HFA Holdings Limited

Appendix 4D

Half-Year Ended 31 December 2013

(All comparisons to half-year ended 31 December 2012)

Results for announcement to the market

		% movement		USD '000
Revenue from ordinary activities	Up	5.5%	to	35,491
Earnings before interest, tax, depreciation and amortisation	Up	51.3%	to	13,102
Profit/(loss) from ordinary activities after tax attributable to members	Up	166.6%	to	6,884
Net profit/(loss) for the period attributable to members	Up	166.6%	to	6,884

Dividend information

	Amount per share (US cents)	Franked amount per share (US cents)	Tax rate for franking
2013 interim dividend per share (to be paid)	3.0	3.0	30%
Total dividends per share	3.0	3.0	30%

Interim dividend dates

Record date	4 March 2014
Payment date	27 March 2014

HFA dividends are determined in US dollars. However, shareholders will receive their dividend in Australian dollars. Currency conversion will be based on the foreign exchange rate on the record date of 4 March 2014.

	31 Dec 2013 (US cents)	31 Dec 2012 (US cents)
Net tangible assets per security	17.99	7.32

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

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

HFA Holdings Limited and its controlled entities

Interim Financial Report

31 December 2013

HFA Holdings Limited
ABN 47 101 585 737

Contents

Directors' Report

The directors present their report together with the interim financial report of HFA Holdings Limited and its subsidiaries (the 'Group') for the six months ended 31 December 2013 and the review report thereon.

Directors

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

Name	Period of directorship
Non-executive	
Mr Spencer Young (Chairperson)	Appointed 15 May 2003 *Executive Director 15 May 2003 - 13 April 2007* *Non-executive Director 13 April 2007 - 18 September 2007* *Executive Director 18 September 2007 - 10 November 2011* *Non-executive Director 10 November 2011 - current*
Mr FP (Andy) Esteban	Appointed 18 June 2008
Mr Michael Shepherd	Appointed 16 December 2009
Mr Anthony Civale	Appointed 25 February 2011
Mr Grant Kelley	Appointed 25 February 2011, resigned 30 January 2014
Mr James Zelter	Appointed 25 February 2011, resigned 27 November 2013
Mr Andrew Bluhm	Appointed 17 October 2012
Mr Michael Fox	Appointed 27 November 2013
Mr Barry Cohen	Appointed 3 February 2014
Executive	
Sean McGould	Appointed 3 January 2008

Principal activities

The principal activity of the Group during the course of the six months ended 31 December 2013 was the provision of investment management products and services to investors globally via Lighthouse Investment Partners, LLC and Certitude Global Investments Limited ('Certitude').

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

Operating and financial review

Consolidated results

For the six months ended: *In thousands of USD*	31 December 2013	31 December 2012
Revenue	35,491	33,632
Investment management costs	(3,323)	(5,018)
Operating income	**32,168**	**28,614**
Operating expenses, excluding depreciation and amortisation	(18,720)	(20,178)
Net finance costs, excluding interest income / (expense)	29	221
Earnings before interest, tax, depreciation, amortisation and equity settled transactions	**13,477**	**8,657**
Equity settled transaction expenses	(375)	-
Earnings before interest, tax, depreciation and amortisation	**13,102**	**8,657**
Depreciation and amortisation	(4,946)	(4,910)
Net interest expense	(1,258)	(1,153)
Profit before income tax	**6,898**	**2,594**
Income tax expense	(14)	(12)
Net profit after income tax	**6,884**	**2,582**
Basic EPS (cents)	**3.908**	**1.919**

This presentation of the Group's results is intended to provide a measure of the Group's performance before the impact of non-cash expense items such as equity settled transactions and depreciation and amortisation, as well as interest costs associated with the Group's external debt facility and convertible notes on issue. Net profit before and after income tax reconciles to the Consolidated Statement of Profit or Loss on page 9.

