HFA Holdings Limited

For the year ended 30 June 2017

ASX Appendix 4E

Results for announcement to the market

(all comparisons to the year ended 30 June 2016) *Amounts in USD'000*

				30 June 2017
Revenue from ordinary activities	Up	5%	to	73,818
Earnings before interest, tax, depreciation, amortisation and impairment losses	Up	1%	to	29,848
Profit from ordinary activities after tax attributable to members	Up	18%	to	17,683
Net profit for the period attributable to members	Up	18%	to	17,683

Dividends	Amount per ordinary share	Franked %	Conduit foreign income %
Final 2016 dividend per share (paid 9 September 2016)	USD 7.0 cents	0%	100%
Interim 2017 dividend per share (to be paid 10 March 2017)	USD 6.0 cents	0%	100%

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

Ex-dividend date:	16 August 2017
Record date:	17 August 2017
Payment date:	1 September 2017

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 17 August 2017.

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, tax, depreciation, amortisation, and impairment losses (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 2017**	30 June 2016
Per ordinary share	USD 30.79 cents	USD 25.28 cents

Additional Appendix 4E requirements can be found in the directors' report and the 30 June 2017 financial report and accompanying notes.

This report is based on the 30 June 2017 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 2017

HFA Holdings Limited
ACN: 101 585 737

Registered Office:

Level 15
324 Queen Street
Brisbane QLD 4000

Telephone:

+61 7 3218 6200

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
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Facsimile

+61 2 9287 0303

Website

www.linkmarketservices.com.au

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

From the Chairman & CEO

2017 has been a year where the investments we made in our distribution team bore fruit, and we were successful in winning a number of important new client mandates. This was the key driver for a 13% increase in assets under management (AUM) for the year to bring our closing assets under management to $9.5 billion.

Broader global distribution

As we noted in our letter to shareholders in last year's annual report, we expected to see additional opportunities present themselves in areas such as Japan and the Middle East. We are very pleased to say that this proved to be true, and that these regions produced some key mandate wins for the Group in the March 2017 quarter. The wins are the result of years of work by our team, and demonstrate that perseverance and patience is key. We hope to see our distribution efforts continue to be rewarded in the 2018 financial year, as we maintain our focus on global distribution opportunities.

Investment performance

The hedge fund industry as a whole continues to be challenged in meeting performance expectations. Global equity markets have been exceptionally calm as evidenced by historically low volatility. As a multi-manager of hedge funds, low volatility in conjunction with central banks' intervention in global asset markets has hampered the investment performance of our portfolios.

In such an environment, we believed that investment returns would be challenged. Unfortunately, we were correct. We continue to focus our investment efforts in geographies and securities that exhibit greater opportunities to produce more normalised returns. We are fortunate to have dedicated teams in key geographies around the world that are looking for these opportunities. In addition, we continue to focus on reducing transaction and financing costs in our portfolios. We believe that any structural advantages we create in our portfolios provide long term competitive value. The path to long-term investment success will be driven by having the best people focused on consistently working to improve our investment process.

We have a unique and growing data set that helps us analyse our performance and hopefully can lead us in the direction to produce better results for our clients.

Operating performance

Whilst the March quarter mandate wins meant higher closing AUM for the year, the timing means that we will not see the full revenue impact of these wins until 2018. Despite this, annual net revenue for the Group increased by 6%, the result of a combination of higher management and platform fee income, improved performance fees and a drop in distribution costs. We are extremely pleased with this result, and it demonstrates the ability to maintain consistent fee levels.

This year we also invested in our business to position us to handle more growth in the future. We have increased our staff to 80, with staff being added in the investments, distribution and legal/compliance area. The higher staff level means that we have more resources available to focus on global investment and distribution opportunities, as well as increased capacity for servicing new and existing clients. We have also undertaken a number of projects throughout the year designed to improve our distribution, investment and risk management processes. Whilst the costs for these projects impact the 2017 result, we see these projects as having long term benefits for the Group.

With our increased revenue being off-set by increased expenditures, particularly in the areas of employee costs and professional and consulting costs, the Group's result from core operating activities was $30.5 million, up 3% on the prior year. This translated into earnings before interest, tax, depreciation, amortisation and impairment losses of $29.8 million, and a net profit after tax of $17.7 million.

Strategic investments

The HFA Group allocated an additional net $1.0 million into investments in funds managed by Lighthouse and its associates. The Group holds these investments for a variety of reasons, including creating a more visible alignment of interests between Lighthouse and their clients, as well as providing seed money to commence a performance track record for new products.

The other investments held by the Group are relatively small and strategic in nature. The investments are in start-up entities which we see as having interesting synergistic opportunities for Lighthouse. We monitor the progress of these entities closely, and while we see promise in the potential for success of these new businesses, we are aware that every new business faces challenges and uncertainties in the early stages. We take this into consideration when assessing the value that these investments should be held at on the balance sheet.

We continue to look for strategic opportunities which would add value to our business.

From the Chairman & CEO

Historical performance

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. Whilst EBITDA for 2017 was in line with the prior year, the Board is pleased that HFA has been able to deliver increasing dividend returns to shareholders over the past 5 years as well as consistent share price appreciation since 2014:

	2013	2014	2015	2016	2017
EBITDA (USD 000's)	**17,593**	**27,624[1]**	**28,839[2]**	**29,490[1]**	**29,848**
Cash flows from operating activities (USD 000's)	20,057	27,898	28,193	30,125	30,088
Dividends per share for the financial year (US cents)	6.0	8.0	10.5	12.0	14.0
Dividend amount for the financial year (USD 000's)	8,105	11,602	16,848	19,752	22,578
Dividend pay out as a % of EBITDA	46%	42%	58%	67%	76%
Closing share price (dollars)	AUD 0.90	AUD 1.05	AUD 2.07	AUD 2.29	AUD 2.40
Change in share price (dollars)	AUD (0.55)	AUD 0.22	AUD 0.15	AUD 1.02	AUD 0.11

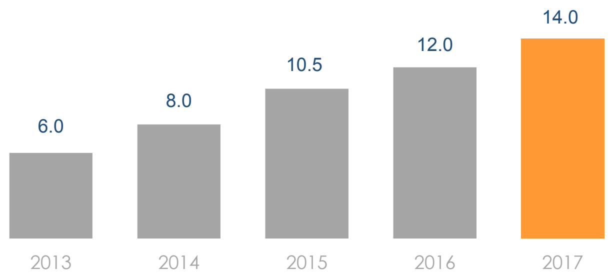
1 Underlying earnings before interest, tax, depreciation and amortisation from continuing operations.

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

Dividends

The Directors have determined an unfranked dividend of 8.0 cents per share (with 100% conduit foreign income credits) payable 1 September 2017. Added to the interim dividend of 6.0 cents per share, this brings the total for the year to 14.0 US cents per share, which is a 17% increase on the prior year.

The FY2017 combined interim and final dividends equates to a payout ratio of 76% of EBITDA.



Outlook

We believe that we have the best team of people we have ever had in the company's history. We have continued to innovate to add more value to our clients. Despite a difficult environment, we are committed to remaining competitive in the hedge fund industry. First and foremost, our focus is on delivering the results expected by our clients. We developed our proprietary managed account structure to provide the greatest transparency and flexibility for our clients. This is critical today as more clients are interested in detailed risk reports and customising investment exposures to meet their portfolio demands. We remain uniquely positioned in this space to deliver on those requirements. If we successfully help our clients with their portfolio needs, we believe we will continue to grow our business despite headwinds in the industry. We are committed to making the necessary investments in the business to meet our objectives.

We would like to extend the Board's appreciation to all of our staff for their efforts over the past year. We are fortunate to have employees who are dedicated to serving our clients' needs and finding ways to evolve and grow the business. We are proud to have talented professionals in our business, all of whom embrace a culture of constant improvement for the benefit of our clients and shareholders. We look forward to 2018 being another successful year.

Michael Shepherd, AO
Chairman

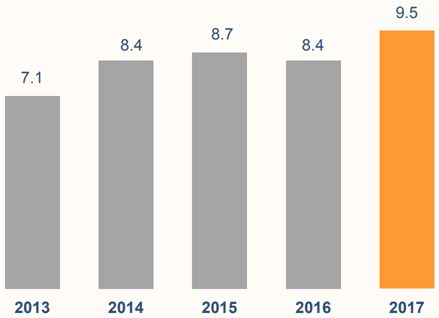
Sean McGould
Chief Executive Officer

2017 Highlights

Closing assets under management (AUM)

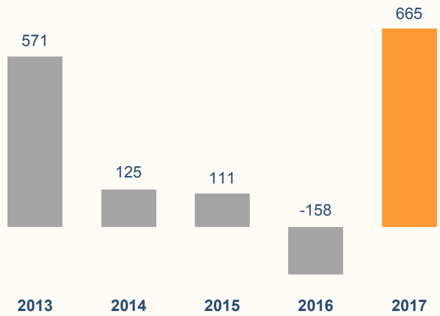
US$9.5 billion

Up 13%



Net investment flows

US$665 million



AUM growth for 2017 of 13%, driven by the Customised Solution mandate wins in Q3.

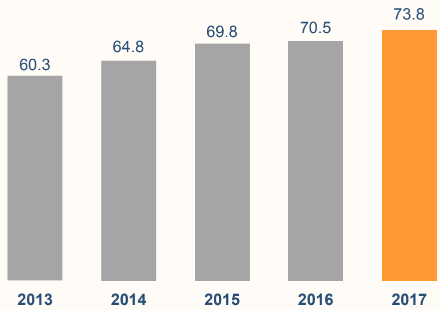
This year we invested in our business by adding staff and undertaking projects designed to improve our distribution, investment and risk management processes.

2017 has been a successful year, laying the ground work for continued growth.

Gross operating revenue

US$73.8 million

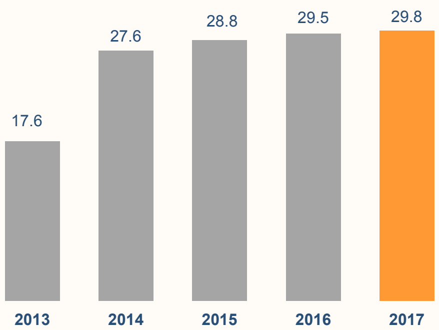
Up 5%



EBITDA[1]

US$29.8 million

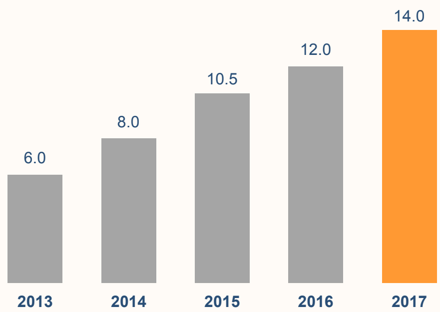
Up 1%



Total dividends per share

14.0 US cents

Up 17%



1 EBITDA is earnings before interest, tax, depreciation, amortisation and impairment losses. Refer to page 2 for additional detail.

