HFA Holdings Limited

For the year ended 30 June 2016

ASX Appendix 4E

Results for announcement to the market

(all comparisons to the year ended 30 June 2015) *Amounts in USD'000*

				30 June 2016
Revenue from ordinary activities				
-from continuing operations	Up	1%	to	70,519
Earnings before interest, tax, depreciation and amortisation				
-from continuing operations	Up	11%	to	29,490
Profit from ordinary activities after tax attributable to members				
-from continuing operations	Down	89%	to	14,998
-from discontinued operations	Down	208%	to	(890)
Net profit for the period attributable to members				
-from continuing operations	Down	89%	to	14,998
-from discontinued operations	Down	208%	to	(890)

Underlying results				**30 June 2016**
The purpose of presenting underlying results is to show the business performance of the Group in a consistent manner that reflects how the business is managed and measured on a day-to-day basis.				
Prior period underlying earnings before interest, tax, depreciation and amortisation from continuing operations was adjusted to exclude the loss on the settlement and amendment of unsecured convertible notes.				
Underlying earnings before interest, tax, depreciation and amortisation from continuing operations	Up	2%	to	29,490

Dividends	Amount per ordinary share	Franked %	Conduit foreign income %
Final 2015 dividend per share (paid 16 September 2015)	USD 5.5 cents	0%	100%
Interim 2016 dividend per share (to be paid 16 March 2016)	USD 5.0 cents	0%	80%

The directors have determined an unfranked final dividend of United States (US) 7.0 cents per share (with 100% conduit foreign income credits). The final dividend dates are:

Ex-dividend date:	24 August 2016
Record date:	25 August 2016
Payment date:	9 September 2016

HFA dividends are determined in US dollars. However, shareholders will receive their dividend in Australian dollars. Currency conversion will be based on the foreign exchange rate on the record date of 25 August 2016.

Dividend Policy

The Company has set a policy to apply from the 2017 financial year of paying a dividend of 70% to 80% of the earnings before interest, depreciation, amortisation and tax (EBITDA). Dividends will by unfranked, however may have conduit foreign income credits attached.

The payment of dividends will be subject to corporate, legal and regulatory considerations.

The above policy allows the HFA Group to retain a portion of cash generated from operating activities, and to therefore have funds available to make additional investments into the Lighthouse Funds where such investments further the overall operating interests of the Group, or to act on external investment and/or acquisition opportunities as and when they may arise.

A dividend reinvestment plan does not operate in respect to dividends of the Company.

Net tangible assets	**30 June 2016**	30 June 2015
Per ordinary share	USD 25.28 cents	USD 18.61 cents

Additional Appendix 4E requirements can be found in the directors' report and the 30 June 2016 financial report and accompanying notes.

This report is based on the 30 June 2016 financial report (which includes consolidated financial statements audited by KPMG).

HFA Holdings Limited and its controlled entities

ACN 101 585 737

Annual Report

30 June 2016

HFA Holdings Limited

ACN: 101 585 737

Registered Office
Level 15
324 Queen Street
Brisbane QLD 4000

Telephone
+61 7 3218 6200

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 & CEO

This year has been a time to focus on steering our investment portfolios through what have been challenging conditions for global hedge fund investing. With the completion of our key capital management activities in the previous year and the extinguishment of our loan facility in March 2016, the Board and management have also been able to explore strategic and complementary opportunities open to the HFA Group.

Operating performance

As we foreshadowed during last year's release of our results, we believed the industry would continue to face headwinds from a complex macro environment, sluggish performance and some large investors moving away from hedge funds.

With AUMA remaining relatively stable across the financial year, it is no surprise that our underlying operating result showed a modest 2.3% improvement on the prior year, with the HFA Group delivering underlying earnings before interest, tax, depreciation and amortisation from continuing operations of $29.5 million. Revenue from management and platform fees was up 2.6% or $1.8 million to $70.1million. This drove the improvement on the prior year result, with the business managing its costs so that there was only a 0.7% or $0.2 million increase in operating expenses as compared to the prior year.

Investment performance

Markets created a number of challenges last year, and the hedge fund industry as a whole performed below expectations. Performance in the industry was impacted by a number of key events and factors across the year, including declining to negative interest rates across much of the developed world, concerns around growth in China, the effects of the oil price dislocation, and political uncertainty including but not limited to the vote by Great Britain to leave the European Union (or Brexit) and the controversial US Presidential race. These events and factors, among others, made it complicated for hedge fund strategies to perform.

In such an environment, we believed that investment returns would be challenged. Unfortunately, we were correct. We believe that our portfolios held up better than the industry given our focus on finding unique and differentiated return streams. Further, we are starting to see returns and alpha production normalise, something we can see from our daily data.

2016 milestones

Repayment of debt facility

HFA made the final repayment on its debt facility in March 2016. The HFA board considers that the repayment of our original $128 million facility over the past 8 years is a milestone event, and one which represents the last remaining legacy item from the difficult times we experienced after the global financial crisis.

Inclusion in the S&P/ASX 300 index

HFA was admitted into the S&P/ASX 300 Index in the September 2015 rebalance. This is the first time HFA has been included in a S&P/ASX index since June 2009. The inclusion is an acknowledgement of the work put into strengthening our operations and capital structure over the past few years, and should increase our visibility to investors in the Australian market.

Lighthouse fund investments and other strategic investment opportunities

The 2016 financial year has created opportunities for the HFA Group to increase its investment holdings on the balance sheet.

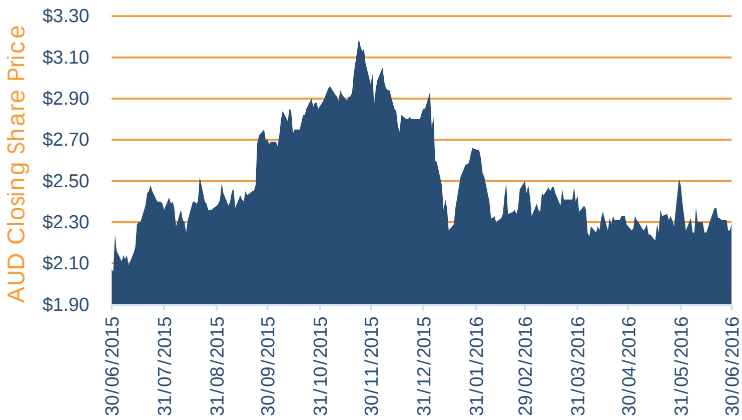
The HFA Group allocated $3.7 million into additional investments in the Lighthouse Funds. This has been done for a variety of reasons, including creating a more visible alignment of interests between Lighthouse and our clients and providing seed investment to commence a performance track record for new products.

The other investments made during this year have been relatively small and strategic in nature. The investments are in start-up entities which we see as having interesting synergistic opportunities for Lighthouse. As with the investment we made with 361 Capital, LLC in 2012, these investments are in businesses which have the potential to become profitable operations, and also offer valuable insights into evolving market practices and technologies within the financial services sector.

Lighthouse is also pursuing an investment opportunity in Casement Capital Management, LP ('Casement'), a newly established multi-strategy commodities hedge fund. Lighthouse believes that investments such as Casement will allow it to increase its product breadth, while continuing to provide clients with investment options uncorrelated to traditional assets.

Shareholder return

Share price growth



Much like global markets, HFA's share price has shown significant volatility across the financial year. After hitting a peak of $3.22 in November 2015, the share price has fallen back to trade between $2.12 and $2.94 during the second half of the financial year.

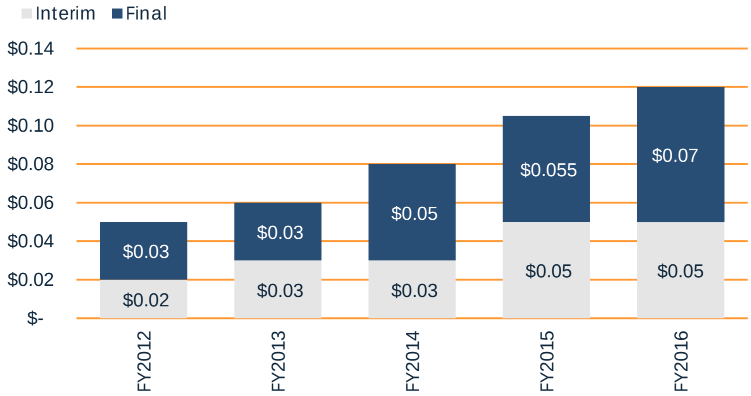
Dividends

HFA has been able to deliver year on year growth in dividends paid to our shareholders over the past 5 years.

The Directors have determined an unfranked dividend of 7.0 cents per share (with 100% conduit foreign income credits) payable 9 September 2016. Added to the interim dividend of 5.0 cents per share, this brings the total for the year to 12.0 cents per share, which is a 14% increase on the prior year.

The FY2016 combined interim and final dividends equates to a payout ratio of 67% of EBITDA.

Dividends per share (USD)



Historical growth in earnings and dividends

The Board considers EBITDA to be the most relevant measure of the Company's financial performance. Given the nature of our operations, EBTIDA is largely consistent with the cash flows generated by operating activities. As our EBTIDA has grown, HFA has been able to deliver increasing dividend returns to shareholders:

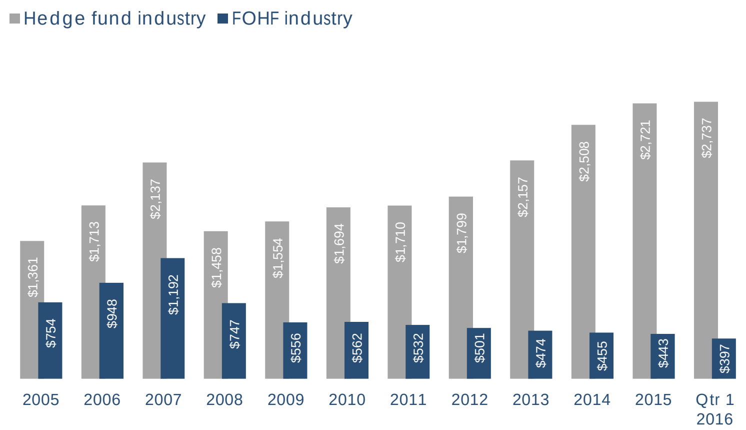
	2012	2013	2014	2015	2016
EBITDA (USD 000's)	**14,485**	**17,593**	**27,624**[1]	**28,839**[2]	**29,490**[1]
Cash flows from operating activities (USD 000's)	12,202	20,057	27,898	28,193	30,125
Dividends per share for the financial year (US cents)	5.0	6.0	8.0	10.5	12.0
Dividend amount for the financial year (USD 000's)	6,000	8,105	11,602	16,848	19,685
Dividend payout as a % of EBITDA	41%	46%	42%	58%	67%
Closing share price (dollars)	AUD 0.68	AUD 0.90	AUD 1.05	AUD 2.07	AUD 2.29
Change in share price (dollars)	AUD (0.55)	AUD 0.22	AUD 0.15	AUD 1.02	AUD 0.22

1 Underlying earnings before interest, tax, depreciation and amortisation from continuing operations.

2 Underlying earnings before interest, tax, depreciation and amortisation from continuing operations, adjusted for the loss on settlement and conversion of convertible notes. Refer to page 8 for additional detail.

Industry conditions and outlook

We expect to see some consolidation of the fund-of-hedge-funds ('FoHF') industry going forward as managers search for growth strategies. The FoHF industry faced continued outflows during the first quarter of 2016. According to data published by BarclayHedge, assets in the FoHF industry have dropped by two-thirds since its 2007 peak, and the number of firms in business has shrunk by 36% over the same period:



Source: BarclayHedge

Industry size data varies depending on its source. As at 31 December 2015, *Prequin* reports FoHF assets at $807 billion, whilst *InvestHedge* reports combined assets of $671 billion for FoHF managers managing more than $1 billion. Regardless, both of these sources noted outflows for 2016, despite an upward trend in total assets in the broader hedge fund sector.

As at 31 December 2015, Lighthouse ranked as the 28th largest FOHF manager by asset size according to *InvestHedge* (2014: Ranked 29th).

In the face of a shrinking industry, Lighthouse has grown.

We believe that our work to further build out our managed account capabilities, generate unique content for our portfolios, and broaden our branding efforts has continued to create interest in Lighthouse. As an output, we are beginning to see additional opportunities present themselves in places like Japan and the Middle East.

We would like to extend the Board's appreciation to all of our staff for their efforts during the past year. We are fortunate to have employees who are dedicated to serving our client's needs and finding ways to evolve and grow the business. As investors, we all face the same challenges today of historically low interest rates and unprecedented intervention by central banks around the globe. While we cannot control the markets, we believe our process of finding the best talent globally and a culture of constant improvement will help sustain HFA going forward. We look forward to what the 2017 financial year will bring.

Michael Shepherd, AO
Chairman

Sean McGould
Chief Executive Officer

Operating and financial review

Through Lighthouse Investment Partners we deliver hedge fund solutions to a range of clients around the world.

Lighthouse Investment Partners, LLC ('Lighthouse') is a US based investment manager dedicated to managing multi-manager hedge funds for diversification and absolute return since 1999.

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

Based in the United States, Lighthouse has offices in New York, Chicago, Palm Beach Gardens, London and Hong Kong. As at 30 June 2016, Lighthouse is managing $8.4 billion of assets.

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.

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

Lighthouse Managed Funds

Lighthouse manages a number of multi-strategy and strategy-focused funds. The funds utilise Lighthouse's proprietary managed accounts which own and control the assets and liabilities, and authorise external fund managers to trade the assets within certain 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 hedge fund structures.