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

The Group generated earnings before interest, tax, depreciation and amortisation and equity settled transactions of $13.477 million for the six months ended 31 December 2013, up 55.7% to the corresponding prior year period.

Net income from operating activities

Group revenue and net income from operating activities increased compared to the corresponding prior year period to $35.491million and $32.168 million respectively. This increase was driven by:

- a $2.960 million increase in performance fee income;
- a 13.2% growth in average Assets Under Management and Advice (AUMA); partially offset by
- a reduction in the average net management and platform fees (after investment management costs) earned on AUMA.

Lighthouse

Net income from operating activities for the US Lighthouse operations was $29.284 million, up 12.25% from the corresponding prior year period. This increase was driven by:

- a 109.8% growth in external performance fees;
- a 17.9% growth in average AUMA; partially offset by
- a 10.5% reduction in the average net management and platform fee earned (after investment management costs).

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

Certitude

In Australian dollar terms, Certitude operations experienced a 29.0% increase in net income from operating activities in comparison to the corresponding prior year period to AUD 3.138 million (USD 2.884 million). This increase was driven by:

- an AUD 2.157 million growth in performance fees; partially offset by
- a 5.0% decrease in average AUD AUMA; and
- a 22.0% reduction in the average net management fee (after investment management costs).

The reduction in the average net management fee (after investment management costs) is due to changes in the overall product mix in line with its new strategic direction, a reduction in the management fee rate applicable to the HFA Octane Global products, and the impact of fixed investment management costs relating to distribution channels such as master trusts and platforms that have remained relatively steady despite the fall in AUMA.

Operating expenses

Operating expenses (excluding depreciation and amortisation costs) decreased to $18.720 million for the six months ended 31 December 2013. This represents a decrease of $1.458 million or 7.2% when compared to the corresponding prior year period. This is predominately due to decreases in personnel expenses, professional fees and other administration costs.

Personnel expenses have decreased as a result of a decrease in staff numbers and short term bonus cost for the Certitude operations.

Professional fees relating to the Lighthouse business have decreased compared to the corresponding prior year period, which included costs in relation to legal fees associated with the platform services business opportunities and external consultant costs in relation to information technology requirements.

Equity settled transactions

The equity settled transaction expense recognised in the six months ended 31 December 2013 relates to the grant of performance rights to executive director and CEO of Lighthouse, Mr Sean McGould. The grant of these rights was approved by Shareholders at the Company's Annual General Meeting held on 27 November 2013.

Please refer to note 10 for additional detail.

Financial position

The Group's cash and term deposit holdings have decreased from $48.430 million as at 30 June 2013 to $46.029 million as at 31 December 2013, reflecting the payment of annual calendar year short term bonus incentives to employees of the Lighthouse Group prior to 31 December 2013, an increase in product receivables largely due to accrual of performance fee revenue over the half-year, and scheduled debt repayments.

Since 30 June 2013, the Group has reduced USD denominated debt relating to its secured bank loan from $24.323 million to $23.323 million.

Intangible assets decreased in line with the reduction in the remaining estimated useful lives of those assets (excluding goodwill).

The portion of the face value of the unsecured convertible notes that is recognised as a financial liability in the Group's consolidated statement of financial position has reduced by $0.721 million to $20.115 million as at 31 December 2013.

As at 31 December 2013, the Group has $216.998 million of unrecognised deferred tax assets which are carried off balance sheet (30 June 2013: $222.921 million). These tax assets consist of impairment losses recognised in previous financial years, capital losses, carried forward operating tax losses and deductible temporary differences.

