HFA Holdings Limited

ASX Appendix 4E – Results Summary

Results for Announcement to the Market

Details of reporting periods	
Current	**1 July 2013 to 30 June 2014**
Comparative	1 July 2012 to 30 June 2013

Amounts in USD'000

Financial results				2014
Revenue from ordinary activities	Up	7%	to	70,681
Earnings before interest, tax, depreciation and amortisation	Up	50%	to	26,403
Profit from ordinary activities after tax attributable to members	Up	151%	to	13,914
Net profit for the period attributable to members	Up	151%	to	13,914

Refer to the attached Annual Financial Report (which includes the Directors' report and consolidated financial statements) for commentary on the results. Additional appendix 4E disclosure requirements can be found in the notes to the financial statements.

Dividends	Amount per ordinary share	Franked %	Conduit foreign income %
Final (to be paid 17 September 2014)	USD 5.0 cents	0%	100%
Interim (paid 27 March 2014)	USD 3.0 cents	100%	0%
Total dividend for the 2014 financial year	**USD 8.0 cents**		

The directors have determined an unfranked dividend of United States (US) 8.0 cents per share (with 100% conduit foreign income credits). The dividend final dividend dates are:

Ex-dividend date: 1 September 2014
Record date: 3 September 2014
Payment date: 17 September 2014

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2014. A dividend reinvestment plan does not operate in respect to dividends of the Company.

Net tangible assets	Per ordinary share
2014	**USD 28.00 cents**
2013	USD 10.58 cents

Financial report

This report is based on the 30 June 2014 Annual Financial Report (which includes consolidated financial statements) and has been audited by KPMG.

HFA Holdings Limited and its controlled entities

ACN 47 101 585 737

Annual Financial Report

30 June 2014

HFA Holdings Limited

ABN: 47 101 585 737

Office
Level 5
151 Macquarie Street
Sydney NSW 2000

Telephone
+61 2 8302 3333

Email
contact@hfaholdings.com.au

Website
www.hfaholdings.com.au

Shareholder information and inquiries

All inquiries and correspondence regarding shareholdings should be directed to HFA's share registry provider:

Link Market Services Limited

Address
Level 12
680 George Street
Sydney NSW 2000

Mailing address
Locked Bag A14
Sydney South NSW 1235

Telephone
1300 554 474
+61 2 8280 7111

Facsimile
+61 2 9287 0303

Website
www.linkmarketservices.com.au

Table of contents

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

From the Chairman

The 2014 financial year was a transformational one for HFA. We have ended the year stronger, and are well placed to capitalise on the opportunities that are evolving in the global investment management space.

Operating performance

The HFA Board is very pleased that the Group's operating and financial results have continued to move in a positive direction over the 2014 financial year.

As always, the core of our result is the Group's Assets Under Management and Advice (AUMA), which continued the trend of the past few years by growing 13.5% over the 12 months. It was a satisfying result to exceed the USD8 billion milestone in November 2013.

The Group delivered a net profit of $13.9 million for the 2014 financial year, whilst earnings before interest, tax, depreciation and amortisation rose 50% compared to the prior year to $26.4 million. This very pleasing increase complements the Group's growth in AUMA, and is the tangible demonstration that the business continues to improve year on year.

Lighthouse delivered on investment performance over the 2014 financial year, which not only underpinned the growth in AUMA, but also resulted in higher performance fee revenue for both businesses.

Capital structure

The most important events in relation to the Group's capital structure occurred after balance date, with the buy-back of 50 convertible notes on 2 July 2014 and the conversion of the remaining 25 convertible notes into ordinary shares on 11 August 2014.

This simplification of our capital structure has removed the uncertainty over future dilutive shares, and has been very well received by our shareholders. In particular, we expect the buy-back of the 50 convertible notes will be accretive to future earnings per share.

Dividend

The Directors have determined an unfranked dividend of 5.0 cents per share (with 100% conduit foreign income credits) payable 17 September 2014. Added to the interim dividend of 3.0 cents per share, this brings the total for the year to 8.0 cents per share. The record date for entitlement to the final dividend is 3 September 2014.

Board

The past twelve months has seen a number of changes to the board of directors, with the resignation of the previous Chairman, as well as the resignation of the three nominee directors from Apollo upon completion of the convertible note buy-back on 2 July 2014.

The remaining directors have given considerable thought to how the Company's board should be structured going forward, and have been working to identify two new directors based in the United States. We are confident that we will be able to announce the appointment of new directors to HFA who will bring a wealth of expertise in the near future.

Outlook

Our strategy going forward continues to be to deliver investment performance, provide excellent client solutions and service, and enhance global distribution.

On behalf of the board, thank you for your continued support. We look forward to 2015 being another positive year for the HFA Group and its shareholders.

Michael Shepherd
Acting Chairman

Operating and financial review

The HFA group comprises two businesses delivering global investment products and services to a diverse range of investors and clients.

Lighthouse Investment Partners, LLC

Based in the United States, with offices in New York, Chicago and Palm Beach Gardens in addition to offices in London and Hong Kong.

Lighthouse has been managing hedge funds since 1999. The business commenced by offering pooled investment vehicles to wholesale investors, and since 2011 has broadened its services to provide customised investment management solutions and services to large institutional clients.

One of Lighthouse's key strengths is the proprietary managed accounts program, which is core to both its pooled managed funds and customised client services.

As at 30 June 2014, Lighthouse is managing USD8.4 billion of assets, including USD0.4 billion that it manages on behalf of Certitude products.

Certitude Global Investments Limited

Based in Australia with offices in Sydney, Brisbane and Melbourne.

Certitude has been operating and distributing hedge funds to Australian retail and wholesale investors since 1998.

Since 2009, Certitude has broadened its investment product range through strategic partnerships with other off-shore investment managers. Since that time, Certitude has introduced new managed funds which invest into a broader range of asset classes, with a particular focus on global and Asian equities.

As at 30 June 2014, Certitude has assets under management of AUD0.7 billion.

More detailed information on the operations of each of our businesses is contained on pages 12 to 17.

What drives our business?

Our success depends on three key factors:

AUMA

HFA earns its revenue from managing assets on behalf of its clients (our "assets under management and advice" or "AUMA").

We seek to attract and retain AUMA by offering quality investment products and services, and delivering competitive performance and features.

Our ability to do this can also be impacted by external factors such as global markets and investor sentiment.

Fee rates

The revenue we earn on our AUMA depends on the management and performance fees we are entitled to charge for our services.

Our pooled investment products pay us management and performance fees based on disclosed rates, whilst our institutional clients can negotiate fees with us.

We operate in a highly competitive market, and there is pressure from investors to negotiate lower fee rates across the global investment management industry.

People

Our success relies on attracting and retaining talented employees.

It is our employees who use their skills and knowledge to enable us to provide quality investment products and services, to innovate to meet changing investor needs and to respond to compliance requirements in what is a highly regulated industry.

To attract, motivate and retain quality employees HFA needs to offer competitive compensation and incentive packages.

Operating and financial review

Review of Group financial results

EBITDA and net profit after tax both increased substantially in the 2014 financial year. The Group's net profit after income tax for the year ended 30 June 2014 was $13.9 million (FY13: $5.6 million).

Summary of Group FY14 result compared to the prior year

Amounts in USD'000

	Consolidated 2014	Consolidated 2013	%	
Management and platform fee income	65,303	63,153	3%	1
Performance fee income	5,300	2,828	87%	2
Other income	78	96	(19%)	
Distribution and investment management costs	(6,747)	(8,617)	22%	3
Net income from operating activities	**63,934**	**57,460**	**11%**	
Operating expenses, excluding depreciation and amortisation	(37,885)	(39,479)	4%	4
Net finance costs, excluding interest income / (expense)	354	(388)	191%	
Earnings before interest, tax, depreciation and amortisation	**26,403**	**17,593**	50%	
Depreciation and amortisation	(9,949)	(9,756)	(2%)	
Net interest expense	(2,495)	(2,269)	(10%)	5
Profit before income tax	**13,959**	**5,568**	**151%**	
Income tax expense	(45)	(17)	(160%)	
Net profit after income tax	**13,914**	**5,551**	**151%**	
Basic EPS (cents)	**7.80**	**3.97**		

Key drivers of the FY14 result

1 Overall, management and platform fee income increased in FY14 by 3.4% to $65.3 million.

The increase was a result of:

- ↑ a 12.6% increase in the average closing AUMA during this financial year; offset by
- ↓ a 4 basis point decrease in the average net management / platform fee rate which applied for the year to 0.72%.

2 The Group earns performance fees on selected managed funds and customised client portfolios. The fees represent an agreed share of investment outperformance of a fund or portfolio over a defined benchmark and/or high watermark.

The Group earned $5.3 million in performance fees this year, up 87.4% on the prior year.

Performance fees are variable in nature, and it is difficult to forecast how much, if any, performance fee revenue will be earned by the Group in future periods.

3 The Group incurs costs associated with third parties providing distribution and investment management services as part of the operation of its funds management businesses. The most significant proportion of these costs relate to third party distribution arrangements in place for Lighthouse, whereby Lighthouse makes ongoing payments to third parties in relation to clients they have introduced.

Over the past few years, there has been significant evolution of the third party arrangements which Lighthouse has in place, resulting in a reduction in the value of AUMA which is subject to third party fee arrangements. As a result, whilst there has been an overall decrease in management fee rates, this has been partially offset by a corresponding decrease in distribution and investment management service costs.

Key drivers of the FY14 result	
4	The Group's overall operating expenses are down $1.6 million on the prior year. A large portion of this decrease is due to a reduction in a number of expense items for Lighthouse compared to the prior year, as FY13 included: ▪ higher legal and investment research costs in relation to the expansion of the managed account program and the establishment of clients for the customised client solutions business; and ▪ higher consultancy costs related to the development of Lighthouse's risk management system. Lighthouse occupancy costs were down $0.4 million in the current year due to a rent reduction on its Palm Beach Garden's office space whilst the building was being refurbished. This is a non-recurring saving in FY14. Personnel costs stayed relatively steady across the Group. The 11% decrease in the average AUD:USD FY14 exchange rate in comparison to FY13 also resulted in a decrease in the Australian parent and subsidiary operating costs when converted from AUD to USD.
5	Net interest expense was slightly higher this year. Whilst there was a decrease in interest expense from the repayment of the bank loan throughout the year, interest income was also lower. This was due to the combination of: ▪ the Group holding less cash in AUD (which earns relatively higher interest rates than USD cash deposits); and ▪ a general reduction in interest rates earned on the AUD cash deposits. On 2 July 2014, HFA completed a transaction to buy-back 50 of the convertible notes on issue, and amend the terms of the remaining 25 notes. On 7 August 2014, HFA received notification from the holder of the remaining 25 convertible notes that it would exercise its option under the note terms to covert the notes into ordinary shares of HFA Holdings Limited effective 11 August 2014. Details of these transactions are on page 30 of the Directors' report and in note 33 to the financial statements. The following components of these transactions will result in a change to the Group's net interest profile from FY15 onwards: ▪ the number of interest bearing convertible notes on issue was reduced from 75 to 50 on 2 July 2014; ▪ interest payable on the remaining 25 convertible notes increased from 6% to 8% per annum for the period 2 July 2014 until their conversion on 11 August 2014; ▪ no convertible notes remain on issue from 11 August 2014; and ▪ A $5 million repayment of the Westpac senior debt facility was made on the transaction settlement date, with a further $1 million repayment being made 31 July 2014. In addition, the terms of the facility were amended to increase the annual loan repayments from $2 million to $7.5 million commencing from 31 October 2014.

Over the 2014 financial year we accumulated cash on our balance sheet that was utilised to buy-back 50 convertible notes on 2 July 2014.

The key assets and liabilities for the Group are:

Amounts in USD'000

	Consolidated		
	2014	2013	
Cash	65,902	48,430	1
Intangible assets	110,096	119,366	2
Secured bank loan	22,323	24,323	3
Convertible notes			4
▪ portion recognised as a financial liability	19,249	20,836	
▪ *total face value at 30 June 2014*	*89,568*	*84,427*	
Unrecognised deferred tax assets	218,761	222,921	5
▪ *portion relating to carried forward tax losses*	*43,917*	*42,972*	

Key Drivers

1 The Group increased its cash holdings by $17.5 million during the FY14 financial year despite paying out $8.0 million in dividends to shareholders and noteholders, $0.8 million in cash interest expenses and reducing the secured bank loan by $2.0 million.

On 2 July 2014, HFA completed a transaction to buy-back 50 of the convertible notes on issue and amend the terms of the remaining 25 notes. Details of this transaction are on page 30 of the Directors' report and in note 33 to the financial statements.

The following cash movements occurred as a result of this transaction:

- $14.5 million in net proceeds were raised from an institutional share placement;
- Combined with $36.4 million of Group cash off the balance sheet, $50.9 million in cash was paid in consideration and associated transaction costs for 50 of the convertible notes on issue.
- A $5 million repayment of the Westpac senior debt facility was made (refer to key driver 3 below).

2 When the Company acquired Lighthouse in January 2008, it recognised $76.1 million of identifiable intangible assets in the form of client relationships, trademarks and software, as well as $499.5 million of goodwill.

The identifiable intangible assets are being amortised over their useful lives (between 5 and 20 years) resulting in an amortisation expense of approximately $9.4 million each year. $9.2 million of this $9.4 million annual amortisation expense is scheduled to cease from December 2015, when only a small residual balance of these intangible assets will remain on the balance sheet.

An impairment loss of $405.7 million was recognised against the goodwill balance in the 2009 financial year. The Company has continued to carry a written-down goodwill balance of $93.8 million since that time.

3 Our secured bank loan decreased by $2 million in accordance with the agreed repayment terms.

As part of the terms for gaining senior creditor consent to the buy-back and amendment of the convertible notes completed on 2 July 2014, an additional loan repayment of $5 million on the Westpac senior debt facility was made on 2 July 2014 and HFA agreed to increase the required quarterly repayments on this facility to $1 million on 31 July 2014 and $1.875 million quarterly thereafter (commencing 31 October 2014).

As at 31 July 2014, the balance outstanding on the bank loan is $16.3 million.

The loan is due to mature in March 2016, and under current repayment terms would be repaid in full at maturity.

4 The Company did not record the buy-back of the 50 convertible notes until 2 July 2014 when the settlement monies were paid. The conversion of the remaining 25 notes to ordinary shares of the Company was recorded on 11 August 2014. As such, the 30 June 2014 balance sheet reflects the original 75 convertible notes as being on issue.

The face value of the 75 convertible notes as at 30 June 2014 therefore represents the original $75 million face value on issue, plus 6% per annum interest paid in kind and hence accrued into the face value of each convertible note since their issue in March 2011. On 2 July 2014, immediately prior to the buy-back of 50 convertible notes and amendment of the remaining 25 convertible notes, this accrued interest was waived by the noteholders.

For accounting purposes, the convertible notes are treated as partly debt and partly equity. The debt component effectively represents the remaining present value of the future cash flows based on the 6% per annum interest obligation. A detailed reconciliation of the movement in the debt component recognised in the balance sheet is contained in note 21 to the financial statements.

5 The Group has significant deferred tax assets from previous financial years. These tax assets are made up of a number of components such as the impairment of goodwill, capital losses, operating tax losses and deductible temporary differences. They relate to both the Australian tax consolidated group and the United States tax consolidated group.

The Australian tax consolidated group has continued to make tax losses in the last few financial years, and as such the future benefits from utilising the Australian carried forward tax losses are sufficiently uncertain that the Group has not recognised them as a deferred tax asset on the balance sheet.

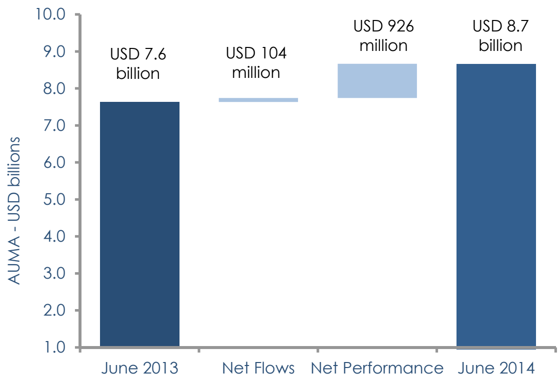
The United States tax consolidated group continues to get the benefit of being able to take a tax deduction over 15 years in relation to the goodwill created on the acquisition of Lighthouse in 2008. As such, the Lighthouse Group has not needed to utilise its carried forward tax losses to date. Since there is still uncertainty over the amount and timing of Lighthouse being able to utilise its available tax losses, the benefit derived from using the losses to off-set future tax payable has not been recognised on the balance sheet as at 30 June 2014.

Based on the size of the carried forward tax losses available in both Australia and the United States, it is not expected that the Group will be in a tax payable position for a number of years (other than in relation to some relatively nominal United States State-based taxes).

