convertible note terms.

Australian Financial Services License Requirements

In accordance with the requirements of the Australian Securities and Investments Commission Australian Financial Services Licence, Certitude must ensure that at all times the value of its net tangible assets are maintained at an amount equal to not less than 0.5% of scheme property, up to a maximum of \$5 million. Certitude's position is actively monitored to ensure compliance with this requirement. The requirement was complied with throughout the year.

22. Commitments

Operating lease commitments

The Group has entered into commercial leases on office equipment and premises where it is not in the best interest of the Group to purchase these assets.

These leases have a remaining life of between 1 month and 8 years. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

<i>in thousands of USD</i>	2012	2011
Within one year	1,549	1,658
After one year but not more than five years	2,813	4,299
More than five years	1,617	1,615
	5,979	7,572

23. Contingent liabilities

Scheme and investment fund related obligations

The Company's subsidiary, Certitude Global Investments Limited acts as the Responsible Entity for certain schemes under the Corporations Act 2001. Due to its role as Responsible Entity the subsidiary may be subject to contingent liabilities as a result of its obligations to the schemes. The directors of the subsidiary consider that all obligations of the subsidiary have been met to 30 June 2012.

The Company's subsidiary Lighthouse Investment Partners, LLC acts as the Investment Manager for certain private investment funds under Delaware Law, Cayman Islands Law and Irish Law. Due to its role as Investment Manager the subsidiary may be subject to contingent liabilities as a result of its obligations to the funds. The directors of Lighthouse Investment Partners, LLC consider that all obligations have been met to 30 June 2012.

24. Auditor's remuneration

<i>in USD</i>	2012	2011
Audit and review services:		
<i>KPMG</i>		
Audit and review of financial reports	290,635	327,613
Other regulatory services	35,698	10,494
<i>Other auditors</i>		
Audit and review of financial reports	29,253	-
	355,586	338,107
Services other than statutory audit:		
<i>KPMG</i>		
In relation to other taxation and advisory services	185,880	229,235
<i>Other auditors</i>		
In relation to other taxation services	116,007	-
	301,887	229,235

25. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2012, the parent company of the Group was HFA Holdings Limited.

<i>in thousands of USD</i>	Company	
	2012	2011
Result of the parent entity		
Profit for the year	7,142	119,216
Other comprehensive income	-	2,000
Total comprehensive income for the year	7,142	121,216
Financial position of the parent at year end		
Current assets	7,137	5,449
Total assets	304,901	303,961
Current liabilities	(1,852)	(3,938)
Total liabilities	(23,627)	(24,255)
Total equity of the parent comprising of:		
Share capital	263,785	491,392
Translation reserve	5,070	5,070
Share based payments reserve	7,650	8,374
Retained earnings	4,769	(225,130)
Total equity	281,274	279,706

Parent entity contingent liabilities

The parent entity is responsible for the payment of GST liabilities relating to other entities within the Australian GST group.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a deed of cross guarantee with the effect that the Company guarantees the bank loan facility held by subsidiary HFA Lighthouse Holdings Corp under the Cash Advance Facilities Agreement with Westpac Banking Corporation.

Further details of the secured bank loan, refer to note 17.

26. Related Parties

Key management personnel remuneration

The key management personnel remuneration included in 'personnel expenses' and 'equity settled transactions' (see note 6) is as follows:

<i>in USD</i>	2012	2011
Short-term employee benefits	4,312,219	4,141,152
Long-term employee benefits	(115,533)	55,750
Post employment benefits	153,034	146,057
Termination benefits	505,003	-
Share-based payments	(277,031)	1,285,696
	4,577,692	5,628,655

The former Group CEO, Mr S Young, ceased to be employed in this position on 10 November 2011. In accordance with his employment contract, Mr Young received 11 months' salary in lieu, accrued statutory entitlements, and a pro rata cash STI allocation. The termination benefit shown in the above table relates to the salary in lieu and statutory entitlement components of his termination payment.

In addition, Mr Young was issued with 1,405,326 ordinary shares pursuant to the HFA Employee Performance Rights Plan (refer to section 17.5 of the directors' report).

Individual directors and executives remuneration disclosures

Information regarding individual directors and executives' remuneration and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report in section 17 of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Key management personnel and director transactions

A Civale, G Kelley and J Zelter are directors of HFA Holdings Limited and hold positions with Apollo Global Management, LLC or its affiliates (the 'Apollo Group').