Operating and financial review

We deliver hedge fund solutions to a range of clients around the world.

HFA Holdings Limited is the ultimate parent entity of Lighthouse Investment Partners, LLC ('Lighthouse').

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 2017, Lighthouse is managing $9.5 billion of assets.

Lighthouse has an investor base that spans North America, Europe, the Asia-Pacific and the Middle East, 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 commingled managed funds and customised solutions.

Commingled 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.

The two largest strategies for the commingled funds are:

- Diversified – which is a multi-strategy, absolute return strategy with low correlation and beta to traditional markets
- Global Long/Short – which is global long/short equity fund seeking equity-like returns with lower volatility than traditional global equity investments

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.

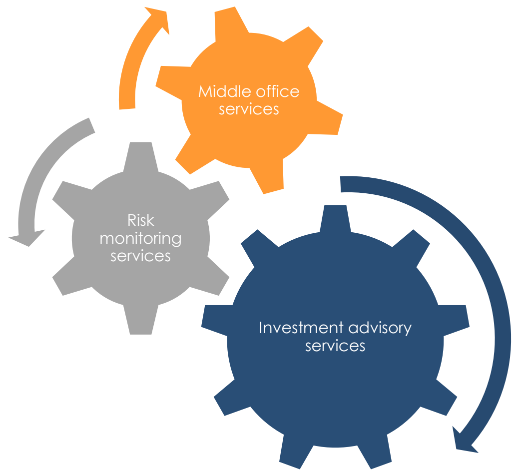
All of these benefits significantly improve the investment process and allow Lighthouse to better monitor the investment strategies of their funds. The managed account program has been designed to be an integral part of Lighthouse's investment process.

Customised 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.

Operating and financial review

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 Lighthouse has some key competitive advantages:

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

Our success depends on three key factors:

AUM

- We earn revenue from managing assets on behalf of our clients (which we refer to as "Assets Under Management" or "AUM"). We seek to attract and retain AUM 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 AUM depends on the management and performance fees we are entitled to charge for our services. Our commingled investment products pay us management and performance fees based on disclosed rates, whilst our institutional clients can negotiate fees with us.

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

People

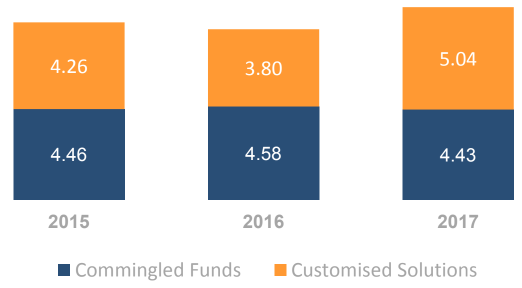
- Our success relies on attracting and retaining talented employees. It is our employees who use their skills and knowledge to enable us to provide quality investment products and services, to innovate to meet changing investor needs and to respond to compliance requirements in what is a highly regulated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

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

Operating and financial review

Assets under management

2017 showed solid AUM growth of 13%, with closing AUM of $9.5 billion.



The growth in AUM has been driven by the Customised Solutions business. In particular:

- Net inflows for the year were $1 billion. This includes a $310 million transfer of assets by a client from a Commingled Fund into a Customised Solutions structure.
- The March 2017 quarter included mandate wins from Middle East and Japanese clients.
- Investment performance added $238m of AUM over the year.

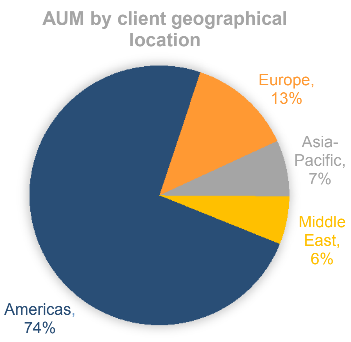
The Commingled Fund business lost 3% of AUM for the year:

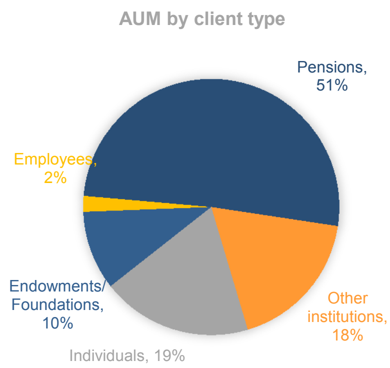
- Net outflows for the year were $347 million. This includes a $310 million transfer of assets by a client from a Commingled Fund into a Customised Solutions structure.
- Investment performance added $194m of AUM over the year.

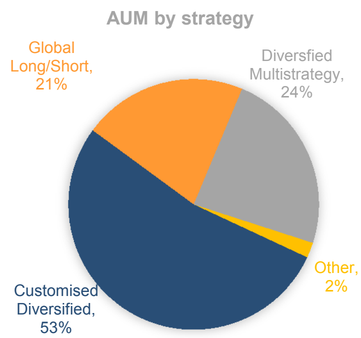
Notes on AUM:

- Net flow figures include monies received by Lighthouse for applications effective 1 July 2017, and accordingly excludes monies received by Lighthouse which were effective 1 July 2016. This convention in relation to the reporting of net flows and AUM has been consistently applied by the HFA Group since January 2008.
- Performance includes investment performance, market movements, the impacts of foreign exchange on non-USD denominated AUM and distributions (if any).
- 30 June 2017 AUM is estimated and is based on performance estimates which may be subject to revision near the 20th business day of the month and upon final audit. AUM excludes a non-discretionary long-only managed account structured for a single investor. AUM may include transfers from other Lighthouse Funds that occurred on the first day of the following month.

The following charts show the composition of AUM as at 30 June 2017:







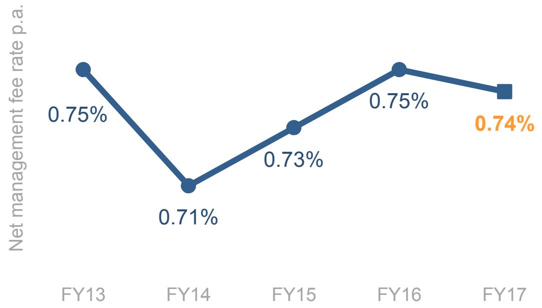
Operating and financial review

Fee rates

Management fees

The average net management fee rate fell by 1 basis point from the prior year to 0.74%pa.

The net management fee rate represents the blended net management fee rate across all AUM. The small decrease on the prior year net management fee has been driven by the increased proportion of AUM in the Customised Solutions business, which generally has lower fees than Commingled Fund AUM.



Performance fees

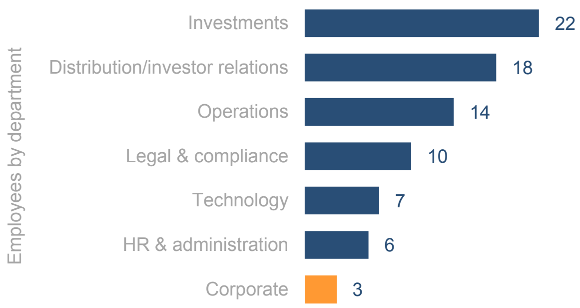
Fees are a key consideration for investors, and there is pressure to reduce fees across the broader asset management industry. We engage with clients and potential clients to ensure that fees are structured to provide an alignment of interests.

For Commingled Funds, this includes working with clients to provide more optionality to select a fee structure which best suits their requirements. For example, new share classes have been created in some Commingled Funds during this year which have performance fees.

Fee arrangements for Customised Solution clients are negotiated individually. Whilst most arrangements involve only a management fee, some clients also have a performance fee component as part of their fee structure.

These portfolios within both Commingled Funds and Customised Solutions which incur a performance currently make up only a small proportion of AUM, and hence performance fees are not a major source of revenue.

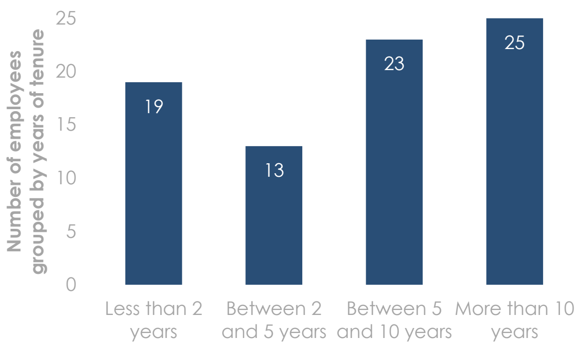
People



As a business, our success is strongly linked to the knowledge and experience of our people. As at 30 June 2017 we have 80 employees across our various functional departments.

The attraction and retention of quality 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.

We are fortunate to have strong retention of staff across our all areas of our business Across the Group, the average tenure of our staff is 7.2 years, whilst the executive team has an average of 16.7 years with the business.



Operating and financial review

Summary of HFA Group FY17 result

The HFA Group's earnings before interest, tax, depreciation, amortisation and impairment losses from continuing operations for the year ended 30 June 2017 was $29.8 million (FY16: $29.5 million).

Amounts in USD'000	2017	2016	% change	
Continuing operations				
Management and platform fee income	72,244	70,102	3%	A
Performance fee income	1,574	417	278%	B
Distribution costs	(5,504)	(6,085)	10%	C
Net revenue	**68,314**	**64,434**	6%	
Other income	494	856	(42%)	D
Operating expenses[1]	(38,278)	(35,600)	(8%)	E
Result from operating activities[1]	**30,530**	**29,690**	3%	
Net finance costs, excluding interest	(58)	(200)	71%	
Share of loss of equity accounted investee	(624)	-	-	F
Earnings before interest, tax, depreciation, amortisation and impairment losses (EBITDA)	**29,848**	**29,490**	**1%**	
Net interest income/(expense)	59	(104)	157%	
Depreciation and amortisation	(706)	(5,373)	87%	G
Impairment losses	(572)	-	-	H
Profit before income tax	**28,629**	**24,013**	**19%**	
Income tax expense	(10,946)	(9,015)	(21%)	I
Net profit after income tax from continuing operations	**17,683**	**14,998**	**18%**	
Discontinued operations				
Net loss for the year from discontinued operations	-	(890)	**-**	J
Profit for the year attributable to owners of the Company	**17,683**	**14,108**	**25%**	
Basic EPS from continuing operations (cents per share)	10.91	9.25	18%	
Basic EPS (cents per share)	10.91	8.70	25%	

[1] Excludes net finance including interest, depreciation, amortisation, impairment losses and share of loss of equity accounted investee. These items have been excluded so as to present the expenses and result arising from the Group's core operating activities.

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, amortisation and impairment losses, non-operating items such as net interest income or expense, as well as the significant non-recurring item associated with the impact of the 2015 sale of the Group's Australian subsidiary on the 2016 financial year. Net profit before and after income tax reconciles to the consolidated income statement on page 27.