Assets under management and advice

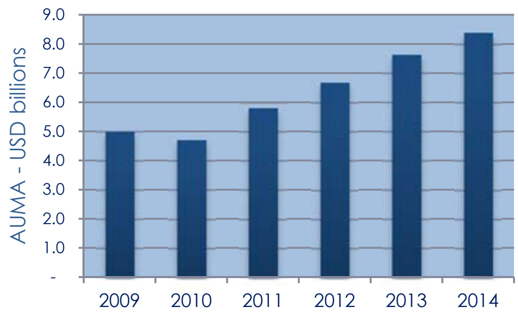
Net inflows are difficult to come by, but AUMA still grew by Lighthouse delivering on investment performance.

As at 30 June 2014, HFA had total AUMA of $8.664 billion (2013: $7.634 billion). This represents an increase of 13.5% in AUMA since the end of the previous financial year. The following chart shows what has driven the growth in AUMA for the 2014 financial year:



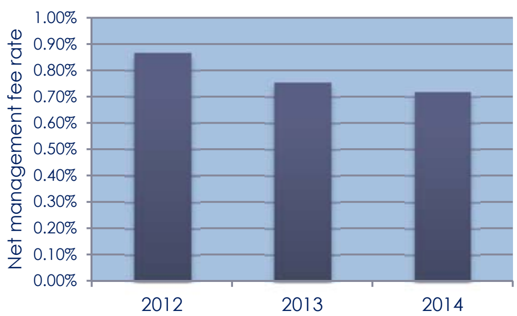
Details of the changes in AUMA for FY14 for each business is contained on pages 13 and 16 respectively.

Since the worst impacts of the Global Financial Crisis in the 2009 and 2010 financial years, the Group has steadily recovered and grown AUMA:



Fee rates

We operate in a competitive industry where clients with money to invest are looking to squeeze fees where they can.



As we've highlighted over the past few years, the changing profile of the Group's AUMA from managed funds only, to a combination of managed funds and individual customised clients, has impacted the total net management fee rate of the Group.

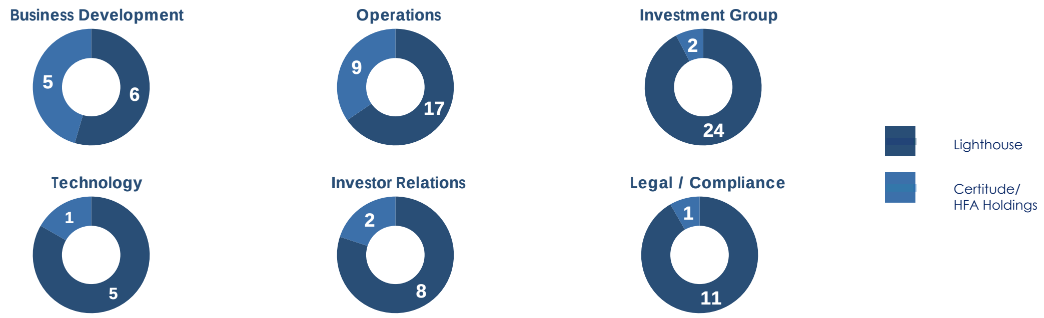
In addition, the impact of earning nil or nominal fees on the Certitude structured products which are fully allocated to cash has also caused a reduction in the Group's overall net management fee margins.

Investors are very conscious of the level of fees charged by investment managers, and we see this as a continuing trend in the short to medium term as the industry adjusts to this demand.

People

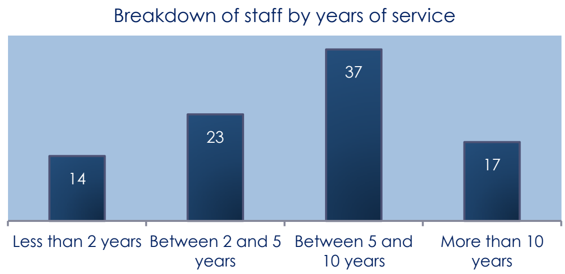
As a business, our success is strongly linked to the knowledge and experience of our people

Our overall staff numbers across the Group have remained relatively steady throughout the 2014 year, and as at 30 June 2014 we have 91 employees across the following functional divisions:



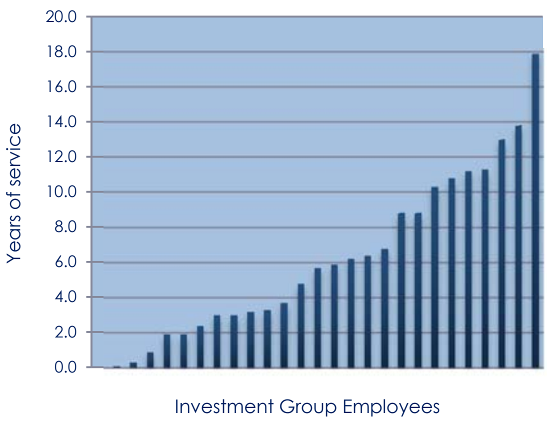
We are proud of our ability to attract, and importantly, retain our quality staff. Across the Group, our average number of years of service is 6.1 years, and we are pleased that we have been able to retain high calibre staff. 60% of our staff have worked with us for more than 5 years.

The time and resources we dedicate to developing and training our staff generates long term performance.



Our investment group

We have 26 talented individuals in our investment group, 24 of whom are employed by Lighthouse. Stability and continuity is vital in the investment team for a funds management business, and at Lighthouse this longevity is balanced out with sourcing and nurturing fresh talent as well.



Legal & compliance

We operate in a highly regulated industry, and take our responsibilities to our clients very seriously. 13% of the Group's employees work in our legal and compliance division so that we can ensure our resourcing levels will meet the needs of all our various stakeholders.

Senior executive team

For our senior executive team, the average number of years of service is an impressive 13.2 years. Five out of our six senior executives have been with either Lighthouse or HFA for over 10 years, which demonstrates a deep belief in the prospects of the Group. These individuals have seen the Group through what were undoubtedly some tough times following the Global Financial Crisis, and the 2014 result is a tangible demonstration that their commitment has been justified.

Operating and financial review

Lighthouse Investment Partners

Lighthouse Investment Partners, LLC ('Lighthouse') is a US based investment manager dedicated to managing multi-manager 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 business lines, each of which utilise its proprietary managed account program to underpin their operation:

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 program, 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. Lighthouse believes that the managed account structure provides the following benefits within their managed funds:

- 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 allow Lighthouse to better monitor the investment strategies of their funds.

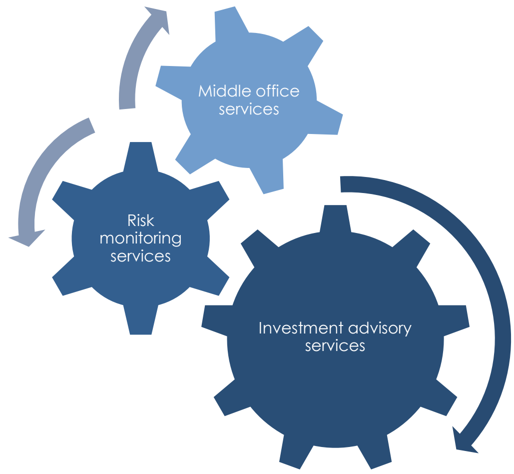
Whilst many of Lighthouse's competitors are starting to utilise managed account structures through external providers due to increased pressure from investors and regulators for transparency into asset holdings, Lighthouse management made the decision to begin building their proprietary managed account solution in 2005. As a result, the managed account program has been designed to be an integral part of Lighthouse's investment process.

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.



Lighthouse has sizeable strategic clients on the platform, and believes that customised client solutions will represent a significant area of growth in the future.

Operating and financial review

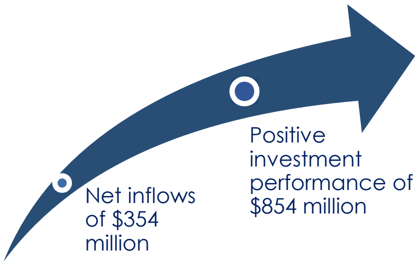
Lighthouse results

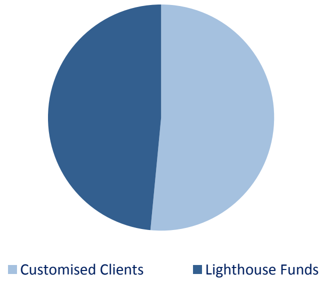
2014 saw Lighthouse successfully running both its long-standing managed fund business and its newer client solutions business in parallel.

Assets under management and advice

AUMA for Lighthouse, including $382 million of assets managed for Certitude, increased from $7.123 billion to $8.379 billion or 17.6% for the financial year ended 30 June 2014.

The inflows increasing AUMA for the full financial year are generally attributable to Lighthouse's customised client solutions business. Net flows into the Lighthouse Funds for the second half of the year returned to positive net inflows after a negative first half to 31 December 2013.





The allocation of AUMA between the managed funds business and the customised client solutions business varies throughout the year depending on the investment performance and net inflows applicable to each. As at 30 June 2014 (and excluding assets managed for Certitude), AUMA is evenly split between the Lighthouse Funds and customised client solutions businesses.

Net income from operating activities

Lighthouse's average net management fee (excluding performance fees and after distribution and investment management costs) earned on AUMA decreased from 0.77% per annum to 0.72% per annum.

Despite this, net income from operating activities for the Lighthouse business of $58.7 million is up 12.2% from the prior year.

The increase was driven by:

Impact	Driver	Comment on outlook for next financial year
⬆	Positive 17.8% AUMA growth	With positive investment performance and a focus on distribution strategy, we expect Lighthouse should again achieve AUMA growth in FY15, however it is difficult to forecast with any accuracy what the level of AUMA growth may be.
⬇	5 basis point decrease in net management fee rate	We see good prospects in winning additional customised solutions clients, and would expect the allocation to AUMA within Lighthouse further favouring this part of the business. As such, we would anticipate that there may again be a small decrease in the net management fee rate in future years.
⬆	$980 thousand increase in performance fees	Performance fees earned by Lighthouse in FY14 were $2.276 million, $980 thousand higher than in prior year. Performance fees are variable by nature, and it is difficult to predict the level of performance fees which may be earned in future periods.
⬆	Reduction in distribution and investment management costs	The reduction in distribution and investment management costs this year reflects the full impact of the transition of some client monies from being invested in Lighthouse funds and having third party distribution fees, to customised client solutions where these third party fees no longer apply. There has also been a reduction in other Lighthouse Fund AUMA which has third party distribution fee arrangements in place. We anticipate that the distribution costs as a proportion of management and platform fees will be relatively stable going forward.

Operating expenses

Lighthouse operating expenses (excluding depreciation and amortisation) decreased by 2.8%. This decrease relates predominately to a decrease in occupancy costs due to a rent abatement, and a decrease in consultancy and legal costs compared to the 2013 financial year. Personnel expense has remained consistent with the prior period.

We expect Lighthouse operating expenses to again remain relatively steady, other than for two items which may arise during the coming financial year, although timing of when these additional expenses may occur is still unknown. The items are:

- Lighthouse is seeking to employ an additional senior executive in its New York office to further expand the business. This will result in higher personnel costs once this position is filled. The final compensation package offered will depend on the calibre and experience of the successful candidate. In addition, the board remains committed to compensating its employees at competitive industry rates. As such, the board has noted that Sean McGould's compensation has been below industry standards over the last several years. While this has been a benefit to the Company, there is a need to adjust Mr McGould's compensation to normal levels.
- Lighthouse continues to enhance its risk management systems. Lighthouse expects to begin paying licensing fees in relation to risk management software of up to $2.5 million per annum. The software is still under development, and the licence fee will not commence until agreed development milestones have been reached.

Outlook

Lighthouse's FY15 strategy is to continue to improve investment performance, provide excellent client solutions and service and enhance global distribution.

Our Lighthouse investment team will continue to manage assets in accordance with the defined investment strategies, servicing both the investment performance needs of clients, as well as the informational needs which are becoming more important as global regulation of the financial services industry continues to be felt. Delivering on investment performance will organically grow the AUMA base, and also underpins the ability to win new clients.

The focus for winning assets from new and existing clients will be through expanding in-house distribution capabilities. Lighthouse has commenced the process for recruiting additional employees to further develop and execute its distribution strategy.

Operating and financial review

Certitude Global Investments

Certitude Global Investments Limited ('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.

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

Building on its roots of providing global hedge fund products to Australian investors, Certitude has evolved its business strategy over the past few 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 currently offers six managed funds to Australian and New Zealand investors.

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 Investment Partners, LLC (US) and Gavekal Capital 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.

Structured products

Between 2003 and 2008, Certitude launched a series of funds with a fixed maturity date which operated under an investment technique designed to protect the initial invested amount at maturity. With the impact of the Global Financial Crises, the inherent portfolio allocation mechanism operating within these funds meant that most of them were allocated into cash or cash equivalent exposures in order to preserve their remaining capital value.

A number of these funds have reached their maturity and have successfully been wound up, with the remaining funds to wind up and return proceeds to investors over the next two years.

Operating and financial review

Certitude results and operations

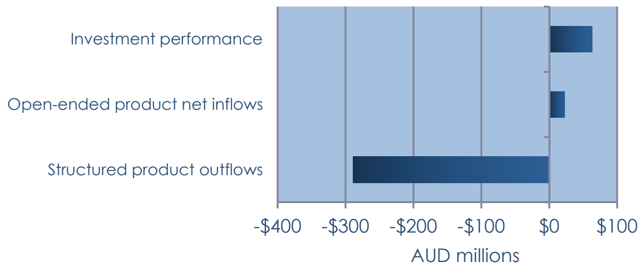
Certitude has continued to operate in what is a tough and consolidating Australian market. Pleasingly, Certitude's open ended investment products have started to gain traction, and in total were net flow positive for the 2014 financial year.

Assets under management and advice

AUMA for the Certitude business reduced to AUD707 million for the year ended 30 June 2014 (30 June 2013: AUD910 million).

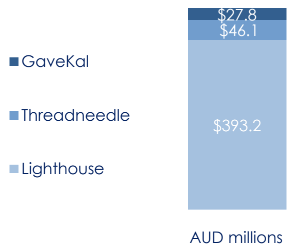
Investment performance across the products for the period was a positive AUD63 million.

Net outflows for the period were AUD266 million, which included AUD289 million in outflows from the closed-ended structured products.

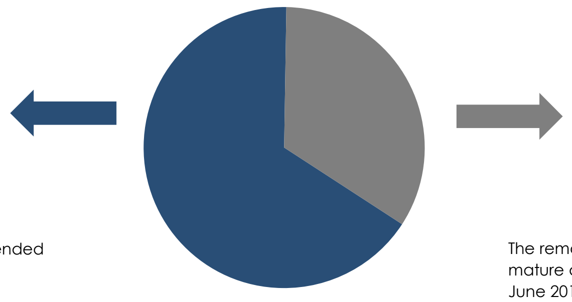


Gross inflows of AUD94 million were invested during the year into the open-ended Lighthouse, Threadneedle and GaveKal Capital managed funds.

Open-ended	AUMA composition	Structured



Of Certitude's AUMA at 30 June 2014, AUD467 million or 66% is in open-ended products



87% of Certitude's AUD467 million of open-ended product AUMA is managed by Lighthouse as at 30 June 2014.

The remaining structured product assets will mature and be returned to investors by June 2016.

Net income from operating activities

Certitude operations experienced a 2.1% increase in net income from operating activities to $5.274 million (13.9% increase in AUD denominated net income from operating activities).

Impact	Driver	Comment on outlook for next financial year
	21% AUMA reduction	Whilst the scheduled closure of the ANZ Discovery Asia Fund, HFA Octane Fund Series 2, and HFA Octane Asia Fund reduced AUMA for the Group by AUD289 million, a large portion of the funds redeemed from these structured products generated little to zero management fees to the Certitude business, and as such, had only a nominal impact on Certitude's net income from operating activities in the future.
	1 basis point decrease in net management fee rate	Net AUD management fee rates have remained steady. With the continued closure of the structured products up until 2016, it is expected that the Certitude net management rate will increase as this occurs.
	$1.491 million increase in performance fees	Performance fees earned by Certitude funds in FY14 were $3.024 million, $1.491 million higher than in prior year. Performance fees are variable by nature, and it is difficult to predict the level of performance fees which may be earned in future periods.
	Increase in investment management costs	This reflects the increased amount paid by Certitude to Lighthouse due to the higher performance fee income earned. The agreed contractual arrangements for investment management fees as a proportion of fees earned from its products by Certitude remain unchanged.

Operating expenses

Operating costs remained relatively consistent with prior year, experiencing only a 2.8% increase. The Australian business continues to focus on cost control to ensure that these expenses continue to remain steady.

Outlook

The continued execution 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. Whilst loss-making on a stand-alone basis, Certitude has overall made a positive contribution to the Group due to the management and performance fees earned on the $382 million of assets invested with Lighthouse.

The board continues to see potential in the Certitude business, particularly if the Group can further leverage the distribution capabilities of the Australian business with the possibilities of the Lighthouse managed account program.