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

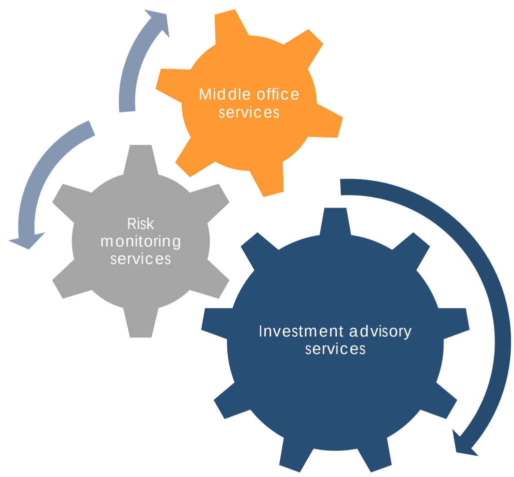
Whilst many of Lighthouse's competitors are starting to utilise managed account structures through external providers due to increased pressure from investors and regulators for transparency into asset holdings, Lighthouse management made the decision to begin building their proprietary managed account 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 a number of sizeable strategic clients, and believes that customised client solutions will represent a significant area of growth in the future.

What do we offer?

The global asset management industry is a highly competitive space. Our focus is on the alternatives sector, and more specifically multi-manager hedge funds solutions. Our purpose is to protect and grow our investors' assets, and we seek to achieve this through diversification from traditional markets with exposure to intelligently and actively managed portfolios of hedge fund strategies.

We believe that what sets Lighthouse apart is:

Experience of our investment team	• Experienced Lighthouse senior investment professionals are responsible for the major steps of the investment process
Managed Accounts	• The managed accounts structure provides more transparency, protection and control as compared to traditional hedge fund structures
Liquidity	• Lighthose is aware of real liquidity (ie, liquidty of each security) and prefers more rather than less
Manager selection	• Lighthouse prefers smaller managers that are highly focused on their particular speciality
Risk management	• Active diversification of traditional market risks is the overriding emphasis for all funds

What drives our business?

Our success depends on three key factors:

AUMA

• We earn revenue from managing assets on behalf of our clients (which we refer to as "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.

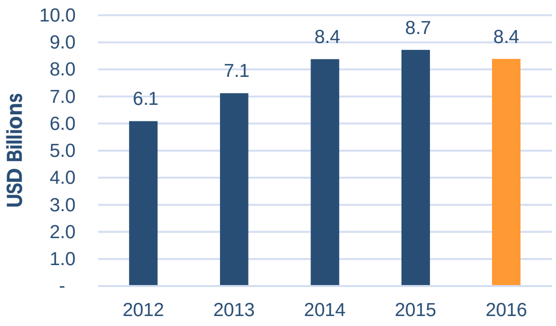
People

• 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.

AUMA

HFA has delivered year on year growth in AUMA over the previous five years, however volatile markets have resulted in a marginal decline in AUMA for the 12 months to 30 June 2016:



As at 30 June 2016, HFA had total AUMA of $8.377 billion (2015: $8.724 billion). This represents a decrease of 4.0% in AUMA since the end of the prior year.

2016 proved to be a volatile year in the markets, with macro-economic factors contributing to negative impacts on the investment performance of our portfolios. Whilst we had anticipated some difficult market conditions, we see signs of improvement that should generate good investment opportunities for our portfolios in the medium term.

Changes to AUMA over the financial year have been driven by:

		USD billions
1 July 2015 AUMA		8.724
Net flows for the year for commingled Managed Funds	+	0.182
Net flows for the year for single investor Customised Solutions	-	0.340
Net performance for the year	-	0.189
30 June 2016 AUMA		**8.377**

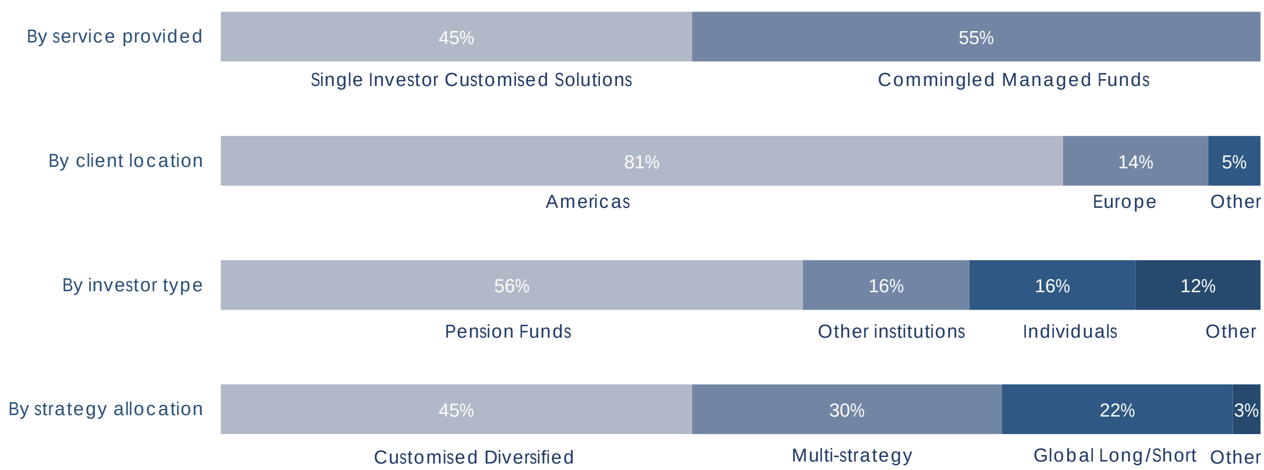
Net inflows into our Managed Funds improved this year, which we attribute to good investment performance in these products as compared to our key competitors.

Our Customised Solutions experienced net outflows. Whilst we have retained all of our six strategic clients, the net outflows reflect a higher level of rebalancing by these clients in relation to their overall investment portfolios. We expect that this rebalancing has largely been completed, and do not anticipate that it will be a continuing trend in the next financial year.

How do our clients invest with us?

The $8.4 billion managed by Lighthouse as at 30 June 2016 represents assets in the commingled Managed Funds, as well as assets of large individual strategic investors who have Customised Solutions. With positive net inflows received over the course of the financial year, the Managed Funds represent 55% of total AUMA (2015: 52%).

The following charts show the composition of AUMA as at 30 June 2016:



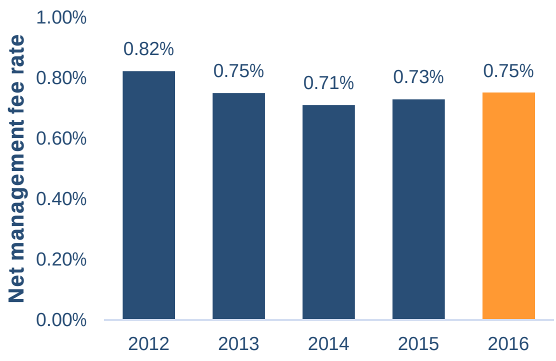
Fee rates

For the 2016 financial year, the average net management fee rate for Lighthouse increased to 0.75% per annum.

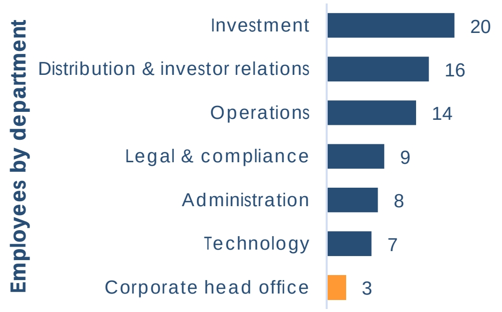
The net management fee rate represents the blended net management fee rate across all AUMA. The small increase on the prior year net management fee has been driven by:

- the increased proportion of AUMA in Managed Funds, which generate higher fees;
- the addition of new Customised Client portfolios during the year which generated higher than average fees for that type of AUMA; and
- the impact of notional redemptions by a strategic client which, whilst reducing reported AUMA, did not impact revenue as Lighthouse continued to be remunerated on gross exposure.

Investors are very conscious of the level of fees charged by investment managers, and as such we expect there will continue to be ongoing pressure on fees.



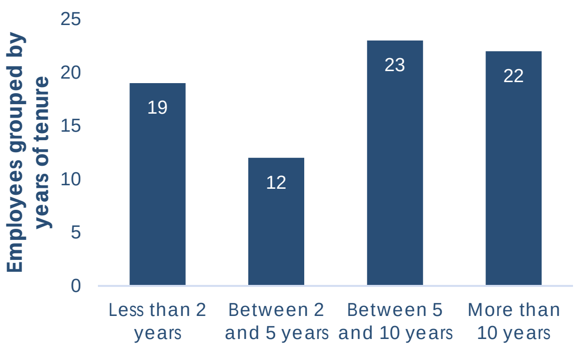
People



As a business, our success is strongly linked to the knowledge and experience of our people. As at 30 June 2016 we have 77 employees across our various functional departments.

The attraction and retention of qualify staff is a key priority for HFA. Providing investment management services to our clients involves not just investment skills and knowledge, but an ability to foster relationships with them which engenders trust. Continuity of staff across the business is an important consideration in managing our business.

Across the Group, the average tenure of our staff is 6.8 years, whilst the executive team has an average of 15.8 years with the business.



We are fortunate to have retained our key investment professionals, with each of them having been with Lighthouse for a minimum of 10 years. These key individuals have the following years of experience at Lighthouse and more broadly in the hedge funds and investment industries:

		Lighthouse	Hedge funds	Investments
S McGould	Co-CIO	20	23	27
K Perkins	Co-CIO	16	22	24
C Prickett	MD – Relative Value	13	14	19
J FitzGibbon	MD – Global Trading	13	15	25
E Baron	MD – Equity	13	14	20

Summary of HFA Group financial results

The Group's underlying earnings before interest, tax, depreciation and amortisation from continuing operations for the year ended 30 June 2016 was $29.5 million (FY15: $28.8 million).

Group FY16 result compared to the prior year

Amounts in USD'000	Consolidated 2016	2015	%	
Continuing operations				
Management and platform fee income	70,102	68,318	2.6%	A
Performance fee income	417	1,466	(71.6%)	B
Distribution costs	(6,085)	(6,235)	2.4%	C
Net income from operating activities	**64,434**	**63,549**	**1.4%**	
Other income	856	704	21.5%	
Operating expenses, excluding depreciation and amortisation	(35,600)	(35,360)	(0.7%)	D
Net finance costs, excluding interest	(200)	(54)	(270.7%)	
Loss on settlement and amendment of convertible notes	-	(2,217)	-	E
Earnings before interest, tax, depreciation and amortisation	**29,490**	**26,622**	10.8%	
Depreciation and amortisation	(5,373)	(9,564)	43.8%	F
Net interest expense	(104)	(499)	79.2%	G
Profit before income tax	**24,013**	**16,559**	**45.0%**	
Income tax (expense)/benefit	(9,015)	118,262	-	H
Net profit after income tax from continuing operations	**14,998**	**134,821**	**(88.9%)**	
Discontinued operations				
Net profit/(loss) for the year from discontinued operations	**(890)**	**825**		I
Profit for the year attributable to owners of the Company	**14,108**	**135,646**	**(89.6%)**	
Basic EPS from continuing operations (cents)	**9.25**	**83.12**		J
Basic EPS (cents)	**8.70**	**83.62**		J

Underlying earnings before interest, tax, depreciation and amortisation after adjusting for significant non-recurring items

	Amounts in USD'000	Consolidated 2016	2015	%	
Underlying EBITDA	Add back: Accounting loss on settlement and amendment of convertible notes	-	2,217		E
Underlying EBITDA	**Underlying earnings before interest, tax, depreciation and amortisation from continuing operations**	**29,490**	**28,839**	2.3%	

The above presentation of the Group's results is intended to provide a measure of the Group's performance before the impact of non-cash expense items such as depreciation and amortisation, interest costs associated with the Group's external debt facility and the convertible notes previously on issue, as well as the significant non-recurring item detailed above. Net profit before and after income tax reconciles to the consolidated income statement on page 26.

Key drivers of the FY16 result

A Management and platform fee income from continuing operations increased by $1.78 million (2.6%) to $70.10 million from the prior year. Given the relatively flat AUMA throughout the year, the increase was a result of a 2 basis point increase in the average annual net management / platform fee rate to 0.75%pa.

B The Group earned $0.42 million in performance fees this financial year, down 71.6% on the prior year. This is reflective of the volatility of global investment markets experienced across the financial year.

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. 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.

C Distribution 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 and who continue to be invested in Lighthouse managed funds.

Distribution costs have remained largely consistent for the twelve months at $6.09 million, representing 8.7% of management and platform fee income for the year.

D Operating expenses increased by 0.7% or $0.24 million compared to the corresponding prior year. Net of sublease rental income, the increase was 0.3% or $0.1 million. The business remains focused on controlling expenditures.

E A detailed discussion of the impact of the accounting loss on settlement and amendment of the convertible notes on the 30 June 2015 comparatives is contained in the Group's consolidated financial statements as at and for the year ended 30 June 2015. The loss recognised in the income statement for the year ended 30 June 2015 is non-recurring in nature.

F Amortisation and depreciation is mainly comprised of amortisation of intangible assets. The largest intangible asset subject to amortisation was $73.4m of client relationships recognised as part of the acquisition of Lighthouse in January 2008. These client relationships have been amortised at $9.2m per annum over 8 years, with the amortisation expense ceasing on 31 December 2015. As such, depreciation and amortisation expense for the second half of the year was $0.4 million.

G The $0.4 million decrease in net interest expense is primarily due to the decreasing balance of the secured bank loan which was fully repaid in March 2016 (refer to key balance sheet items on page 10).

H A detailed discussion of the impact of the recognition of previously unrecognised deferred tax assets on the 30 June 2015 comparatives is contained in the Group's consolidated financial statements as at and for the year ended 30 June 2015.