Assets under management and advice

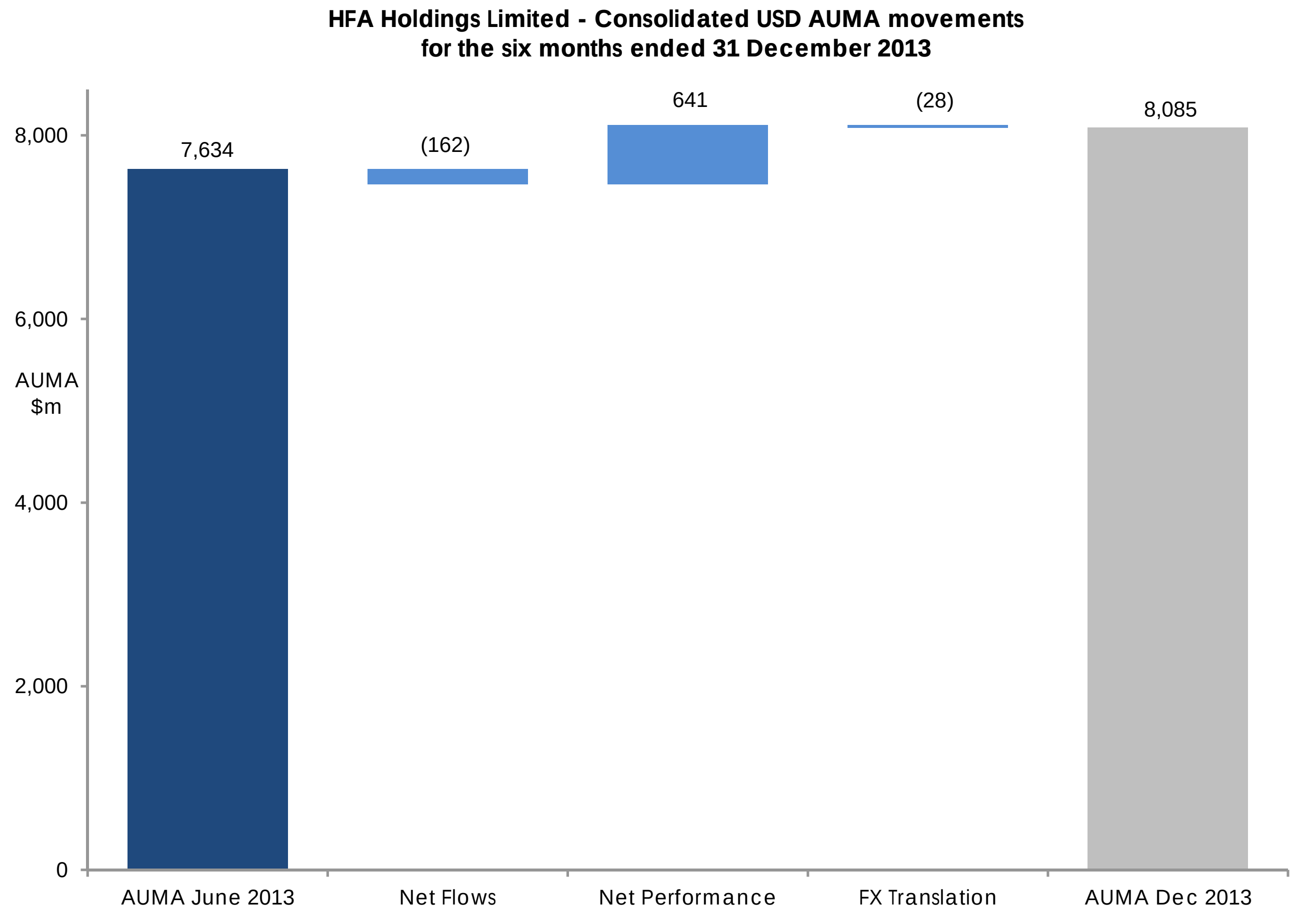
The Group's growth in AUMA demonstrates the continued improvement in conditions experienced by the global investment management industry, and reflects the positive investment performance of the assets managed by the Group.

As at 31 December 2013, HFA had total AUMA of $8.085 billion (30 June 2013: $7.634 billion). This represents an increase of 5.9% in AUMA since the end of the previous financial year.