	Michael Shepherd	Fernando (Andy) Esteban
Status	**Independent, non-executive**	**Independent, non-executive**
Appointed	16 December 2009	18 June 2008
Roles	**Acting Chairman** Chairman of the Remuneration and Nominations Committee Member of the Audit and Risk Committee	Chairman of the Audit and Risk Committee Member of the Remuneration and Nominations Committee
Background and experience	Michael accepted the role of Acting Chairman of the HFA Board on 31 March 2014. 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. Currently, Michael is Chairman of the Shepherd Centre, an independent director of Australasian Wealth Investments Limited, 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.	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 34 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 Chairman of the board of Certitude Global investments Limited, a wholly-owned subsidiary of HFA Holdings Limited.

Andrew Bluhm

Status: **Non-executive**

Appointed: 17 October 2012

Roles: Member of the Audit and Risk Committee

Background and experience:

Andrew is the founder and principal of Chicago-based DSC Advisors, LP (DSC), which is the investment manager of Delaware Street Capital Master Fund LP. Delaware Street Capital Master Fund LP holds a substantial shareholding in HFA.

DSC invests in a wide array of companies and industries seeking to identify and acquire undervalued securities and sell-short overvalued securities.

Prior to forming DSC, he was a founder and Principal of WSC, and prior thereto worked as a Vice President at JMB and as an Associate at Goldman Sachs.

Andrew has a B.S. magna cum laude from the Wharton School at the University of Pennsylvania and an M.B.A. from Harvard Business School.

Sean McGould

Status: **Executive**

Appointed: 3 January 2008

Background and experience:

Sean is the co-founder of Lighthouse and has served as its Chief Executive Officer, President and Co-Chief Investment Officer since inception.

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.

For the past 20 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

The HFA Group recognises the value of good corporate governance. The board believes that effective governance processes and procedures add to the performance of the HFA Group and engenders the confidence of the investment community.

This statement sets out the principle features of HFA's corporate governance framework and main governance practices in place throughout the year, which comply with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations with 2010 Amendments (CGPR 2010)*, unless otherwise stated.

Further information on HFA's corporate governance approach, including copies of charters and policies referred to in this statement, is available from the corporate governance section of our website (www.hfaholdings.com.au).

Board of directors – role of the Board

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 is specifically responsible for:

- 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, including Chief Executive Officers (CEOs), the Chief Financial Officer (CFO) and the Company Secretary;
- 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 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 board has delegated the responsibility for the day to day operation and administration of the Group to the CEOs of each of its businesses, as well as various other officers, subsidiary directors and executives of the Group.

The CEOs of the Company's two separate operating subsidiaries, Sean McGould (CEO of Lighthouse) and Craig Mowll (CEO of Certitude) report directly to the HFA board. The board believes that as the US and Australian entities operate as distinct business units this provides an appropriate operating structure. The board continues to be assisted in its oversight functions by the company secretary.

Performance appraisals are conducted at least annually for all employees, including management. Craig Mowll's performance is reviewed by the board of Certitude, led by Fernando Esteban, Chairman of the board of directors of Certitude and director of HFA Holdings. During the year, a formal appraisal of Sean McGould's performance was not undertaken. However, as an executive director, Sean McGould participates in board meetings and has regular information communications with other directors.

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

Corporate governance

Composition of the Board

The board is currently comprised of four directors, of whom:

- two (Michael Shepherd and Fernando Esteban) are Independent Non-executive Directors (see Independence section);
- one (Andrew Bluhm) is a Non-executive Director, however is not considered to be Independent as a result of his director-related entity shareholdings in the Group; and
- one (Sean McGould) is an Executive Director, being the CEO of the Lighthouse business.

Spencer Young resigned as a director on 31 March 2014. In addition, a number of directors nominated by the holders of convertible notes issued by the Company resigned during and after the end of the financial year (James Zelter, Grant Kelley, Anthony Civale, Michael Fox and Barry Cohen). The remaining holder of the convertible notes currently has the right to nominate three directors to the HFA Board, however at this time as opted to exercise its Board observer rights instead.

Details of the directors of the Company in office at the date of this report, including their qualifications, experience and date of appointment are set out on pages 18 and 19.

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 board considers that is performance and value to the Group's stakeholders is optimised by seeking a mix of the following skills in amongst the board members:

- investment industry experience, particularly in relation to hedge fund investment strategies;
- financial, legal and corporate governance expertise; and
- backgrounds from both the United States and Australia

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 the Remuneration and Nominations Committee (RNC) must consider and approve their nomination.

Since the resignation of the three directors on 2 July 2014, the board is looking to appoint up to two additional independent, non-executive directors.

The RNC is overseeing the process of identifying potential candidates, and will recommend appropriate candidates to the board after considering the requirements of the Group, as well as any gaps in the skills, knowledge and experience of the combined board. The assistance of an external recruitment or consulting company is utilised where appropriate to ensure a broad range of qualified candidates is identified for the selection process.

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.

New directors are educated about the nature of the business, current issues, the corporate strategy and expectations 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.

In the reporting period, the RNC undertook a review of the Board's composition and overall effectiveness (including its Committees and individual directors.). This review process was facilitated by the Chairman and review findings were discussed with all Board members. In undertaking this review, the RNC considered:

- that the mix of skills, experience, qualifications and expertise residing with Board members collectively and within the Board's Committees is appropriate for the Board and its Committees to currently discharge their duties;
- that access to group information, the CEO and other executives and the opportunity to participate in Group and Committee meetings is satisfactory;
- that the present composition of the Board still allows for critical, quality, expedient and independent decision-making in the best interests of the Group. Notwithstanding this, the RNC considers that the addition of two new independent non-executive directors would be beneficial to the operation of the Board; and
- that the Board and its members add value to the Group through its focus and understanding of its businesses and their strategies.

The Board received confirmation from the Chairs of the RNC and the Audit and Risk Committee that each of the respective Committees:

- function well and provide appropriate oversight and scrutiny to the matters for which they are responsible; and
- they comprise an appropriate mix of skills and experience.

Corporate governance

Chairman of the board

Michael Shepherd has been Acting Chairman of the HFA Board since 31 March 2014.

Prior to this, Spencer Young was Chairman of the board. Due to his previous position as CEO of the Group and the substantial shareholding of his family trust, Mr Young was not an independent director. However, the board believed that Mr Young had the appropriate knowledge, experience and skills to continue to undertake the role of Chairman of the board.

The Company was not in compliance with ASX Corporate Governance Recommendation 2.2 until after 31 March 2014.

Director independence

The Board has adopted the independence definition suggested by the CGPR 2010. Those directors identified as independent are required to advise the board and the company secretary 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 noteholder may nominate three directors to the board of HFA Holdings Limited, as their representatives. At this time, the remaining holder of the convertible notes has not nominated any individuals for appointment as directors and has opted to exercise its Board observer rights instead.

Andy Bluhm was elected to the board at the AGM held in October 2012. Mr Bluhm is the principal of Delaware Street Capital Master Fund L.P., a substantial shareholder of the Company, and as such is not considered to be 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.

These include:

- directors are entitled to seek independent professional advice at the Company's expense, subject to prior consultation with the Chairman;
- 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 declare this, and if judged appropriate, 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 RNC and the ARC 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 Recommendation 2.1 during the financial year.

Independent professional advice and access to Company information

The Board (and each individual director) is entitled to have access to, and seek any information they require from any employee of the Group. In addition, they are entitled to seek independent professional advice at the Company's expense (subject to prior consultation with the Chairman). A copy of any such advice received by an individual 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.

Board Committees

The board has established two committees, the Audit and Risk Committee and the Remuneration and Nominations Committee.

Each Committee supports the full Board and essentially act in a review and advisory capacity in matters that require a more intensive review. Each Committee has a charter (available at www.hfaholdings.com.au) which sets out their respective duties and responsibilities.

Audit and Risk Committee

The Audit and Risk Committee assists the board in discharging its oversight responsibilities in relation to the integrity of the Company's financial reporting and the Company's risk management systems.

The Committee must be comprised of at least three non-executive directors, the majority of which must be independent. The Chair of this Committee may not also be the Chair of the board. Currently the members of this Committee are Fernando Esteban (Chairman), Michael Shepherd and Andrew Bluhm. The qualifications and experience of the members of this Committee are set out on pages 18 and 19.

The Committee met twice during this financial year, and details of attendance is set out on page 24.

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

The primary functions of the Committee are to provide ongoing assurance in the areas of:

- financial administration and reporting;
- audit control and independence;
- risk oversight and management, including internal controls.

The Committee has responsibility for overseeing the audit process, including:

- making recommendations to the board regarding the appointment or 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.

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; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations.

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.

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. Stephen 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 29 of the financial statements.

Remuneration and Nominations Committee

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 must be comprised of at least three non-executive directors, the majority of which must be independent. Effective from 2 July 2014 there are only two members of this Committee: Michael Shepherd (Chairman) and Fernando Esteban. The qualifications and experience of the members of this Committee are set out on pages 18 and 19. As both remaining members are independent directors, and a quorum under the Committee's Charter is two members, the Committee will continue to function with two members until a new director is appointed to the Board and the Committee.

The Committee met once during this financial year, however they did approve key matters relating to remuneration during the year utilising a circularised resolution process. Details of attendance is set out below.

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

The primary functions of the Committee are:

- to establish and oversee the management of remuneration policies designed to meet the needs of the Group and to enhance corporate and individual performance;
- to ensure that an appropriate mix of skills, experience and expertise is held by Board members, and that the Board comprises individuals who are best able to discharge the responsibilities of a director;
- to establish and follow procedures for the selection and recommendation of suitable candidates for appointment to the Board;
- overseeing the appointment, election and induction process for new directors;
- evaluating the performance of the board, board committees and individual directors; and
- reviewing and making recommendations to the board in relation to the Company's achievement of its diversity objectives.

Board and Committee meetings

The agenda for meetings is prepared by the company secretary in consultation with the Chairman, and is set 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, however the directors may have closed sessions without executive involvement during meetings at their discretion.

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2014, 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
Michael Shepherd	14	14	2	2	1	1
Fernando Esteban	14	12	2	2	1	1
Andy Bluhm	14	13	-	-	-	-
Sean McGould	14	12	-	-	-	-
Spencer Young[1]	8	7	-	-	-	-
Anthony Civale[2, 3]	8	8	-	-	-	-
Grant Kelley[1]	5	5	1	1	-	-
Barry Cohen[1,2]	3	3	1	1	-	-
James Zelter[1]	5	-	-	-	-	-
Michael Fox[1,2]	3	3	-	-	-	-

[1] Messrs Young, Kelly, Cohen, Zelter and Fox did not hold the position of Company director for the full twelve months ended 30 June 2014. Refer to page 28 for the appointment period of each director.

[2] As directors appointed by Apollo, Messrs Civale, Cohen and Fox were not eligible to attend the final 6 meetings of the financial year due to a conflict of interest regarding the subsequent event transaction as described on page 30 of the Directors' Report.

[3] As a director appointed by Apollo, Mr Civale was not eligible to attend the Remuneration and Nomination Committee meeting held on 25 June 2014 due to a conflict of interest as this meeting occurred during the time between the announcement and settlement of the subsequent event transaction as described on page 30 of the Directors' Report.

Corporate governance

Information disclosure and shareholder communication

HFA has written policies in place with respect to its continuous disclosure obligations and procedures, and its communication with shareholders (www.hfaholdings.com.au). The board seeks to ensure that the Company's shareholders are provided with sufficient information to understand the operations of the Group and to assess its performance. In addition to using the annual report, HFA uses its website to communicate with its shareholders through electronic access to the latest and past annual reports, all ASX released, share price information and other relevant material.

Shareholders are encouraged to participate at the Company's general meetings, where they may direct questions to the Board and its external auditor. The Company's external auditor attends the Annual General Meeting.

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

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. HFA seeks to make 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, 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 has sought to achieve the objectives and operate in accordance with the spirit of the Group's diversity policy.

The following measurable objectives relating to gender diversity were adopted by the board for the 2014 financial year:

- Use of recruitment guidelines to ensure recruitment processes are carried out in a manner which will encourage the growth of diversity within the Group;
- Provision of equitable learning and development opportunities for all employees; and
- Individual development plans in place with specific goals for all employees, to be agreed annually with their manager, with progress against plans to be tracked through individual training registers.

The board has assessed these objectives and is pleased to report that, where applicable, these objectives have been achieved.

Gender diversity within the Group

As at 30 June 2014	Male	Female	Total	% Female
Total Employees(1)	64	27	91	30%
Senior Executive(1)	5	1	6	17%
Board(2)	5	-	5	0%

(1) Total includes Sean McGould as an executive director but excludes Certitude and HFA non-executive directors.
(2) Includes directors of HFA Holdings Limited, and the additional non-executive director of Certitude.

Other than the resignation of Spencer Young as HFA Group CEO in November 2011 (with this role not being directly replaced), there has been no change in executives since June 2010. This continuity in the leadership team has provided excellent stability for the HFA Group as a whole, however as a consequence there has been limited opportunities for the Group to actively increase the representation of women at its executive level.

Corporate governance

Risk Management

HFA's risk management policy has been adopted by the board and presents the framework upon which the Company meets its risk management obligations.

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. HFA places a strong emphasis on maintaining a risk-aware culture, underpinning the decision making and operational processes at all levels of the business.

Material risk to HFA's operations 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.

Material business risk categories that are addressed by the risk management system include: strategic, market, human resources, regulatory and legal, compliance and governance, reputational, information technology, financial management, product and business continuity.

Risks are managed through implementation of controls which include:

- maintenance of a risk register;
- documented policies and procedures, including any delegation of authority and authority limits;
- the Group operating within an annual budget approved by the board, and management providing the board with monthly reporting of performance against budget;
- adoption of key financial controls such as dual authorization requirements and segregation of duties to ensure transparency and oversight of transactions;
- business continuity and disaster recovery testing to ensure the ability to continue core operations in extreme circumstances;
- ongoing monitoring of regulatory obligations and compliance reporting.

The Audit and Risk Committee has been delegated the responsibility for reviewing the Group's risk framework to satisfy themselves that it remains effective and that it continues to be relevant. Any material changes to the identified risks, or processes for managing these risks, are reported to the board. A summary of the risk management policy is available on HFA's website.

Financial reporting

The Group's financial report preparation process involves the subsidiary CEOs and the Group CFO providing a declaration to the Board that, to the best of their knowledge:

- The financial records have been properly maintained;
- The financial statements and associated notes:
  - comply in all material respects with the Accounting Standards;
  - give a true and fair view, in all material respects, of the Group's financial position and performance;

In making the above declaration the subsidiary CEOs and Group CFO's have satisfied themselves that:

- HFA has a sound system of risk management and internal compliance and control, and that the risk management, internal compliance and control systems operate effectively and efficiently in all material respects;
- HFA's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects in relation to financial reporting;
- Nothing has come to their attention since the end of the reporting period that would indicate any material change to the above.

Corporate governance

Ethical standards and conduct

All directors, executives and employees are expected to act with the utmost integrity and objectivity, as this is core to enhancing the reputation and performance of the Group.

The Group has adopted both Directors' and Employees' Code of Conduct to be followed by all Group employees and officers. The key aspects of these Codes are to:

- to act with honesty, integrity and fairness;
- to act in a way which protects the interests of shareholders, employees and our clients;
- to act in accordance with the law; and
- to use the Group's resources appropriately.

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.

Dealing in shares

The Company has a written policy in respect to trading in shares which is summarized at www.hfaholdings.com.au. The policy reinforces the *Corporations Act 2001* restrictions in relation to insider trading, and prohibits 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.

Under the policy the following key restrictions apply to HFA directors, officers and/or employees:

- **trading window**: officers and 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 in accordance with the policy;
- **short-term dealing:** Within any three month period, a director may not deal in the HFA securities without permission. Other employees may only do so with the requisite prior approval; and
- **limiting economic risk**: officers and employees may not sell HFA securities or enter into an arrangement to limit the economic risk of any unvested entitlements to HFA securities. They may only do so in relation to existing holdings of HFA securities where they have provided prior notice to the Company Secretary.

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.

The Corporate Governance section of HFA's website (www.hfhaholdings.com.au) contains:

The following documents:

- Board charter
- Audit and Risk Committee Charter
- Remuneration and Nominations Committee Charter
- External auditor policy
- Directors' and employee codes of conduct

Summary information on the following:

- Continuous disclosure policy
- Shareholder communication policy
- Trading policy
- Risk management policy
- Diversity policy

Directors' report

The directors present their report together with the financial statements of the Group comprising of HFA Holdings Limited and its subsidiaries, for the financial year ended 30 June 2014 and the auditor's report thereon.

Directors

The directors of the Company at any time during the financial year and up to the date of this report are:

Michael Shepherd	
Fernando Esteban	
Andy Bluhm	
Sean McGould	
Spencer Young	Resigned 31 March 2014
Anthony Civale	Resigned 2 July 2014
James Zelter	Resigned 27 November 2013
Grant Kelley	Resigned 3 February 2014
Michael Fox	Appointed 27 November 2013; Resigned 2 July 2014
Barry Cohen	Appointed 3 February 2014; Resigned 2 July 2014

The continuing directors' qualifications and experience are detailed on pages 18 and 19. 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 on page 24. This information is incorporated in and forms part of this Directors' Report.