Due to the recognition of these deferred tax assets, the Group now recognises an accounting tax expense in its income statement. The income tax expense of $9 million recognised for the current reporting period represents a more normalised effective tax rate of 37.6%, which reflects a combination of the United States federal tax rate of 35%, individual United States state-based taxes, as well as the effect of other permanent and temporary tax adjustments.

There is no tax liability payable in relation to this accounting tax expense other than in relation to some relatively nominal United States state-based taxes.

I The net loss for the period from discontinued operations is due to a revision in the estimated future amounts receivable under the terms of the Continuing Fee Deed arrangement between the Company and the purchaser of the Certitude Global Investments Limited business. The downward revision is a result of:

- lower than expected investment performance during the 12 months, and hence minimal performance fees being received for the financial year; and
- a $46 million reduction in AUMA subject to the Continuing Fee Deed from November 2015.

The Group recognised a deferred consideration receivable asset of $2.2 million in the statement of financial position as at 30 June 2015. As at 30 June 2016, the deferred consideration receivable is $0.2 million, due to the receipt of $1.2 million of deferred consideration proceeds during the period and the downward revision of $0.8 million on the remaining estimated proceeds due the change in assumptions outlined above and the impact of movements in exchange rates since the previous balance date.

A detailed discussion of the impact of discontinued operations on the 30 June 2015 comparatives is contained in the Group's consolidated financial statements as at and for the year ended 30 June 2015.

J The 2015 EPS results reflect the impact of the recognition of previously unrecognised deferred tax assets. Refer to comment H above for a more detailed explanation.

The key balance sheet items of the Group are:

	Amounts in USD'000	Consolidated 2016	Consolidated 2015	
Assets	Cash	27,014	26,896	A
	Intangible assets	95,768	100,701	B
	Recognised deferred tax assets	117,660	126,573	C
	▪ *not recognised in the balance sheet*	*65,792*	*68,044*	
Liabilities	Secured bank loan	Nil	8,573	D

Key Drivers

A Over the 2016 financial year, HFA has used its generated cash to fund investments, meet final debt repayment commitments and pay dividends to shareholders. As a snapshot, drivers impacting our cash balance over the reported twelve month period have been:

- + $30.1 million generated from operating activities
- + $1.2 million of deferred revenue received related to the sale of Certitude Global Investments Limited
- - $8.8 million paid in interest and principal repayments on the bank loan
- - $5.4 million for the acquisition of investments
- - $17.2 million paid to shareholders as dividends

B 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 amortised over their useful lives (between 5 and 20 years). This has resulted in an amortisation expense of approximately $9.4 million each financial year.

The acquired customer relationships and software have been fully amortised as at December 2015, leaving only a small residual balance of acquired identifiable intangible assets on the balance sheet as at 30 June 2016.

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.

C As at 30 June 2016, the Group's balance sheet includes a deferred tax asset of $117.7 million which is comprised of carried forward tax losses and deductible temporary differences relating to the US tax consolidated group.

$65.8 million of deferred tax assets relating to carried forward tax losses and deductible temporary differences of the Australian tax consolidated group remain unrecognised on the balance sheet as the Australian corporate entity is not expected to utilise these assets in the foreseeable future.

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.

D The secured bank loan was fully repaid in March 2016 and the facility subsequently terminated.

Outlook

We operate in a competitive market, as the hedge fund space remains a relatively niche segment of the broader alternative investment sector. We understand that future growth will be dependent on our ability to provide a quality investment service, consistent results and flexible solutions for clients.

HFA's strategic goals continue to centre around retaining and growing our AUMA through a quality client base. To do this, we will continue to seek to:

- consistently deliver investment performance to our clients in accordance with the investment strategies of the relevant funds and portfolios;
- provide a high level of service to our clients, with quality and timely reporting on their investments and a proactive approach to ensuring we are meeting all their investment needs;
- innovate with how we can deliver solutions to existing and prospective clients, cognisant of the continuing evolution of technology and data management within the funds management industry; and
- broaden our global distribution reach through building new relationships and leveraging our existing relationships around the world.

Board of directors

Michael Shepherd, AO

Chairman and Independent Non-Executive Director

Appointed 16 December 2009

Chairman of the Remuneration and Nominations Committee
Member of the Audit and Risk Committee

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 Foundation, an independent director of Investsmart Group 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.

Fernando (Andy) Esteban

Independent Non-Executive Director

Appointed 18 June 2008

Chairman of the Audit and Risk Committee
Member of the Remuneration and Nominations Committee

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.

Andrew Bluhm

Non-Executive Director

Appointed 17 October 2012

Member of the Audit and Risk Committee

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.

Randall Yanker

Independent Non-Executive Director

Appointed 14 October 2014

Member of the Remuneration and Nominations Committee

Randall has extensive experience in the investment management industry, and in particular hedge funds. He co-founded Alternative Asset Managers, L.P. ('AAM') in 2004, which is a private investment firm with primary focus on making strategic investments in the asset management sector.

Prior to AAM, Randall was responsible for establishing multi-billion dollar global alternative investment and hedge fund platforms as CEO of Lehman Brothers Alternative Investment Management, and before that as a Managing Director of Swiss Bank Corp.

He is a graduate of Harvard College (1983) with a degree in Economics, and serves on the board and is a Trustee of The New School University, a Trustee of SEI Advisors' Inner Circle Fund III, and Advisory Board member of HF2 Financial Management.

Sean McGould

Executive Director and Chief Executive Officer

Appointed 3 January 2008

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.

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 2016 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	Appointed 16 December 2009
Fernando Esteban	Appointed 18 June 2008
Andy Bluhm	Appointed 17 October 2012
Randall Yanker	Appointed 14 October 2014
Sean McGould	Appointed 3 January 2008

The directors' qualifications and experience are detailed on pages 12 and 13.

Board and Committee meetings

The agenda for meetings is prepared by the company secretary in consultation with the Chairman and Chief Executive Officer, 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 2016, and number of meetings attended by each director were:

	Board Meetings		Audit and Risk Committee		Remuneration and Nominations Committee	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Michael Shepherd	5	5	3	3	1	1
Fernando Esteban	5	5	3	3	1	1
Andy Bluhm	5	5	3	3	-	-
Randall Yanker	5	5	-	-	1	1
Sean McGould	5	5	-	-	-	-

Company secretary

Ms Amber Stoney BCom (Hons) CA holds the position of company secretary. Amber has held this position for most of her tenure at HFA, specifically for the periods 15 March 2007 to 20 November 2008, 18 July 2011 to 9 May 2016 and from 27 June 2016. 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.

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.

The Company has adopted Listing Rule 4.10.3 which allows companies to publish their corporate governance statement on their website rather than in their annual report. The directors have reviewed the statement and a copy of the statement along with any related disclosures is available at: http://hfaholdings.com.au/corporate-governance.

Dividends

The directors have determined an unfranked dividend of United States (US) 7.0 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 9 September 2016.

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2016.

Declared and paid during the year ended 30 June 2016	Cents per share	Total amount USD'000	Date of payment
Final 2015 ordinary	5.5	8,887	16 September 2015
Interim 2016 ordinary	5.0	8,335	16 March 2016
Total amount		**17,222**	

Together with the unfranked interim dividend of USD 5.0 cents per share paid to shareholders on 16 March 2016, the total dividend to be paid in relation to the year ended 30 June 2016 will be USD 12.0 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.

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 4 to 11.

Significant changes in state of affairs

In the opinion of the directors there were no other 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 4 to 11.

Events subsequent to end of financial year

There has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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 client and shareholder interests; and
- properly reflect each individual's duties and responsibilities.

The board has established a Remuneration and Nominations 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 in the Group's Corporate Governance Statement which, along with a copy of the Committee Charter, is available on the HFA website (www.hfaholdings.com.au).

The HFA Group's approach to setting remuneration is influenced by the following key factors:

- **Operations are based in the United States**

  Whilst HFA remains an Australian company, listed on the Australian Securities Exchange, HFA Group operations are predominantly based in the United States. As such, the Board is cognisant that remuneration arrangements in place must meet the standards and benchmarks applicable to the United States funds management industry. These standards and benchmarks may diverge from arrangements which would be considered industry practice within Australia.

  The Board engaged an external remuneration consultant, Focus Consulting Group, Inc, in the 2015 financial year to conduct a review of compensation arrangements in place at Lighthouse. Based on the results of this review, the Board is satisfied that the remuneration structure in place at Lighthouse is appropriate and consistent with those in place for other comparable United States businesses.

- **That variable remuneration be the major component of remuneration packages**

  The remuneration arrangements in place for Lighthouse are structured around setting a relatively low fixed remuneration amount, and having the opportunity to earn variable remuneration as a major component of overall remuneration. The HFA Board believes this provides a dynamic basis to be able to easily adjust the Group's total remuneration expenses, which is also consistent with US practice.

  This approach to remuneration has been in place at Lighthouse since prior to its acquisition in January 2008. The Lighthouse key management personnel have each earned a $250,000 base salary since that time, and this has not been increased in over 8 years. In addition, select Lighthouse key management personnel have had bonus entitlements specified in their employment contracts since Lighthouse joined the HFA Group (see page 21 for additional details).

- **Simplicity**

  The HFA Board believes that having a simple, direct metric for setting the overall bonus pool provides an incentive structure that is easily understandable to both staff and shareholders. An increase in operating results and cash flows therefore correlates into an increase in the available bonus pool for Lighthouse staff. This aligns the interests of management and shareholders.

  This simplicity also translates into the Board and the CEO being able to exercise discretion in allocating individual bonuses where they are deserved. Whilst individual results are important, we also encourage a culture which is able to reward effort and commitment. As a business which was severely impacted by the global financial crisis, but which has worked hard to overcome this, we understand better than most that whilst it is important to motivate and retain quality staff in good times, it is even more important to be able to do so in difficult times. Having flexibility and discretion in our remuneration structure is therefore key.

Remuneration report (audited)

Remuneration structure

The remuneration of staff across the Group, including our senior executives, is comprised of three elements:

Fixed remuneration

- Base salary, as well as leave entitlements and employer contributions to superannuation and retirement plans. Lighthouse employees are entitled to additional benefits that include educational assistance, adoption assistance and health care benefits.
- Fixed remuneration is determined by reference to benchmark information where available, and having regard to the senior executive's responsibilities, performance, qualifications and experience.
- 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.

Non monetary benefits

- Lighthouse employees are able to make investments into Lighthouse managed funds. Up until 30 April 2015, any Lighthouse employee investments in Lighthouse managed funds were subject to an investment management fee discounted by 50%. From 1 May 2015, no investment management fees are incurred by Lighthouse employees in relation to investments they hold in the Lighthouse Funds. There is no cost incurred by the Group in providing discounted and/or free investment management services via the Lighthouse funds to employees. Having employees invest their own assets into Lighthouse managed funds is viewed positively by clients and potential clients as it demonstrates an alignment of interest between the Lighthouse employee and the investment results for clients. Nil fee arrangements for employees is common practice in the United States.

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.
- 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.

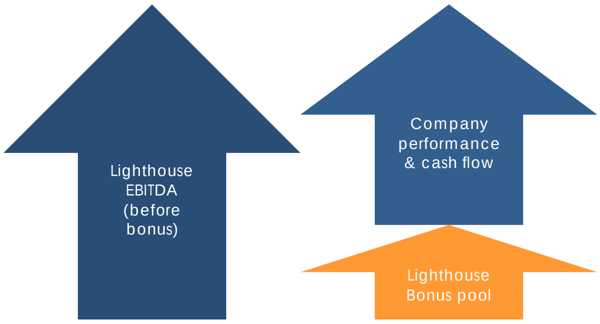
Our senior management hold significant shareholdings in the Company due to historical transactions and employee incentive plans dating prior to 2010. Whilst the Board acknowledges that an equity incentive scheme is a common component of corporate remuneration structures, due to these already high level of senior management shareholdings, the Board does not believe that at the current time an equity incentive scheme would provide an added meaningful incentive for senior management. The HFA Group has demonstrated a record of long tenure at all levels of staff, and does not consider that a long term incentive program is currently required.

Remuneration report (audited)

Relationship between remuneration policy and company performance

In designing the remuneration structure, the HFA Board has had regard to what it considers to be the key measure of the profitability of the Company: earnings before interest, tax, depreciation, amortisation and equity settled transactions from continuing operations (EBITDA from continuing operations).

As an asset management business, HFA's EBITDA from continuing operations is largely consistent with the cash flow which it generates from its operating activities. This cash flow is the source of funds used to meet debt repayment obligations, make investments and to pay dividends to shareholders. It is for this reason that HFA's dividend policy has been set as a payout ratio based on EBITDA.



By determining the total amount of variable remuneration payable to Lighthouse staff as 25-30% of EBITDA, the Board has established a simple, direct correlation between rewarding staff and delivering value to shareholders through company performance and cash flow.

The following table shows how cash bonuses paid to key management personnel compares to EBITDA and cash flows from operating activities over the past 5 years:

	2016	2015	2014	2013	2012
EBITDA (USD 000's)	29,490[1]	28,839[2]	27,624[1]	17,593	14,485
Cash flows from operating activities (USD 000's)	30,125	28,193	27,898	20,057	12,202
KMP cash bonus (USD 000's)	3,858	3,185	3,194	2,375	2,158
KMP bonus as a % of EBITDA	13.1%	11.0%	11.6%	13.5%	14.9%

1 Underlying earnings before interest, tax, depreciation and amortisation from continuing operations.

2 Underlying earnings before interest, tax, depreciation and amortisation from continuing operations, adjusted for the loss on settlement and conversion of convertible notes. Refer to page 8 for additional detail.