Operating and financial review

Drilling down into the FY17 result

A

Management and platform fee income

Management and platform fee income increased by $2.14 million (3%) to $72.24 million from the prior year. The increase was a result of:

- a 5% increase in average AUM for the 2017 financial year as compared to the prior year, off-set by
- a 2 basis point decrease in the average annual management / platform fee rate to 0.80%pa, and a 1 basis point decrease in the net management / platform fee rate to 0.74%pa (net of distribution costs).

The small reduction in the management fee rate is due to a higher proportion of AUM in Customised Solutions, which generally earns lower management fees than AUM in Commingled Funds. This occurred due to a number of large Customised Solutions mandate wins which occurred at the end of March 2017.

B

Performance fee income

The Group earns performance fees on selected Commingled Funds and Customised Solutions portfolios. The fees represent an agreed share of investment outperformance of a fund or portfolio over a defined benchmark and/or high watermark, and may be subject to hurdles.

The Group earned $1.57 million in performance fees this financial year, an increase of $1.16 million on the prior year. The majority of fees were earned in the second half of the financial year.

Approximately half of the performance fees have been earned from Commingled Funds. New share classes have been introduced to some Commingled Funds, which have a fee structure that has a lower management fee but allows Lighthouse to earn a performance fee.

AUM which has the potential to earn performance fees is less than 10% of total AUM as at 30 June 2017. 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

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 to Lighthouse and who continue to be invested in Lighthouse portfolios.

The Group has seen a consistent decrease in the level of distribution costs incurred over recent years, which is attributable to a reduction in AUM subject to distribution costs. This has been due to either redemption of some AUM or restructure of the client's AUM to a Customised Solution.

During the 2018 financial year, it is expected that these distribution costs will continue to decline.

D

Other income

Other income relates to rent, outgoings and operating costs charged to portfolio managers who sublease office space in the Group's New York and London offices. Leases for two premises ceased during the financial year, resulting in a decrease in sublease income compared to the prior year. The Group has finalised the lease for larger office premises in New York which will commence early in the 2018 financial year. It is anticipated these new premises will add sublease tenants progressively over the next 12 to 18 months.

E

Operating expenses

Operating expenses increased by $2.7 million. The increase is primarily due to:

Employee costs

There was a $2.1 million (8%) increase in employee costs for the Group as compared to the prior year, which correlates with an increase in the average Lighthouse headcount to 74 employees (2016: 68). Additional staff have been employed in the areas of investments, distribution/investor relations team and legal/compliance team to support increased business development activities and the on-boarding and servicing of new clients.

Professional and consulting fees

The business has undertaken a number of projects during the 2017 year which has resulted in a $1.1 million increase in professional and consulting fees. The projects have covered a number of areas, including enhancement of risk management systems, treasury function review, external compliance testing and additional external legal fees related to onboarding new clients. Approximately $0.8 million of this year's professional and consulting fees relates to completed projects, however new projects may be undertaken in 2018 where a business opportunity or need is identified.

Operating and financial review

Occupancy costs

The Group has entered into a new lease for larger office premises in New York, with use of the premises commencing early in the 2018 financial year. The 2017 occupancy costs include a $0.4m termination fee for the existing New York premises.

The incremental cost of the changes in office premises is estimated to be approximately $1.6 million per year.

The new premises have been designed to enable sublease of space for boutique investment managers who provide services to Lighthouse portfolios. It is expected that these sublease arrangements will be put in progressively over the next 12 to 18 months, and will partially off-set the increase in occupancy costs.

Information and technology expenses

There has been a $0.6m or 32% decrease in information and technology expenses compared to the prior year. This is due to the renegotiation of the licensing agreement with an external provider of data and software services.

F

Share of loss of equity accounted investee

The Group holds a 40% interest in a US based limited partnership which commenced operations in July 2016. The entity is in start-up phase and has made an operating loss in its first year of operations. The Group's 40% share of this operating loss is $0.6 million. Given that this entity is still in a start-up phase, it is expected that it will continue to make operating losses in the short-term.

G

Depreciation and amortisation

Depreciation expense for the year is $0.4 million, and relates to the depreciation of computer equipment, leasehold improvements and other furniture and fittings.

Amortisation expense for the year was $0.3 million, and relates to the amortisation of trademarks and software which have a definite life. The significant decrease in amortisation expense from the prior year is due to the cessation of amortisation of client relationships which were recognised as part of the acquisition of Lighthouse in January 2008. These client relationships were fully amortised as at 31 December 2015.

H

Impairment losses

The Group holds equity investments in a number of entities, all of which are required to be measured at fair value. Where possible, the fair value of investments is determined using observable information, such as quoted market prices, or other valuation techniques such a recent arms' length transaction prices or a calculation of value in use. The Directors' have determined the fair value of one of the unquoted equity investments based on historic cost, adjusted for their view of the likely success of the business model. An impairment loss of $0.2 million has been recognised in relation to this investment.

The Group's has a 40% interest in a US based limited partnership. The Directors' have assessed the carrying value of this investment at $0.5 million. This value is based on the value of capital contributed to the entity less the Group's 40% share of the losses made by the entity during the year, and then adjusted for the Directors' view of the likely success of the business model. As a result, an impairment loss of $0.4 million has been recognised.

I

Income tax expense

The Group recognises an accounting tax expense in its income statement at an effective tax rate of 38.2% (2016: 37.6%). The effective tax rate 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.

The Group has significant tax losses available to off-set its tax liabilities, and hence there is no tax payable in relation to this accounting tax expense other than in relation to some relatively nominal United States state-based taxes.

J

Discontinued operations

The net loss in the prior period from discontinued operations was 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. No further losses from discontinued operations are expected.

Operating and financial review

A healthy financial position

Amounts in USD'000	**2017**	2016	
Cash	33,153	27,014	K
Investments	14,455	12,432	L
Intangible assets	95,423	95,768	M
Recognised deferred tax assets	106,302	117,660	N
Deferred tax assets not recognised in the balance sheet	*68,213*	*65,792*	

K HFA primarily used cash generated from operating activities during the 2017 financial year to pay dividends to shareholders and increase its investment holdings:

- \+ $30.1 million generated from operating activities
- \- $21.0 million paid to shareholders as dividends
- \- $3.1 million for the net payments for investments and other assets

L The Group holds two key types of investments: investment in Lighthouse funds and investment in external entities.

The Group may hold investments in Lighthouse funds for a number of reasons, such as to meet regulatory commitments, due to contractual requirement of a customised client mandate, or to seed a new product which will be offered to external investors in the future. During the period, the Group's holdings in Lighthouse funds increased by $0.6 million to $9.5 million.

The Group also invests in a number of external entities. The investments are each relatively small and strategic in nature, and may provide interesting synergistic opportunities for Lighthouse. The Directors consider that these investments offer valuable insights into evolving market practices and technologies within the financial services sector. The Directors' have assessed the combined fair value of these investments as at 30 June 2017 to be $5.0 million.

M 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). The acquired customer relationships and software were 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 2017.
- 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.

N As at 30 June 2017, the Group's balance sheet includes a deferred tax asset of $106.3 million which is comprised of carried forward tax losses and deductible temporary differences relating to the US tax consolidated group.

$68.2 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.

The Group's liabilities as at 30 June 2017 comprise trade and other payables, and provisions for employee benefits. The Group does not have any loans or borrowings as at reporting date.

Operating and financial review

Outlook

We continue to look to execute our strategy whilst operating in a competitive market. The 2017 financial year delivered success through 13% AUM growth, with several key mandate wins underpinning this growth. We look to build on this success by continuing to convert our existing pipeline as well as seeking out new opportunities.

2017 has demonstrated that 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 center around retaining and growing our AUM through a quality client base. To achieve this, our focus is on four key areas:

`

Investment performance

The core of the Lighthouse business is creating consistently positive, low-volatility investment returns for clients.

Lighthouse will continue to develop its data analytics capability so that we have the tools to appropriately risk manage our portfolios.

Positive investment performance provides consistent growth of AUM.

Growing net inflows

There is a strong focus on client service throughout Lighthouse. A high level of client service provides the right environment to ensure we retain our existing clients.

At present, our gross inflow is fairly balanced between existing and new clients.

Lighthouse will continue to pursue new distribution markets in Asia, the Middle East and Europe.

Innovate

Be innovative in how we can deliver solutions to existing and prospective clients.

There is continuing evolution of technology and data management within the funds management industry, and we seek to harness these innovations so we can deliver better investing solutions to clients.

Acquisition opportunities

We see the industry continuing to consolidate, which may create opportunities to acquire new business.

No acquisitions are currently under consideration, however the Board will review any opportunities as and when they arise.

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 35 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 Walton Street Capital, LLC, and prior thereto worked as a Vice President at JMB Realty Corporation and as an Associate at Goldman Sachs.

Board of directors

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 more than 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 2017 and the auditor's report thereon.

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 13 and 14.

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 2017, 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	8	8	3	3	2	2
Fernando Esteban	8	8	3	3	2	2
Andy Bluhm	8	7	3	2	-	-
Randall Yanker	8	8	-	-	2	1
Sean McGould	8	8	-	-	-	-

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, which is available at: http://hfaholdings.com.au/corporate-governance.

Directors' report

Dividends

The directors have determined an unfranked dividend of United States (US) 8.0 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 1 September 2017.

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2017.

Declared and paid during the year ended 30 June 2017	Cents per share	Total amount USD'000	Date of payment
Final 2016 ordinary	7.0	11,417	9 September 2016
Interim 2017 ordinary	6.0	9,606	10 March 2017
Total amount		**21,023**	

Together with the unfranked interim dividend of USD 6.0 cents per share paid to shareholders on 10 March 2017, the total dividend to be paid in relation to the year ended 30 June 2017 will be USD 14.0 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 12.

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 12.

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

Directors' report

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 in order to attract and retain high quality staff. 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 9 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 22 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.

Directors' report

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.

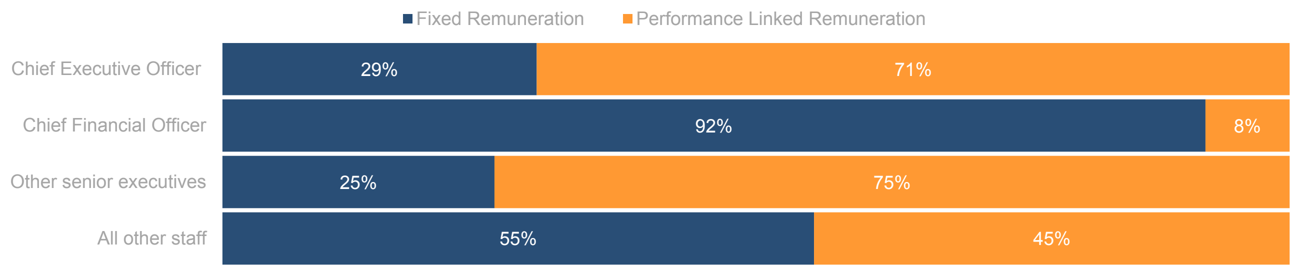
Non monetary benefits

- Lighthouse employees are able to make investments into Lighthouse managed funds without incurring a management fee. There is no incremental cost incurred by the Group in providing fee-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.