Directors who resigned during or since the end of the year

Spencer Young

Spencer founded Certitude Global Investments Limited in 1998 which later listed on the ASX in April 2006 via an IPO of HFA Holdings Limited. He has over 30 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.

Anthony Civale

Anthony is the Lead Partner and Chief Operating Officer of Apollo Capital Management, LLC, a credit oriented capital markets business. Previously, Anthony, served as a Senior Partner in Apollo's private equity business. Anthony serves on the board of directors of Berry Plastics Group, and has previously served on the board 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

Grant resigned as co-head of Asia Pacific for Apollo Global Management in February 2014, where he led their real estate investment activities in that region. He 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 Master's degree in International Relations from the London School of Economics and Political Science, and a MBA from the Harvard Business School.

James Zelter

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.

Michael Fox

Michael joined Apollo in 2009 and is a senior member of Apollo's marketing and investor relations team, specialising in credit and hedge funds. Prior to that time, he held a number of roles in the hedge fund industry, including serving as product specialist for Pequot Capital Management and participating in the investment committee for ACAM Advisors, a hedge fund of funds. Before joining the hedge fund industry in 2001, Mr Fox was a consultant at Merrill Lynch where he advised high net worth individuals and middle market companies on investments and liability management. Prior to Merrill Lynch, he began his career at Norwest Financial originating and collecting subprime loans. Michael graduated from Iona College with a degree in Finance.

Barry Cohen

Barry has been Senior Managing Director of Apollo Capital markets since 2008. Barry served as Senior Managing Director at Bear Stearns Asset Management Inc. from 2003 to 2008 and served as its Director of Alternative Investments. Prior to joining Bear Stearns Asset Management Inc. in 1987, Barry served as a Risk Arbitrageur at First Boston Corp. and a mergers and acquisitions lawyer at Davis Polk & Wardwell. He serves as Chairman of the Board of Apollo Senior Floating Rate Fund Inc. and has been its Director since January 2011. Mr. Cohen serves as Director at Michael J. Fox Foundation for Parkinson's Research. He serves as Director of Bear Stearns Asset Management Inc. He also serves as a Director at Mt. Sinai Children's Center Foundation and Harvard Office for the Arts. Barry graduated from Harvard College. He received a J.D. and M.B.A. degree from Harvard Law School and Harvard Business School, respectively.

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 of HFA. Prior to joining the Company in 2003, Amber was a senior manager at KPMG, specialising in the funds management industry.

Ms Kate O'Donohue BA MSc Corp. Gov. ACSA, ACIS held the position of joint company secretary between 7 March 2012 and 13 February 2014. Kate has over ten years' experience working within company secretariat departments of listed and unlisted companies in both Australia and the United Kingdom.

Dividends

The directors have determined an unfranked dividend of United States (US) 5.0 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 17 September 2014.

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2014.

Declared and paid during the year ended 30 June 2014	Cents per share	Total amount USD'000	Date of payment
Final 2013 ordinary	0.03	3,592	6 September 2013
Final 2013 convertible noteholders	0.03	843	12 September 2013
Interim 2014 ordinary	0.03	3,598	27 March 2014
Total amount		**8,033**	

Together with the fully franked interim dividend of USD 3.0 cents per share paid to shareholders on 27 March 2014, the total dividend to be paid in relation to the year ended 30 June 2014 will be USD 8.0 cents per share.

Principal activities

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

Operating and financial review

Information on the operations and financial position of the Group and its business strategies and prospects is included in this annual financial report on pages 5 to 17.

Significant changes in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this financial report.

Likely developments and expected results

Further information on likely developments in the operations of the Group and the expected results of operations have been included in this annual financial report on pages 5 to 17.

Events subsequent to end of financial year

On 2 July 2014, the Group completed a transaction that contained the following components:

- the buy-back of all of 50 convertible notes ("Buy-Back") on issue to APH HFA Holdings, LP, an affiliate of Apollo Global Management, LLC (together with its consolidated subsidiaries, "Apollo");
- each repurchased convertible note was bought back at its initial face value of $1 million ($50 million in total). Apollo waived interest accrued on these notes between the original issue date of 7 March 2011 and immediately prior to completion of the Buy-Back on 2 July 2014;
- as a part of the Buy-Back, Apollo concluded its broader strategic alliance with HFA and the right of first refusal arrangements that Apollo holds over HFA employee shareholdings were cancelled;
- the Buy-Back was funded from:
  - a placement to eligible institutional investors, and
  - existing cash held by HFA;
- The accrued interest the 25 convertible notes that remained on issue was waived by the noteholder in consideration for certain amendments to their existing terms;
- 31,250,000 options held by the noteholders were cancelled for nil consideration; and
- The Westpac senior lending facility terms were amended to include a $5 million repayment of debt (completed on 2 July 2014), and an increase in annual loan repayments from $2 million to $7.5 million.

The financial impacts of the transaction will be reflected in the consolidated financial statements of the Group for the year ending 30 June 2015.

On 11 August 2014, the remaining 25 convertible notes on issue were converted into ordinary shares of the Company

On 7 August 2014 the Company received notification from the holder of the remaining 25 convertible notes on issue that it would exercise its option under the note terms to convert the notes to ordinary shares of HFA Holdings Limited effective 11 August 2014.

The financial impacts of the transaction will be reflected in the consolidated financial statements of the Group for the year ending 30 June 2015.

Directors' interests

The relevant interest of each director in the shares issued by the Company at the date of this report is as follows:

Director	Ordinary shares	*Notes*
Michael Shepherd	125,000	125,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund
Fernando Esteban	27,000	27,000 shares are held indirectly by FJE Superannuation Fund
Andy Bluhm	26,101,982	26,101,982 shares are held indirectly by Delaware Street Capital Master Fund, LP (DSC). Mr Bluhm is the founder and principal of DSC Advisors, LP, which is the investment manager of DSC
Sean McGould	19,438,084	19,436,084 shares are held indirectly by SGM Holdings, LLC

Remuneration report (audited)

The following Remuneration report outlines the remuneration arrangements for the Group's key management personnel. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group.

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;
- encourage appropriate performance and results to uphold shareholder interests; and
- properly reflect each individual's duties and responsibilities.

The board has established a Nominations and Remuneration Committee, which is charged with establishing and reviewing the remuneration policies of the Group. An overview of the functions of this Committee is set out on page 24. A copy of the Committee Charter is available on the HFA website (www.hfaholdings.com.au).

Remuneration structure

The remuneration of senior executives of the Group is comprised of two elements:

1. ***Fixed remuneration***

Fixed remuneration consists of base salary, as well as leave entitlements and employer contributions to 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 additional benefits that include educational assistance, adoption assistance and health care benefits.

Fixed remuneration is reviewed at least annually, or on promotion, to ensure that it is competitive and reasonable. There are no guaranteed increases to the fixed remuneration amount. 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.

2. ***Performance linked remuneration***

The variable component of senior executives' remuneration is comprised of potential participation in a bonus pool and ability to participate in equity incentive schemes when made available.

Bonus pools

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.

Remuneration report (audited)

Short-term incentives through bonus pools are tailored for each business unit. The arrangements currently in place within the Group are:

HFA Holdings Limited (parent company)	
HFA Holdings 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 general bonus pool is approved by the board. The Remuneration and Nominations Committee recommends a bonus amount for the CFO, which is allocated from the HFA Holdings General pool.
Lighthouse	
Lighthouse general bonus pool	The total amount of the Lighthouse general bonus pool has been calculated as 25% of Lighthouse's EBITDA (before the bonus pools and excluding performance fee revenue). This amount is reviewed annually to determine if the amounts is appropriate to attract and retain employees. Allocation of the Lighthouse general bonus pool to staff other than as noted below is determined by the Lighthouse CEO. ▪ A bonus for the Lighthouse CEO is determined and approved by the board based on an assessment of his performance for the previous calendar year. This bonus amount forms part of the overall Lighthouse general bonus pool. ▪ In accordance with their service agreements, Kelly Perkins and Rob 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 general bonus pool. ▪ No individual bonus can be greater than 10% of the Lighthouse general bonus pool without board approval.
Lighthouse incentive fee bonus pool	Lighthouse portfolio managers are eligible to participate in a bonus pool determined as 50% of performance fee revenue earned by the Lighthouse business unit from its managed funds and customised client portfolios. The pool is allocated by the Lighthouse CEO based on the contribution of the portfolio managers to the creation of the performance fee revenue.
Certitude	
Certitude general bonus pool	The total discretionary amount of the Certitude general bonus pool is recommended by the Certitude board to the Remuneration and Nominations Committee. Allocation of the Certitude general 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 bonus amount. The total amount of the general bonus pool, and the specific allocation to the Certitude CEO is then recommended to the HFA Holdings board for approval by the Remuneration and Nominations Committee.

Equity incentive schemes

HFA has in the past provided employees with the opportunity to participate in ownership of shares in the Company. Such opportunities were provided to Lighthouse staff in 2011 and Australian staff in 2012. Further, the grant of performance rights to the Lighthouse CEO was approved by shareholders at the Annual General Meeting held on 27 November 2013, however the Lighthouse CEO elected not to accept this grant and hence no rights were issued.

The 3,875,000 performance rights on issue to Lighthouse staff during the 2014 financial year did not meet the required performance hurdle, and accordingly lapsed on 31 December 2013. The 710,000 performance rights on issue to Australian staff have a vesting date of 15 August 2014, and will officially lapse on that date due to not meeting the required performance hurdle.

Any future grants made as part of equity incentive schemes will be determined by the Board as part of the Group's overall remuneration structure. Such structuring will take into account that Lighthouse senior executives already have relatively large shareholdings in the Company, and careful consideration needs to be given to any structure to ensure that it appropriately motivates executives to achieve long term performance growth. Approvals will be sought from shareholders' at the Company's next Annual General Meeting if and as required under the *Corporations Act 2001* and ASX Listing Rules.

Remuneration report (audited)

Non-executive directors

Non-executive directors may 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.

Current fees paid to non-executive directors are:

Chair	AUD 125,000 per annum (plus superannuation)
Non-executive director	AUD 80,000 per annum (plus superannuation)

Actual remuneration for non-executive directors for the financial year ended 30 June 2014 was $326,161 (2013: $412,731). Messrs Civale, Kelley, Zelter, Cohen, Fox and Bluhm have elected not to receive remuneration from the Company for their roles as non-executive directors.

Non-executive 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 performance-linked equity 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.

The board's policy is to remunerate non-executive directors at market rates for comparable companies having regard to the time commitments and responsibilities assumed.

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:

	2014	2013	2012	2011	2010
Net profit / (loss) after tax (USD 000's)	13,914	5,551	2,690	5,527	4,205[1]
Earnings before interest, tax, depreciation, amortisation, impairment and equity settled transactions	26,403	17,593	14,485	21,413	23,132[1]
Dividends paid[2] (USD 000's)	8,033	7,297	7,876	-	-
Dividends per share[2] (US cents) paid	6.0	6.0	7.0	-	-
Closing share price (dollars)[3]	AUD 1.05	AUD 0.90	AUD 0.68	AUD 1.23	AUD 0.68
Change in share price (dollars)[3]	AUD 0.15	AUD 0.22	AUD (0.55)	AUD 0.55	AUD (0.02)

[1] Translated to USD using monthly average exchange rates.
[2] Represents dividends paid in the relevant financial year.
[3] 2010 numbers adjusted to provide reasonable comparative amounts in light of HFA's 1 March 2011 4 to 1 share consolidation.

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 directors and 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 2014 was converted to USD at the average exchange rate of AUD/USD 0.9186 (2013: AUD/USD 1.0268).

Remuneration report (audited)

Response to vote against the 2013 Remuneration report

At HFA's 2013 Annual General Meeting, the Company received votes against its Remuneration report representing greater than 25% of the votes cast by persons entitled to vote. In these circumstances, the *Corporations Act 2001* requires that HFA include in this year's Remuneration report, an explanation of the board's proposed action in response to that First Strike or, alternatively, if the board does not propose any action, the board's reason for such inaction.

Whilst the Company did not receive any specific reasons from those shareholders who voted against the Remuneration report, discussions by senior management with institutional shareholders throughout the year noted that the perception is that the short-term remuneration paid by the Group appears high relative to other Australian companies.

The majority of the Group's AUMA, and currently all of the profits of the Group, are generated by the Lighthouse Group which operates predominately in the United States. As such, the board is conscious that any assessment of remuneration needs to take into consideration remuneration levels and practices applicable to staff of United States hedge fund managers and other relevant peers, rather than remuneration levels and practices which apply in the Australian funds management industry.

The board has conducted a detailed review of the bonus pool arrangements in place for the Lighthouse Group (which makes up over 90% of the total bonus pool amount). Benchmarking was conducted against publicly available information for peer companies in the United States, which demonstrated that the quantum of bonus arrangements as a ratio of entity revenue is in line with relevant peers. Overall, the board has satisfied itself that these bonus arrangements are appropriate if the Lighthouse business is to continue to retain and motivate qualified and experienced professionals in the competitive United States hedge fund industry.

The Lighthouse bonus arrangements have been refined so that a separate performance fee pool is allocated for portfolio managers, calculated as 50% of performance fee revenue earned by Lighthouse. The board believes that this arrangement is consistent with hedge fund industry practice in the United States, and provides appropriate alignment of interests to motivate the performance of portfolio managers to generate performance fee revenue for the Group.

Details of remuneration

Key management personnel comprise the following directors of the Company and the senior executives of the Group:

Name	Position held
Non-Executive Directors	
Michael Shepherd	Non-Executive Director, and Acting Chairman (acting chairman from 31 March 2014)
Fernando Esteban	Non-Executive Director
Andy Bluhm	Non-Executive Director
Spencer Young	Chairman and Non-Executive Director (resigned 31 March 2014)
Anthony Civale	Non-Executive Director (resigned 2 July 2014)
Michael Fox	Non-Executive Director (appointed 27 November 2013, resigned 2 July 2014)
Barry Cohen	Non-Executive Director (appointed 3 February 2014, resigned 2 July 2014))
Grant Kelley	Non-Executive Director (resigned 3 February 2014)
James Zelter	Non-Executive Director (resigned 27 November 2013)
Executive Director	
Sean McGould	Chief Executive Officer, President and Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
Executives	
Amber Stoney	Chief Financial Officer and Company Secretary, HFA Holdings Limited
Craig Mowll	Chief Executive Officer, Certitude Global Investments Limited
Scott Perkins	Executive Managing Director, Lighthouse Investment Partners, LLC
Kelly Perkins	Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
Rob Swan	Chief Operating Officer, Lighthouse Investment Partners, LLC

Details of the remuneration of key management personnel are set out in the tables on the following pages.

Remuneration report (audited)

Directors' and executive officers' remuneration

		Short-term					Post-employment	Other long-term		S300A (1)(e)(i)
		Salary & fees $	[C] STI cash bonus $	Annual leave [D] $	Health care benefits $	Total $	Superannuation/ retirement plan contributions $	Long service leave [D] $	Total $	Proportion of remuneration performance based
Non-Executive Directors										
Michael Shepherd	**2014**	**83,822**	**-**	**-**	**-**	**83,822**	**7,754**	**-**	**91,576**	**-**
	2013	82,144	-	-	-	82,144	7,393	-	89,537	-
Fernando Esteban	**2014[A]**	**128,604**	**-**	**-**	**-**	**128,604**	**11,896**	**-**	**140,500**	**-**
	2013[A]	143,752	-	-	-	143,752	12,938	-	156,690	-
Spencer Young	**2014[B]**	**86,119**	**-**	**-**	**-**	**86,119**	**7,966**	**-**	**94,085**	**-**
	2013	128,350	-	-	-	128,350	11,552	-	139,902	-
Executive Directors										
Sean McGould	**2014**	**250,000**	**500,000**	**-**	**15,489**	**765,489**	**15,000**	**-**	**780,489**	**64%**
	2013	250,000	-	-	14,540	264,540	15,000	-	279,540	-
Executives										
Craig Mowll	**2014**	**349,068**	**275,580**	**(11,412)**	**-**	**613,236**	**16,328**	**5,813**	**635,377**	**43%**
	2013	390,184	256,700	7,227	-	654,111	16,911	17,791	688,813	37%
Amber Stoney	**2014**	**275,580**	**229,650**	**(9,010)**	**-**	**496,220**	**16,328**	**4,591**	**517,139**	**44%**
	2013	308,040	154,020	(8,365)	-	453,695	16,911	15,592	486,198	32%
Scott Perkins	**2014**	**250,000**	**642,000**	**-**	**15,489**	**907,489**	**15,000**	**-**	**922,489**	**70%**
	2013	250,000	605,000	-	14,540	869,540	7,500	-	877,040	69%
Kelly Perkins	**2014**	**250,000**	**875,000**	**-**	**15,489**	**1,140,489**	**17,500**	**-**	**1,157,989**	**76%**
	2013	250,000	755,000	-	14,540	1,019,540	6,250	-	1,025,790	74%
Rob Swan	**2014**	**250,000**	**672,000**	**-**	**15,489**	**937,489**	**17,500**	**-**	**954,989**	**70%**
	2013	250,000	605,000	-	14,540	869,540	7,500	-	877,040	69%
Total	**2014**	**1,923,193**	**3,194,230**	**(20,422)**	**61,956**	**5,158,957**	**125,272**	**10,404**	**5,294,633**	**60%**
	2013	2,052,470	2,375,720	(1,138)	58,160	4,485,212	101,955	33,383	4,620,550	51%

A In addition to the $80,286 (2013: $89,537) received by Fernando Esteban for his role as non-executive director of HFA Holdings Limited, he received $60,214 (2013: $67,153) for his role as non-executive director of Certitude Global Investments Limited.