Bonus pools arrangements which applied to the Group as at 30 June 2016:

Lighthouse bonus pools	General	The total amount of the Lighthouse general bonus pool has been calculated as 29% of Lighthouse's EBITDA (before the bonus pools and excluding performance fee revenue). Allocation of the Lighthouse general bonus pool to staff other than as noted below is determined by the CEO. ▪ No individual bonus can be greater than 10% of the Lighthouse general bonus pool without board approval. ▪ A bonus for the 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 is paid on a semi-annual basis, and forms part of the Lighthouse general bonus pool.
Lighthouse bonus pools	Incentive fee	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 CEO based on the contribution of the portfolio managers to the creation of the performance fee revenue. Lighthouse portfolio managers may still also receive an allocation from the general bonus pool at the CEO's discretion. This is consistent with US industry practice.
HFA Holdings	General	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 Chief Financial Officer, which is allocated from the HFA Holdings General pool.

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 USD 750,000 per annum (including superannuation), as approved by shareholders at the AGM held on 20 November 2014.

Current fees paid to non-executive directors are:

Chairman	USD 150,000 per annum (plus superannuation)
Non-executive directors	USD 80,000 per annum (plus superannuation)

Actual remuneration for non-executive directors for the financial year ended 30 June 2016 was $331,930 (2015: $355,566).

A Bluhm has elected not to receive remuneration from the Company for his role as a non-executive director.

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.

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	Chairman and Non-Executive Director
Fernando Esteban	Non-Executive Director
Andy Bluhm	Non-Executive Director
Randall Yanker	Non-Executive Director
Executive Director	
Sean McGould	Chief Executive Officer, HFA Holdings Limited and President & Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
Executives	
Kelly Perkins	Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
Scott Perkins	Executive Managing Director, Lighthouse Investment Partners, LLC
Rob Swan	Chief Operation Officer, Lighthouse Investment Partners, LLC
Amber Stoney	Chief Financial Officer and Company Secretary, HFA Holdings Limited (excluding the period of 9 May 2016 to 27 June 2016 inclusive).
Henry Capra	Chief Financial Officer and Company Secretary, HFA Holdings Limited (for the period of 9 May 2016 to 27 June 2016 inclusive).

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

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 presentation currency of the Company.

Where compensation for Australian-based employees is paid in Australian dollars, it is converted to USD for reporting purposes based on either specific transaction exchange rates, or the average exchange rate for the payment period as appropriate. The Australian dollar based compensation paid during the year ended 30 June 2016 was converted to USD at an overall exchange rate of AUD/USD 0.7317 (2015: AUD/USD 0.8380).

Remuneration report (audited)

Directors' and executive officers' remuneration

Benefit Category		Short-term				Post-employment	Other long-term	Total
		Cash salary & fees	Cash bonus	Annual leave[4]	Other[5]	Pension & super-annuation	Long service leave[4]	
		$	$	$	$	$	$	$
Non-Executive Directors								
Michael Shepherd	2016	150,000	-	-	-	14,250	-	164,250
	2015	150,000	-	-	-	14,250	-	164,250
Fernando Esteban[1]	2016	80,000	-	-	-	7,600	-	87,600
	2015	122,775	-	-	-	11,664	-	134,439
Randall Yanker[2]	2016	80,080	-	-	-	-	-	80,080
	2015	56,877	-	-	-	-	-	56,877
Executive Director								
Sean McGould	2016	250,000	950,000	-	17,524	15,900	-	1,233,424
	2015	250,000	750,000	-	16,523	15,600	-	1,032,123
Executives								
Kelly Perkins	2016	250,000	1,255,000	-	17,524	15,900	-	1,538,424
	2015	250,000	935,000	-	16,523	15,600	-	1,217,123
Scott Perkins	2016	250,000	785,000	-	17,524	15,900	-	1,068,424
	2015	250,000	680,000	-	16,523	15,600	-	962,123
Rob Swan	2016	250,000	790,000	-	17,524	15,900	-	1,073,424
	2015	250,000	705,000	-	16,523	15,600	-	987,123
Amber Stoney	2016	184,856	77,973	(970)	-	12,406	4,258	278,523
	2015	293,300	115,200	2,844	-	15,740	12,007	439,091
Henry Capra[3]	2016	29,979	-	-	-	2,498	-	32,477
	2015	-	-	-	-	-	-	-
Total	**2016**	**1,524,915**	**3,857,973**	**(970)**	**70,096**	**100,354**	**4,258**	**5,556,626**
	2015	1,622,952	3,185,200	2,844	66,092	104,054	12,007	4,993,149

1 During the year ended 30 June 2015, in addition to the $80,000 received by Fernando Esteban for his role as a non-executive director of HFA Holdings Limited, he received $42,775 for his role as a non-executive director of Certitude Global Investments Limited whilst it was a subsidiary of the Group.

2 Randall Yanker was appointed as a non-executive director on 14 October 2014.

3 Henry Capra was appointed as Chief Financial Officer and Company Secretary on 9 May 2016 and ceased to hold these positions effective 27 June 2016.

4 Amounts shown as Annual Leave and Long Service Leave represent a movement in the relevant provision for each individual. Provision movements represent the difference between leave accrued and leave taken or forfeited for the period.

5 Other short term fixed remuneration amounts relate to health care benefits paid on behalf of Lighthouse staff.

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	Proportion of remuneration which is performance based	% Vested in year	% Forfeited in year
Sean McGould	950,000	77%	100% [1]	0%
Kelly Perkins	1,255,000	82%	100% [2]	0%
Scott Perkins	785,000	73%	100% [3]	0%
Rob Swan	790,000	74%	100% [2]	0%
Amber Stoney	77,973	28%	100% [4]	0%

1 Sean McGould's cash bonus is paid on an annual calendar year basis. The 2016 bonus included above relates to the 12 months ended 31 December 2015. Mr McGould's discretionary bonus for the six months ended 30 June 2016 will be paid in December 2016, and has not yet been determined.

2 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 2016.

3 Scott Perkins' cash bonus is paid on an annual calendar year basis. The 2016 bonus included above relates to the 12 months ended 31 December 2015. Mr Perkins' discretionary bonus relating to the six months ended 30 June 2016 will be paid in December 2016, and has not yet been determined.

4 The short-term incentive plan for Amber Stoney is discretionary and no amounts vest in future financial years in respect of the financial year ended 30 June 2016.

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 19 and 20 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 were for an initial term of four years and thereafter automatically extend for a one year term 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 their 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.

The above arrangements have been in place since HFA acquired Lighthouse in 2008. Shareholder approval was obtained for revised potential termination benefits at the Company's Annual General Meeting held on 25 November 2015. Revised terms in accordance with the shareholder approval are expected to be incorporated into Lighthouse key management personnel contracts during the 2017 financial year.

Remuneration report (audited)

Contractual arrangements (continued)

HFA Holdings senior executives

Amber Stoney is engaged pursuant to an executive services agreement. The Group may terminate the agreement 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. Ms Stoney may, from time to time, be invited to participate in employee incentive or similar schemes.

Henry Capra was employed in the position of Chief Financial Officer and Company Secretary from 9 May 2016 to 27 June 2016. In accordance with terms of his contract, Mr Capra terminated his agreement with 6 weeks notice during his 3 month probationary period. Mr Capra was not required to serve out his full notice period, and did not receive any termination payment.

Analysis of performance rights over equity instruments granted as remuneration

As at 30 June 2015 and 30 June 2016 there were no outstanding performance rights granted to any key management person of the Group.

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:

	Balance 1 July 2015	Purchases	Sales	Net change other	Balance 30 June 2016
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
Executives					
Scott Perkins	2,936,512	-	-	-	2,936,512
Kelly Perkins	2,500,000	-	-	-	2,500,000
Rob Swan	2,936,512	-	-	-	2,936,512
Amber Stoney[5]	180,374	-	-	-	180,374

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.
5 162,396 shares are held indirectly by AJ Stoney Family Trust.

Other transaction with key management personnel

There were no other transactions with key management personnel during the year.

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.

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 prior financial years, KPMG, the Group's auditor, performed certain other services in addition to their statutory duties.

The board considered the non-audit services provided 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 were 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 to KPMG are provided in note 22 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 24 and forms part of the directors' report for the financial year ended 30 June 2016.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, 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, AO	**F P (Andy) Esteban**
Chairman	Non-Executive Director

Dated at Sydney this 18th day of August 2016

Lead auditors' 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 2016 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

Matthew McDonnell
Partner

Dated at Brisbane this 18th day of August 2016

Income statement

For the year ended 30 June 2016

		Consolidated	
Amounts in USD'000	Note	2016	2015
Continuing Operations			
Operating revenue	2	70,519	69,784
Distribution costs	3(a)	(6,085)	(6,235)
Net income from operating activities		**64,434**	**63,549**
Other income	2	856	704
Operating expenses	3(b)	(40,973)	(44,924)
Results from operating activities		**24,317**	**19,329**
Finance income	4(a)	147	488
Finance costs	4(a)	(451)	(1,041)
Loss on settlement and amendment of convertible notes	4(a)	-	(2,217)
Net finance costs		**(304)**	**(2,770)**
Profit before income tax		**24,013**	**16,559**
Income tax (expense) / benefit	6	(9,015)	118,262
Profit for the year from continuing operations		**14,998**	**134,821**
Discontinued Operations			
Profit / (loss) after tax for the year from discontinued operations	21	(890)	825
Net profit / (loss) from discontinued operations		**(890)**	**825**
Profit attributable to members of the parent		**14,108**	**135,646**
Earnings per share from continuing operations			
Basic earnings per share (US cents)	8	9.25	83.12
Diluted earnings per share (US cents)	8	9.25	83.12
Earnings per share			
Basic earnings per share (US cents)	8	8.70	83.62
Diluted earnings per share (US cents)	8	8.70	83.62

The accompanying notes form part of these consolidated financial statements.

Statement of comprehensive income

For the year ended 30 June 2016

		Consolidated	
Amounts in USD'000	Note	2016	2015
Profit attributable to members of the parent		**14,108**	**135,646**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	4(b)	88	(268)
Income tax on other comprehensive income	4(b)	-	8,081
Other comprehensive income for the year		**88**	**7,813**
Total comprehensive income for the year		**14,196**	**143,459**
Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:			
Continuing operations		15,086	142,634
Discontinued operations	21	(890)	825
Total comprehensive income for the year		**14,196**	**143,459**

The accompanying notes form part of these consolidated financial statements.

Statement of financial position

As at 30 June 2016

Amounts in USD'000	Note	Consolidated 2016	Consolidated 2015
Assets			
Cash and cash equivalents	5(a)	27,014	26,896
Trade and other receivables	9	11,263	11,686
Total current assets		**38,277**	**38,582**
Investments	10	12,432	8,293
Plant and equipment		1,176	1,186
Deferred tax assets	6(c)	117,660	126,573
Intangible assets	12	95,768	100,701
Other non-current assets	11	661	1,804
Total non-current assets		**227,697**	**238,557**
Total assets		**265,974**	**277,139**
Liabilities			
Trade and other payables	13	3,528	3,655
Employee benefits	14	7,864	7,376
Current tax liabilities	6(b)	81	-
Loans and borrowings	16	-	8,573
Total current liabilities		**11,473**	**19,604**
Employee benefits	14	81	89
Total non-current liabilities		**81**	**89**
Total liabilities		**11,554**	**19,693**
Net assets		**254,420**	**257,446**
Equity			
Share capital	17	257,355	257,355
Reserves	17	27,501	24,027
Accumulated losses		(30,436)	(23,936)
Total equity attributable to equity holders of the Company		**254,420**	**257,446**

The accompanying notes form part of these consolidated financial statements.

Statement of changes in equity

For the year ended 30 June 2016

		Consolidated amounts attributable to equity holders of the parent						
Amounts in USD'000	Note	Share Capital	Share Based Payments Reserve	Fair Value Reserve	Translation Reserve	Parent Entity Profits Reserve	Accum-ulated Losses	Total Equity
Balance at 1 July 2014		270,963	17,168	1,493	(7,613)	10,187	(148,859)	143,339
Net profit for the year		-	-	-	-	-	135,646	135,646
Transfer to parent entity profits reserve[1]	20	-	-	-	-	14,786	(14,786)	-
Other comprehensive income								
Foreign currency translation differences	4(b)	-	-	-	(268)	-	-	(268)
Increase in fair value of investment held as available-for-sale	4(b)	-	-	(562)	8,643	-	-	8,081
Total other comprehensive income		-	-	(562)	8,375	-	-	7,813
Total comprehensive income for the year		**-**	**-**	**(562)**	**8,375**	**14,786**	**120,860**	**143,459**
Issue of ordinary shares	17	14,504	-	-	-	-	-	14,504
Equity component of capitalised convertible note interest	16	1,305	-	-	-	-	-	1,305
Convertible note buy-back and redemption	16	(29,417)	(3,842)				4,063	(29,196)
Dividends to equity holders	7	-	-	-	-	(15,965)	-	(15,695)
Total transactions with owners		(13,608)	(3,842)	-	-	(15,965)	4,063	(29,352)
Balance at 30 June and 1 July 2015		**257,355**	**13,326**	**931**	**762**	**9,008**	**(23,936)**	**257,446**
Net profit for the year		-	-	-	-	-	14,108	14,108
Transfer to parent entity profits reserve[1]	20	-	-	-	-	18,941	(18,941)	-
Other comprehensive income								
Foreign currency translation differences	4(b)	-	-	-	88	-	-	88
Total other comprehensive income, net of tax		-	-	-	88	-	-	88
Total comprehensive income for the year, net of tax		**-**	**-**	**-**	**88**	**18,941**	**(4,833)**	**14,196**
Dividends to equity holders	7	-	-	-	-	(15,555)	(1,667)	(17,222)
Total transactions with owners		-	-	-	-	(15,555)	(1,667)	(17,222)
Balance at 30 June 2016		**257,355**	**13,326**	**931**	**850**	**12,394**	**(30,436)**	**254,420**

[1] Relates to the net 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 2016

		Consolidated	
Amounts in USD'000	Note	2016	2015
Cash flows from operating activities			
Cash receipts from operating activities		71,606	76,167
Cash paid to suppliers and employees		(41,475)	(48,166)
Cash generated from operations		30,131	28,001
Interest received		16	279
Income taxes paid		(22)	(87)
Net cash from operating activities	5(b)	**30,125**	**28,193**
Cash flows from investing activities			
Acquisition of plant and equipment		(278)	(759)
Acquisition of investments		(5,374)	(1)
Dividends and distributions received		120	133
Proceeds from disposal of investments		1	1,150
Net proceeds from sale of subsidiary		1,230	1,403
Acquisition / (redemption) of other non-current assets		278	(312)
Net cash (used in) / from investing activities		**(4,023)**	**1,614**
Cash flows from financing activities			
Interest paid		(179)	(729)
Repayment of external borrowings		(8,573)	(13,750)
Repurchase of convertible notes		-	(50,744)
Net proceeds from share placement		-	14,504
Dividends paid to equity holders		(17,222)	(15,965)
Net cash used in financing activities		**(25,974)**	**(66,684)**
Net increase in cash and cash equivalents		**128**	**(36,877)**
Cash and cash equivalents at 1 July		26,896	65,902
Effect of exchange rate fluctuations on cash balances held in foreign currencies		(10)	(2,129)
Cash and cash equivalents at 30 June	5(a)	**27,014**	**26,896**

The accompanying notes form part of these consolidated financial statements

Notes to the financial statements

For the year ended 30 June 2016

Results for the Year

This section of the notes to the financial statements focuses on the results and performance of the HFA Holdings Limited Group. On the following pages you will find disclosures explaining the Group's results for the year, segment information, taxation and earnings per share.