As outlined in the discussion of the remuneration policy above, the Group's remuneration is structured so that variable remuneration is a key component of remuneration packages, and makes up the majority of overall remuneration for Lighthouse senior executives. For the 2017 financial year, the proportion of fixed remuneration as compared to performance linked remuneration across the Group was as follows:



The Group does not currently have any equity incentive schemes or other long-term incentive arrangements in place.

The Group's senior executives hold significant shareholdings in the Company due to historical transactions and employee incentive plans. As at 30 June 2017, the CEO owns 12.0% of the Company's shares on issue, and other Lighthouse executives also hold a meaningful number of shares (as disclosed on page 23)

The Board acknowledges that an equity incentive scheme is a common component of corporate remuneration structures. Due to the already significant level of senior executive shareholdings, the Board considers that there is a clear alignment of interest to incentivise them to deliver long term growth for the benefit of all shareholders. The Board will continue to review equity incentive schemes going forward as a means to continue to align management and shareholders.

Directors' report

Remuneration report (audited)

Relationship between remuneration policy and company performance

In designing the remuneration policy and 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 impairment losses from continuing operations (EBITDA). As an asset management business, the Group's EBITDA is largely consistent with the cash flow which it generates from its operating activities, and which is available to pay dividends to shareholders. It is for this reason that HFA's dividend policy has been set as a pay-out ratio based on EBITDA.

The Board has established a simple, direct correlation between rewarding staff and delivering value to shareholders through company performance and cash flow. The two metrics driving performance linked remuneration are:

Company performance metric	Determination of performance linked remuneration
Lighthouse EBITDA *(excluding performance fees, before bonuses and adjusted for other specified items)*	30% allocated to Lighthouse general bonus pool
Performance fees	50% allocated to Lighthouse incentive fee bonus pool

The particular arrangements which relate to performance linked remuneration for the Group as at 30 June 2017 are:

<table>
<tr><td rowspan="2">Lighthouse bonus pools</td><td>General</td><td>All Lighthouse staff, including Lighthouse Executives, are eligible to participate in the Lighthouse general bonus pool, the amount of which is calculated as 30% of Lighthouse's EBITDA (before the bonus pools and excluding performance fee revenue and adjusted for other specified items).

Allocation of the Lighthouse general bonus pool to staff (other than as noted below) is determined by the CEO in accordance with remuneration structure and guidelines established by the Remuneration and Nominations Committee.

▪ 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.</td></tr>
<tr><td>Incentive fee</td><td>Senior members of the Lighthouse investment team are eligible to participate in a bonus pool determined as 50% of performance fee revenue earned by the Lighthouse business from its Commingled Funds and Customised Solutions portfolios.

This pool is allocated by the CEO based on the contribution of each eligible staff member to the creation of the performance fee revenue. These staff members may still also receive an allocation from the general bonus pool at the CEO's discretion.</td></tr>
<tr><td>Corporate</td><td>General</td><td>This discretionary bonus pool of A$50,000 has been allocated 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 Corporate 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 Corporate general bonus pool.</td></tr>
</table>

CEO remuneration arrangements

The CEO has a relatively low base salary of $250,000, which has remained unchanged since the Company acquired the Lighthouse business in 2008. The Board has not set specific key performance indicators (KPIs) for the CEO. Instead, the Board awards the CEO a discretionary bonus amount at the end of each calendar year, taking into account the following factors:

- Delivering investment results to clients.
- Achievements in relation to board-approved budgets and targets, strategic goals, capital and business restructuring and development of new business opportunities.
- Growth in AUM, through both net investment flows and investment performance of Lighthouse portfolios.
- Group financial results and dividends paid to shareholders.

The CEO's bonus is capped at a maximum of 10% of the Lighthouse general bonus pool.

When considering the appropriateness of the CEO's remuneration arrangements and annual performance linked remuneration, the Board takes into account his roles and responsibilities as CEO of the Group, but also his roles and responsibilities as Co-Chief Investment Officer of the Lighthouse business. Such roles are very well remunerated within the US investment industry, and the Board is satisfied that the CEO's remuneration is within reasonable comparisons to other US-based Chief Investment Officers.

Directors' report

Remuneration report (audited)

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:

	2017	2016	2015	2014	2013
EBITDA (USD 000's)	29,848	29,490[1]	28,839[2]	27,624[1]	17,593
Cash flows from operating activities (USD 000's)	30,088	30,125	28,193	27,898	20,057
Dividends paid during the financial year	21,023	17,222	15,965	8,033	7,297
KMP cash bonus (USD 000's)	3,213	3,858	3,185	3,194	2,375
KMP bonus as a % of EBITDA	11%	13%	11%	12%	14%
KMP bonus as a % of dividends paid during the financial year	15%	22%	20%	40%	33%

[1] Underlying earnings before interest, tax, depreciation, 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.

Non-executive directors

Non-executive directors may receive director fees. The Company's policy is to remunerate non-executive directors at market rates for comparable companies having regard to the time commitments and responsibilities assumed. 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 USD:

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 2017 was $331,850 (2016: $331,930).

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.

Details of remuneration

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

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	Group Chief Executive Officer 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

Directors' report

Remuneration report (audited)

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 2017 was converted to USD at an average exchange rate of AUD/USD 0.7564 (2016: AUD/USD 0.7317).

Directors' and executive officers' remuneration

Benefit Category		Short-term			Post-employment	Other long-term	**Total**
		Cash salary & fees	Cash bonus	Other[1]	Pension & superannuation	Long service leave	
		$	$	$	$	$	$
Non-Executive Directors							
Michael Shepherd	2017	150,000	-	-	14,250	-	164,250
	2016	150,000	-	-	14,250	-	164,250
Fernando Esteban	2017	80,000	-	-	7,600	-	87,600
	2016	80,000	-	-	7,600	-	87,600
Randall Yanker	2017	80,000	-	-	-	-	80,000
	2016	80,080	-	-	-	-	80,080
Executive Director							
Sean McGould	2017	250,000	700,000	18,432	23,700	-	992,132
	2016	250,000	950,000	17,524	15,900	-	1,233,424
Executives							
Kelly Perkins	2017	250,000	1,025,000	18,432	25,850	-	1,319,282
	2016	250,000	1,255,000	17,524	15,900	-	1,538,424
Scott Perkins	2017	250,000	775,000	18,432	23,700	-	1,067,132
	2016	250,000	785,000	17,524	15,900	-	1,068,424
Rob Swan	2017	250,000	770,000	18,434	24,600	-	1,063,034
	2016	250,000	790,000	17,524	15,900	-	1,073,424
Amber Stoney[2]	2017	230,395	23,076	-	14,849	23,867	292,187
	2016	183,886	77,973	-	12,406	4,258	278,523
Total	**2017**	**1,540,395**	**3,293,076**	**73,730**	**134,549**	**23,867**	**5,065,617**
	2016	1,493,966	3,857,973	70,096	97,856	4,258	5,524,149

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

2 Amber Stoney held the position of Chief Financial Officer and Company Secretary for the year ended 30 June 2016, except for the period between 9 May 2016 and 27 June 2016.

Directors' report

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	$700,000	71%	100% [1]	0%
Kelly Perkins	$1,025,000	78%	100% [2]	0%
Scott Perkins	$775,000	73%	100% [3]	0%
Rob Swan	$770,000	72%	100% [2]	0%
Amber Stoney	$23,076	8%	100% [4]	0%

1 Sean McGould's cash bonus is paid annually on a calendar year basis. The 2017 bonus included above relates to the 12 months ended 31 December 2016. Mr McGould's discretionary bonus for the six month period ended 30 June 2017 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 2017. These arrangements have been in place since the acquisition of Lighthouse in 2008.

3 Scott Perkins' cash bonus is paid annually on a calendar year basis. The 2017 bonus included above relates to the 12 months ended 31 December 2016. Mr Perkins' discretionary bonus relating to the six month period ended 30 June 2017 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 2017. Per her revised remuneration arrangements effective from 1 July 2016, Ms Stoney's short term incentive cash bonus is capped at 10% of her base salary amount.

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 20 and 21 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 willful 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 willful 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.

Directors' report

Remuneration report (audited)

HFA Holdings senior executives

Amber Stoney is engaged pursuant to an executive services agreement. Effective from 1 July 2016, Ms Stoney agreed to new remuneration arrangements with the Company. Ms Stoney's working hours reduced from full time to 25 hours per week, which took into account the reduction in her duties and responsibilities following the sale of the Group's Australian operations in April 2015. Ms Stoney's remuneration under the new arrangements was an increase in her base salary to A$300,000 per annum inclusive of superannuation, and a cap to any short-term incentive bonus of 10% of her base salary.

The Group may terminate Ms Stoney's executive services agreement at any time, without notice for a number of reasons including bankruptcy, gross negligence or willful 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.

Analysis of performance rights over equity instruments granted as remuneration

As at 30 June 2016 and 30 June 2017 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 2016	Purchases	Sales	Net change other	Balance 30 June 2017
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	2,405,624	-	-	-	2,405,624
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.

Directors' report

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 23 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 25 and forms part of the directors' report for the financial year ended 30 June 2017.

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
Chairman and Non-Executive Director

F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 9th day of August 2017

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of HFA Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of HFA Holdings Limited for the financial year ended 30 June 2017 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

Brisbane
9 August 2017

Financial report

Contents

Income statement

For the year ended 30 June 2017

Amounts in USD'000	Note	Consolidated 2017	2016
Continuing Operations			
Operating revenue	2	73,818	70,519
Distribution costs	3(a)	(5,504)	(6,085)
Net revenue		**68,314**	**64,434**
Other income	2	494	856
Operating expenses	3(b)	(38,984)	(40,973)
Results from operating activities		**29,824**	**24,317**
Finance income	4(a)	259	147
Finance costs	4(a)	(258)	(451)
Share of loss of equity accounted investee	11	(624)	-
Impairment losses	11,19	(572)	-
Profit before income tax		**28,629**	**24,013**
Income tax expense	6	(10,946)	(9,015)
Profit for the year from continuing operations		**17,683**	**14,998**
Discontinued Operations			
Loss after tax for the year from discontinued operations	22	-	(890)
Profit attributable to members of the parent		**17,683**	**14,108**
Earnings per share from continuing operations			
Basic earnings per share (US cents)	8	10.91	9.25
Diluted earnings per share (US cents)	8	10.91	9.25
Earnings per share			
Basic earnings per share (US cents)	8	10.91	8.70
Diluted earnings per share (US cents)	8	10.91	8.70

The accompanying notes form part of these consolidated financial statements.