B Spencer Young resigned as Chairman and director effective 31 March 2014.

C Refer to the following table for an analysis of cash bonuses included in remuneration.

D The amounts show in the Annual Leave and Long Service Leave columns represent a movement in the relevant leave provision movements for each individual. Leave provision movements are a result of leave accrued less leave entitlements utilised.

Remuneration report (audited)

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 in the current reporting period are detailed below:

	Included in remuneration	% Vested in year	% Forfeited in year
Sean McGould	500,000	100% [A]	0%
Craig Mowll	275,580	100% [B]	0%
Amber Stoney	229,650	100% [B]	0%
Scott Perkins	642,000	100% [C]	0%
Kelly Perkins	875,000	100% [D]	0%
Rob Swan	672,000	100% [D]	0%

A The short-term incentive payment attributed to Sean McGould relates to the Calendar Year ended 31 December 2013. Mr McGould's discretionary bonus for the six months ended 30 June 2014 will be paid in December 2014, and has not yet been determined.

B 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 2014.

C Scott Perkins' cash bonus is paid on an annual calendar year basis. The 2014 bonus included above relates to the 12 months ended 31 December 2013. Mr Perkins' discretionary bonus for the six months ended 30 June 2014 will be paid in December 2014, and has not yet been determined.

D As per their service agreements, Kelly Perkins and Rob 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 2014.

Contractual arrangements

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 page 21 and 33 for details regarding the appointment and remuneration of non-executive directors.

Lighthouse senior executives

Sean McGould, Scott Perkins, Kelly Perkins and Rob 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 any time 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.

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

Kelly Perkins and Rob 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.

Remuneration report (audited)

HFA Holdings and Certitude senior executives

Craig Mowll and Amber 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.

Analysis of performance rights over equity instruments granted as remuneration

Movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly, indirectly or beneficially, by key management personnel, including their related parties was as follows:

2014	Balance 1 July 2013	Granted as remuneration	Vested during the year	Forfeited during the year	Balance 30 June 2014
Executives					
C Mowll	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)	-

The vesting profiles of performance rights granted in prior reporting periods to each key management person of the Group is as follows:

Executives	Number of rights granted	Grant date	[A] Fair value per right at grant date $	[A] Fair value per grant at grant date $	Vesting date	Financial year in which grant vests	Rights forfeited in the current financial year	Vesting Conditions
Scott Perkins	625,000	20/01/11	0.97	607,925	31/12/1	2014	625,000	[C]
Kelly Perkins	625,000	20/01/11	0.97	607,925	31/12/1	2014	625,000	[C]
Rob Swan	625,000	20/01/11	0.97	607,925	31/12/1	2014	625,000	[C]
Craig Mowll	190,000	05/03/12	0.74	140,505	15/08/1	2015	[B]	[E]
Amber	150,000	05/03/12	0.74	110,925	15/08/1	2015	[B]	[D] / [E]

A Fair value at grant date was calculated using the Black Scholes option-pricing model. No value has been allocated to remuneration over the current or prior reporting periods as the vesting probability for these rights was assessed as nil.

B The performance hurdles attached to these rights were not achieved as at 30 June 2014. These rights will be officially forfeited on the release of the Group's results in August 2014.

Vesting Conditions	
C - 2011 Lighthouse Performance Rights	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. The fair value of these rights at the date of forfeiture was $0.65 per right, based on the share price and AUD:USD exchange rate prevailing on that date.
D - 2012 Holdings Performance Rights	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.
E - 2012 Certitude Performance Rights	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.

No terms of performance rights granted to key management personnel during prior reporting periods have been altered or modified by the issuing entity during the current reporting period.

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.

Remuneration report (audited)

Additional information

Movement in shares

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

2014	Balance 1 July 2013	Purchases	Sales	Net change other	Balance 30 June 2014
Directors					
Michael Shepherd[1]	125,000	-	-	-	125,000
Fernando Esteban[2]	27,000	-	-	-	27,000
Andy Bluhm[3]	26,101,982	-	-		26,101,982
Sean McGould[4]	19,438,084	-	-	-	19,438,084
Spencer Young[5]	7,034,564	-	-	(7,034,564)	-
Executives					
Amber Stoney[6]	180,374	-	-	-	180,374
Scott Perkins	2,936,512	-	-	-	2,936,512
Kelly Perkins	4,776,722	-	-	-	4,776,722
Rob Swan	2,936,512	-	-	-	2,936,512

1 125,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund.
2 27,000 shares are held indirectly by FJE Superannuation Fund.
3 26,101,982 shares are held indirectly by Delaware Street Capital Master Fund, LP (DSC). Mr Bluhm is the founder and principal of DSC Advisors, LP, which is the investment manager of DSC.
4 19,436,084 shares are held indirectly by SGM Holdings, LLC.
5 7,034,564 shares are held indirectly by Mr Young as Trustee for the Spencer Young Family Trust. Mr Young resigned as Chairman and director effective 31 March 2014.
6 162,396 shares are held indirectly by AJ Stoney Family Trust.

Other transaction with key management personnel

A Civale, G Kelley, J Zelter, B Cohen and M Fox were directors of HFA Holdings Limited for various periods during the financial year ended 31 June 2014 (the 'Apollo Directors'). During the time that the Apollo Directors held this position, they also held positions with Apollo Global Management, LLC or its affiliates (the 'Apollo Group').

Up until 2 July 2014, the Apollo Group, as holder of convertible notes and share options issued by the Company (refer notes 21 and 23 to the consolidated financial statements) and as party to a Marketing Agreement with HFA's US subsidiary Lighthouse Investment Partners, LLC, was a related party of the HFA Holdings Limited Group.

The Apollo Directors were appointed to the HFA Holdings Limited board in accordance with the original terms of issue of the convertible notes.

Indemnification and insurance of directors and officers

Indemnification

The Company has agreed to indemnify current and former directors and officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate 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 and officers 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 agreements stipulate 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 directors and 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.

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 and Risk 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 29 of the financial statements.

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 41 and forms part of the directors' report for the financial year ended 30 June 2014.

Rounding of amounts

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.

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

Michael Shepherd
Acting Chairman

F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 18th day of August 2014

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 2014 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.

KPMG

KPMG

Stephen Board

Stephen Board
Partner

Dated at Brisbane this 18th day of August 2014

Financial report

Income statement
For the year ended 30 June 2014

Amounts in USD'000

		Consolidated	
	Note	2014	2013
Revenue	6	70,681	66,077
Distribution and investment management costs		(6,747)	(8,617)
Net income from operating activities		**63,934**	**57,460**
Operating expenses	7	(47,834)	(49,235)
Results from operating activities		**16,100**	**8,225**
Finance income	8	1,214	1,768
Finance costs	8	(3,355)	(4,425)
Net finance costs		**(2,141)**	**(2,657)**
Profit before income tax		**13,959**	**5,568**
Income tax expense	9	(45)	(17)
Profit for the year		**13,914**	**5,551**
Attributable to:			
Owners of the Company		13,914	5,551
Profit for the year		**13,914**	**5,551**

Earnings per share		2014 per share	2013 per share
Basic earnings per share (US cents)	25	7.80	3.97
Diluted earnings per share (US cents)	25	7.80	3.97

The accompanying notes form part of these consolidated financial statements.

Statement of comprehensive income
For the year ended 30 June 2014

Amounts in USD'000

	Note	Consolidated 2014	Consolidated 2013
Profit for the year		**13,914**	**5,551**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	8	226	(1,443)
Increase in fair value of investment held as available-for-sale	15	1,493	-
Total items that may be reclassified subsequently to profit or loss		**1,719**	**(1,443)**
Other comprehensive income for the year		**1,719**	**(1,443)**
Total comprehensive income for the year		**15,633**	**4,108**
Attributable to:			
Owners of the Company		15,633	4,108
Total comprehensive income for the year		**15,633**	**4,108**

The accompanying notes form part of these consolidated financial statements.

Statement of financial position
As at 30 June 2014

Amounts in USD'000

		Consolidated	
	Note	2014	2013
Assets			
Cash and cash equivalents	11	65,902	46,078
Investments in term deposits	12	-	2,352
Trade and other receivables	14	12,861	14,362
Current tax assets	10	162	142
Total current assets		**78,925**	**62,934**
Investments	15	9,076	7,046
Plant and equipment	17	685	857
Intangible assets	18	110,096	119,366
Other non-current assets	16	703	697
Total non-current assets		**120,560**	**127,966**
Total assets		**199,485**	**190,900**
Liabilities			
Trade and other payables	19	7,186	6,770
Employee benefits	20	7,242	6,905
Loans and borrowings	21	5,340	4,794
Total current liabilities		**19,768**	**18,469**
Employee benefits	20	146	142
Loans and borrowings	21	36,232	40,365
Total non-current liabilities		**36,378**	**40,507**
Total liabilities		**56,146**	**58,976**
Net assets		**143,339**	**131,924**
Equity			
Share capital	23	270,963	267,148
Reserves	23	21,235	14,429
Accumulated losses		(148,859)	(149,653)
Total equity attributable to equity holders of the Company		**143,339**	**131,924**

The accompanying notes form part of these consolidated financial statements.

Statement of changes in equity

For the year ended 30 June 2014

Amounts in USD'000

		Consolidated					
		Attributable to equity holders of the Company					
	Note	Share Capital	Share Based Payments 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 year							
Profit for the year		-	-	-	-	5,551	5,551
Transfer to parent entity profits reserve[1]		-	-	-	12,397	(12,397)	-
Other comprehensive income							
Foreign currency translation differences	8	-	-	(1,443)	-	-	(1,443)
Total other comprehensive income		-	-	(1,443)	-	-	(1,443)
Total comprehensive income for the year		-	-	(1,443)	12,397	(6,846)	4,108
Transactions with owners, recorded directly in equity							
Equity component of capitalised convertible note interest	21	3,363	-	-	-	-	3,363
Dividends to equity holders	23	-	-	-	(7,297)	-	(7,297)
Total transactions with owners		3,363	-	-	(7,297)	-	(3,934)
Balance at 30 June 2013		**267,148**	**17,168**	**(7,839)**	**5,100**	**(149,653)**	**131,924**

[1] Relates to the opening retained earnings and current year profit of the parent entity (HFA Holdings Limited).

The accompanying notes form part of these consolidated financial statements.

Amounts in USD'000

	Note	Consolidated						
		Attributable to equity holders of the Company						
	Note	Share Capital	Share Based Payments Reserve	Fair Value Reserve	Translation Reserve	Parent Entity Profits Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2013		267,148	17,168	-	(7,839)	5,100	(149,653)	131,924
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	13,914	13,914
Transfer to parent entity profits reserve[1]		-	-	-	-	13,120	(13,120)	-
Other comprehensive income								
Foreign currency translation differences	8	-	-	-	226	-	-	226
Increase in fair value of investment held as available-for-sale		-	-	1,493	-	-	-	1,493
Total other comprehensive income		-	-	1,493	226	-	-	1,719
Total comprehensive income for the year		-	-	1,493	226	13,120	794	15,633
Transactions with owners, recorded directly in equity								
Equity component of capitalised convertible note interest	21	3,815	-	-	-	-	-	3,815
Dividends to equity holders	23	-	-	-	-	(7,190)	-	(7,190)
Dividends to convertible noteholders	23	-	-	-	-	(843)	-	(843)
Total transactions with owners		3,815	-	-	-	(8,033)	-	(4,218)
Balance at 30 June 2014		**270,963**	**17,168**	**1,493**	**(7,613)**	**10,187**	**(148,859)**	**143,339**

[1] Relates to the current year profit of the parent entity (HFA Holdings Limited).

The accompanying notes form part of these consolidated financial statements.

Statement of cash flows
For the year ended 30 June 2014

Amounts in USD'000

		Consolidated	
	Note	2014	2013
Cash flows from operating activities			
Cash receipts from customers		74,053	67,677
Cash paid to suppliers and employees		(46,729)	(48,635)
Cash generated from operations		27,324	19,042
Interest received		643	1,153
Income taxes paid		(69)	(138)
Net cash from operating activities	13	**27,898**	**20,057**
Cash flows from investing activities			
Acquisition of plant and equipment		(81)	(398)
Acquisition of software intangibles		-	(1,250)
Acquisition of investments		(1)	(271)
Proceeds from disposal of investments		93	332
Acquisition of other non-current assets		-	(31)
Transfers from investments in cash deposits		2,389	6,075
Net cash from investing activities		**2,400**	**4,457**
Cash flows from financing activities			
Interest paid		(778)	(878)
Repayment of borrowings		(2,000)	(2,000)
Dividends paid to equity holders		(7,190)	(7,297)
Dividend paid to convertible noteholders		(843)	-
Net cash used in financing activities		**(10,811)**	**(10,175)**
Net increase in cash and cash equivalents		**19,487**	**14,339**
Cash and cash equivalents at 1 July		46,078	32,736
Effect of exchange rate fluctuations on cash balances held in foreign currencies		337	(997)
Cash and cash equivalents at 30 June	11	**65,902**	**46,078**

The accompanying notes form part of these consolidated financial statements

1. Reporting entity

The financial report of HFA Holdings Limited (the 'Company' / 'HFA') was approved by the board of directors on the 18th day of August 2014.

The Company is a public company incorporated in Australia and is listed on the Australian Securities Exchange.

The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (the 'Group') (see note 32).

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

2. Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Details of the Group's accounting policies, including changes during the year, are included in notes 35 and 36.

3. 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.

4. Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount 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 estimates are recognised prospectively.

Assumptions and estimation uncertainties

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 9 - recognition of deferred tax assets: availability of future taxable profit against which carried forward tax losses can be used;
- note 18 - impairment test: key assumptions underlying recoverable amounts; and
- note 15 and 26 - fair value measurement of investments;
- note 26 - valuation of financial instruments.

4. Use of estimates and judgements (continued)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Items	Measurement method
Investments in financial assets at fair value through profit or loss	The fair value of these investments is determined by reference to their exit price at reporting date as determined by the investment manager.
Investment in available-for-sale financial assets	The fair value of this investment at 30 June 2014 has been determined based a recent arm's length transaction which provided external evidence of the value of this equity investment held by the Group.
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 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.

Where applicable, further information about the assumptions made in determining fair values is disclosed in note 26.

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 unit's CEO and the board of directors review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

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

Corporate includes the corporate parent entity, HFA Holdings Limited.

(i) Integration between segments

$382 million (2013: $333 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 United States reportable segments.

(ii) Major revenue source

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

29% (2013: 39%) of the Group's total revenue relates to management fees earned on the Lighthouse Diversified Fund, which represents 18% of Group AUMA as at 30 June 2014 (2013: 20%).

20% (2013: 17%) of the Group's total revenue relates to management fees and performance fees earned on the Lighthouse Global Long/Short Fund, which represents 15% of Group AUMA as at 30 June 2014 (2013: 13%).

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

5. Operating segments (continued)

Amounts in USD'000

	Reportable Segments						Reconciliation to consolidated totals					
	United States		Australia		Total reportable segments		Corporate		Elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External revenue	62,064	57,994	8,617	8,083	70,681	66,077	-	-	-	-	70,681	66,077
Inter-segment revenue	2,772	2,281	-	-	2,772	2,281	-	-	(2,772)	(2,281)	-	-
Distribution and investment management costs	(6,177)	(7,980)	(3,342)	(2,918)	(9,519)	(10,898)	-	-	2,772	2,281	(6,747)	(8,617)
Net income from operating activities	**58,659**	**52,295**	**5,275**	**5,165**	**63,934**	**57,460**	**-**	**-**	**-**	**-**	**63,934**	**57,460**
Operating expenses (excluding depreciation and amortisation)	(29,105)	(29,939)	(6,576)	(7,746)	(35,681)	(37,685)	(2,204)	(1,794)	-	-	(37,885)	(39,479)
Net finance income / (costs) (excluding interest)	503	332	80	198	583	530	17,538	11,628	(17,767)	(12,546)	354	(388)
Earnings before interest, tax, depreciation and amortisation	**30,057**	**22,688**	**(1,221)**	**(2,383)**	**28,836**	**20,305**	**15,334**	**9,834**	**(17,767)**	**(12,546)**	**26,403**	**17,593**
Depreciation and amortisation	(9,923)	(9,710)	(26)	(46)	(9,949)	(9,756)	-	-	-	-	(9,949)	(9,756)
Interest revenue	3	2	481	793	484	795	112	310	-	-	596	1,105
Interest expense (secured debt)	(765)	(858)	-	-	(765)	(858)	-	-	-	-	(765)	(858)
Interest expense (convertible notes)	-	-	-	-	-	-	(2,326)	(2,516)	-	-	(2,326)	(2,516)
Reportable segment profit / (loss) before income tax	**19,372**	**12,122**	**(766)**	**(1,636)**	**18,606**	**10,486**	**13,120**	**7,628**	**(17,767)**	**(12,546)**	**13,959**	**5,568**
Income tax (expense) / benefit	(45)	(17)	-	-	(45)	(17)	-	-	-	-	(45)	(17)
Reportable segment profit / (loss) after income tax	**19,327**	**12,105**	**(766)**	**(1,636)**	**18,561**	**10,469**	**13,120**	**7,628**	**(17,767)**	**(12,546)**	**13,914**	**5,551**
Segment assets	146,094	163,691	17,490	17,988	163,584	181,679	315,533	307,722	(279,632)	(298,501)	199,485	190,900
Segment liabilities	(32,389)	(34,039)	(2,962)	(2,919)	(35,351)	(36,958)	(21,663)	(22,754)	868	736	(56,146)	(58,976)
Net segment assets	**113,705**	**129,652**	**14,528**	**15,069**	**128,233**	**144,721**	**293,870**	**284,968**	**(278,764)**	**(297,765)**	**143,339**	**131,924**

6. Revenue

Amounts in USD'000

	Consolidated	
	2014	2013
Management and platform fee income	65,303	63,153
Performance fee income	5,300	2,828
Origination fees income	78	96
Total revenue	**70,681**	**66,077**

Revenue is recognised using the methods outlined below:

Management fees and platform service fees

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.