Where an accounting policy or key estimate is specific to a single note, the policy or estimate is described in the note to which it relates.

1. Operating segments

As at 30 June 2016, the Group had one reportable segment, being the US based Lighthouse Group, which operates as a global absolute return funds manager for US and Cayman Island based investment vehicles. The CEO and board of directors review internal management reports on a monthly basis.

Corporate includes assets and liabilities and corporate expenses relating to the corporate parent entity, HFA Holdings Limited, and balances that are eliminated on consolidation of the Group and are not considered to be operating segments.

	Continuing Operations						Discontinued Operations	
	Lighthouse		Corporate		Consolidated			
Amounts in USD'000	2016	2015	2016	2015	2016	2015	2016	2015
Operating revenue	70,519	69,784	-	-	70,519	69,784	-	3,774
Distribution costs	(6,085)	(6,235)	-	-	(6,085)	(6,235)	-	(629)
Net income from operating activities	**64,434**	**63,549**	**-**	**-**	**64,434**	**63,549**	**-**	**3,145**
Other income	856	704	-	-	856	704	-	291
Operating expenses (excluding depreciation and amortisation)	(34,785)	(32,896)	(815)	(2,464)	(35,600)	(35,360)	-	(5,190)
Net finance income / (costs) (excluding interest)	(208)	330	8	(384)	(200)	(54)	(141)	138
Gain / (loss) on sale of subsidiary	-	-	-	-	-	-	(749)	2,175
Loss on settlement and amendment of convertible notes	-	-	-	(2,217)	-	(2,217)	-	-
Earnings before interest, tax, depreciation and amortisation	**30,297**	**31,687**	**(807)**	**(5,065)**	**29,490**	**26,622**	**(890)**	**559**
Depreciation and amortisation	(5,350)	(9,560)	(23)	(4)	(5,373)	(9,564)	-	(22)
Interest revenue	21	2	6	12	27	14	-	224
Interest expense (secured debt)	(131)	(452)	-	-	(131)	(452)	-	-
Interest expense (convertible notes)	-	-	-	(61)	-	(61)	-	-
Reportable segment profit / (loss) before income tax	**24,837**	**21,677**	**(824)**	**(5,118)**	**24,013**	**16,559**	**(890)**	**761**
Income tax (expense) / benefit	(9,015)	126,904	-	(8,642)	(9,015)	118,262	-	64
Reportable segment profit / (loss) after income tax	**15,822**	**148,581**	**(824)**	**(13,760)**	**14,998**	**134,821**	**(890)**	**825**
Segment assets	252,411	264,304	13,563	12,835	265,974	277,139	-	-
Segment liabilities	(12,024)	(19,061)	470	(632)	(11,554)	(19,693)	-	-
Net segment assets	**240,387**	**245,243**	**14,033**	**12,203**	**254,420**	**257,446**	**-**	**-**

Notes to the financial statements

For the year ended 30 June 2016

2. Revenue

Amounts in USD'000	Consolidated 2016	Consolidated 2015
Management and platform fee income	70,102	68,318
Performance fee income	417	1,466
Operating revenue	**70,519**	**69,784**
Operating lease rental revenue	856	704
Other income	**856**	**704**

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 methods used for each category of revenue are 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 revenue as the management services are provided.

Platform service fees are received where a Group entity provides 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 revenue as the platform services are provided.

Performance fees

Performance fees are received by a Group entity that acts as investment manager of various investment products when the performance of the product exceeds a predetermined level. These fees are only recognised when a reliable estimate of the fee can be made and it is probable that it will be received.

Operating lease rental revenue

Other income relates to rent and outgoings charged to tenants of the London and New York office space held by Lighthouse. Income received under these sub-lease arrangements is recognised on a straight line basis over the term of the lease.

Major revenue source

30% (2015: 31%) of the Group's total revenue from continuing operations relates to management fees earned on the Lighthouse Diversified Fund, which represents 21% of Group AUMA as at 30 June 2016 (2015: 19%).

25% (2015: 24%) of the Group's total revenue from continuing operations relates to management fees and performance fees earned on the Lighthouse Global Long/Short Fund, which represents 21% of Group AUMA as at 30 June 2016 (2015: 19%).

Notes to the financial statements

for the year ended 30 June 2016

3. Expenses

(a) Distribution costs

Amounts in USD'000	Consolidated 2016	2015
Total distribution costs	**(6,085)**	**(6,235)**

Distribution costs consist of distribution rebates paid to financial advisors, platforms and other third parties. These costs are recognised on an accrual basis.

(b) Other operating expenses

Amounts in USD'000	Consolidated 2016	2015
Employee benefits	(26,486)	(26,717)
Professional fees	(1,405)	(1,709)
Occupancy expenses	(2,086)	(2,066)
Travel costs	(1,112)	(1,370)
Depreciation	(440)	(169)
Amortisation of intangible assets	(4,933)	(9,395)
Other expenses	(4,511)	(3,498)
Total expenses	**(40,973)**	**(44,924)**

The majority of operating expenses are recognised as the services are received.

The largest operating 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 2016 includes contributions to defined contribution superannuation and pension plans of $697 thousand (2015: $719 thousand).

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.

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. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. 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.

Notes to the financial statements

for the year ended 30 June 2016

4. Finance income and costs

(a) Recognised directly in profit or loss

Amounts in USD'000	Consolidated 2016	2015
Finance income		
Interest income on bank deposits	15	14
Interest income on convertible promissory notes	12	-
Financial assets designated at fair value through profit or loss (investment in funds)		
Dividend and distribution income	120	61
Net change in fair value	-	413
Total finance income	**147**	**488**
Finance costs		
Interest expense (secured debt)	(131)	(452)
Interest expense (convertible notes)	-	(61)
Bank charges	(65)	(52)
Net foreign exchange loss	(11)	(476)
Financial assets designated at fair value through profit or loss (investment in funds)		
Net change in fair value	(244)	-
Total finance costs	**(451)**	**(1,041)**
Loss on settlement and amendment of convertible notes	**-**	**(2,217)**
Net finance costs recognised in profit or loss	**(304)**	**(2,770)**

Interest income is recognised in profit or loss as it accrues.

Dividend and distribution income is recognised on the date that the Group's right to receive payment is established.

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

The loss on settlement and amendment of convertible notes relates to the buy-back of 50 convertible notes and the amendment of the terms of the remaining 25 convertible notes which occurred in July 2014 and is made up of transaction costs, variances between the carrying value and fair value of the instruments at the date of the transaction, and the reversal of the fair value of the share options held by the noteholders which were cancelled for nil consideration.

(b) Recognised directly in other comprehensive income

Amounts in USD'000	Consolidated 2016	2015
Foreign currency translation differences	88	(268)
Income tax expense recognised directly in equity	-	8,081
Finance income attributable to equity holders recognised directly in equity	**88**	**7,813**
Recognised in:		
Translation reserve	88	8,375
Fair value reserve	-	(562)
	88	**7,813**

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 presentation currency.

Available-for-sale financial assets are recognised at fair value, with changes in fair value being recognised in 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.

Income tax expense recognised directly in equity in 2015 relates to historical foreign currency movements on a net foreign investment loan previously in place between HFA Holdings Limited and its wholly owned subsidiary HFA Lighthouse Holdings Corp. This movement was recognised in prior period in line with the recognition of deferred tax balances previously held off balance sheet. Refer to note 6 for additional discussion on the recognition of these deferred tax balances.

Notes to the financial statements

for the year ended 30 June 2016

5. Cash

(a) Cash and cash equivalents

Amounts in USD'000	Consolidated 2016	Consolidated 2015
Cash at bank	**27,014**	**26,896**

At balance date, AUD deposits earn interest of 1.55% (2015: 1.80%). Minimal interest is received on USD deposits.

The carrying amount of these assets is a reasonable approximation of fair value. The Group's exposure to interest rate and foreign currency risk on cash and cash equivalents is disclosed in note 18.

(b) Reconciliation of cash flows from operating activities

Amounts in USD'000	Note	Consolidated 2016	Consolidated 2015
Cash flows from operating activities			
Profit for the year		**14,108**	**135,646**
Adjustments for:			
Depreciation expense		440	191
Loss on disposal of plant and equipment		-	48
Amortisation of intangible assets	12	4,933	9,395
Dividends and distributions on financial assets at fair value through profit or loss		(132)	(133)
Fair value loss / (gain) on financial assets at fair value through profit or loss		244	(489)
Interest expense (secured debt)	4(a)	131	452
Interest expense (convertible notes)	4(a)	-	61
Net foreign exchange loss		92	189
Income tax expense / (benefit), less income tax paid		8,993	(118,414)
Loss on settlement and amendment of convertible notes		-	2,217
Loss / (gain) recognised on sale of subsidiary		808	(2,175)
Operating cash flow before changes in working capital and provisions		**29,617**	**26,988**
Decrease in receivables		251	1,021
Decrease in other assets		12	595
Decrease in payables		(215)	(403)
Increase/(decrease) in employee benefits		460	(8)
Net cash from operating activities		**30,125**	**28,193**

Notes to the financial statements

for the year ended 30 June 2016

6. Income tax

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.

The Australian Certitude business was sold on 30 April 2015 and exited the tax-consolidated group at that time.

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

(a) Reconciliation of effective tax rate (continuing operations)

	Consolidated	
Amounts in USD'000	2016	2015
Profit before income tax	24,013	16,559
Income tax using the Company's domestic tax rate of 30% (2015: 30%)	(7,204)	(4,968)
Effect of tax rates in foreign jurisdictions*	(2,041)	(1,831)
Non-deductible/assessable amounts included in accounting profit	(567)	(869)
Deductible amounts not included in accounting profit	108	191
Changes in unrecognised temporary differences	159	8,799
Current year tax losses for which no deferred tax asset is initially recognised	(22)	(1,074)
Changes in estimates related to prior years	552	(435)
Current income tax expense	**(9,015)**	**(187)**
Recognition of previously unrecognised deferred tax assets	-	118,449
Deferred income tax benefit	**-**	**118,449**
Total income tax (expense) / benefit reported in profit or loss	**(9,015)**	**118,262**

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

(b) Current tax liabilities

	Consolidated	
Amounts in USD'000	2016	2015
Current tax liabilities	**81**	**-**

Current tax liabilities represent the amount of income taxes payable to the relevant tax authority, using tax rates current at reporting date.

(c) Deferred tax assets

Recognition and measurement

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 wholly-owned 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on a tax consolidated group of entities.

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. This assessment relies on estimates and assumptions and may involve interpretations of tax law and judgements about future events. New information may become available that causes the Group to change its judgement regarding the calculation of tax balances, and such changes will impact the profit or loss in the period that such a determination is made.

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 carrying value of both recognised and unrecognised deferred tax assets are reassessed at each reporting date.

Notes to the financial statements

for the year ended 30 June 2016

6. Income tax (continued)

(c) Deferred tax assets (continued)

Deferred tax assets – US Group

Deferred tax assets have been recognised in respect of the following items:

Amounts in USD'000	2016	2015
Carry forward tax losses	36,033	35,847
Goodwill and intangible assets	75,686	85,907
Financial assets at fair value through profit or loss	(497)	(594)
Available-for-sale financial assets	(568)	(562)
Employee benefits	2,559	2,204
Other items	4,447	3,771
	117,660	**126,573**

As at 30 June 2016 it is considered more likely than not that the US Group's carried forward tax losses and deductible temporary differences will be fully recovered. As a result, $117,660 thousand of deferred tax assets relating to the US Group are recognised on the balance sheet as at 30 June 2016 (30 June 2015: $126,573 thousand).

Prior to the year ended 30 June 2015, the deferred tax assets relating to the US Group were not recognised on the basis that it was not probable that the US Group would produce sufficient taxable profits against which its carried forward tax losses and deductible temporary differences could be utilised.