The Apollo Group, as holder of convertible notes and share options issued by the Company (refer notes 17 and 19) and as party to a Marketing Agreement with HFA's US Subsidiary Lighthouse Investment Partners, LLC, is a related party of the HFA Holdings Limited Group.

Messrs Civale, Kelley and Zelter were appointed to the HFA Holdings Limited board in accordance with the terms of the above transactions.

The Marketing Agreement is a 4 year agreement under which Lighthouse Investment Partners, LLC retains and appoints the Apollo Group as its non-exclusive placement agent.

During the financial year the following related party transactions occurred:

- (i) HFA Holdings Limited recognised convertible note interest expense of \$2,668,433 (2011: \$858,292) (interest expense recognised in the profit or loss relates to the debt component of the convertible note, recognised on an effective interest rate basis). Total amount payable on the notes as at 30 June 2012 was \$1,504,393 (2011: \$1,417,808), and relates to the period from 7 March to 30 June, calculated as 6% per annum on the full face value of the notes.
- (ii) The total face value of the convertible notes as at 30 June 2012 was \$79,580,197 (2011: \$75,000,000). The carrying value of the debt component of the convertible notes at 30 June 2012 was \$21,775,230 (2011: \$22,220,268).

Refer to note 17 for a summary of the terms and conditions of the convertible notes.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

26. Related Parties (continued)

Options and rights over equity instruments

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2012	Balance 1 July 2011	Granted as remuneration	Vested during the year	Forfeited during the year	Balance 30 June 2012
Directors					
S Young	3,968,935	-	(1,405,326)	(2,563,609)	-
S McGould	-	-	-	-	-
F P (Andy) Esteban	-	-	-	-	-
J Larum	-	-	-	-	-
M Shepherd	-	-	-	-	-
A Civale	-	-	-	-	-
G Kelley	-	-	-	-	-
J Zelter	-	-	-	-	-
Executives					
C Mowl	-	190,000	-	-	190,000
A Stoney	-	150,000	-	-	150,000
S Perkins	625,000	-	-	-	625,000
K Perkins	625,000	-	-	-	625,000
R Swan	625,000	-	-	-	625,000

2011	Balance 1 July 2010	Granted as remuneration	Vested during the year	Forfeited during the year	Balance 30 June 2011
Directors					
S Young	-	3,968,935	-	-	3,968,935
S McGould	-	-	-	-	-
F P (Andy) Esteban	-	-	-	-	-
J Larum	-	-	-	-	-
M Shepherd	-	-	-	-	-
A Civale ¹	N/A	-	-	-	-
G Kelley ¹	N/A	-	-	-	-
J Zelter ¹	N/A	-	-	-	-
Executives					
C Mowl	-	-	-	-	-
A Stoney	80,000 ²	-	-	(80,000) ²	-
S Perkins	-	625,000	-	-	625,000
K Perkins	-	625,000	-	-	625,000
R Swan	-	625,000	-	-	625,000

¹ Appointed to the board on 25 February 2011

² Pre 1 March 2011 4 to 1 share consolidation

No performance rights held by key management personnel were vested and exercisable, or vested but not exercisable at 30 June 2012 or 30 June 2011.

Further details of performance rights and shares provided as remuneration to each key management person of the Group, together with the terms and conditions of the rights, can be found in sections 17.4.2 and 17.5 of the remuneration report.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

26. Related Parties (continued)

Movements in shares

The movement during the reporting period in the number of shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2012	Balance 1 July 2011	Purchases	Sales	Net change other	Balance 30 June 2012
Directors					
S Young ¹	5,629,238	-	-	1,405,326 ⁷	7,034,564
S McGould ²	19,438,084	-	-	-	19,438,084
FP (Andy) Esteban ³	2,089	24,911	-	-	27,000
J Larum ⁴	9,100	26,426	-	-	35,526
M Shepherd ⁵	25,000	100,000	-	-	125,000
A Civale	-	-	-	-	-
G Kelley	-	-	-	-	-
J Zelter	-	-	-	-	-
Executives					
C Mowll	-	-	-	-	-
A Stoney ⁶	180,374	-	-	-	180,374
S Perkins	2,936,512	-	-	-	2,936,512
K Perkins	4,776,722	-	-	-	4,776,722
R Swan	2,936,512	-	-	-	2,936,512

¹ 7,034,564 shares are held indirectly by Mr S Young as Trustee for the Spencer Young Family Trust.

² 19,436,084 shares are held indirectly by SGM Holdings, LLC.

³ 27,000 shares are held indirectly by FJE Superannuation Fund.

⁴ 26,426 shares are held indirectly by the Larum Family Super Fund.