Lighthouse achieved positive growth in Assets under Management and Advice (AUMA) of 7.6% for the six months ended 31 December 2013.

Certitude reported a 4.1% decrease in AUD AUMA for the six months ended 31 December 2013. This was mainly driven by the maturity of one of its structured products during the period.

The following chart shows how performance, net flows, and foreign exchange translation impacted AUMA over the six months ended 31 December 2013:



Dividends

The directors have at the date of this report determined an interim dividend of USD 3.0 cents per share which will be fully franked and payable on 27 March 2014.

The interim dividend is not necessarily an indicator of future dividend policy. In addition, based on the Company's franking account balance, it is expected that any final dividend paid by the Company in relation to the 2014 financial year will be only partially franked, and that dividends paid thereafter are unlikely to be franked.

As the total dividends paid to ordinary shareholders for the 2013 financial year exceeded $6.0 million, under the terms of the convertible notes, the Company also made an Additional Interest Payment to the note holders. This payment of $843 thousand represented the note holders' participation on an "as-converted" basis in the dividend amount in excess of $6.0 million. Any Additional Interest Payment to the note holders in relation to the 2014 financial year will be based on the total dividends paid to ordinary shareholders for that period.

Events subsequent to reporting date

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

Rounding off

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

Lead auditor's independence declaration

The lead auditor's independence declaration required under section 307C of the Corporations Act 2001 is set out on page 7 and forms part of the directors' report for the six months ended 31 December 2013.

Signed in accordance with a resolution of directors:

Spencer Young
Chairperson

F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 12th day of February 2014

KPMG

To the directors of HFA Holdings Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

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

KPMG

KPMG

Stephen Board
Partner

Dated at Brisbane this 12th day of February 2014

Consolidated statement of financial position

As at 31 December 2013

In thousands of USD	Note	31 December 2013	30 June 2013
Assets			
Cash and cash equivalents		46,029	46,078
Investments in cash term deposits		-	2,352
Trade and other receivables		18,245	14,362
Current tax assets		159	142
Total current assets		**64,433**	**62,934**
Investments	9	7,417	7,046
Plant and equipment		989	857
Intangible assets	7	114,731	119,366
Other non-current assets		685	697
Total non-current assets		**123,822**	**127,966**
Total assets		**188,255**	**190,900**
Liabilities			
Trade and other payables		7,252	6,770
Employee benefits		1,346	6,905
Loans and borrowings	8	5,058	4,794
Total current liabilities		**13,656**	**18,469**
Employee benefits		124	142
Loans and borrowings	8	38,380	40,365
Total non-current liabilities		**38,504**	**40,507**
Total liabilities		**52,160**	**58,976**
Net assets		**136,095**	**131,924**
Equity			
Share capital		269,020	267,148
Reserves		15,891	14,430
Accumulated losses		(148,816)	(149,654)
Total equity		**136,095**	**131,924**

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

Consolidated statement of profit or loss

For the six months ended 31 December 2013

In thousands of USD	Note	31 December 2013	31 December 2012
Revenue	5	35,491	33,632
Investment management costs		(3,323)	(5,018)
Net income from operating activities		**32,168**	**28,614**
Expenses	5	(23,666)	(25,088)
Equity settled transactions	5,10	(375)	-
Results from operating activities		**8,127**	**3,526**
Finance income		736	834
Finance costs		(1,965)	(1,766)
Net finance costs		**(1,229)**	**(932)**
Profit/(loss) before income tax		**6,898**	**2,594**
Income tax expense	6	(14)	(12)
Profit/(loss) for the period		**6,884**	**2,582**
Profit/(loss) attributable to:			
Owners of the Company		6,884	2,582
Profit/(loss) for the period		**6,884**	**2,582**
Earnings per share			
Basic earnings per share (cents per share)	12	3.908	1.919
Diluted earnings per share (cents per share)	12	3.908	1.919