Statement of comprehensive income

For the year ended 30 June 2017

		Consolidated	
Amounts in USD'000	Note	2017	2016
Profit attributable to members of the parent		**17,683**	**14,108**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	4(b)	-	88
Change in fair value of available-for-sale financial asset	4(b)	910	-
Income tax on other comprehensive income	4(b)	(346)	-
Other comprehensive income for the year		**564**	**88**
Total comprehensive income for the year		**18,247**	**14,196**
Total comprehensive income / (loss) for the year, net of tax, attributable to members of the parent arising from:			
Continuing operations		18,247	15,086
Discontinued operations	22	-	(890)
Total comprehensive income for the year		**18,247**	**14,196**

The accompanying notes form part of these consolidated financial statements.

Statement of financial position

As at 30 June 2017

Amounts in USD'000	Note	Consolidated 2017	Consolidated 2016
Assets			
Cash	5(a)	33,153	27,014
Trade and other receivables	9	11,230	11,263
Current tax assets	6(b)	6	-
Total current assets		**44,389**	**38,277**
Investments recognised at fair value	10	14,455	12,432
Investment in equity accounted investee	11	500	-
Plant and equipment	13	1,158	1,176
Deferred tax assets	6(c)	106,302	117,660
Intangible assets	14	95,423	95,768
Other non-current assets	12	1,651	661
Total non-current assets		**219,489**	**227,697**
Total assets		**263,878**	**265,974**
Liabilities			
Trade and other payables	15	2,656	2,658
Employee benefits	16	8,772	7,864
Current tax liabilities	6(b)	-	81
Total current liabilities		**11,428**	**10,603**
Trade and other payables	15	689	870
Employee benefits	16	117	81
Total non-current liabilities		**806**	**951**
Total liabilities		**12,234**	**11,554**
Net assets		**251,644**	**254,420**
Equity			
Share capital	18	257,355	257,355
Reserves	18	28,950	27,501
Accumulated losses		(34,661)	(30,436)
Total equity attributable to equity holders of the Company		**251,644**	**254,420**

The accompanying notes form part of these consolidated financial statements.

Statement of changes in equity

For the year ended 30 June 2017

		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 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]	21	-	-	-	-	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 and 1 July 2016		**257,355**	**13,326**	**931**	**850**	**12,394**	**(30,436)**	**254,420**
Net profit for the year		-	-	-	-	-	17,683	17,683
Transfer to parent entity profits reserve[1]	21	-	-	-	-	21,908	(21,908)	-
Other comprehensive income								
Net change in available-for-sale financial assets	4(b)	-	-	910	-	-	-	910
Income tax on other comprehensive income	4(b)	-	-	(346)	-	-	-	(346)
Total other comprehensive income, net of tax		-	-	564	-	-	-	564
Total comprehensive income for the year, net of tax		**-**	**-**	**564**	**-**	**21,908**	**(4,225)**	**18,247**
Dividends to equity holders	7	-	-	-	-	(21,023)	-	(21,023)
Total transactions with owners		-	-	-	-	(21,023)	-	(21,023)
Balance at 30 June 2017		**257,355**	**13,326**	**1,495**	**850**	**13,279**	**(34,661)**	**251,644**

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

Statement of cash flows

For the year ended 30 June 2017

		Consolidated	
Amounts in USD'000	Note	2017	2016
Cash flows from operating activities			
Cash receipts from operating activities		73,487	71,606
Cash paid to suppliers and employees		(43,424)	(41,475)
Cash generated from operations		30,063	30,131
Interest received		46	16
Income taxes paid		(21)	(22)
Net cash from operating activities	5(b)	**30,088**	**30,125**
Cash flows from investing activities			
Acquisition of plant and equipment	13	(343)	(278)
Acquisition of investments		(4,861)	(5,374)
Proceeds from disposal of investments		2,953	1
Distributions from investments received		200	120
Net proceeds from sale of subsidiary		-	1,230
(Acquisition) / redemption of other non-current assets		(811)	278
Net cash used in investing activities		**(2,862)**	**(4,023)**
Cash flows from financing activities			
Interest paid		-	(179)
Repayment of external borrowings		-	(8,573)
Dividends paid to equity holders		(21,023)	(17,222)
Net cash used in financing activities		**(21,023)**	**(25,974)**
Net increase in cash		**6,203**	**128**
Cash balance at 1 July		27,014	26,896
Effect of exchange rate fluctuations on cash balances held in foreign currencies		(64)	(10)
Cash balance as at 30 June	5(a)	**33,153**	**27,014**

Notes to the financial statements

For the year ended 30 June 2017

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 2017, 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.

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.

No operating segments have been aggregated to form the above reportable operating segments.

The CEO and board of directors review internal management reports on a monthly basis to monitor the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. Business unit performance is evaluated based on the financial information as set out below, as well as other key metrics such as Assets under Management and the average net management fee rate.

	Continuing Operations						Discontinued Operations	
	Lighthouse		Corporate		Consolidated			
Amounts in USD'000	2017	2016	2017	2016	2017	2016	2017	2016
Operating revenue	73,749	70,519	69	-	73,818	70,519	-	-
Distribution costs	(5,504)	(6,085)	-	-	(5,504)	(6,085)	-	-
Net revenue	**68,245**	**64,434**	**69**	**-**	**68,314**	**64,434**	**-**	**-**
Other income	494	856	-	-	494	856	-	-
Operating expenses (excluding depreciation and amortisation)	(37,513)	(34,785)	(765)	(815)	(38,278)	(35,600)	-	-
Result from operating activities	**31,226**	**30,505**	**(696)**	**(815)**	**30,530**	**29,690**	**-**	**-**
Net finance income / (costs) (excluding interest)	16	(208)	(74)	8	(58)	(200)	-	(141)
Loss on sale of subsidiary	-	-	-	-	-	-	-	(749)
Share of loss of equity accounted investee	(624)	-	-	-	(624)	-	-	-
Earnings before interest, tax, depreciation, amortisation and impairment losses	**30,618**	**30,297**	**(770)**	**(807)**	**29,848**	**29,490**	**-**	**(890)**
Interest revenue	49	21	10	6	59	27	-	-
Interest expense (secured debt)	-	(131)	-	-	-	(131)	-	-
Depreciation and amortisation	(702)	(5,350)	(4)	(23)	(706)	(5,373)	-	-
Impairment loss	(572)	-	-	-	(572)	-	-	-
Reportable segment profit / (loss) before income tax	**29,393**	**24,837**	**(764)**	**(824)**	**28,629**	**24,013**	**-**	**(890)**
Income tax expense	(10,946)	(9,015)	-	-	(10,946)	(9,015)	-	-
Reportable segment profit / (loss) after income tax	**18,447**	**15,822**	**(764)**	**(824)**	**17,683**	**14,998**	**-**	**(890)**
Segment assets	249,016	252,411	14,862	13,563	263,878	265,974	-	-
Segment liabilities	(11,920)	(11,140)	(314)	(414)	(12,234)	(11,554)	-	-
Net segment assets	**237,096**	**241,271**	**14,548**	**13,149**	**251,644**	**254,420**	**-**	**-**

Notes to the financial statements

For the year ended 30 June 2017

2. Revenue

Amounts in USD'000	Consolidated 2017	2016
Management and platform service fee income	72,244	70,102
Performance fee income	1,574	417
Operating revenue	**73,818**	**70,519**
Rent, outgoings and other operating expenses on-charged to sublease tenants	494	856
Other income	**494**	**856**

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, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable.

The specific methods used for each category of revenue are outlined below.

Management 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.

Rent and other operating expenses on-charged to sublease tenants

Other income relates to rent, outgoings and other operating expenses charged to portfolio managers who sub-lease London and New York office space held by Lighthouse. Income is recognised when it is receivable under the terms of these arrangements.

Major revenue source

27% (2016: 31%) of the Group's operating revenue relates to management fees and performance fees earned on the Lighthouse Diversified Fund, which is a commingled fund.

27% (2016: 26%) of the Group's operating revenue relates to management fees and performance fees earned on the Lighthouse Global Long/Short Fund, which is a commingled fund.

The Group's largest individual client represents 9% of operating revenue (2016: 10%)

The Group's three largest individual clients combined represent 20% of operating revenue (2016: 23%).

Notes to the financial statements

For the year ended 30 June 2017

3. Expenses

(a) Distribution costs

Amounts in USD'000	Consolidated 2017	2016
Total distribution costs	**(5,504)**	**(6,085)**

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 2017	2016
Employee benefits	(28,572)	(26,486)
Professional and consulting fees	(2,529)	(1,405)
Occupancy expenses	(2,305)	(2,086)
Information and technology expenses	(1,308)	(1,912)
Travel costs	(1,338)	(1,112)
Depreciation	(361)	(440)
Amortisation of intangible assets	(345)	(4,933)
Other expenses	(2,226)	(2,599)
Total expenses	**(38,984)**	**(40,973)**

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

Certain costs, including payments made under operating leases and capitalised costs such as plant and equipment, software and trademark 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. Leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

Employee benefits

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 contributions to superannuation and retirement plans, health care benefits, educational assistance and cash bonuses. It also includes regulatory costs such as payroll tax.

Employee benefits expense for the year ended 30 June 2017 includes contributions to defined contribution superannuation and pension plans of $798 thousand (2016: $698 thousand).

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to 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.

Notes to the financial statements

For the year ended 30 June 2017

4. Finance income and costs

(a) Recognised directly in profit or loss

Amounts in USD'000	Consolidated 2017	2016
Finance income		
Interest income on bank deposits	46	15
Interest income on convertible promissory notes	13	12
Distribution income from available-for-sale financial asset	200	120
Total finance income	**259**	**147**
Finance costs		
Interest expense (secured debt)	-	(131)
Bank charges	(65)	(65)
Net foreign exchange loss	(80)	(11)
Net change in fair value of financial assets at fair value through profit or loss	(113)	(244)
Total finance costs	**(258)**	**(451)**
Net finance costs recognised in profit or loss	**1**	**(304)**

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

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.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, with changes in fair value reported in the profit or loss on a net basis as either finance income or finance costs depending on whether the fair value movements result in a net gain or net loss position.

(b) Recognised directly in other comprehensive income

Amounts in USD'000	Consolidated 2017	2016
Foreign currency translation differences	-	88
Change in fair value of available-for-sale financial assets	910	-
Income tax expense recognised directly in equity	(346)	-
Finance income attributable to equity holders recognised directly in equity	**564**	**88**
Recognised in:		
Translation reserve	-	88
Fair value reserve	564	-
	564	**88**

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 carried in the statement of financial position at fair value, with changes in fair value reported in other comprehensive income and presented in the fair value reserve in equity. Where a decline in fair value is significant or prolonged, it is recognised as an impairment loss in the profit or loss. On derecognition of an available-for-sale financial asset, any cumulative gain or loss in the fair value reserve is reclassified to profit or loss.