The recognition of deferred tax balances in 2015 resulted in a tax benefit in the consolidated income statement of $118,449 thousand and $8,081 thousand in other comprehensive income.

Carried forward tax losses relating to the US Group have a life of 20 years, and will expire during the period from 2029 to 2036.

Deferred tax assets – Australian Group

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

	Consolidated	
Amounts in USD'000	2016	2015
Deductible temporary differences	62,752	65,090
Tax losses	3,040	2,954
	65,792	**68,044**

Unrecognised deferred tax assets relating to the Australian Group consist of deductible temporary differences (including impairment losses recognised in previous financial years), and carried forward operating tax losses.

As at 30 June 2016, it is not probable that the Australian Group will produce sufficient taxable profits against which these deferred tax assets can be utilised and therefore the deferred tax assets remain unrecognised.

$62,752 thousand (30 June 2015: $64,899 thousand) of the deductible temporary differences not recognised relate to an impairment write-down taken during the year ended 30 June 2009 on the carrying value of the Lighthouse Group. The realisation of this tax asset is subject to the application of relevant tax legislation and the structure of any future business transactions in relation to the Lighthouse Group, if and when any such transaction were to occur.

Tax losses relating to the Australian Group and deductible temporary differences do not expire under current tax legislation.

Notes to the financial statements

for the year ended 30 June 2016

7. Dividends

The following dividends were paid by the Company:

	Consolidated	
Amounts in USD'000	2016	2015
Interim ordinary dividend for the year ended 30 June 2016 of USD 5 cents	8,335	-
Final ordinary dividend for the year ended 30 June 2015 of USD 5.5 cents	8,887	-
Interim ordinary dividend for the year ended 30 June 2015 of USD 5 cents	-	7,960
Final ordinary dividend for the year ended 30 June 2014 of USD 5 cents	-	8,005
	17,222	**15,965**

The Directors have determined a final unfranked dividend of 7.0 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 9 September 2016.

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2016.

The dividends have not been provided for as at 30 June 2016, and there are no income tax consequences.

Dividend franking account

	Consolidated	
Amounts in USD'000	2016	2015
Amount of franking credits available to shareholders of HFA Holdings Limited for subsequent financial years	**765**	**791**

Dividends paid and declared during the 2016 financial year have been unfranked. The movement in the franking account balance relates to foreign currency movements only.

Notes to the financial statements

for the year ended 30 June 2016

8. Earnings per share

Earnings per share

Amounts in USD per share	Consolidated 2016	2015
Basic earnings per share	8.70	83.62
Diluted earnings per share	8.70	83.62

Earnings per share from continuing operations

Amounts in USD per share	Consolidated 2016	2015
Basic earnings per share	9.25	83.12
Diluted earnings per share	9.25	83.12

Reconciliation of earnings used in calculating earnings per share

Basic and diluted earnings per share

For the purposes of calculating earnings per share, 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.

Amounts in USD'000	Consolidated 2016	2015
Profit attributable to ordinary equity holders of the Company	14,108	135,646
Adjustment for interest on convertible notes	-	61
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**14,108**	**135,707**
Adjustment for loss / (profit) after tax for the year from discontinued operations	890	(825)
Profit from continuing operations attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**14,998**	**134,882**

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

Amounts in '000 of shares		Consolidated 2016	2015
Issued ordinary shares at 1 July	17	162,148	118,738
Effect of share placement as at 2 July 2014		-	17,762
Effect of shares issued on conversion of convertible note as at 11 August 2014		-	22,716
Effect of convertible notes on issue during the period		-	3,065
Weighted average number of ordinary shares used in calculating basic, diluted and underlying earnings per share		**162,148**	**162,281**

The calculation of basic earnings per share is based on the time weighted total number of ordinary shares outstanding. The total for 2015 includes the total number of shares that would have been issued on the conversion of the convertible notes until their extinguishment during the 2015 financial year.

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.

For the 2015 year, 31,250,000 of share options which were on issue until 2 July 2014 were excluded from the calculation of diluted earnings per share because they were not considered to be dilutive (i.e. the exercise price was higher than the average share price since issue). Details relating to the options are included in note 17.

Notes to the financial statements

for the year ended 30 June 2016

Operating assets and liabilities

This section of the notes to the financial statements provides information on the operating assets and liabilities of the HFA Holdings Limited Group, including explanations of the Group's key assets used to generate operating results and the corresponding liabilities. Information on other assets and liabilities can be found in the following sections:

- Section 1 – Cash; Deferred tax assets
- Section 3 – Loans and borrowings; Capital and reserves

Where an accounting policy or key estimate is specific to a single note, the policy or estimate is described in the note to which it relates.

9. Trade and other receivables

	Consolidated	
Amounts in USD'000	2016	2015
Receivables due from Group managed products	8,733	8,810
Receivables due from externally managed products	320	496
Other receivables and prepayments	2,032	1,019
Lease guarantee deposits	-	288
Deferred consideration receivable	178	1,073
	11,263	**11,686**

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

Receivables due from externally managed products comprise receivables due from a third party and relate to management and performance fees on funds for which Lighthouse performs investment services.

Other receivables and prepayments relate to items such as prepaid expenses (principally in relation to insurance policies), interest receivable on cash deposits, and pending redemptions from investments in Group managed products.

Current lease guarantee deposits relate to funds held in nominated accounts in relation to security deposits for the lease of Australian office premises, which were recovered within 12 months from the 30 June 2015 reporting date.

Trade and other receivables have 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. The carrying amount of these assets is a reasonable approximation of fair value.

The Group's exposure to credit risk, currency risk and impairment losses related to trade and other receivables is disclosed in note 18.

Deferred consideration receivable

The current portion of deferred consideration receivable relates to amounts due from the sale of wholly-owned subsidiary Certitude Global Investments Limited (Certitude) that are expected to be received within 12 months of reporting date.

The sale of Certitude to Ironbark Asset Management Pty Ltd (Ironbark) was completed on 30 April 2015. Per the Share Sale Agreement, the consideration payable by Ironbark was 0.91% of Assets under Management (AUM) of specified Certitude funds as at completion date, with 85% received on the completion date and the remaining 15% deferred and indexed to any movement in AUM at the end of the 12 month anniversary of the completion date. The initial payment was received from Ironbark on 30 April 2015. The remainder of amounts due were deferred and designated as an available-for-sale debt asset as at 30 June 2015. All of these amounts were received prior to 30 June 2016.

In addition, HFA continues to receive residual fee revenue (management and performance fees) for other funds for which Lighthouse provides investment management services until such time as those funds commence wind up.

The total amount of consideration received, and an estimate of deferred consideration receivable was taken into account when calculating the gain on sale recognised in the year ended 30 June 2015. Variances between estimated and actual consideration received, foreign currency losses on consideration received, and an adjustment to the estimate of residual fee revenue still receivable have been recognised as a loss from discontinued operations in the current year ended 30 June 2016. Refer note 21 for additional detail.

The methods used to determine the fair value for measurement and disclosure purposes of this asset are disclosed in note 18.

Notes to the financial statements

for the year ended 30 June 2016

10. Investments

Amounts in USD'000	Consolidated 2016	2015
Available-for-sale financial assets	2,889	2,889
Financial assets at fair value through profit or loss	9,543	5,404
	12,432	**8,293**

Available-for-sale financial assets

Available-for-sale financial assets comprise a non-controlling equity holding in the unquoted securities of a US based limited liability company over which the Group does not have significant influence. This entity distributes alternative investment funds in the US market.

The investment is measured at fair value, with changes in fair value recognised in other comprehensive income and presented in the fair value reserve in equity.

Note 18 provides details on the methods used to determine fair value for measurement and disclosure purposes, and information on exposure to credit and market rate risks related to these investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of the following:

Amounts in USD'000	Consolidated 2016	2015
Investments in unquoted securities of entities managed by Lighthouse	8,857	5,404
Investments in convertible promissory notes of unrelated entities	686	-
	9,543	**5,404**

These assets have been classified as fair value through profit or loss upon initial recognition as the Group makes decisions in relation to these financial assets based on fair value. These investments are measured at fair value, and changes in their fair value are recognised in profit or loss. Note 18 provides details on the methods used to determine fair value for measurement and disclosure purposes, and information on exposure to credit and market rate risks related to these investments.

11. Other non-current assets

Amounts in USD'000	Consolidated 2016	2015
Lease guarantee deposits	661	661
Deferred consideration receivable	-	1,143
	661	**1,804**

Lease Guarantee Deposits

Non-current lease guarantee deposits relate to funds that are held in nominated accounts in relation to security deposits for the lease of office premises that are not expected to be recovered within 12 months of reporting date.

The carrying amount of these assets is a reasonable approximation of fair value.

Deferred consideration receivable

As at 30 June 2015, the non-current portion of deferred consideration receivable related to consideration due from the sale of the Australian Certitude business, see note 9 for further details regarding this receivable.

This receivable was designated as an available-for-sale financial asset. The methods used to determine the fair value for measurement and disclosure purposes are disclosed in note 18.

Financial Statements
Results for the year
Operating assets and liabilities
Capital and risk
Group structure
Other disclosures
Basis of preparation

Notes to the financial statements

for the year ended 30 June 2016

12. Intangible assets

	Consolidated				
Amounts in USD'000	Goodwill	Mgmt rights / Customer Relationships	Trademarks	Software	Total
Cost					
Balance at 1 July 2014	499,519	73,400	1,900	2,050	576,869
Balance at 30 June and 1 July 2015	499,519	73,400	1,900	2,050	576,869
Balance at 30 June 2016	**499,519**	**73,400**	**1,900**	**2,050**	**576,869**
Amortisation and impairment losses					
Balance at 1 July 2014	(405,718)	(59,637)	(618)	(800)	(466,773)
Amortisation for the year	-	(9,175)	(95)	(125)	(9,395)
Balance at 30 June and 1 July 2015	**(405,718)**	**(68,812)**	**(713)**	**(925)**	**(476,168)**
Amortisation for the year	-	(4,588)	(95)	(250)	(4,933)
Balance at 30 June 2016	**(405,718)**	**(73,400)**	**(808)**	**(1,175)**	**(481,101)**
Carrying amounts					
At 1 July 2014	93,801	13,763	1,282	1,250	110,096
At 30 June and 1 July 2015	93,801	4,588	1,187	1,125	100,701
At 30 June 2016	**93,801**	**-**	**1,092**	**875**	**95,768**

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the Group's accounting policy relating to the measurement of goodwill at initial recognition, see note 19.

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

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.

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 *(fully amortised at 30 June 2016)*
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.

Notes to the financial statements

for the year ended 30 June 2016

12. Intangibles (continued)

Impairment testing of intangible assets

The carrying amounts of the Group's intangible assets are reviewed at least annually, or when an impairment indicator exists, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated 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.

Impairment test as at 30 June

Impairment testing carried out on the US CGU as at 30 June 2015 and 30 June 2016 did not result in the recognition of any impairment losses.

For the purpose of impairment testing, intangible assets are allocated to a US based funds management cash generating unit (US CGU):

	Consolidated Carrying Amount	
Amounts in USD'000	2016	2015
Goodwill	93,801	93,801
Management rights/customer relationships	-	4,588
Trademarks	1,092	1,187
Software	875	1,125
	95,768	**100,701**

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	2016	2015
Discount rate	13.7%	14.5%
Terminal value growth rate	4.2%	4.5%
Forecast EBITDA growth rate (average next 5 years)	5%	6%

The discount rate is 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 20% at a market interest rate of 4.1%.

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 5%. This is considered to be reasonable in comparison to the average EBITDA (before equity settled transaction) growth achieved by the US CGU for the 5 year period to 30 June 2016 of 7%.

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

Notes to the financial statements

for the year ended 30 June 2016

13. Trade and other payables

	Consolidated	
Amounts in USD'000	2016	2015
Trade creditors	24	73
Other creditors and accruals	3,504	3,582
	3,528	**3,655**

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, and product costs and expenses. The 30 June 2015 balance also includes accrued interest on the secured bank loan and convertible notes, and a provision for costs relating to the discontinuing of operations in Australia following the sale of the Certitude business.

Trade and other payables are stated at their amortised cost. The carrying amount of these liabilities is a reasonable approximation of fair value.

A provision is recognised if, as a result of a past event, the Group has a present obligation (legal or constructive) that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions have not been discounted as the effect of the time value of money on the carrying value of the provision is not material.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 18.

14. Employee benefits

	Consolidated	
Amounts in USD'000	2016	2015
Current		
Short-term incentives	7,791	7,289
Liability for annual leave	73	87
	7,864	**7,376**
Non-current		
Liability for long service leave	81	89
	7,945	**7,465**

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.

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 relevant corporate bond rate at reporting date.

Notes to the financial statements

for the year ended 30 June 2016

Capital and risk

This section of the notes to the financial statements provides information on how HFA Holdings Limited manages its capital and financial risk. On the following pages you will find disclosures explaining the Group's:

- capital management, including structure, policies, and related accounts balances; and
- exposure to financial risks, including market risks, credit risk, liquidity risk, and the risk arising from financial instruments.

Where an accounting policy or key estimate is specific to a single note, the policy or estimate is described in the note to which it relates.

15. Capital management

Capital management of the Group focuses on ensuring:

- that the Group continues as a going concern;
- debt repayment and servicing obligations are met (the secured bank loan was fully repaid in March 2016);
- there is sufficient cash flow to meet operating requirements;
- flexibility is maintained for future business expansion; and
- that the payment of dividends is supported in accordance with the Group's dividend policy.

As at 30 June 2016, the Company's capital comprises ordinary shares on issue.

Regulatory 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 Euros 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.