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

Consolidated statement of comprehensive income

For the six months ended 31 December 2013

In thousands of USD	31 December 2013	31 December 2012
Profit/(loss) for the period	**6,884**	**2,582**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	(525)	346
Net change in fair value of available-for-sale financial assets	-	-
Income tax on other comprehensive income	-	-
Total items that may be reclassified subsequently to profit or loss	(525)	346
Other comprehensive income for the period, net of income tax	**(525)**	**346**
Total comprehensive income for the period	**6,359**	**2,928**
Total comprehensive income attributable to:		
Owners of the Company	6,359	2,928
Total comprehensive income for the period	**6,359**	**2,928**

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

Consolidated statement of changes in equity
For the six months ended 31 December 2013

In thousands of USD	Note	Attributable to equity holders of the Company Share Capital	Share Based Payments Reserve	Fair Value Reserve	Translation Reserve	Parent Entity Profits Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2012		263,785	17,168	-	(6,396)	-	(142,807)	131,750
Total comprehensive income for the period								
Profit / (Loss) for the period		-	-	-	-	-	2,582	2,582
Transfer to parent entity profits reserve		-	-	-	-	9,392	(9,392)	-
Other comprehensive income								
Foreign currency translation differences		-	-	-	346	-	-	346
Total other comprehensive income		-	-	-	346	-	-	346
Total comprehensive income for the period		-	-	-	346	9,392	(6,810)	2,928
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Dividends to owners of the Company	11	-	-	-	-	(3,627)	-	(3,627)
Issue of convertible notes, net of tax		1,644	-	-	-	-	-	1,644
Total transactions with owners		1,644	-	-	-	(3,627)	-	(1,983)
Balance at 31 December 2012		**265,429**	**17,168**	**-**	**(6,050)**	**5,765**	**(149,617)**	**132,695**

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

In thousands of USD	Note	Share Capital	Share Based Payments Reserve	Fair Value Reserve	Translation Reserve	Parent Entity Profits Reserve	Accumulated Losses	Total Equity
		Attributable to equity holders of the Company						
Balance at 1 July 2013		267,148	17,168	-	(7,838)	5,100	(149,654)	131,924
Total comprehensive income for the period								
Profit / (Loss) for the period		-	-	-	-	-	6,884	6,884
Transfer to parent entity profits reserve		-	-	-	-	6,046	(6,046)	-
Other comprehensive income								
Foreign currency translation differences		-	-	-	(525)	-	-	(525)
Total other comprehensive income		-	-	-	(525)	-	-	(525)
Total comprehensive income for the period		-	-	-	(525)	6,046	838	6,359
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Share-based payment transactions	10	-	375	-	-	-	-	375
Dividends to owners of the Company	11	-	-	-	-	(3,592)	-	(3,592)
Dividends to convertible note holders	11	-	-	-	-	(843)	-	(843)
Issue of convertible notes, net of tax	8	1,872	-	-	-	-	-	1,872
Total transactions with owners		1,872	375	-	-	(4,435)	-	(2,188)
Balance at 31 December 2013		**269,020**	**17,543**	**-**	**(8,363)**	**6,711**	**(148,816)**	**136,095**

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

Consolidated statement of cash flows

For the six months ended 31 December 2013

In thousands of USD	31 December 2013	31 December 2012
Cash flows from operating activities		
Cash receipts from customers	32,025	35,133
Cash paid suppliers and employees	(27,698)	(29,220)
Cash generated from operations	4,327	5,913
Interest received	352	513
Income taxes paid / (refunded)	(35)	(24)
Net cash from operating activities	**4,644**	**6,402**
Cash flows from investing activities		
Acquisition of plant and equipment	(447)	(130)
Acquisition of intangibles	-	(750)
Proceeds from sale of investments	-	117
Acquisition of investments in financial assets designated at fair value through the profit or loss	-	(265)
Transfers from long term cash deposits	2,352	-
Transfers to long term cash deposits	-	(5,531)
Acquisition of other non-current assets	-	2
Net cash from/(used) in investing activities	**1,905**	**(6,557)**
Cash flows from financing activities		
Interest paid	(403)	(461)
Repayments of borrowings	(1,000)	(1,000)
Dividends paid	(4,435)	(3,627)
Net cash used in financing activities	**(5,838)**	**(5,088)**
Net increase/(decrease) in cash and cash equivalents	**711**	**(5,243)**
Cash and cash equivalents at 1 July	46,078	32,736
Effect of exchange rate fluctuations on cash balances held in foreign currencies	(760)	210
Cash and cash equivalents at 31 December	**46,029**	**27,703**