Income tax expense recognised directly in equity relates to the net change in fair value of available-for-sale financial assets.

Notes to the financial statements

For the year ended 30 June 2017

5. Cash

(a) Cash

Amounts in USD'000	Consolidated 2017	2016
Cash at bank	**33,153**	**27,014**

At balance date, AUD deposits earn interest of 1.30% (2016: 1.55%). 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 is disclosed in note 19.

(b) Reconciliation of cash flows from operating activities

Amounts in USD'000	Note	Consolidated 2017	2016
Cash flows from operating activities			
Profit for the year		**17,683**	**14,108**
Adjustments for:			
Depreciation expense	3(b)	361	440
Amortisation of intangible assets	3(b)	345	4,933
Impairment losses	11,19	572	-
Share of loss of equity accounted investee	11	624	-
Interest revenue on convertible promissory notes	4(a)	(13)	(12)
Interest expense (secured debt)	4(a)	-	131
Distributions from available-for-sale financial asset	4(a)	(200)	(120)
Net foreign exchange loss	4(a)	80	92
Fair value loss on financial assets at fair value through profit or loss	4(a)	113	244
Income tax expense, less income tax paid		10,925	8,993
Loss recognised on sale of subsidiary		-	808
Operating cash flow before changes in working capital and provisions		**30,490**	**29,617**
(Increase)/decrease in receivables		(1,012)	251
(Increase)/decrease in other current assets		(142)	12
Increase/(decrease) in payables		69	(74)
Decrease in deferred rent expense		(251)	(141)
Increase in employee benefits		934	460
Net cash from operating activities		**30,088**	**30,125**

Notes to the financial statements

For the year ended 30 June 2017

6. Income tax

The Company wound up its only wholly-owned Australian resident subsidiary effective 1 September 2016, and since that date the Company is the only Australian resident tax-paying entity within the Group. Non-Australian entities within the Group are part of a US consolidated tax group.

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	2017	2016
Profit before income tax	28,629	24,013
Income tax using the Company's domestic tax rate of 30% (2016: 30%)	(8,589)	(7,204)
Effect of tax rates in foreign jurisdictions*	(2,315)	(2,041)
Non-deductible / non-assessable amounts included in accounting profit	(310)	(567)
Deductible amounts not included in accounting profit	115	108
Changes in unrecognised temporary differences	-	159
Current year tax losses for which no deferred tax asset is initially recognised	(78)	(22)
Changes in estimates related to prior years	231	552
Total income tax expense reported in profit or loss	**(10,946)**	**(9,015)**

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

(b) Current tax assets and liabilities

	Consolidated	
Amounts in USD'000	2017	2016
Current tax assets	**6**	**-**
Current tax liabilities	**-**	**(81)**

Current tax assets and liabilities represent the amount of income taxes receivable or 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 2017

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:

	Consolidated	
Amounts in USD'000	2017	2016
Carried forward tax losses	38,239	36,033
Goodwill and intangible assets	61,197	75,686
Employee benefits	2,895	2,559
Financial assets at fair value through profit or loss	(285)	(497)
Available-for-sale financial assets	(914)	(568)
Other items	5,170	4,447
	106,302	**117,660**

As at 30 June 2017 it is considered more likely than not that the US Group's carried forward tax losses and deductible temporary differences will be fully recovered. This position is supported by the current profitability of the US Group which is expected to continue into the future.

Carried forward tax losses relating to the US Group have a life of 20 years, and will expire during the period from 2029 to 2037.

Deferred tax assets – Australian Group

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

	Consolidated	
Amounts in USD'000	2017	2016
Deductible temporary differences	65,000	62,752
Tax losses	3,213	3,040
	68,213	**65,792**

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 2017, 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.

$65,000 thousand (30 June 2016: $62,752 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 movement in this balance relates to foreign currency movements only. 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 was 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 2017

7. Dividends

(a) Dividends paid

The following dividends were paid by the Company:

	Consolidated	
Amounts in USD'000	2017	2016
Interim ordinary dividend for the year ended 30 June 2017 of USD 6.0 cents	9,606	-
Final ordinary dividend for the year ended 30 June 2016 of USD 7.0 cents	11,417	-
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
	21,023	**17,222**

The Directors have determined a final unfranked dividend of 8.0 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 1 September 2017.

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2017.

The dividends have not been provided for as at 30 June 2017, and there are no income tax consequences.

(b) Dividend franking account

	Consolidated	
Amounts in USD'000	2017	2016
Amount of franking credits available to shareholders of HFA Holdings Limited for subsequent financial years	**792**	**765**

Dividends paid and declared during the 2017 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 2017

8. Earnings per share

Earnings per share

Amounts in USD per share	Consolidated 2017	2016
Basic earnings per share	10.91	8.70
Diluted earnings per share	10.91	8.70

Earnings per share from continuing operations

Amounts in USD per share	Consolidated 2017	2016
Basic earnings per share	10.91	9.25
Diluted earnings per share	10.91	9.25

Reconciliation of earnings used in calculating earnings per share

Basic and diluted earnings per share

Amounts in USD'000	Consolidated 2017	2016
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**17,683**	**14,108**
Adjustment for loss after tax for the year from discontinued operations	-	890
Profit from continuing operations attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**17,683**	**14,998**

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

Amounts in '000 of shares		Consolidated 2017	2016
Issued ordinary shares at 1 July	18	162,148	162,148
Weighted average number of ordinary shares used in calculating basic, diluted and underlying earnings per share		**162,148**	**162,148**

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 are therefore the same.

Notes to the financial statements

For the year ended 30 June 2017

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 – 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	2017	2016
Trade receivables due from Group managed products	9,943	8,733
Trade receivables due from externally managed products	414	320
Other receivables and prepayments	873	2,210
	11,230	**11,263**

Trade receivables due from Group managed products comprise management and platform service fees, performance fees, and recoverable costs. Trade 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.

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. Trade receivables are initially recognised at fair value, being the original invoice amount rendered for the services or recoverable costs provided. Collectability of trade receivables is reviewed regularly and an allowance is made against the fair value of trade receivables for any amounts which are considered uncollectible. There are no amounts considered uncollectible or impaired as at 30 June 2017 or 30 June 2016.

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

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 19.

Notes to the financial statements

For the year ended 30 June 2017

10. Investments recognised at fair value

	Consolidated	
Amounts in USD'000	2017	2016
Available-for-sale financial assets	5,005	2,889
Financial assets at fair value through profit or loss	9,450	9,543
	14,455	**12,432**

Available-for-sale financial assets

Available-for-sale financial assets comprise non-controlling equity holdings in the unquoted securities of US based limited liability companies over which the Group does not have significant influence.

Available-for-sale financial assets are initially recognised at transaction price plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value with changes, other than impairment losses, recognised in other comprehensive income and presented in the fair value reserve in equity. On derecognition of an available-for-sale financial asset, any cumulative gain or loss in the fair value reserve is reclassified to profit or loss.

Available-for-sale financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. A significant or prolonged decline in fair value below its cost is objective evidence of impairment.

Impairment losses on available-for-sale financial assets are recognised in profit or loss as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale financial asset in a future period will be recognised in other comprehensive income.

Note 19 provides details on the methods used to determine fair value, 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:

	Consolidated	
Amounts in USD'000	2017	2016
Investments in unquoted securities of entities managed by Lighthouse	9,450	8,857
Investments in convertible promissory notes of unrelated entities	-	686
	9,450	**9,543**

These assets have been classified as fair value through profit or loss upon initial recognition as the Group manages these assets and evaluates performance in relation to these financial assets on a fair value basis. These investments are measured at fair value, and changes in their fair value are recognised in profit or loss.

Note 19 provides details on the methods used to determine fair value, and information on exposure to credit and market rate risks related to these investments.

Notes to the financial statements

For the year ended 30 June 2017

11. Investment in equity accounted investee

The Group has a 40% interest in Casement Capital Management LP, a US based limited partnership that is in the start-up phase of developing an institutional grade investment opportunity in the commodities trading area. This interest is accounted for using the equity method in the consolidated financial statements. Under the equity method, the investment in the entity is initially recognised at cost. The carrying amount of the investment is adjusted to recognise the Group's share of the entity's operating profit or loss.

The Group contributed $1,500 thousand of equity to this entity during the year ended 30 June 2017. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the entity.

Taking into account the future funding requirements and the likelihood of success of the business model, the directors have assessed the carrying amount of the investment at 30 June 2017 at $500 thousand.

A reconciliation of the carrying amount of the investment in the consolidated financial statements is set out below:

Reconciliation of the carrying amount of the Group's investment in Casement Capital Management LP:

	Consolidated	
Amounts in USD'000	**2017**	2016
Opening balance 1 July	-	-
Investment into Casement Capital Management LP	1,500	-
Group's share of loss for the year	(624)	-
Impairment loss	(376)	-
Closing balance 30 June	**500**	**-**

12. Other non-current assets

	Consolidated	
Amounts in USD'000	2017	2016
Lease guarantee deposits	1,567	661
Unsecured loan to equity accounted investee	84	-
	1,651	**661**

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.

Notes to the financial statements

For the year ended 30 June 2017

13. Plant and equipment

Amounts in USD'000	Consolidated Leasehold improvements	Computer equipment & software	Furniture & equipment	Total
Cost				
Balance at 1 July 2015	1,181	2,191	956	4,328
Additions	29	251	154	434
Disposals	-	(95)	-	(95)
Effect of movement in exchange rate	-	(5)	-	(5)
Balance at 30 June and 1 July 2016	1,210	2,342	1,110	4,662
Additions	51	208	84	343
Balance at 30 June 2017	**1,261**	**2,550**	**1,194**	**5,005**
Depreciation				
Balance at 1 July 2015	(807)	(1,831)	(504)	(3,142)
Depreciation for the year	(87)	(260)	(94)	(441)
Disposals	-	93	-	93
Effect of movement in exchange rate	-	4	-	4
Balance at 30 June and 1 July 2016	(894)	(1,994)	(598)	(3,486)
Depreciation for the year	(64)	(221)	(76)	(361)
Balance at 30 June 2017	**(958)**	**(2,215)**	**(674)**	**(3,847)**
Carrying amounts				
At 1 July 2015	374	360	452	1,186
At 30 June and 1 July 2016	316	348	512	1,176
At 30 June 2017	**303**	**335**	**520**	**1,158**

Recognition and measurement

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

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

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount, and are recognised in profit and loss.