Platform service fees are received where Group entities provide platform oriented services to individual clients. Platform services can incorporate some or all of the following functions - fund structuring, corporate governance, investment advice, middle and back office operations, investment and back office due diligence, investment monitoring and any other mutually agreed upon service. These fees are recognised as revenues as the platform services are provided.

Performance fees

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 only recognized, at the end of these performance periods, when a reliable estimate of the fee can be made it is probable that it will be received.

Origination fees

Origination fees received by the Group relate to a loan establishment fee received by Certitude from UBS for HFA Octane Fund Series 5. These fees are recognised on an accruals basis.

7. Expenses

(a) Distribution and investment management costs

Amounts in USD'000

	Consolidated	
	2014	2013
Total distribution and investment management costs	**(6,747)**	**(8,617)**

Distribution and investment management costs consist of distribution rebates paid to financial advisors, platforms and other third party distributors as well as fees for investment management services provided by investment advisors. These costs are recognised on an accrual basis.

(b) Other operating expenses

Amounts in USD'000

	Consolidated	
	2014	2013
Employee benefits	(28,486)	(28,978)
Professional fees	(1,834)	(2,456)
Occupancy expenses	(1,555)	(2,011)
Marketing and promotion costs	(239)	(196)
Travel costs	(1,142)	(1,193)
Depreciation	(679)	(406)
Amortisation of intangible assets	(9,270)	(9,350)
Other expenses	(4,629)	(4,645)
Total expenses	**(47,834)**	**(49,235)**

Operating expenses represents the Group's administrative expenses and are recognised as the services are provided.

Certain costs, including payments made under operating leases and capitalised costs such as plant and equipment and software assets, are charged evenly over the life of the relevant contract or useful life of the asset.

The largest expense is employee benefits. Employee benefits expense includes salaries and wages, together with the cost of other benefits provided to employees such as contribution to superannuation and pensions plans, and cash bonuses. It also includes regulatory costs such as payroll tax.

Employee benefits expense for the year ended 30 June 2014 includes consolidated contributions to defined contribution and pension plans of $897 thousand (2013: $743 thousand).

8. Finance income and costs

(a) Recognised directly in profit or loss

Amounts in USD'000

	Consolidated	
	2014	2013
Finance income		
Interest income on bank deposits	596	1,105
Financial assets designated at fair value through profit or loss (investment in funds)		
Dividend and distribution income	18	-
Net change in fair value	600	663
Total finance income	**1,214**	**1,768**
Finance costs		
Interest expense (secured debt)	(765)	(858)
Interest expense (convertible notes)	(2,326)	(2,516)
Bank charges	(59)	(60)
Net foreign exchange loss	(205)	(991)
Total finance costs	**(3,355)**	**(4,425)**
Net finance costs recognised in profit or loss	**(2,141)**	**(2,657)**

Finance income comprises interest income on cash invested, distribution income, and changes in the fair value of financial assets held at fair value through the profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Distribution income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings and convertible notes as well as bank charges.

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.

(b) Recognised directly in other comprehensive income

Amounts in USD'000

	Consolidated	
	2014	2013
Foreign currency translation differences	226	(1,443)
Increase in fair value of investment held as available-for-sale	1,493	-
Finance income attributable to equity holders recognised directly in equity	**1,719**	**(1,443)**
Recognised in:		
Fair value reserve	1,493	-
Translation reserve	226	(1,443)
	1,719	**(1,443)**

Foreign currency translation differences recognised in other comprehensive income represent exchange differences from the translation at balance date of entities whose functional currency is different to the Group's functional currency.

Available-for-sale financial assets are recognised at fair value, with changes in fair value being recognised in the other comprehensive income and presented in the fair value reserve. Where an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

9. Income tax expense

(a) Recognised in profit or loss

Amounts in USD'000

	Consolidated	
	2014	2013
Current tax expense		
Current year (expense) / benefit	(45)	(17)
Income tax expense reported in profit or loss	**(45)**	**(17)**

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.

(b) Reconciliation of effective tax rate

Amounts in USD'000

	Consolidated	
	2014	2013
Profit before income tax	13,959	5,568
Income tax using the Company's domestic tax rate of 30% (2013: 30%)	(4,188)	(1,671)
Effect of tax rates in foreign jurisdictions*	(1,527)	(898)
Non-deductible expenses	(777)	(1,047)
Changes in unrecognised temporary differences	7,012	9,414
Current year tax losses for which no deferred tax asset is recognised	(606)	(5,815)
Other	41	-
Income tax expense reported in profit or loss	**(45)**	**(17)**

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

Non recognition of the Lighthouse Group Deferred Tax Assets

A current year movement of $(7,917) thousand (2013: $(4,556) thousand) in deferred tax assets relating to the Lighthouse Group has not been recognised in the profit or loss. This is due to the fact that deferred tax assets relating to the Lighthouse Group are being carried off balance sheet.

Since the Lighthouse Group was acquired in January 2008, the group has been in a tax loss position. Whilst the Group has remained in an operating profit over this six and a half year period, large goodwill amortisation deductions available in the US have resulted in the Group being in a tax loss position.

As a result of the US Group being in an increasing tax loss position, no tax assets have been recognised on the Group's balance sheet since the year ended 30 June 2009.

For the financial year ended 30 June 2014, the US group was in a small taxable profit position of $345 thousand, which was offset against carried forward tax losses. However, due to additional costs that are forecast to be incurred by Lighthouse in the coming financial year in relation to the employment of an additional senior executive and the continued enhancement of its risk management systems, the US Group is expected to fall back into a taxable loss position for the year ended 30 June 2015.

As a result, HFA management have determined that it is not yet probable that the US Group will produce sufficient taxable profits against which its carried forward tax losses can be utilised, and therefore deferred tax assets relating to the US Group continue to be carried off balance sheet.

Non recognition of the Australian Group Deferred Tax Assets

Excluding the impact of foreign currency movements, a current year movement of $944 thousand (2013: $957 thousand) in deferred tax assets relating to the Australian Tax Consolidated Group ('Australian Group') has not been recognised in profit or loss. This is due to the fact that deferred tax assets relating to the Australian Group are being carried off balance sheet.

The Australian Group is in a taxable loss position for the year ended 30 June 2014, and is forecast to remain in a tax loss position for the next several years. As a result, as at 30 June 2014, 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.

10. Tax assets and liabilities

(a) Current tax assets

Amounts in USD'000

	Consolidated	
	2014	2013
Current tax assets	**162**	**142**

The current tax asset for the Group represents the amount of recoverable income taxes 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:

Amounts in USD'000

	Consolidated	
	2014	2013
Deductible temporary differences	174,844	179,949
Tax losses	43,917	42,972
	218,761	**222,921**

Unrecognised deferred tax assets for the year ended 30 June 2014 relate to both the Australian Group $83,305 thousand (2013: $81,143 thousand) and the Lighthouse Group $135,456 thousand (2013: $141,778 thousand) and consist of impairment losses recognised in previous financial years, capital losses, carried forward operating tax losses and deductible temporary differences.

Tax losses relating to the Lighthouse Group (2014: $40,567 tax effected; 2013: $40,527 tax effected) have a life of 20 years, and will expire during the period from 2028 to 2034. Tax losses relating to the Australian Group and deductible temporary differences do not expire under current tax legislation.

Additional disclosure in relation to the non-recognition of deferred tax assets is included in note 9.

11. Cash and cash equivalents

Amounts in USD'000

	Consolidated	
	2014	2013
Cash at bank	54,118	27,878
Deposits at call	11,784	18,200
	65,902	**46,078**

At balance date, AUD deposits earn interest of between 0% and 3.50% (2013: 0.05% and 4.35%). Minimal interest is received on USD deposits.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 26.

12. Investments in term deposits

Amounts in USD'000

	Consolidated	
	2014	2013
Investments in term deposits	-	**2,352**

Relates to investments in cash term deposits with a maturity period of greater than 3 months at inception. The 30 June 2013 term deposits were invested at a rate of 4.2%.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 26.

13. Reconciliation of cash flows from operating activities

Amounts in USD'000

		Consolidated	
	Note	2014	2013
Cash flows from operating activities			
Profit for the year		**13,914**	**5,551**
Adjustments for:			
Depreciation expense	7	679	406
Amortisation of intangible assets	7	9,270	9,350
Distributions on financial assets at fair value through profit or loss	8	(18)	-
Fair value gain on financial assets at fair value through profit or loss	8	(600)	(663)
Interest expense (secured debt)	8	765	858
Interest expense (convertible notes)	8	2,326	2,516
Unrealised foreign exchange gain / (loss)		(1009)	933
Income tax expense, less income tax paid		(24)	(122)
Operating cash flow before changes in working capital and provisions		**25,303**	**18,829**
(Increase)/decrease in receivables		2,442	592
(Increase)/decrease in other assets		(464)	117
Increase/(decrease) in payables		296	(461)
Increase/(decrease) in employee benefits		321	980
Net cash from operating activities		**27,898**	**20,057**

14. Trade and other receivables

Amounts in USD'000

	Consolidated	
	2014	2013
Receivables due from Group managed products	11,009	12,925
Other receivables and prepayments	1,852	1,437
	12,861	**14,362**

Receivables comprise management and platform service fees, performance fees, and recoverable costs from Group managed products. These receivables are non-interest bearing and are 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 26.

15. Investments

Amounts in USD'000

	Consolidated	
	2014	2013
Available-for-sale financial assets	2,889	1,396
Financial assets designated at fair value through profit or loss	6,187	5,650
	9,076	**7,046**

Available-for-sale financial assets comprise a 10% equity holding in the unquoted securities of 361◦ Capital, LLC, a US based company which distributes alternative investment funds. The fair value of this investment at 30 June 2014 has been determined based on the consideration paid for a recently completed repurchase of 361's equity, which provided external evidence of the value of the equity held by the Group as at reporting date.

Financial assets at fair value through profit or loss comprise investments in unquoted securities. At reporting date, 97% of the balance relates to investment entities that are managed by the Group (2013: 97%). 3% relates to an investment in the 361◦ Capital Long/Short Equity Fund (2013: 3%), a fund managed by 361◦ Capital, LLC (refer above).

The Group's exposure to credit, liquidity and market rate risks related to these investments is disclosed in note 26.

16. Other non-current assets

Amounts in USD'000

	Consolidated	
	2014	2013
Lease guarantee deposits	703	697
	703	**697**

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

17. Plant and equipment

Amounts in USD'000

	Consolidated			
	Furniture and Equipment	Computer Equipment	Leasehold Improvements	Total
Cost				
Balance at 1 July 2012	1,023	1,955	734	3,712
Additions	4	394	-	398
Effect of movement in exchange rate	(14)	(50)	(35)	(99)
Balance at 30 June 2013	1,013	2,299	699	4,011
Balance at 1 July 2013	1,013	2,299	699	4,011
Additions	6	70	434	510
Disposals	-	(76)	-	(76)
Effect of movement in exchange rate	2	6	6	14
Balance at 30 June 2014	**1,021**	**2,299**	**1,139**	**4,459**
Depreciation				
Balance at 1 July 2012	(551)	(1,694)	(593)	(2,838)
Depreciation charge for the year	(118)	(235)	(53)	(406)
Effect of movement in exchange rate	8	47	35	90
Balance at 30 June 2013	(661)	(1,882)	(611)	(3,154)
Balance at 1 July 2013	(661)	(1,882)	(611)	(3,154)
Depreciation charge for the year	(111)	(192)	(376)	(679)
Disposals	-	71	-	71
Effect of movement in exchange rate	(1)	(6)	(5)	(12)
Balance at 30 June 2014	**(773)**	**(2,009)**	**(992)**	**(3,774)**
Carrying amounts				
At 1 July 2012	472	261	141	874
At 30 June 2013	352	417	88	857
At 1 July 2013	352	417	88	857
At 30 June 2014	**248**	**290**	**147**	**685**

18. Intangible assets

Amounts in USD'000

	Consolidated				
	Goodwill	Mgmt rights / Customer Relationships	Trademarks	Software	Total
Cost					
Balance at 1 July 2012	499,519	73,400	1,900	800	575,619
Additions	-	-	-	1,250	1,250
Balance at 30 June 2013	499,519	73,400	1,900	2,050	576,869
Balance at 1 July 2013	499,519	73,400	1,900	2,050	576,869
Balance at 30 June 2014	**499,519**	**73,400**	**1,900**	**2,050**	**576,869**
Amortisation and impairment losses					
Balance at 1 July 2012	(405,718)	(41,287)	(428)	(720)	(448,153)
Amortisation for the year	-	(9,175)	(95)	(80)	(9,350)
Balance at 30 June 2013	(405,718)	(50,462)	(523)	(800)	(457,503)
Balance at 1 July 2013	(405,718)	(50,462)	(523)	(800)	(457,503)
Amortisation for the year	-	(9,175)	(95)	-	(9,270)
Balance at 30 June 2014	**(405,718)**	**(59,637)**	**(618)**	**(800)**	**(466,773)**
Carrying amounts					
At 1 July 2012	93,801	32,113	1,472	80	127,466
At 30 June 2013	93,801	22,938	1,377	1,250	119,366
At 1 July 2013	93,801	22,938	1,377	1,250	119,366
At 30 June 2014	**93,801**	**13,763**	**1,282**	**1,250**	**110,096**

18. 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.

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

Amounts in USD'000

US based funds management cash generating unit (US CGU)	Consolidated Carrying amount	
	2014	2013
Goodwill	93,801	93,801
Management rights/customer relationships	13,763	22,938
Trademarks	1,282	1,377
Software	1,250	1,250
	110,096	**119,366**

Impairment testing carried out on the US CGU as at 30 June 2014 and 30 June 2013 did not result in the recognition of any impairment losses.

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

The calculation utilises five years of cash flow projections. The first three years of these projections are based on financial forecasts approved by the board of directors, which are then extrapolated over an additional two years.

Revenue for the additional two years is extrapolated using a long term growth rate based on the CPI long term forecast plus the real GDP forecast for the United States. Investment management costs and operating expenses are extrapolated based on ratios consistent with the third year of the approved financial forecasts.

Key assumptions used in the calculation are discount rates, terminal value growth rates, and the EBITDA growth rate:

Key assumption	2014	2013
Discount rate	14.75%	14.75%
Terminal value growth rate	4.5%	4.5%
Forecast EBITDA growth rate (average next 5 years)	9%	15%

The discount rate was a post-tax measure calculated based on US risk factors as well as other risk factors specific to the industry and operational nature of the business, including an assumed debt leveraging of 10% at a market interest rate of 3.2%.

The terminal growth rate is based on the CPI long term forecast plus the real GDP forecast for the United States.

The average forecast EBITDA growth rate for 5 years of cash flow projections is 9%. This is considered to be conservative in comparison to the EBITDA (before equity settled transaction) growth achieved by the US CGU for the 2014 and 2013 financial years of 32% and 19% respectively.

A reasonably possible change in these assumptions would not result in an implied impairment of this CGU.

19. Trade and other payables

Amounts in USD'000

	Consolidated	
	2014	2013
Trade creditors	196	69
Other creditors and accruals	6,990	6,701
	7,186	**6,770**

Trade creditors are non-interest bearing and normally settle 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 26.