⁵ 125,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund.

⁶ 162,396 shares are held indirectly by AJ Stoney Family Trust.

⁷ Being shares issued under the 2010 CEO Performance Rights Plan.

2011	Balance 1 July 2010	Purchases	Sales	Share consolidation	Balance 30 June 2011
Directors					
S Young ¹	22,516,951	-	-	(16,887,713)	5,629,238
S McGould ²	77,752,335	-	-	(58,314,251)	19,438,084
FP (Andy) Esteban ³	8,354	-	-	(6,265)	2,089
J Larum	36,400	-	-	(27,300)	9,100
M Shepherd ⁴	100,000	-	-	(75,000)	25,000
A Civale ⁵	N/A	-	-	-	-
G Kelley ⁵	N/A	-	-	-	-
J Zelter ⁵	N/A	-	-	-	-
Executives					
C Mowll	-	-	-	-	-
A Stoney ⁶	721,491	-	-	(541,117)	180,374
S Perkins	11,746,048	-	-	(8,809,536)	2,936,512
K Perkins	19,106,889	-	-	(14,330,167)	4,776,722
R Swan	11,746,048	-	-	(8,809,536)	2,936,512

¹ 5,629,238 shares are held indirectly by Spencer Young as Trustee for the Spencer Young Family Trust.

² 19,436,084 shares are held indirectly by SGM Holdings, LLC.

³ 2,089 shares are held indirectly by FJE Superannuation Fund.

⁴ 25,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund.

⁵ Appointed to the board on 25 February 2011.

⁶ 162,396 shares are held indirectly by AJ Stoney Family Trust.

26. Related parties (continued)

Other related party transactions

Certitude Global Investments Limited

Certitude is a wholly owned subsidiary of the Group and Responsible Entity of a number of managed investment schemes.

During the financial year Certitude recognised management and performance fees paid or payable of \$9,841,985 (2011: \$11,794,620) from managed investment schemes for which it acts as the responsible entity. Amounts receivable from schemes for which Certitude acts as the Responsible Entity as at 30 June 2012 were \$2,016,347 (2011: \$2,621,467).

Lighthouse Investment Partners, LLC

Lighthouse Investment Partners, LLC (LIP) is a wholly owned subsidiary of the Group and is a registered investment advisor under the Investment Advisors Act of 1940 and operates as general partner and investment manager for the Lighthouse investment products.

During the financial year LIP recognised management and performance fees paid or payable of \$56,198,894 (2011: \$56,016,167) from investment products for which LIP acts as general partner and investment manager. Amounts receivable from these products at 30 June 2012 were \$11,939,049 (2011: \$7,779,536).

Investment in products

The Group holds the following investments in products for which they act as investment manager (refer note 11):

Product <i>in USD</i>	Fair Value 30 June 2012	Fair Value 30 June 2011
Lighthouse Managed Futures - Composite Series	214,254	205,413
Lighthouse Managed Futures - Trend Series	-	204,226
Lighthouse Managed Futures - Global Series	-	190,677
Lighthouse Low Volatility Fund QP II, L.P.	6,175	6,137
Lighthouse Aggressive Growth Fund LP	163,163	155,383
Lighthouse Strategies Fund LLC - Healthcare Series	176,323	192,080
Lighthouse Strategies Master Fund SPC - Enhanced Global Master	88,940	81,061
Lighthouse Credit Opportunities Fund LP	618,057	614,804
Lighthouse Enhanced Global Series	46,477	44,303
Lighthouse Multi-Strategy Fund, L.P.	275,528	270,626
LLVF SLV LLC	2,759	6,404
Lighthouse Strategies Fund LLC - Credit Compass Series	57,350	58,603
Lighthouse Strategies Fund LLC - Prime Series	54,993	53,066
Lighthouse Global L/S Short LP Series B	54,627	55,005
Lighthouse Asian Compass Series	47,994	-
Lighthouse Palmetto Strategic Partnership, LP	2,538,208	1,000,000
Certitude Asian Opportunities Fund	508,914	527,769
Threadneedle Global Equities Fund	267,740	-
	5,121,502	3,665,557

During the financial year the Group recognised distributions from its investment in Threadneedle Global Equities Fund of \$3,506 (2011: Nil).

There have been no guarantees provided or received for any related party receivables.

For the year ended 30 June 2012, the Group has not raised a provision for doubtful debts relating to amounts owed by related parties (2011: Nil). Additional information regarding the Group's assessment of credit risk in relation to related party receivables and investments is disclosed in note 21.