16. Loans and borrowings

Secured bank loan

	Consolidated	
Amounts in USD'000	2016	2015
Current		
Secured bank loan (USD Facility)	-	8,573
	-	**8,573**

The secured bank loan matured and was repaid in full in March 2016. Prior to repayment of the loan the nominal interest rate was LIBOR plus 3%.

The carrying amount of the loan in prior periods is reasonable approximation of fair value. The Group's exposure to interest rate risk related to loans and borrowings is disclosed in note 18.

Notes to the financial statements

for the year ended 30 June 2016

16. Loans and borrowings (continued)

Convertible notes

The convertible notes were compound financial instruments issued by the Group. They were extinguished on 11 August 2014 and as at 30 June 2015 and 2016 no convertible notes remained outstanding. The convertible notes did not impact the financial statements for the year ended 30 June 2016.

The liability component of the convertible notes was recognised initially at the fair value of a similar liability that did not have an equity conversion option. Fair value was calculated by discounting estimated future cash flows using a market rate of interest. The equity component was 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 were allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the convertible notes was measured at amortised cost using the effective interest method, which ensured that any interest expense over the period of repayment was at a constant rate on the balance of the liability carried on the balance sheet. Interest expense in this context included amortisation of transaction costs, as well as any interest or coupon payable while the liability was outstanding. Interest relating to the liability component of the notes was recognised in profit or loss.

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

During the year ended 30 June 2015, the movement in the portion of the convertible notes that was recognised as a financial liability was made up of the following components:

Amounts in USD'000	2015
Carrying amount at beginning of period	19,249
Increase in face value due to the capitalisation of accrued interest	1,722
Amount of interest capitalised classified as equity	(1,305)
Interest on face value at 6% per annum	(29)
Accretive interest (calculated using the effective interest rate method)	12
Buy-back and amendment of convertible notes as at 2 July 2014	(8,402)
Carrying amount at 2 July 2014	**11,247**
Interest on face value at 8% per annum	(203)
Accretive interest (calculated using the effective interest rate method)	49
Conversion of convertible notes on 11 August 2014	(11,093)
Carrying amount of liability at 30 June 2015	**-**

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 held 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;

Notes to the financial statements

for the year ended 30 June 2016

16. Loans and borrowings (continued)

- 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, namely:
  - 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 2 tranches. The first tranche required no less than 10 convertible notes by 31 December 2014 (i.e. for $10 million if 10 convertible notes are repurchased), and the second tranche required 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).
- 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 Westpac debt was fully repaid in March 2016.

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.

During the financial year ended 30 June 2015, the financial impact of the transactions was as follows:

	Consolidated
Amounts in USD'000	2015
Movement in cash	
Placement proceeds	15,113
Less placement costs	(609)
Total cash proceeds from placement	**14,504**
Cash payment for buy-back	(50,000)
Total transaction costs	(908)
Total cash costs for buy-back	**(50,908)**
Cash repayment of secured bank loan	(5,000)
Total cash movement	**(41,404)**
Movement in other balance sheet accounts	
Liability: decrease in secured bank loan	5,000
Liability: decrease in liability portion of convertible notes	19,495
Equity: decrease in equity portion of convertible notes	29,417
Equity: decrease in share options reserve	3,842
Equity: increase in share capital	(14,504)
Total movement in other balance sheet accounts	**43,250**
Total movement in other comprehensive income	
Recognised through profit or loss: loss on settlement and amendment of convertible notes	2,217
Recognised through retained earnings: gain on settlement and amendment	(4,063)
Total movement in other comprehensive income	**(1,846)**

Notes to the financial statements

for the year ended 30 June 2016

17. Capital and reserves

Ordinary shares on issue

In thousands of shares	Consolidated 2016	2015
Ordinary shares on issue 30 June	**162,148**	**162,148**

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. 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.

Issue of ordinary shares during the year ended 30 June 2015:

- On 2 July 2014, in connection with the buy-back of 50 convertible notes, the Group completed a placement to eligible institutional investors of 17,810,723 ordinary shares in the Company which raised $14.5 million in net proceeds (see note 16).
- 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 25,599,017 ordinary shares of HFA Holdings Limited effective 11 August 2014 (see note 16).

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

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. In connection with the buy-back of 50 convertible notes on 2 July 2014, the 31,250,000 options held by the noteholders were cancelled for nil consideration

Nature and purpose of reserves

Amounts in USD'000	Consolidated 2016	2015
Parent entity profits reserve	12,394	9,008
Translation reserve	850	762
Fair value reserve	931	931
Share based payments reserve	13,326	13,326
	27,501	**24,027**

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 Group's presentation currency.

The fair value reserve comprises of the increase in the fair value of available-for-sale financial assets above their original purchase value.

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

Notes to the financial statements

for the year ended 30 June 2016

18. Financial risk management

Classes of financial instruments

Definitions

During the years ended 30 June 2015 and 2016, the Group held the following non-derivative financial assets and liabilities:

Classification	Description
'Loans and receivables' and 'Other financial liabilities' not measured at fair value	The carrying amount of these assets and liabilities is a reasonable approximation of fair value: ▪ Cash and cash equivalents – see note 5 ▪ Trade and other receivables – see note 9 ▪ Lease guarantee deposits – see notes 9 and 11 ▪ Trade and other payables – see note 13 ▪ Loans and borrowings – see note 16
Financial assets at fair value through profit or loss	▪ Investments in unquoted securities of entities managed by Lighthouse – see note 10 ▪ Investments in convertible promissory notes of unrelated entities - see note 10
Available-for-sale financial assets	▪ Non-controlling equity holding in a US based limited liability company over which the Group does not have significant influence – see note 10. Fair value movements in this asset are recognised through other comprehensive income. ▪ Deferred consideration receivable relating to the sale of the Australian Certitude business – see notes 9 and 11. Changes to the expected level of consideration to be received are recognised in the income statement.

Accounting policies

The Group initially recognises loans and receivables and deposits at fair value 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.

The Group initially recognises debt securities issued and subordinated liabilities at fair value 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 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.

Fair value of financial instruments

Fair value hierarchy

The Group 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.

Notes to the financial statements

for the year ended 30 June 2016

18. Financial risk management (continued)

Fair value measurements

The following table shows the fair values of financial assets and their levels in the fair value hierarchy.

Amounts in USD'000	Note	Level 1	Level 2	Level 3	Total
			30 June 2015		
Available-for-sale financial assets					
- Investment in unquoted securities of externally managed entity		-	-	2,889	2,889
- Deferred consideration receivable	9, 11	-	-	2,216	2,216
Financial assets at fair value through profit or loss					
- Investments in unquoted securities of entities managed by Lighthouse	10	-	5,404	-	5,404
			30 June 2016		
Available-for-sale financial assets					
- Investment in unquoted securities of externally managed entity	10	-	-	2,889	2,889
- Deferred consideration receivable	9, 11	-	-	178	178
Financial assets at fair value through profit or loss					
- Investments in unquoted securities of entities managed by Lighthouse	10	-	8,857	-	8,857
- Investments in convertible promissory notes	10	-	-	686	686

There were no transfers between levels during the financial years ended 30 June 2016 or 30 June 2015.

Valuation techniques and significant unobservable inputs

The following table shows the specific valuation technique used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used (if applicable).

Type	Valuation technique	Significant unobservable inputs	Input derived from	Relationship of unobservable inputs and fair value measurement
Investment in unquoted securities of externally managed entity: 361 Capital *(Level 3)*	Calculated based on arm's length equity transactions which provided external evidence of the value of this equity investment. This valuation is consistent with the value determined using a discounted cash flow analysis based on expected future cash flows and a market related discount rate.	Not applicable	Audited financial statements of 361 Capital, LLC as at 31 December 2015.	Not applicable.
Deferred consideration receivable *(Level 3)*	Calculated based on the terms of the relevant contract using a discounted cash flow model.	As at 30 June 2016 nil AUM growth assumed for remaining forecast period.	Not applicable	Not applicable
Investments in unquoted securities *(Level 2)*	Calculated by reference to exit price at reporting date.	Not applicable.	Exit price at reporting date.	Not applicable.
Investments in convertible promissory notes *(Level 3)*	Calculated based on transaction price, which is the best indicator of fair value as at 30 June 2016.	Not applicable.	Not applicable.	Not applicable.

The Group's finance team performs the valuations of Level 2 and Level 3 investments for financial reporting purposes. The team reports directly to the Chief Financial Officer and the Audit and Risk Committee.

Notes to the financial statements

for the year ended 30 June 2016

18. Financial risk management (continued)

Movement in Level 3 assets

The following table presents the change in Level 3 assets for the financial years ended 30 June 2016 and 30 June 2015:

Amounts in USD'000	Note	Deferred consideration receivable	Investment in 361 capital	Investment in promissory notes	Total
Opening balance 1 July 2014	10		**2,889**	**-**	**2,889**
Deferred revenue recognised on sale of subsidiary	9, 11, 21	2,216	-	-	2,216
Closing balance 30 June 2015		**2,216**	**2,889**	**-**	**5,105**
Receipt of deferred revenue recognised on sale of subsidiary	9, 11, 21	(1,230)	-	-	(1,230)
Movement due to foreign exchange losses and change in estimates	9, 11, 21	(808)			(808)
Investments in convertible promissory notes	10	-	-	686	686
Closing balance 30 June 2016		**178**	**2,889**	**686**	**3,753**

There were no transfers in or out of Level 3 during the financial year ended 30 June 2016.

Financial Risk Management

The Group has direct and indirect exposure to the following risks arising from its activities:

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

These risks can impact the Group's net profit and total equity value through:

- fluctuations in the value of the Group's investments and other financial assets and liabilities;
- the effect of market risks on the Group's Assets Under Management and Advice (AUMA), which can impact management, platform and performance fees; and
- the amount of interest earned on the Group's cash balances and the amount of interest paid by the Group on its secured bank loan (the secured bank loan was fully repaid in March 2016 Refer to note 16 for additional detail).

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 Group's maximum credit risk 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 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; and
- pending redemptions from investments in Group managed products.

At reporting date, 78% of the Group's trade and other receivables related to amounts receivable from products managed by the Group (2015: 75%).

22% of receivables relate to management fees receivable from the Lighthouse Diversified Fund, the largest fund managed by the Group (2015: 22%).

As at reporting date, the Group did not have any receivables which were past due. Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables.

Notes to the financial statements

for the year ended 30 June 2016

18. Financial risk management (continued)

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:

					Consolidated			
Amounts in USD'000	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 2016								
Trade and other payables	13	3,528	(3,528)	(3,528)	-	-	-	-
		3,528	**(3,528)**	**(3,528)**	**-**	**-**	**-**	**-**
30 June 2015								
Trade and other payables	13	3,655	(3,655)	(3,655)	-	-	-	-
Secured bank loans	16	8,573	(8,704)	(3,857)	(4,847)	-	-	-
		12,228	**(12,359)**	**(7,512)**	**(4,847)**	**-**	**-**	**-**

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.

Secured bank loans

The above cash flows represent the contractual cash flows of the loan as at 30 June 2015, including estimated interest payments. As disclosed in note 16, the loan was fully repaid in March 2016.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

As at 30 June 2016, the Group's exposure to interest rate risk relates primarily to the Group's cash and cash equivalents.

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.

Reviews of interest rate structures are performed to monitor potential exposure. The interest rate profile of financial liabilities is detailed in note 16.

Notes to the financial statements

for the year ended 30 June 2016

18. Financial risk management (continued)

Currency risk

The Group is exposed to currency risk on revenue, expenses, receivables and payables 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:

	2016	2015
AUD/USD: Average rate	0.7283	0.8380
AUD/USD: 30 June spot rate	0.7426	0.7680

At reporting date, the Group's direct exposure to currency risk relates to:

- 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. The deferred revenue receivable recognised as at 30 June 2015 and 2016 in relation to the sale of the Certitude business is also denominated in AUD.
- AUD denominated balances recognised by the Lighthouse Group which has a functional currency of USD. These balances comprise of receivables due from a third party which relate to management and performance fees on funds for which Lighthouse performs investment services.

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.

	Consolidated	
Amounts in USD'000	2016	2015
AUD/USD: appreciation of 10%, net of tax	33	203
AUD/USD: depreciation of 10%, net of tax	(33)	(203)

Price risk

The Group is exposed to price risk in relation to the value of its investments, and indirectly through impacts on management and performance fees earned from the fluctuations in the value of the AUMA in the investment products it manages due to market price movements.

Investments

The Group's investments comprise:

- financial assets at fair value through profit or loss, which are comprised of investments in the unquoted securities of investment funds and convertible promissory notes of unrelated US based entities; 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 fair value (after tax) of these assets to movements in market prices.

	Consolidated			
	Profit or loss (decrease) / increase		Equity (decrease) / increase	
Amounts in USD'000	2016	2015	2016	2015
Fair value + 5%, net of tax	270	165	88	88
Fair value - 5%, net of tax	(270)	(165)	(88)	(88)

Notes to the financial statements

for the year ended 30 June 2016

18. Financial risk management (continued)

Currency risk (continued)

Management and platform fees

The Group earns management and platform fees as a percentage of the assets it manages on behalf of its funds and clients. Management and platform fees will be impacted by changes in the value of these assets from movements in the individual prices of the underlying securities held as well as the fluctuations in exchange rates for assets which are not denominated in USD.

The following table summarises the sensitivity of management and platform fees to a changes in AUMA due to movements in market prices:

	Consolidated	
	Profit or loss (decrease) / increase	
Amounts in USD'000	2016	2015
Fair value + 5%, net of tax	1,953	1,894
Fair value - 5%, net of tax	(1,953)	(1,894)

The impact of any change to management and platform fees due to changes in AUMA from inflows and outflows of assets by clients due to changes in market prices has not been estimated.