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

1. Reporting entity

HFA Holdings Limited (the 'Company'/'HFA') is a company domiciled in Australia. These condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the 'Group').

2. Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with AASB 134: *Interim Financial Reporting;* the Corporations Act 2001; and IAS 34 *Interim Financial Reporting*.

They do not include all of the information required for full annual financial report, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2013.

The consolidated financial statements of the Group as at and for the year ended 30 June 2013 are available at www.hfaholdings.com.au, or upon request from the Company's registered office at Level 5, 151 Macquarie Street, Sydney NSW 2000.

These interim financial statements were approved by the Board of Directors on the 12th day of February 2014.

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

(b) Judgements and estimates

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

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2013.

3. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Groups' consolidated financial statements as at and for the year ended 30 June 2013.

The interim financial statements for the Group for the period ended 31 December 2013, including comparative information, have been presented in USD unless otherwise indicated as being presented in Australian dollars (AUD).

<u>Changes in accounting policies</u>

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 10 *Consolidated Financial Statements*

  As a result of AASB 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates it investees. AASB 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with an investee and ability to use its power to affect those returns.

  Accordingly, management have applied the new control model to its investees and have concluded that other than the Group's wholly owned subsidiaries, no other investees require consolidation into the Group's financial statements. The adoption of this standard has therefore not impacted the Group's interim financial statements.

3. Significant accounting policies (continued)

- AASB 13 *Fair Value Measurement*

  AASB 13 provides a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell and asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements. Accordingly the Group has included additional disclosures in this regard (see Note 9).

  In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has not had a significant impact on the measurement of the Group's asset and liabilities.

- AASB 119 *Employee Benefits*

  AASB 119 changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. The adoption of this standard has not had a significant impact on the Group's financial statements.

4. 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, Cayman Island, Luxembourg and Ireland based funds.

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

	Australia		United States		Total reportable segments		Unallocated/ Corporate		Elimination		Consolidated	
In thousands of USD	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
External revenue	4,796	3,781	30,695	29,851	35,491	33,632	-	-	-	-	35,491	33,632
Inter-segment revenue	-	-	1,641	932	1,641	932	-	-	(1,641)	(932)	-	-
Earnings before interest, tax, depreciation, amortisation and equity settled transactions	(172)	(1,354)	14,985	10,850	14,813	9,496	7,166	5,761	(8,502)	(6,600)	13,477	8,657
Reportable segment profit/(loss) before income tax	**72**	**(948)**	**9,282**	**5,519**	**9,354**	**4,571**	**6,046**	**4,623**	**(8,502)**	**(6,600)**	**6,898**	**2,594**

Segment assets

There has been no material change in the allocation of segment assets compared to the Group's consolidated financial statements as at and for the year ended 30 June 2013.