27. Group entities

The Group's financial statements include the financial statements of HFA Holdings Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	% Equity interest	
		2012	2011
Certitude Global Investments Limited	<i>Australia</i>	100	100
Admin Pty Ltd	<i>Australia</i>	100	100
HFA Lighthouse Holdings Corp	<i>United States</i>	100	100
HFA Lighthouse Corp	<i>United States</i>	100	100
LHP Investments, LLC	<i>United States</i>	100	100
Lighthouse Investment Partners, LLC	<i>United States</i>	100	100
Lighthouse Partners NY, LLC	<i>United States</i>	100	100
Lighthouse Partners UK, LLC	<i>United States</i>	100	100
Lighthouse Partners Limited (HK)	<i>Hong Kong</i>	100	100
LHP Ireland Fund Management Limited	<i>Ireland</i>	100	100

28. Events after balance sheet date

There has not arisen in the interval between the end of the financial year 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 year ended 30 June 2012

1. In the opinion of the directors of HFA Holdings Limited (the 'Company'):
 - (a) the consolidated financial statements and notes that are set out on pages 44 to 91, and the remuneration report in section 17 of the directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; 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.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officers and chief financial officer for the financial year ended 30 June 2012.
3. The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.



Spencer Young

Chair and Non-Executive Director



F P (Andy) Esteban

Non-Executive Director

Dated at Sydney this 15th day of August 2012

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



Report on the financial report

We have audited the accompanying financial report of HFA Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent auditor's report to the members of HFA Holdings Limited (continued)



Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the remuneration report included in section 17 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of HFA Holdings Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Stephen Board, written in black ink.

Stephen Board
Partner

Dated at Brisbane this 15th day of August 2012

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules is set out below.

Shareholdings (as at 22 August 2012)

Substantial Shareholdings (not less than 5%)

The following parties have a substantial relevant interest in ordinary shares of HFA Holdings Limited:

Category	Number of ordinary shares	%
Delaware Street Capital Master Fund, LP	26,054,100	21.94
Sean McGould, his controlled entities and associates	19,438,084	16.37
Spencer Young and his associates	7,034,564	5.92

Securities subject to voluntary escrow

There are 31,091,245 ordinary shares subject to voluntary escrow. The voluntary escrow period ends on 31 December 2012.

Distribution of Equity Security Holders

Category	Number of equity security holders ordinary shares
1-1,000	503
1,001-5,000	740
5,001-10,000	224
10,001-100,000	296
100,001 and over	37
Total	1,800

The number of shareholders holding less than a marketable parcel of ordinary shares is 332.

On-Market Buy-Back

There is no current on-market buy-back.

Twenty Largest Shareholders

Name	Number of ordinary shares held	Percentage of capital held
HSBC Custody Nominees (Australia) Limited	35,099,519	29.56%
Citicorp Nominees Pty Limited	25,804,033	21.73%
Merrill Lynch (Australia) Nominees Pty Limited	14,093,127	11.87%
Mr Spencer Young	7,034,564	5.92%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	5,225,474	4.40%
J P Morgan Nominees Australia Limited	3,321,839	2.80%
UBS Nominees Pty Ltd	2,833,350	2.39%
J P Morgan Nominees Australia Limited <Cash Income A/C>	2,207,510	1.86%
Carrington Land Pty Ltd	1,497,099	1.26%
Mr Shay Shimon Hazan-Shaked	1,350,000	1.14%
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,246,303	1.05%
Sandhurst Trustees Ltd	827,871	0.70%
National Nominees Limited	747,410	0.63%
Woodmont Trust Company Ltd	742,719	0.63%
Mr Richard James Williams & Ms Jane Clare Dunlop	365,000	0.31%
Traders Macquarie Pty Ltd	350,000	0.29%
HSBC Custody Nominees (Australia) Limited – A/C 2	346,312	0.29%
Ms Guozhen Lu	275,500	0.23%
Mr David Michael Dwan	235,412	0.20%
Ms Xiu Qin Jiang	235,110	0.20%

Unquoted Equity Securities

There are no unquoted equity securities.

Voting Rights

Ordinary Shares

Refer to note 19 of the financial statements.

Registered Office

Level 5, 151 Macquarie St
Sydney NSW 2000
+61 (2) 8302 3333

Principal Administrative Office

Mezzanine Level 1
88 Creek Street
Brisbane Qld 4000
+61 (7) 3218 6200

Company Secretaries

Ms Amber Stoney
Ms Kate O'Donohue

Auditors of the Company

KPMG

Share Registry

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

Other information

HFA Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