Depreciation

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

Leasehold improvements:	Lease term
Computer software and equipment:	3-5 years
Furniture and equipment:	7-20 years

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

Notes to the financial statements

For the year ended 30 June 2017

14. Intangible assets

	Consolidated				
Amounts in USD'000	Goodwill	Customer Relationships	Trademarks	Software	Total
Cost					
Balance at 1 July 2015	499,519	73,400	1,900	2,050	576,869
Balance at 30 June and 1 July 2016	499,519	73,400	1,900	2,050	576,869
Balance at 30 June 2017	**499,519**	**73,400**	**1,900**	**2,050**	**576,869**
Amortisation and impairment losses					
Balance at 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 and 1 July 2016	(405,718)	(73,400)	(808)	(1,175)	(481,101)
Amortisation for the year	-	-	(95)	(250)	(345)
Balance at 30 June 2017	**(405,718)**	**(73,400)**	**(903)**	**(1,425)**	**(481,446)**
Carrying amounts					
At 1 July 2015	93,801	4,588	1,187	1,125	100,701
At 30 June and 1 July 2016	93,801	-	1,092	875	95,768
At 30 June 2017	**93,801**	**-**	**997**	**625**	**95,423**

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 20.

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

Customer relationships

Where acquired separately, 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.

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:

Customer relationships:	8 years *(fully amortised at 31 December 2015)*
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 2017

14. Intangible assets (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. 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 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. An impairment loss recognised in respect of a CGU is 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 testing as at 30 June

Impairment testing carried out on the US CGU as at 30 June 2016 and 30 June 2017 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	2017	2016
Goodwill	93,801	93,801
Trademarks	997	1,092
Software	625	875
	95,423	**95,768**

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 an industry long term growth rate. 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	2017	2016
Discount rate	13.8%	13.7%
Terminal value growth rate	3.2%	4.2%
Forecast EBITDA growth rate (average next 5 years)	7%	5%

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 15% at a market interest rate of 4.44%.

The terminal growth rate is based on the forecast long-term growth rate for Open-End Investment Funds in the United States.

The average forecast EBITDA growth rate for 5 years of cash flow projections of 7% is considered to be reasonable in comparison to the average EBITDA growth achieved by the US CGU for the 5 year period to 30 June 2017 of 11%.

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 2017

15. Trade and other payables

Amounts in USD'000	Consolidated 2017	2016
Current		
Trade creditors	14	24
Deferred rent liability - current	154	224
Other creditors and accruals	2,488	2,410
	2,656	**2,658**
Non-current		
Deferred rent liability - non-current	**689**	**870**

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

Deferred rent relates to operating leases for office space. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Current deferred rent represents the amount to be recognised within 12 months of reporting date. Non-current deferred rent represents the amount to be recognised more than 12 months from reporting date.

Other creditors and accruals relate to items such accrued distribution costs, accrued operating expenses, and product costs and expenses.

The carrying amount of these liabilities is a reasonable approximation of fair value. The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19.

16. Employee benefits

Amounts in USD'000	Consolidated 2017	2016
Current		
Short-term incentives	8,648	7,791
Liability for annual leave	124	73
	8,772	**7,864**
Non-current		
Liability for long service leave	**117**	**81**

Short-term benefits

Short-term employee benefit obligations 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. These liabilities are not discounted.

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 2017

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.

17. Capital management

Capital management of the Group focuses on aiming to ensure:

- 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 2017, the Company's capital comprises ordinary shares on issue.

Regulatory Capital Requirements

In accordance with the requirements of the Central Bank of Ireland, wholly-owned subsidiary LHP Ireland Fund Management Limited must maintain a prescribed capital amount, determined as a base requirement of 125 thousand Euros plus .02% of excess over 250 million Euros 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.

18. Capital and reserves

(a) Ordinary shares on issue

	Consolidated	
In thousands of shares	2017	2016
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.

(b) Nature and purpose of reserves

	Consolidated	
Amounts in USD'000	2017	2016
Parent entity profits reserve	13,279	12,394
Translation reserve	850	850
Fair value reserve	1,495	931
Share based payments reserve	13,326	13,326
	28,950	**27,501**

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 records share based payments associated with historical performance rights and share options.

Notes to the financial statements

For the year ended 30 June 2017

19. Financial risk management

Classes of financial instruments

Definitions

During the years ended 30 June 2016 and 2017, the Group held the following non-derivative financial assets and liabilities:

Classification	Description	Note
Loans and receivables	The carrying amount of these assets is a reasonable approximation of fair value	
	▪ Cash	5
	▪ Trade and other receivables	9
	▪ Lease guarantee deposits	12
Other financial liabilities	The carrying amount of these assets is a reasonable approximation of fair value	
	▪ Trade and other payables	15
Financial assets at fair value through profit or loss	▪ Investments in unquoted securities of entities managed by Lighthouse	10
	▪ Investments in convertible promissory notes	
Available-for-sale financial assets	▪ Non-controlling equity holdings in US based limited liability companies over which the Group does not have significant influence. Fair value movements in these assets are recognised through other comprehensive income.	10
	▪ Deferred consideration receivable relating to the sale of the Australian Certitude business. Changes to the expected level of consideration have been recognised in profit or loss.	

Derecognition of financial instruments

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

Offset of financial instruments

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 classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The different levels of fair value hierarchy are:

- 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

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19. 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 2016		
Available-for-sale financial assets					
- Investment in unquoted securities of externally managed entity	10	-	-	2,889	2,889
- Deferred consideration receivable		-	-	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
			30 June 2017		
Available-for-sale financial assets					
- Investment in unquoted securities of externally managed entities	10	-	-	5,005	5,005
Financial assets at fair value through profit or loss					
- Investments in unquoted securities of entities managed by Lighthouse	10	-	9,450	-	9,450

There were no transfers between levels during the financial years ended 30 June 2017 or 30 June 2016.

Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If the significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3, as is the case for unlisted equity securities.

Specific valuation techniques used to value level 2 and level 3 financial instruments include:

Share in unquoted securities of entities managed by Lighthouse

The Group holds investments in entities managed by Lighthouse. Each investment entity has an external administrator who is responsible for determining the fair value of the underlying investments of each entity and using this to calculate the net asset value per share at which any investor in the entity can redeem their investment holding ('the exit price'). The fair value of these investments as at 30 June 2017 and 30 June 2016 is the exit price as calculated and provided by the external administrator of the investment entities. All significant inputs required to fair value the investments are therefore observable.

Unquoted securities of externally managed entities

The shares held in other externally managed entities are unquoted and are considered level 3 as the inputs to the fair value are not based on observable market prices.

Business description	*Fair value technique*
Boutique asset manager	The fair value of the shares is based on an arm's length transaction which involved the acquisition by the entity of another business, partial consideration for which was the issue of equity to the vendors. This transaction occurred in October 2016, and is considered the most reliable external evidence of the fair value of the Group's investment. The fair value has been derived from transaction documents and the audited financial statements of the entity as at 31 December 2016.
Operator of an online marketplace for alternative investments	The Directors are of the opinion that as the entity is still in an early development stage, fair value cannot be reliably measured using a discounted cash flow valuation technique. The Directors' have therefore assessed the fair value based on the historic cost of the shares, adjusted for the Directors' view of the likely success of the business model. The fair value of the investment would increase should the Directors assess that there is an improvement in the likely success of the business, and conversely the fair value would decrease should this assessment deteriorate.

Notes to the financial statements

For the year ended 30 June 2017

19. Financial risk management (continued)

Valuation techniques used to derive level 2 and level 3 fair values

Business description	*Fair value technique*
Text analytics platform provider	During the 30 June 2017 financial year the Group held convertible promissory notes in the entity. These notes converted to shares in June 2017 as part of a capital raising transaction conducted by the entity. The fair value of the Group's shares in the entity is the conversion value of the shares received as outlined in the transaction documents for the June 2017 conversion and capital raising.

Movement in Level 3 assets

The following table presents the change in Level 3 assets for the financial years ended 30 June 2017 and 30 June 2016:

Amounts in USD'000	Note	Investment in unquoted securities	Investment in promissory notes	Deferred consideration receivable	Total
Opening balance 1 July 2015		**2,889**	**-**	**2,216**	**5,105**
Receipt of deferred revenue recognised on sale of subsidiary		-	-	(1,230)	(1,230)
Movement due to foreign exchange losses and change in estimates		-	-	(808)	(808)
Investments in convertible promissory notes		-	686	-	686
Closing balance 30 June 2016	10	**2,889**	**686**	**178**	**3,753**
Receipt of deferred revenue recognised on sale of subsidiary		-	-	(212)	(212)
Movement due to foreign exchange losses and change in estimates		-	-	34	34
Increase in fair value through other comprehensive income		910		-	910
Investments in convertible promissory notes		-	150	-	150
Interest income on convertible promissory notes		-	13	-	13
Conversion of promissory notes to equity		849	(849)	-	-
Investments in unquoted securities		200	-	-	200
Increase in fair value through profit or loss		353	-	-	353
Impairment of unquoted securities		(196)	-	-	(196)
Closing balance 30 June 2017	10	**5,005**	**-**	**-**	**5,005**

There were no transfers in or out of Level 3 during the financial year ended 30 June 2017.

Financial Risk Management

The Group has direct and indirect exposure to credit risk, liquidity risk and market risk (including currency risk, interest rate risk and equity price risk) arising from its activities.

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 (AUM), which can impact management, platform and performance fees; and
- the amount of interest earned on the Group's cash balances.

Notes to the financial statements

For the year ended 30 June 2017

19. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash deposits and receivables. The carrying amount of these financial assets represents the Group's maximum credit risk exposure.

Cash and lease guarantee deposits

Cash and lease guarantee deposits held in Australia are held with bank counterparties which are rated A-1+ (Standard & Poor's).

Cash and lease guarantee deposits held in the United States are held in deposit accounts which are rated A-2 (Standard & Poor's).

Trade and other receivables

At reporting date, 89% of the Group's trade and other receivables related to amounts receivable from products managed by the Group (2016: 78%).

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 and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient resources available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains 12 month rolling forecasts, which assist it in monitoring cash flow requirements. The Group ensures that it has sufficient cash on demand to meet operational requirements. 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	Contractual 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 - current	15	2,658	(2,658)	(2,506)	(152)	-	-	-
Trade and other payables - non-current	15	870	(870)	-	-	(135)	(398)	(337)
		3,528	**(3,528)**	**(2,506)**	**(152)**	**(135)**	**(398)**	**(337)**
30 June 2017								
Trade and other payables - current	15	2,656	(2,656)	(2,599)	(57)	-	-	-
Trade and other payables - non-current	15	689	(689)	-	-	(122)	(362)	(205)
		3,345	**(3,345)**	**(2,599)**	**(57)**	**(122)**	**(362)**	**(205)**

Trade and other payables

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

Market risk

Market risk is the risk that changes in market prices, such as 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 2017, the Group's exposure to interest rate risk relates primarily to the Group's cash.

A change in interest rates at reporting date would not have impacted the carrying value of the Group's variable rate deposits, and would therefore not have impacted the Group's equity or profit or loss.