5. Revenue and expenses

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

in thousands of USD	31 December 2013	31 December 2012
(a) Revenue		
Management and platform service fee income	31,468	32,568
Performance fee income	4,023	1,064
Total revenue	**35,491**	**33,632**
(b) Expenses		
Personnel expenses	(14,382)	(14,664)
Professional fees	(1,011)	(1,502)
Occupancy expenses	(778)	(1,012)
Marketing and promotion costs	(86)	(75)
Travel costs	(554)	(621)
Depreciation	(311)	(195)
Amortisation of intangible assets	(4,635)	(4,715)
Other expenses	(1,909)	(2,304)
Total expenses	**(23,666)**	**(25,088)**
(c) Equity settled transactions		
Equity settled transactions – personnel expenses	(375)	-
Total equity settled transactions	**(375)**	**-**

6. Income tax

(a) Reconciliation of effective tax rate

in thousands of USD	31 December 2013	31 December 2012
Profit/(loss) before income tax	6,898	2,594
Income tax using the Company's domestic tax rate of 30% (2012: 30%)	(2,069)	(778)
Effective tax rates in foreign jurisdictions*	(421)	(383)
Non-deductible expenses	(552)	(376)
Tax benefits not included in accounting profit	36	18
Changes in deferred tax assets not recognised	2,992	1,507
Income tax expense reported in income statement	**(14)**	**(12)**

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

(b) Unrecognised deferred tax assets

The following deferred tax assets have not been recognised:

in thousands of USD	31 December 2013	30 June 2013
Deductible temporary differences	170,528	179,949
Tax losses	46,470	42,972
	216,998	**222,921**

Unrecognised deferred tax assets as at 31 December 2013 relate to both the US Group: $138,554 thousand (30 June 2013: $141,778 thousand) and the Australian Group: $78,444 thousand (30 June 2013: $81,143 thousand), and consist of impairment losses recognised in previous financial years, carried forward operating tax losses, carried forward capital tax losses and deductible temporary differences.

Tax losses relating to the Lighthouse Group: $43,796 thousand tax effected (30 June 2013: $40,527 thousand tax effected) have a life of 20 years, and will expire during the period from 2028 to 2033. Tax losses relating to the Australian Group and deductible temporary differences do not expire under current tax legislation.

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

7. Intangible assets

In thousands of USD	31 December 2013	30 June 2013
Goodwill	93,801	93,801
Management rights / customer relationships	18,350	22,938
Trade marks	1,330	1,377
Software	1,250	1,250
	114,731	**119,366**

Reconciliation of carrying amount

In thousands of USD	31 December 2013	30 June 2013
Cost		
Balance at beginning of period	576,869	575,619
Acquisitions	-	1,250
Balance at end of period	**576,869**	**576,869**
Amortisation and impairment losses		
Balance at beginning of period	(457,503)	(448,153)
Amortisation	(4,635)	(9,350)
Balance at end of period	**(462,138)**	**(457,503)**
Carrying amounts		
Balance at beginning of period	119,366	127,466
Balance at end of period	**114,731**	**119,366**

8. Loans and borrowings

In thousands of USD	31 December 2013	30 June 2013
Current		
Secured Bank Loan	2,000	2,000
Unsecured Convertible Notes	3,058	2,794
	5,058	**4,794**
Non-current		
Secured Bank Loan	21,323	22,323
Unsecured Convertible Notes	17,057	18,042
	38,380	**40,365**
Total loans and borrowings	**43,438**	**45,159**

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

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

Terms and conditions

			31 December 2013		30 June 2013	
In thousands of USD	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured Bank Loan	LIBOR + 3%	2016	23,323	23,323	24,323	24,323
Unsecured Convertible Notes	6%	2019	86,981	20,115	84,427	20,836
Total loans and borrowings			**110,304**	**43,438**	**108,750**	**45,159**

Reconciliation of convertible notes movements

In thousands of USD	31 December 2013	30 June 2013
Carrying amount at beginning of period	20,836	21,775
Increase in face value due to capitalisation of accrued interest	2,554	4,846
Amount of capitalised interest classified as equity	(1,872)	(3,363)
Interest on face value at 6% per annum	(2,602)	(4,938)
Accretive interest (calculated using the effective interest rate method)	1,199	2,516
Carrying amount of liability at 31 December	**20,115**	**20,836**

For additional details regarding the above financial arrangements, please refer to the annual financial statements of the Group as at and for the year ended 30 June 2013.