20. Employee benefits

Amounts in USD'000

	Consolidated	
	2014	2013
Current		
Salaries and wages accrued	7,041	6,660
Liability for annual leave	201	245
	7,242	**6,905**
Non-current		
Liability for long service leave	146	142
	146	**142**
	7,388	**7,047**

21. Loans and borrowings

Amounts in USD'000

	Consolidated	
	2014	2013
Current		
Secured Bank Loan (USD Facility)	2,000	2,000
Unsecured Convertible Notes	3,340	2,794
	5,340	**4,794**
Non-current		
Secured Bank Loan (USD Facility)	20,323	22,323
Unsecured Convertible Notes	15,909	18,042
	36,232	**40,365**
	41,572	**45,159**

Current Secured Bank Loan relates to the portion of the bank loan that is 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 a 12 month period from balance date.

The above classification of loans and borrowings between current and non-current are based on the contractual terms prevailing as at balance date, and do not reflect the impacts of the convertible note buy-back and amendment transaction which settled on 2 July 2014, or the note conversion that occurred on 11 August 2014. Details of these transactions are contained in note 33 to the financial statements.

21. Loans and borrowings (continued)

Terms and debt repayment schedule

The terms and conditions of the outstanding loan and borrowings as at 30 June 2014 were as follows:

Amounts in USD'000

			2014		2013	
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured Bank Loan (USD Facility)	LIBOR + 3%	2016	22,323	22,323	24,323	24,323
Unsecured Convertible Notes	6%	2019	89,568	19,249	84,427	20,836
Total loans and borrowings			**111,891**	**41,572**	**108,750**	**45,159**

Secured bank loan

The secured bank loan as at 30 June 2014 is a USD facility available under a Cash Advance Facilities Agreement with Westpac Banking Corporation.

Financial undertakings under the facility 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 at least 3.5 times greater than the interest expense for the same period (excluding interest expense recognised on convertible notes); and
- Assets under Management of the Consolidated Group are not less than $2.6 billion.

The Group's exposure to interest rate risk related to loans and borrowings is disclosed in note 26.

Subsequent event

As part of the transaction that was completed on 2 July 2014, a $5 million voluntary prepayment of the secured bank loan was made.

A further payment of $1 million was made on 31 July 2014. As a result, as at the date of this report, the outstanding balance of the secured bank loan is $16.323 million.

In addition, the terms of the facility were amended to increase the annual loan repayments from $2 million to $7.5 million commencing from 31 October 2014.

Refer to note 33 for additional detail regarding this transaction.

Convertible notes

The movement in the portion of the convertible notes that is recognised as a financial liability was made up of the following components:

Amounts in USD'000

	Consolidated	
	2014	2013
Carrying amount of liability at 1 July	20,836	21,775
Increase in face value due to the capitalisation of accrued interest	5,141	4,846
Amount of interest capitalised classified as equity	(3,815)	(3,363)
Interest on face value at 6% per annum	(5,239)	(4,938)
Accretive interest (calculated using the effective interest rate method)	2,326	2,516
Carrying amount of liability at 30 June	**19,249**	**20,836**

Convertible note terms as at 30 June 2014

Interest of 6% per annum was payable on the face value of the convertible notes, which up until the date of this report, was capitalised by way of an increase in the principal amount of the convertible notes.

The notes may be subject to an Additional Interest Payment which represents the noteholders' participation on an as converted basis in any dividends exceeding $6 million that are paid by the Company in relation to each financial year. Any Additional Interest Payment is classified as a dividend payment in the financial statements and does not impact the profit or loss of the Group.

21. Loans and borrowings (continued)

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 (being 7 March 2015), 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 fixed at 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.

Subsequent event

On 2 July 2014, HFA completed a transaction to buy-back 50 of the convertible notes on issue, and amended the terms of the remaining 25 convertible notes.

On 7 August 2014, HFA received notification from the holder of the remaining 25 convertible notes that it would exercise its option under the note terms to covert the notes into ordinary shares of HFA Holdings Limited effective 11 August 2014.

Refer to note 33 for additional detail regarding this transaction.

22. Share-based payments

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 made under the terms of this plan were outstanding during the financial years ended 30 June 2013 and 30 June 2014:

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.

22. Share-based payments (continued)

The following table provides a reconciliation of the movements, terms and conditions of each offer of performance rights outstanding during the year ended 30 June 2014:

Description	Number of rights granted	Grant date	Vesting date	Financial year in which grant vests	Number of rights forfeited during 2013	Number of rights forfeited during 2014	Rights outstanding at 30 June 2014	Vesting Conditions
2011 Lighthouse Performance Rights	4,000,000	20/01/11	31/12/13	2014	(125,000)[A]	(3,875,000)[B]	-	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	1,000,000	01/04/11	31/12/13	2014	-	(1,000,000)[B]	-	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	100,000	05/03/12	15/08/14	2015	-	(12,500)[A]	87,500[C]	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	880,000	05/03/12	15/08/14	2015	(47,500)[A]	(210,000)[A]	622,500[C]	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 Represents rights that have lapsed due to failure to meet the continued employment condition.
B Represents rights that have lapsed due to failure to meet the relevant performance hurdle.
C The performance hurdles attached to these rights were not achieved as at 30 June 2014. These rights will be officially forfeited on the release of the Group's results in August 2014.

No share-based payments expense was recognised in the profit or loss for the financial years ended 30 June 2013 or 30 June 2014 due the probability of these rights vesting being assessed as Nil.

Inputs for measurement of grant date fair values

The grant-date fair values of the share-based payments outlined above was measured using a Black Scholes option-pricing methodology. The fair values, and inputs used in the measurement of the fair values, are as follows:

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	Risk-Fee interest rate (based on government bonds)
2011 Lighthouse Performance Rights	0.97	AUD 1.10	0.9966	3.00	4%	5.147%
2011 Apollo Performance Rights	1.21	AUD 1.30	1.0345	2.75	4%	5.034%
2012 Holdings Performance Rights	0.74	AUD 0.78	1.0717	2.45	5%	3.707%
2012 Certitude Performance Rights	0.74	AUD 0.78	1.0717	2.45	5%	3.707%

23. Capital and reserves

Ordinary shares on issue

In thousands of shares

	Consolidated	
	2014	2013
Ordinary shares on issue 30 June	**118,738**	**118,738**

The Company does not have authorised capital or par value in respect of issued shares. All ordinary shares rank equally with regard to the Company's residual assets.

Ordinary shares have the right to receive dividends as declared and are entitled to one vote per share at general meetings of the Company.

Share options

On 7 March 2011, in connection with the issue of convertible notes, 31,250,000 share options were issued to the noteholders, with each share option 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.

Subsequent event

On 2 July 2014, the Company completed a share placement to eligible institutional investors of 17,810,723 ordinary shares in the Company.

In addition, HFA completed a transaction to buy-back 50 of the convertible notes on issue, and amended the terms of the remaining 25 notes.

On 7 August 2014, HFA received notification from the holder of the remaining 25 convertible notes that it would exercise its option under the note terms to covert the notes into 25,599,017 ordinary shares of HFA Holdings Limited effective 11 August 2014.

Therefore, as at the date of this report, the total number of ordinary shares in the Company on issue was 162,147,897.

In addition, 31,250,000 options held by the noteholders were cancelled for nil consideration.

Refer to note 33 for additional detail regarding this transaction.

Nature and purpose of reserves

Amounts in USD'000

	Consolidated	
	2014	2013
Parent entity profits reserve	10,187	5,100
Translation reserve	(7,613)	(7,839)
Fair value reserve	1,493	-
Share based payments reserve	17,168	17,168
	21,235	**14,429**

The parent entity profits reserve comprises the balance of accumulated profit for the Company not yet distributed as dividends and represents profits available for distribution to shareholders as dividends in future years.

The translation reserve is used to record foreign currency differences arising from the translation of the financial statements of operations which have a functional currency that is different to the functional currency of the Company.

The fair value reserve comprises of the increase in the fair value of available-for-sale financial assets above their original purchase value. The balance as at 30 June 2014 relates to the investment held in the unquoted securities of 361° Capital, LLC. Refer to note 15 for additional detail.

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

23. Capital and Reserves (continued)

Dividends

The following dividends were paid by the Company:

Amounts in USD'000

	Consolidated	
	2014	2013
Interim ordinary dividend for the year ended 30 June 2014 of USD 3 cents	3,598	-
Final ordinary dividend for the year ended 30 June 2013 of USD 3 cents	3,592	-
Final dividend for the year ended 30 June 2013 of USD 3 cents – paid to convertible noteholders[1]	843	-
Interim ordinary dividend for the year ended 30 June 2013 of USD 3 cents	-	3,670
Final ordinary dividend for the year ended 30 June 2012 of USD 3 cents	-	3,627
	8,033	**7,297**

[1] Refer to note 21 for additional details regarding this dividend payment to the convertible noteholders.

The Directors have determined a final unfranked dividend of 5.0 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 17 September 2014.

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2014.

The dividends have not been provided for as at 30 June 2014, and there are no income tax consequences.

Dividend franking account

Amounts in USD'000

	The Company	
Dividend franking account	2014	2013
Amount of franking credits available to shareholders of HFA Holdings Limited for subsequent financial years	**970**	**4,484**

During the 2014 financial year, the Company received a private binding ruling from the Australian Taxation Office in relation to the treatment of the interest accrued on the Company's convertible notes.

As result of this ruling, the Company reinstated franking credits to its dividend franking account which had been attached to convertible note interest capitalised into the face value of the convertible notes.

24. 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, accumulated losses, share options and the equity portion of the convertible notes.

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.

As part of the Group's capital management, the Company completed a transaction on 2 July 2014 to buy-back 50 of the convertible notes on issue, and amended the terms of the remaining 25 notes.

Refer to note 33 for additional detail regarding this transaction.

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.

Other Capital Requirements

In accordance with the requirements of the Central Bank of Ireland, LHP Ireland Fund Management Limited must keep an initial capital requirement of 125,000 euro's plus .02% of excess over 250 million in assets under management, plus an additional .01% of the assets under management for potential liability risk. This requirement was complied with throughout the year.

25. Earnings per share

Amounts in USD per share

	The Company	
	2014	2013
Basic earnings per share	7.80	3.97
Diluted earnings per share	7.80	3.97

Reconciliation of earnings used in calculating earnings per share

Amounts in USD'000

	Consolidated	
	2014	2013
Profit attributable to ordinary equity holders of the Company	13,914	5,551
Adjustment for interest on convertible notes	2,326	2,516
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**16,240**	**8,067**

For the purposes of calculating earnings per share, the 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.

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

The calculation of basic earnings per share is based on the time weighted total number of ordinary shares outstanding. This includes the total number of shares that would be issued on the conversion of convertible notes issued on 7 March 2011.

As HFA did not have any potential ordinary shares outstanding at balance date, the weighted average number of shares used in calculating basic and diluted earnings per share is the same.

31,250,000 (2013: 31,250,000) 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). Details relating to the options are included in note 23.

710,000 (2013: 5,807,500) performance rights have not been included in the calculation of diluted earnings per share as they are not considered issuable as at reporting date based on the achievement of vesting criteria other than service periods. Details regarding outstanding performance rights are included in note 22.

Amounts in '000 of shares

		Consolidated	
	Note	2014	2013
Weighted average number of shares issued			
Issued ordinary shares at 1 July	23	118,738	118,738
Convertible notes		89,405	84,273
Weighted average number of ordinary shares used in calculating basic earnings per share		**208,143**	**203,011**

Subsequent event

Refer to notes 23 and 33 for details regarding subsequent events (events occurring after the reporting period) which have impacted the convertible notes and the number of ordinary shares on issue.

26. Financial instruments – fair value and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities if the carrying amount is a reasonable approximation of fair value.

Amounts in USD'000

		Carrying Amount					Fair Value			
30 June 2014	Note	Loans and receivables	Designated at fair value	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value										
Cash and cash equivalents	11	54,118	-	-	-	54,118				
Trade and other receivables	14	12,861	-	-	-	12,861				
Other non-current assets (lease guarantee deposits)	16	703	-	-	-	703				
		67,682	**-**	**-**	**-**	**67,682**				
Financial assets measured at fair value										
Available-for-sale financial assets	15	-	-	2,889	-	2,889	-	-	2,889	2,889
Financial assets at fair value through profit or loss	15	-	6,187	-	-	6,187	-	6,187	-	6,187
		-	**6,187**	**2,889**	**-**	**9,076**				
Financial liabilities not measured at fair value										
Trade and other payables	19	-	-	-	(7,186)	(7,186)				
Employee benefits	20	-	-	-	(7,388)	(7,388)				
Secure bank loans	21	-	-	-	(22,323)	(22,323)				
Convertible notes – liability component	21	-	-	-	(19,249)	(19,249)				
		-	**-**	**-**	**(56,146)**	**(56,146)**				
30 June 2013										
Financial assets not measured at fair value										
Cash and cash equivalents / Investments in term deposits	11/12	48,430	-	-	-	48,430				
Trade and other receivables	14	14,362	-	-	-	14,362				
Other non-current assets (lease guarantee deposits)	16	697	-	-	-	697				
		63,489	**-**	**-**	**-**	**63,489**				
Financial assets measured at fair value										
Available-for-sale financial assets	15	-	-	1,396	-	1,396	-	-	1,396	1,396
Financial assets at fair value through profit or loss	15	-	5,650	-	-	5,650	-	5,650	-	5,650
		-	**5,650**	**1,396**	**-**	**7,046**				
Financial liabilities not measured at fair value										
Trade and other payables	19	-	-	-	(6,770)	(6,770)				
Employee benefits	20	-	-	-	(7,047)	(7,047)				
Secure bank loans	21	-	-	-	(24,323)	(24,323)				
Convertible notes – liability component	21	-	-	-	(20,836)	(20,836)				
		-	**-**	**-**	**(58,976)**	**(58,976)**				

26. Financial instruments – fair value and risk management (continued)

Fair value hierarchy

The table above 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

(b) Measurement of fair values

The following table show the valuation technique used in measuring Level 2 and Level 3 fair values:

Type	Valuation technique
Designated at fair value	Financial assets at fair value through profit or loss comprise of investments in unquoted securities. The fair value of these assets is determined by reference to their exit price at reporting date
Available-for sale	The available-for-sale financial asset is an investment in the unquoted securities of a US based limited liability company (361° Capital LLC), and as such a quoted market price is not available. The fair value of this investment at 30 June 2014 has been determined based on the consideration paid for a recently completed repurchase of 361's equity, which provided external evidence of the value of the equity held by the Group as at reporting date.

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:

Amounts in USD'000

	Consolidated	
	2014	2013
Balance at 1 July	1,396	1,396
Movement in fair value	1,493	-
Balance at 30 June	**2,889**	**1,396**

(c) Financial Risk Management

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.

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.

26. Financial instruments – fair value and risk management (continued)

(c) Financial Risk Management (continued)

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, and arises principally from the Group's cash deposits and receivables. The carrying amount of these financial assets represents the maximum credit exposure.

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).

Trade and other receivables

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

At reporting date, 86% of the Group's trade and other receivables related to amounts receivable from products managed by the Group (2013: 90%); 19% of receivables relate to management fees receivable from the Lighthouse Diversified Fund, the largest fund managed by the Group (2013: 27%).

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 as at balance date, including estimated interest payments:

Amounts in USD'000

		Consolidated						
	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 2014								
Trade and other payables	19	7,186	(7,186)	(7,186)	-	-	-	-
Secured bank loans	21	22,323	(23,580)	(1,364)	(1,342)	(20,874)	-	-
Convertible notes	21	19,249	(25,368)	-	-	(2,874)	(22,494)	-
		48,758	**(56,134)**	**(8,550)**	**(1,342)**	**(23,748)**	**(22,494)**	**-**
30 June 2013								
Trade and other payables	19	6,770	(6,770)	(6,770)	-	-	-	-
Secured bank loans	21	24,323	(26,382)	(1,403)	(1,380)	(2,716)	(20,883)	-
Convertible notes	21	20,836	(25,368)	-	-	-	(18,457)	(6,911)
		51,929	**(58,520)**	**(8,173)**	**(1,380)**	**(2,716)**	**(39,340)**	**(6,911)**

26. Financial instruments – fair value and risk management (continued)

(c) Financial Risk Management (continued)

Liquidity risk (continued)

Secured bank loans

The above cash flows represent the contractual cash flows of the loan as at 30 June.

As disclosed in note 21, the Group's secured bank loan 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 2014, 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.

Refer to note 33 for additional details regarding cash flows associated with the secured bank loan subsequent to 30 June 2014.

Convertible notes

As at 30 June 2014, there were 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. The cash flows included in the above table assume that interest will be paid in cash after the first four years.

Refer to note 33 for additional details regarding transactions that will impact cash flows associated with the convertible notes subsequent to 30 June 2014.

Trade and other payables / employee benefits

It is not expected that the cash flows included in the maturity analysis for these liabilities 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. The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2014	2013	2014	2013
AUD/USD	0.9186	1.0268	0.9240	0.9275

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.

This relates primarily to the AUD denominated transactions and balances recognised by HFA Holdings Limited which has a functional currency of USD. Due to HFA Holdings Limited's 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 below.

Amounts in USD'000

	Consolidated	
	2014	2013
HFA Holdings Limited		
Cash and cash equivalents	839	9,721
Trade and other receivables	5	24
Trade and other payables	(438)	(183)
Employee benefits	(283)	(139)
Lighthouse Investment Partners, LLC		
Trade and other receivables	868	737

26. Financial instruments – fair value and risk management (continued)

(c) Financial Risk Management (continued)

Market Risk (continued)

Currency risk (continued)

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.