Performance fees

The Group earns performance fees from some of its funds and clients. The Group's entitlement to performance fees varies between the relevant funds and clients, and generally is dependent on the relevant fund or client portfolio outperforming a high watermark and in some cases a benchmark hurdle. Performance fees per fund or client can also accrue over different calculation periods. Given the nature of performance fees, the Group is subject to the risk that in any given financial year it may earn no performance fees.

Notes to the financial statements

for the year ended 30 June 2016

Group structure

This section of the notes to the financial statements outlines how the HFA Holdings Limited's group structure affects the financial position and performance of the Group as a whole. On the following pages you will find disclosures explaining the Group's composition, key parent entity disclosures and discontinued operations.

Where an accounting policy or key estimate is specific to a single note, the policy or estimate is described in the note to which it relates.

19. 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	
		2016	2015
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
North Rock Capital Management LLC	United States	100	100
Lighthouse Partners Limited (HK)	Hong Kong	100	100
LHP Ireland Fund Management Limited	Ireland	100	100
LDO 906 Limited	Cayman Islands	100	100

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 incurred 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.

Notes to the financial statements

for the year ended 30 June 2016

20. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2016, the parent company of the Group was HFA Holdings Limited.

	Company	
Amounts in USD'000	2016	2015
Result of the parent entity		
Profit for the year	18,941	14,786
Total comprehensive income for the year	**18,941**	**14,786**
Financial position of the parent at year end		
Current assets	14,358	12,621
Total assets	281,356	280,061
Current liabilities	(251)	(757)
Total liabilities	(332)	(757)
Net assets	**281,024**	**279,304**
Total equity of the parent comprising of:		
Share capital	257,355	257,355
Translation reserve	5,070	5,070
Share based payments reserve	3,808	3,808
Parent entity profits reserve	12,394	9,007
Retained earnings	2,397	4,064
Total equity	**281,024**	**279,304**

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 entered into a deed of cross guarantee with the effect that the Company guaranteed the bank loan facility held by subsidiary HFA Lighthouse Holdings Corp under the Cash Advance Facilities Agreement with Westpac Banking Corporation. As disclosed in note 16, the loan was fully repaid in March 2016 and the facility subsequently terminated.

Notes to the financial statements

for the year ended 30 June 2016

21. Discontinued operations

On 30 April 2015, the Group completed the sale of wholly owned subsidiary Certitude Global Investments Limited.

The below tables outline the impact of the sale on the 2015 and 2016 financial statements of the Group.

The 2016 impacts outlined below both relate to deferred consideration receivable in relation to the sale of the subsidiary.

Please refer to notes 9 and 18 for additional detail.

Results of discontinued operations

Amounts in USD'000	2016	2015
Revenue	-	4,438
Expenses	-	(5,852)
Profit / (loss) before income tax	**-**	**(1,414)**
Income tax benefit	-	64
Gain / (loss) on disposal after income tax	(890)	2,175
Profit / (loss) after income tax from discontinued operations	**(890)**	**825**

Cash flows from discontinued operations

Amounts in USD'000	2016	2015
Net cash from/(used in) operating activities	-	(432)
Net cash from/(used in) investing activities	1,230	2,952
Effect of foreign currency exchange	-	(1,698)
Net cash flows for the year from discontinued operations	**1,230**	**822**

Calculation of gain on disposal recognised in the financial year ended 30 June 2015

Amounts in USD'000	2015
Consideration received or receivable:	
Cash	2,161
Fair value of deferred consideration	2,303
Total consideration received	4,464
Capital investment in subsidiary	(198)
Post-acquisition movement in equity	(1,318)
Transaction costs and other items	(773)
Gain on disposal	**2,175**

Carrying amount of assets and liabilities as at the date of sale

Amounts in USD'000	30 April 2015
Cash and cash equivalents	12
Trade and other receivables	1,351
Other non-current assets	68
Total assets	**1,431**
Trade and other payables	(950)
Employee benefits	(202)
Total liabilities	**(1,152)**
Net assets	**279**

Notes to the financial statements

for the year ended 30 June 2016

Other disclosures

This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Group, but must be disclosed to comply with the Accounting Standards, the Corporations Act 2001 or the Corporations Regulations.

22. Auditor's remuneration

	Consolidated	
Amounts in USD	2016	2015
Audit and review services		
KPMG: Audit and review of financial reports	239,562	306,565
KPMG: Other regulatory services	-	99,581
Other Auditors: Audit and review of financial reports	13,620	16,711
	253,182	**422,857**
Services other than statutory audit		
Other auditors: In relation to other taxation and advisory services	82,368	193,522[1]
	82,368	**193,522**

[1] Includes fees incurred in relation to the convertible note transaction completed on 2 July 2014 and the subsidiary sale transaction completed on 30 April 2015. Refer to notes 16 and 21 respectively for additional detail.

23. Related parties

Key management personnel remuneration

The key management personnel remuneration included in 'employee benefits' (see note 14) is as follows:

	Consolidated	
Amounts in USD	2016	2015
Short-term employee benefits	5,452,014	5,182,217
Long-term employee benefits	4,258	(9,976)
Post-employment benefits	102,354	118,646
Termination benefits	-	167,601
	5,558,626	**5,458,488**

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 16 to 22.

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

A Civale, B Cohen and M Fox were directors of HFA Holdings Limited until 2 July 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'). On 2 July 2014, HFA completed a transaction to buy-back 50 of the convertible notes on issue. A Civale, B Cohen and M Fox therefore ceased to be related parties on this date. Details of this transaction are in note 16 to the financial statements.

Notes to the financial statements

for the year ended 30 June 2016

23. Related parties (continued)

Other related party transactions

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 $70,518,602 (2015: $67,719,938) 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 2016 were $8,733,479 (2015: $8,807,930).

Certitude Global Investments Limited

Certitude was a wholly owned subsidiary of the Group for the 10 months to 30 April 2015 and is the Responsible Entity of a number of managed investment schemes.

In relation to the prior financial year:

- Certitude recognised management and performance fees received or receivable of $5,571,664 (from managed investment schemes for which it acted as the responsible entity).
- Amounts receivable from schemes for which Certitude acted as the Responsible Entity as at 30 June 2015 were $496,348.

Investment in products (refer note 10)

As at 30 June 2016, Group entities hold $8,857,318 of investments in products for which they act as investment manager or platform service provider (2015: $5,403,897).

During the financial year, the Group recognised distributions from its investments in these products of nil (2015: $72,371).

Other

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

For the years ended 30 June 2016 and 30 June 2015, the Group has not raised a provision for doubtful debts relating to amounts owed by related parties. Additional information regarding the Group's assessment of credit risk in relation to related party receivables and investments is disclosed in note 18.

Notes to the financial statements

for the year ended 30 June 2016

24. 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 2 months and 10 years.

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

	Consolidated	
Amounts in USD'000	2016	2015
Within one year	1,525	1,444
After one year but not more than five years	4,691	4,819
More than five years	1,764	1,948
	7,980	**8,211**
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**602**	**48**

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 January 2015 upon 30 days prior notice.

	Consolidated	
Amounts in USD'000	2016	2015
Within one year	2,500	2,500
After one year but not more than five years	6,250	8,750
	8,750	**11,250**

25. Contingent liabilities

Scheme and investment fund related obligations

Prior to its sale on 30 April 2015, the Company's subsidiary, Certitude Global Investments Limited, acted 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 were met to 30 April 2015.

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 2016.

Sale of Certitude

The Share Sale Agreement for the sale of Certitude Global Investments Limited entered into on 31 March 2015 included a number of representations to, and warranties and indemnities for the benefit of, the purchaser. These representations, warranties and indemnities related to potential losses arising from the conduct of the Certitude business as a responsible entity whilst a member of the Group. As part of the sale, the Company has purchased a professional indemnity and directors and officer insurance policy which provides run-off cover for a period of 7 years.

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

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

Notes to the financial statements

for the year ended 30 June 2016

Basis of preparation

This section sets out the basis upon which the Group's financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in 2016 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

27. 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 2016.

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 2016 comprise the Company and its subsidiaries (the 'Group') (see note 19).

The registered office of HFA is Level 15, 324 Queen Street, Brisbane QLD 4000.

28. 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 note 31 as well as within the individual financial statement notes.

29. 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:

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

The methods used to measure fair value are discussed further in note 18.

30. 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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, unless otherwise stated.

Translation of 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.

Notes to the financial statements

for the year ended 30 June 2016

31. Other accounting policies

Changes in accounting policies

New and amended standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period:

- Withdrawal of AASB 1031 'Materiality' (2013)

This did not have a material impact on the disclosures or the amounts recognised in the Group's financial statements.

Accounting standards and interpretations issued but not yet effective

The following Australian accounting standards that are relevant to the Group's operations have been issued but are not yet effective and have not been adopted by the Group for the year ended 30 June 2016:

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard does not become mandatory until 1 January 2018, but is available for early adoption. The adoption of the standard is not expected to have a significant impact on the Group's consolidated financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The standard does not become mandatory until 1 January 2018, but is available for early adoption. The adoption of the standard is not expected to have a significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 removes the classification of leases as either operating or finance leases for a lessee, and introduces a single approach to accounting for leases requiring the lessee to recognise an asset and liability in relation to the lease. The standard does not become mandatory until 1 January 2019, but is available for early adoption if IFRS 15 Revenue from Contracts with Customers has also been adopted. The Group has a number of leases for office premises and other leases for ongoing use of assets and equipment, and adoption of this standard is expected to result in the following impacts to the Group's consolidated financial statements:

- Statement of financial position: additional assets and liabilities will be recognised on the statement of financial position
- Income statement: lease expenses will be reclassified from operating costs to depreciation expense and finance costs
- Statement of cash flows: payments made in relation to leases will be reclassified from operating cash outflows to financing cash flows.

The quantum of the above impacts have not yet been determined.

Other Standards

The following additional new or amended standards have not yet been adopted and are not expected to have a significant impact on the Group's consolidated financial statements:

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Annual Improvements to IFRS 2012 -2014 Cycle – various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1).

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 6 - recognition of deferred tax assets: availability of future taxable profit against which carried forward tax losses can be used;
- note 12 - impairment test: key assumptions underlying recoverable amounts;
- notes 10 and 18 - fair value measurement of investments; and
- note 18 - valuation of financial instruments.

Notes to the financial statements

for the year ended 30 June 2016

31. Other accounting policies (continued)

Assumptions and estimation uncertainties (continued)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value. The methods used to determine fair values for measurement and / or disclosure purposes are included in the following notes:

- notes 9, 11 and 18 – deferred revenue
- notes 10 and 18 - investments in financial assets at fair value through profit or loss;
- notes 10 and 18 - investment in available-for-sale financial assets; and
- note 16 - non-derivative financial liabilities.

Directors' declaration

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 26 to 63, and the Remuneration report on pages 16 to 22 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 2016 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 Officer and Chief Financial Officer for the financial year ended 30 June 2016.

3. The directors draw attention to note 28 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, AO	**F P (Andy) Esteban**
Chairman and Non-Executive Director	Non-Executive Director

Dated at Sydney this 18th day of August 2016

Independent audit report to the members of HFA Holdings Limited

Report on the financial report

We have audited the accompanying financial report of HFA Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, 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 31 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 is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 28, 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.

Independent audit report to the members of HFA Holdings Limited

KPMG

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 2016 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 28.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 16 to 22 of the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Matthew McDonnell

Matthew McDonnell
Partner

Dated at Brisbane this 18th day of August 2016

Shareholder information

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

Shareholdings (as at 15 August 2016)

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	19,438,083	11.99%
National Australia Bank Limited	14,602,617	9.006%
Eley Griffiths Group	10,565,487	6.52%

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Citicorp Nominees Pty Limited	58,590,038	36.13%
J P Morgan Nominees Australia Limited	24,468,352	15.09%
HSBC Custody Nominees (Australia) Limited	16,450,258	10.15%
BNP Paribas Noms Pty Ltd	15,381,168	9.49%
National Nominees Limited	8,462,180	5.22%
BNP Paribas Nominees Pty Limited	2,493,000	1.54%
RBC Investor Services Australia Pty Limited	1,801,325	1.11%
Mr Shay Shimon Hazan-Shaked	1,300,000	0.80%
Citicorp Nominees Pty Ltd – Colonial First State Inv A/C	1,092,824	0.67%
Bond Street Custodians Limited – CAJ – D09461 A/C	1,025,000	0.63%
Merrill Lynch (Australia) Nominees Pty Limited	1,022,464	0.63%
ABN Amro Clearing Sydney Nominees Pty Ltd	1,011,722	0.62%
ACK Pty Ltd Pty Ltd	1,000,000	0.62%
Investment Custodial Services Limited – R A/C	963,000	0.59%
CS Fourth Nominees Pty Ltd	806,347	0.50%
Winchester Global Trust Company Limited	742,719	0.46%
Investment Custodial Services Limited – C A/C	702,725	0.43%
Bond Street Custodians Ltd – Macquarie Smaller Co's A/C	687,200	0.42%
RBC Investor Services Australia Nominees Pty Limited	614,770	0.38%
Mr Ethan J Baron	593,862	0.37%

Shareholder information

Distribution of shareholdings

Range	Number of holders of ordinary shares	% of holders	Number of ordinary share	% of share
1-1,000	466	23.97%	207,788	0.13%
1,001-5,000	685	35.24%	1,882,701	1.16%
5,001-10,000	320	16.46%	2,461,481	1.52%
10,001-50,000	361	18.57%	8,285,400	5.11%
50,001 – 100,000	62	3.19%	4,473,844	2.76%
100,001 and over	50	2.57%	144,836,683	89.32%
Total	**1,944**	**100.00%**	**162,147,897**	**100.00%**

The number of shareholders holding less than a marketable parcel of ordinary shares is 137.

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.