9. Financial Instruments

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2013.

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

in thousands of USD	Level 1	Level 2	Level 3	Total
31 December 2013				
Available-for-sale financial assets	-	-	1,396	1,396
Financial assets at fair value through profit or loss	-	6,021	-	6,021
	-	**6,021**	**1,396**	**7,417**
30 June 2013				
Available-for-sale financial assets	-	-	1,396	1,396
Financial assets at fair value through profit or loss	-	5,650	-	5,650
	-	**5,650**	**1,396**	**7,046**

The fair value of financial assets at fair value through profit or loss is determined by reference to their exit price at the reporting date.

The available-for-sale financial asset is 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 31 December 2013 has been determined using a discounted cash flow analysis using expected future cash flows and a market-related discount rate.

There were no movements between levels of the fair value hierarchy during the six months ended 31 December 2013.

10. Share-based payments

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

The following offers made under the terms of this plan were outstanding during, or since the six months ended 31 December 2013.

Employee Remuneration

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.

CY12 Lighthouse CEO Performance Rights: At the Company's AGM held on 27 November 2013, shareholders approved the award of US$450,000, provided in the form of performance rights, to Mr McGould in relation to performance for the 2012 calendar year.

Marketing Expense

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

Reconciliation of movements in performance rights

	Number of shares
Outstanding at 30 June 2013	5,807,500
Forfeited – 2012 Lighthouse Performance Rights[A]	(3,875,000)
Forfeited – 2013 Apollo Performance Rights[A]	(1,000,000)
Forfeited – 2012 Certitude Performance Rights[B]	(60,000)
31 December 2013	**872,500**

[A] Represents rights that have lapsed due to failure to meet the minimum EBITDA performance hurdle.
[B] Represents rights that have lapsed due to failure to meet continued employment condition.

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

In thousands of USD	31 December 2013	31 December 2012
CY12 Lighthouse CEO Performance Rights	(375,000)	-
Total share-based payment expense	**(375,000)**	**-**

11. Capital

Dividends Paid

The following dividends were paid by the HFA Holdings Limited:

For the six months ended: *In thousands of USD*	31 December 2013	31 December 2012
3 cents (AUD 3.349 cents) per qualifying ordinary share fully franked (2012: 3 cents / AUD 2.9 cents fully franked)	3,592	3,627
Dividend to convertible note holders representing participation, on an as converted basis, in the dividend amount exceeding $6 million paid in relation to the financial year ended 30 June 2013.	843	-
Total dividends paid	4,435	3,627

Interim dividend

The directors have at the date of this report determined an interim dividend of USD 3.0 cents per share which will be fully franked and payable on 27 March 2014.

12. Earnings per share

	31 December 2013	31 December 2012
Basic earnings per share (US cents per share)	3.908	1.919
Diluted earnings per share (US cents per share)	3.908	1.919

Earnings used in calculating earnings per share

In thousands of USD	31 December 2013	31 December 2012
Profit/(loss) attributable to ordinary equity holder of the Company	6,884	2,582
Adjustment for interest on mandatorily convertible notes[1]	1,199	1,290
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	8,083	3,872

Weighted average number of shares

In thousands of shares	31 December 2013	31 December 2012
Issued ordinary shares at 31 December	118,738	118,738
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	206,822	201,766

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

13. Events subsequent to reporting date

Except for the interim dividend referred to in note 11, there has not arisen in the interval between the end of the reporting period and the date of this report, any other item, transaction or event of a material nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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

1. the consolidated interim financial statements and notes set out on pages 8 to 23, are in accordance with the Corporations Act 2001, including:
   (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the period ended on that date; and
   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

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

Dated at Sydney this 12th day of February 2014

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

We have reviewed the accompanying interim financial report of HFA Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2013, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

S Board

Stephen Board
Partner

Dated at Brisbane this 12th day of February 2014

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.