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

Amounts in USD'000

	Consolidated	
	2014	2013
AUD/USD: appreciation of 10%	99	1,016
AUD/USD: depreciation of 10%	(99)	(1,016)

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.

Reviews of interest rate structures are performed to monitor potential exposure. The interest rate profile of financial liabilities is detailed in note 21.

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 reporting date would not affect profit or loss.

Additionally, 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 not have impacted the Group's equity or profit or loss.

Price risk

The Group is exposed to risk in relation to movements in the fair value of its:

- financial assets at fair value through profit or loss, which are comprised of investments in the unquoted securities of investment funds; and
- available-for-sale financial assets which are comprised of an investment in the unquoted securities of a US based Limited Liability Company.

The following table summarises the sensitivity of the balance of financial assets at fair value through the profit or loss and available-for-sale equity financial assets held at reporting date to movements exit price.

Amounts in USD'000

	Consolidated			
	Profit or loss (decrease) / increase		Equity (decrease) / increase	
	2014	2013	2014	2013
Fair value + 10%	619	570	289	140
Fair value - 10%	(619)	(570)	(289)	(140)

27. 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 10 years.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Amounts in USD'000

	Consolidated	
	2014	2013
Within one year	1,601	1,466
After one year but not more than five years	3,535	2,584
More than five years	2,718	840
	7,854	**4,890**

Software licensing commitments

In August 2012, Lighthouse Investment Partner's, LLC (Lighthouse) entered into an agreement with a data solutions provider for the primary purpose of further developing risk management software that Lighthouse had previously been developing internally.

Under the terms of the agreement, Lighthouse will incur annual costs to further develop and use the new system. As an offset to these costs, Lighthouse may receive additional revenues derived from the distribution of the software to third parties. Lighthouse has broad rights to terminate this agreement after the first year upon 30 days prior notice.

Amounts in USD'000

	Consolidated	
	2014	2013
Within one year	2,500	2,500
After one year but not more than five years	10,000	10,000
	12,500	**12,500**

28. 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 2014.

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 2014.

29. Auditor's remuneration

Amounts in USD

	Consolidated	
	2014	2013
Audit and review services:		
KPMG: Audit and review of financial reports	245,324	275,820
KPMG: Other regulatory services	82,219	28,467
Other Auditors: Audit and review of financial reports	16,437	14,142
	343,980	**318,429**
Services other than statutory audit:		
KPMG: In relation to other taxation and advisory services	101,736[1]	3,676
Other auditors: In relation to other taxation and advisory services	150,016[1]	205,865[2]
	251,752	**209,541**

[1] Includes fees incurred in relation to the transaction completed by the Company on 2 July 2014. Refer to note 33 for additional detail.
[2] Predominately relates to costs relating to the Company seeking expert advice, and the lodgment of a Private Binding Ruling with the Australian Taxation Office, in relation to the ability of the Company to apply franking credits to dividends distributed to shareholders.

30. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2014, the parent company of the Group was HFA Holdings Limited.

Amounts in USD'000

	Company	
	2014	2013
Result of the parent entity		
Profit for the year	13,120	7,628
Total comprehensive income for the year	**13,120**	**7,628**
Financial position of the parent at year end		
Current assets	36,769	9,958
Total assets	315,533	307,722
Current liabilities	(2,413)	(1,918)
Total liabilities	(21,663)	(22,754)
Total equity of the parent comprising of:		
Share capital	270,963	267,148
Translation reserve	5,070	5,070
Share based payments reserve	7,650	7,650
Parent entity profits reserve	10,187	5,100
Total equity	**293,870**	**284,968**

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 21.

31. Related parties

Key management personnel remuneration

The key management personnel remuneration included in 'employee benefits' (see note 7) is as follows:

Amounts in USD

	Consolidated	
	2014	2013
Short-term employee benefits	5,158,957	4,509,647
Long-term employee benefits	10,404	32,511
Post-employment benefits	125,272	104,152
	5,294,633	**4,646,310**

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 contained in the directors' report on pages 31 to 38.

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 transactions

Messers Civale, Kelley, Zelter, Cohen and Fox were directors of HFA Holdings Limited for various periods during the financial year ended 30 June 2014 (the 'Apollo Directors'). During the time that the Apollo Directors held this position, they also held positions with Apollo Global Management, LLC or its affiliates (the 'Apollo Group').

Until 2 July 2014, the Apollo Group, as holder of convertible notes and share options issued by the Company (refer notes 21 and 23 to the consolidated financial statements) and as party to a Marketing Agreement with HFA's US subsidiary Lighthouse Investment Partners, LLC, was a related party of the HFA Holdings Limited Group.

The Apollo Directors were appointed to the HFA Holdings Limited board in accordance with the original terms of issue of the convertible notes.

The following transactions in relation to the convertible notes are reflected in the financial statements:

- The carrying value of the debt component of the convertible notes at 30 June 2014 was $19,249,415 (2013: $20,836,007).
- Convertible note interest expense of $2,325,943 (2013: $2,515,538) (interest expense recognised in the profit or loss relates to the debt component of the convertible note, recognised on an effective interest rate basis).
- Interest payable on the notes as at 30 June 2014 was $1,693,207 (2013: $1,596,010), and relates to the period from 7 March to 30 June, calculated as 6% per annum on the full face value of the notes.

The total face value of the convertible notes as at 30 June 2014 was $89,568,203 (2013: $84,426,626).

Refer to note 21 for a summary of the terms and conditions of the convertible notes.

31. 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 received or receivable of $8,491,116 (2013: $7,965,794) 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 2014 were $2,468,385 (2013: $2,044,220).

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, platform service fees and performance fees received or receivable of $62,064,255 (2013: $57,994,545) from investment products for which LIP acts as general partner and investment manager or platform service provider. Amounts receivable from these products at 30 June 2014 were $8,307,521(2013: $10,879,901).

Investment in products (refer note 15)

As at 30 June 2014, Group entities hold $6,017,094 of investments in products for which they act as investment manager or platform service provider (2013: $5,494,960).

During the financial year, the Group recognised distributions from its investments in these products of $17,845 (2013: $320).

Other

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

For the year ended 30 June 2014, the Group has not raised a provision for doubtful debts relating to amounts owed by related parties (2013: Nil). Additional information regarding the Group's assessment of credit risk in relation to related party receivables and investments is disclosed in note 26.

32. Group entities

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

Name	Country of incorporation	% Equity interest	
		2014	2013
Certitude Global Investments Limited	*Australia*	100	100
Admin Pty Ltd	*Australia*	100	100
HFA Lighthouse Holdings Corp	*United States*	100	100
HFA Lighthouse Corp	*United States*	100	100
LHP Investments, LLC	*United States*	100	100
Lighthouse Investment Partners, LLC	*United States*	100	100
Lighthouse Partners NY, LLC	*United States*	100	100
Lighthouse Partners UK, LLC	*United States*	100	100
Lighthouse Partners Limited (HK)	*Hong Kong*	100	100
LHP Ireland Fund Management Limited	*Ireland*	100	100

33. Subsequent events (events occurring after the reporting period)

On 2 July 2014, the Group completed a transaction that contained the following components:

- the buy-back of the 50 convertible notes ("Buy-Back") on issue to APH HFA Holdings, LP, an affiliate of Apollo Global Management, LLC (together with its consolidated subsidiaries, "Apollo");
- each repurchased convertible note was bought back at its initial face value of $1 million ($50 million in total). Apollo waived interest accrued on these convertible notes between the original issue date of 7 March 2011 and immediately prior to completion of the Buy-Back on 2 July 2014;
- as a part of the Buy-Back, Apollo concluded its broader strategic alliance with HFA and the right of first refusal arrangements that Apollo holds over HFA employee shareholdings were cancelled;
- the Buy-Back was funded from:
  - a placement to eligible institutional investors of 17,810,723 ordinary shares in the Company which raised $14.5 million in net proceeds, and
  - $36.4 million of existing cash held by the Group;
- 25 convertible notes remained on issue. The accrued interest on those convertible notes was waived by the noteholder in consideration for certain amendments to their existing terms:
  - an increase in the interest payable on the notes from 6% per annum to 8% per annum;
  - call options held by HFA to repurchase 15 of the remaining 25 convertible notes for cash, for the face value of $1 million, in the following tranches:
    - no less than 10 convertible notes by 31 December 2014 (i.e. for $10 million if 10 convertible notes are repurchased); and
    - the balance of the 15 convertible notes (if any), by 31 December 2015 (i.e. for $5 million if 5 convertible notes are repurchased)

    If HFA did not repurchase at least the number of convertible notes required by these dates, the interest rate in relation to all outstanding convertible notes would have increased by 2% per annum each six months if the repurchase remains outstanding and while it does so (such stepped up interest rate was capped at a maximum interest rate of 12% per annum).
  - the remaining convertible notes continued to be convertible into HFA shares at any time by the noteholder, and were mandatorily convertible at maturity in March 2019.
  - on 7 March 2014, and each date thereafter, HFA could convert the convertible notes provided that the volume weighted after sale price of the HFA Shares for the 30 day trading period prior is in excess of 20% greater than the conversion price of US$0.9766;
- 31,250,000 options held by the noteholders were cancelled for nil consideration; and
- The Westpac senior lending facility terms were amended to include a $5 million repayment of debt (completed on 2 July 2014), and an increase in annual loan repayments from $2 million to $7.5 million.

On 11 August 2014, the remaining 25 convertible notes on issue were converted into ordinary shares of the Company

On 7 August 2014 the Company received notification from the holder of the remaining 25 convertible notes on issue that it would exercise its option under the note terms to convert the notes to 25,559,017 ordinary shares of HFA Holdings Limited effective 11 August 2014.

As a result of the above transactions, as at the date of this report, the total number of ordinary shares in the Company on issue was 162,147,897.

The financial effects of these transactions have not been brought to account at 30 June 2014 and will be reflected in the consolidated financial statements of the Group for the year ending 30 June 2015.

Other than the transactions described above, 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.

34. Basis of measurement

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

Items	Measurement basis
Financial instruments at fair value through the profit or loss	Fair value
Available-for-sale financial assets are measured at fair value	Fair value

The methods used to measure fair value are discussed further in notes 4 and 26.

35. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policy notes set out in note 36 to all periods present in these consolidated financial statements.

The Group has adopted the following new 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 consolidated financial statements.

AASB 13 Fair Value Measurement (2011)

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosures requirements about fair value measurement in other AASBs, including AASB 7 *Financial Instruments - Disclosures*. As a result the Group has reviewed its financial instrument disclosures contained in note 26.

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 (2011)

AASB 119 (2011) changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly with 12 months after reporting date. The adoption of this standard has not impacted the Group's consolidated financial statements.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

The Group has early adopted the amendments to AASB 136 (AASB 2013-3). As a result the Group is not required to disclose the recoverable amount of each cash generating unit.

Accounting standards and interpretations issued by not yet effective

The following Australian accounting standards have been issued but are not yet effective and have not been adopted by the Group for the year ended 30 June 2014:

AASB 9 Financial Instruments

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. ASSB 9 (2010) introduces additional requirements relating to the classification and measurement of financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

36. 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 during the period and at reporting date.

Business combinations – pre 1 July 2009

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 incurs in connection with a business combination were capitalised as part of the cost of acquisition.

No acquisitions have been carried out post 1 July 2009.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

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.

Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

(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 are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each profit or loss 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 rates of exchange ruling on the date of those 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 profit or loss.

36. Significant accounting policies (continued)

(c) Financial instruments

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:

Non-derivative financial asset	Description
Cash and cash equivalents	Comprises of cash balances and deposits at call with a maturity period of less than 3 months.
Investments in term deposits	Comprises of investments in term deposits with a maturity period of greater than 3 months.
Trade and other receivables	Comprises of 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)).
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 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. Attributable transaction costs are recognised in profit or loss as incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Financial assets at fair value through profit or loss comprise of investments in unquoted securities.

36. Significant accounting policies (continued)

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are 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 has the following non-derivative financial liabilities:

Non-derivative financial liability	Description
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.

Share capital

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.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes. The number of shares to be issued on conversion is determined by reference to the face value of the convertible notes, and does not vary with changes in their fair value.

The liability component of the convertible notes 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 mounts.

Subsequent to initial recognition, the liability component of the convertible notes 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. Interest relating to the liability component of the notes is recognised in profit or loss.

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

On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(d) Leased assets

The Group is not a party to any finance leases. Any leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

36. Significant accounting policies (continued)

(e) Plant and equipment

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.

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

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 36(a).

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

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)).

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.

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	8 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.

36. Significant accounting policies (continued)

(g) Impairment

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.

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.

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. Losses are recognised in profit or loss and reflected in an allowance account against the financial asset. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

For available-for-sale equity financial assets, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity financial asset is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy (o)), 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 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.

36. Significant accounting policies (continued)

(i) Employee benefits

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.

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.

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.

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 specific accounting policies for the Group's main types of operating revenue are explained in note 6.

(k) Distribution and investment management costs

Distribution and investment management costs consist of distribution rebates paid to financial advisors, platforms and other third party distributors as well as fees for investment management services provided by investment advisors and. 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.

36. Significant accounting policies (continued)

(m) Finance income and finance costs

Finance income comprises interest income on cash 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 in profit or loss as it accrues, 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 and convertible notes, bank charges, losses on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss.

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 or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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, and 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.

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.

(o) Segment reporting

Segment results that are reported to the operating subsidiaries' CEOs 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.

Directors' declaration

For the year ended 30 June 2014

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 43 to 86, and the Remuneration report on pages 31 to 38 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 2014 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 2014.

3. The directors draw attention to note 2 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.

Michael Shepherd	**F P (Andy) Esteban**
Chairman and Non-Executive Director	Non-Executive Director

Dated at Sydney this 18th day of August 2014

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 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 36 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, 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 Standards, 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.

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 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Report on the remuneration report

We have audited the Remuneration report included on pages 31 to 38 of the directors' report for the year ended 30 June 2014. 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 2014 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Stephen Board
Partner

Dated at Brisbane this 18th day of August 2014

Shareholder information

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

Shareholdings (as at 14 August 2014)

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	26,101,982	16.10%
Sean McGould, his controlled entities and associates	19,438,084	11.99%
IOOF	12,173,411	7.51%
National Australia Bank Limited and its associated entities	9,089,802	5.61%

Twenty Largest Shareholders

Name	Number of ordinary shares held	Percentage of capital held
HSBC Custody Nominees (Australia) Limited	34,486,704	21.27%
Citicorp Nominees Pty Limited	26,431,261	16.30%
Merrill Lynch (Australia) Nominees Pty Limited	17,483,873	10.78%
National Nominees Ltd	14,925,267	9.20%
BNP Paribas Noms Pty Ltd	12,603,868	7.77%
J P Morgan Nominees Australia Limited	11,119,969	6.86%
Brispot Nominees Ltd	4,491,630	2.77%
UBS Nominees Pty Ltd	3,797,730	2.34%
RBC Investor Services Australia Nominees Pty Limited	3,650,000	2.25%
Credit Suisse Securities (Europe) Ltd	3,300,000	2.04%
HSBC Custody Nominees (Australia) Limited – A/C 3	3,115,900	1.92%
Merrill Lynch (Australia) Nominees Pty Limited	2,199,890	1.36%
AMP Life Limited	2,195,936	1.35%
Citicorp Nominees Pty Limited	1,550,246	0.96%
Carrington Land Pty Ltd	1,497,099	0.92%
Mr Shay Shimon Hazan-Shaked	1,300,000	0.80%
Sandhurst Trustees Ltd	1,132,040	0.70%
ABN Amro Clearing Sydney Nominees Pty Ltd	1,058,574	0.65%
Woodmont Trust Company Ltd	742,719	0.46%
Mr Richard James Williams & Ms Jane Clare Dunlop	365,000	0.23%

Distribution of shareholdings

Range	Number of holders of ordinary shares	% of holders	Number of ordinary share	% of share
1-1,000	404	27.32%	194,479	0.12%
1,001-5,000	580	39.22%	1,479,511	0.91%
5,001-10,000	200	13.52%	1,514,876	0.93%
10,001-50,000	220	14.87%	5,151,212	3.18%
50,001 – 100,000	28	1.89%	1,960,876	1.21%
100,001 and over	47	3.18%	151,846,943	93.65%
Total	**1,479**	**100.00%**	**162,147,897**	**100.00%**

The number of shareholders holding less than a marketable parcel of ordinary shares is 153.

On-Market Buy-Back

There is no current on-market buy-back.

Unquoted Equity Securities

There are no unquoted equity securities.

Voting Rights

Ordinary Shares

The Company has 162,147,897 fully paid ordinary shares on issue.

The fully paid ordinary shareholders of the Company are entitled to vote at any meeting of the members of the Company and their voting rights are:

- on a show of hands – one vote per shareholder; and
- on a poll – one vote per fully paid ordinary shares.

Corporate directory

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 Secretary

Ms Amber Stoney

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.