Notes to the financial statements

For the year ended 30 June 2017

19. 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:

	2017	2016
AUD/USD: Average rate	0.7545	0.7283
AUD/USD: 30 June spot rate	0.7692	0.7426

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 denominated in AUD. The deferred revenue receivable recognised as at 30 June 2016 in relation to the sale of the Certitude business was also denominated in AUD.
- AUD denominated balances recognised by the Lighthouse Group which has a functional currency of USD. These balances comprise 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	2017	2016
AUD/USD: appreciation of 10%, net of tax	6	33
AUD/USD: depreciation of 10%, net of tax	(6)	(33)

Price risk

The Group is exposed to price risk in relation to the value of its investments, and indirectly through the impacts on management and performance fees earned from the fluctuations in the value of the AUM 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
- available-for-sale financial assets which are comprised of investments in the unquoted securities US based limited liability companies.

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	2017	2016	2017	2016
Fair value + 5%, net of tax	288	270	153	88
Fair value - 5%, net of tax	(288)	(270)	(153)	(88)

Notes to the financial statements

For the year ended 30 June 2017

19. Financial risk management (continued)

Price 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 change in AUM due to movements in market prices:

	Consolidated	
	Profit or loss (decrease) / increase	
Amounts in USD'000	2017	2016
Fair value + 5%, net of tax	2,033	1,953
Fair value - 5%, net of tax	(2,033)	(1,953)

The impact of any change to management and platform fees due to changes in AUM 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 2017

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.

20. Group entities

The Group's consolidated financial statements include the financial statements of HFA Holdings Limited and its subsidiaries:

Name	Country of incorporation	% Equity interest	
		2017	2016
Admin Pty Ltd	Australia	-	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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement in the investee and has the power to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. The assets, liabilities, income and expenses of a subsidiary are included in the consolidation financial statements from the date the Group gains control, until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method.

For acquisitions that occurred prior to 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. Refer to note 14 for additional detail regarding the measurement of goodwill after initial recognition.

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

No acquisitions have been carried out post 1 July 2009.

Notes to the financial statements

For the year ended 30 June 2017

21. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2017, the parent company of the Group was HFA Holdings Limited.

	Company	
Amounts in USD'000	2017	2016
Result of the parent entity		
Profit for the year	21,908	18,941
Total comprehensive income for the year	**21,908**	**18,941**
Financial position of the parent at year end		
Current assets	15,210	14,358
Total assets	282,224	281,356
Current liabilities	(197)	(251)
Total liabilities	(315)	(332)
Net assets	**281,909**	**281,024**
Total equity of the parent comprising of:		
Share capital	257,355	257,355
Retained earnings	2,397	2,397
Parent entity profits reserve	13,279	12,394
Translation reserve	5,070	5,070
Share based payments reserve	3,808	3,808
Total equity	**281,909**	**281,024**

22. 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 2016 financial statements of the Group. There were no material impacts of the sale on the 2017 financial statements.

Results of discontinued operations

Amounts in USD'000	2017	2016
Loss on disposal after income tax	-	(890)
Profit / (loss) after income tax from discontinued operations	**-**	**(890)**

Cash flows from discontinued operations

Amounts in USD'000	2017	2016
Net cash from investing activities	-	1,230
Net cash flows for the year from discontinued operations	**-**	**1,230**

Notes to the financial statements

For the year ended 30 June 2017

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.

23. Auditor's remuneration

	Consolidated	
Amounts in USD	2017	2016
Audit and review services		
KPMG: Audit and review of financial reports	287,620	239,562
Audit firms other than KPMG: Audit and review of financial reports	17,425	13,620
	305,045	**253,182**
Services other than statutory audit		
Audit firms other than KPMG: Taxation and other advisory services	38,850	82,368
	38,850	**82,368**

24. Related parties

Key management personnel remuneration

The key management personnel remuneration included in 'employee benefits' (see note 3) is as follows:

	Consolidated	
Amounts in USD	2017	2016
Short-term employee benefits	4,907,201	5,452,014
Long-term employee benefits	23,867	4,258
Post-employment benefits	134,549	102,354
	5,065,617	**5,558,626**

Individual directors' and executives' remuneration disclosure

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.

Other related party transactions

Lighthouse Investment Partners, LLC

Lighthouse Investment Partners, LLC (Lighthouse) 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 Lighthouse recognised management, platform service fees and performance fees received or receivable of $73,817,963 (2016: $70,518,602) from investment products for which Lighthouse acts as general partner and investment manager or platform service provider. Amounts receivable from these products at 30 June 2017 were $9,942,741 (2016: $8,733,479).

Notes to the financial statements

For the year ended 30 June 2017

24. Related parties (continued)

Investment in products

As at 30 June 2017, Group entities hold $9,450,482 of investments in products for which they act as investment manager or platform service provider (2016: $8,857,318). Refer note 10 for additional detail.

During the financial year, the Group recognised distributions from its investments in these products of $nil (2016: $nil).

Equity accounted investee

As disclosed in note 11, Group holds a 40% interest in a US based limited partnership which commenced operations in July 2016.

In addition to the $1,500,000 equity provided to the entity, the Group also provided an additional $84,567 to the entity for operating costs, which has been recognised as a non-current receivable in the statement of financial position as at 30 June 2017 (refer note 12).

The entity is in start-up phase and has made an operating loss in its first year of operations. The Group intends to provide an additional $1,000,000 of funding to the entity over the next twelve months, and discussions are ongoing as to the sources and nature of any subsequent funding required by the entity. Refer note 11 for additional detail.

The Group is also providing certain operational support to the entity, including legal and compliance assistance and office space.

Other

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

For the years ended 30 June 2017 and 30 June 2016, 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 19.

25. Commitments

Operating lease commitments – Group as lessee

The Group has entered into operating leases on office equipment and premises. 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	2017	2016
Within one year	1,815	1,525
After one year but not more than five years	7,845	4,691
More than five years	9,720	1,764
	19,380	**7,980**

Operating lease commitments – Group as lessor

The Group has entered into operating leases to sub-lease office premises. These leases have a remaining life of 2 years.

Future minimum lease payments receivable under these sub-leases as at 30 June are as follows:

Amounts in USD'000	2017	2016
Within one year	238	197
After one year but not more than five years	257	405
	495	**602**

Office fit out commitments

The Group has entered into an operating lease for new office premises in New York. The estimated cost to complete the lease fit out for this premises is $1,212 thousand.

Notes to the financial statements

For the year ended 30 June 2017

25. Commitments (continued)

Software licensing commitments

In August 2012, 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 incurs annual licensing costs to further develop and use this system. As an offset to these costs, Lighthouse may receive additional revenues derived from the distribution of the software to third parties.

During the current financial year, the terms of this agreement were amended. The amendments included a reduction in the annual license fee, and a shorter term, with the current agreement remaining in effect until 31 December 2017.

	Consolidated	
Amounts in USD'000	2017	2016
Within one year	600	2,500
After one year but not more than five years	-	6,250
	600	**8,750**

Equity accounted investee

The Group holds a 40% interest in a US based limited partnership which commenced operations in July 2016. The entity is in start-up phase and has made an operating loss in its first year of operations. The Group intends to provide an additional $1,000 thousand of funding to the entity over the next twelve months, and discussions are ongoing as to the sources and nature of any subsequent funding required by the entity. Refer note 11 for additional detail.

26. Contingent liabilities

Investment fund related obligations

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 2017.

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 relate 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.

27. 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 2017

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 2017 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

28. Corporate information

The financial report of HFA Holdings Limited (the 'Company' / 'HFA') for the year ended 30 June 2017 was approved by the board of directors on the 9th day of August 2017.

The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (the 'Group') (see note 20).

The Company is a for profit company limited by shares incorporated in Australia and is listed on the Australian Securities Exchange. The registered office of HFA is Level 15, 324 Queen Street, Brisbane QLD 4000.

29. Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards (AASB) and other authoritative pronouncements of the Australian Accounting Standards Board. The consolidated financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Details of the Group's accounting policies, including changes during the year, are included in note 32 as well as within the individual notes to the financial statements.

30. 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 19.

31. 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.

Notes to the financial statements

For the year ended 30 June 2017

31. Functional and presentation currency (continued)

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.

32. Other accounting policies

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 14 - impairment test: key assumptions underlying recoverable amounts of intangible assets;
- notes 10 and 19 - fair value measurement of investments;
- note 11 – carrying value of equity accounted investee; and
- note 19 - valuation of financial instruments.

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 10 and 19 - investments in financial assets at fair value through profit or loss; and
- notes 10 and 19 - investment in available-for-sale financial assets.

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:

- AASB 2014-3 Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- AASB 2014-9 Equity Method in Separate Financial Statements (Amendments to IAS 27)
- AASB 2015-1 Annual Improvements to IFRS 2012 -2014 Cycle – various standards
- AASB 2015-2 Disclosure Initiative (Amendments to IAS 1)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- AASB 1057 Application of Australian Accounting Standards (as amended by AASB 2015-9)

These 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 2017:

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.

At 30 June 2017, the Group continues to evaluate the recognition and disclosure requirements of this standard, but does not anticipate it will have a material financial impact as the carrying values of its investments approximate fair value and the Group does not apply hedge accounting. The adoption of this standard may result in a change in the presentation of fair value movements within the Income Statement and Statement of Other Comprehensive Income for certain equity instruments currently classified as available-for-sale. It also may impact the type of information disclosed in the notes to the financial statements.

Notes to the financial statements

For the year ended 30 June 2017

32. Other accounting policies (continued)

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 key issue under the standard for the Group is determining when it has satisfied its performance obligations under a contract with a customer, particularly in relation to performance fees. Management and performance fees are currently recognised when performance obligations under client contracts and/or offer documents have been satisfied, so application of the new standard is not expected to result in a change in timing or amount of revenue recognised in relation to these fees.

AASB 15 has also introduced specific criteria for determining whether to capitalise certain costs, including those costs associated with fulfilling a contract. Capitalisation is only permitted when the costs relate directly to a contract, enable to Group to continue to fulfil a contract and are expected to be recovered. As a result, the Group continues to analyse the treatment of certain expenses which are explicitly chargeable to the Funds under investment management agreements.

The Group also continues to analyse the extent of information required to meet the additional disclosures required under AASB 15 and the extent of impact on the Group's systems, processes and controls.

AASB 16 Leases

AASB 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 AASB 15 Revenue from Contracts with Customers has also been adopted.

The Group has a number of leases for office premises and equipment, and adoption of this standard is expected to result in the following impacts to the Group's consolidated financial statements:

- recording additional assets and liabilities in its balance sheet;
- removing lease payments as an operating expense and replacing this amount with a depreciation and finance cost expense in the income statement; and
- a reclassification in the cash flow statement for payments relating to leases from operating cash outflows to financing cash outflows.

The full quantum of financial and disclosure impacts are yet to be determined with the choice of transition yet to be decided. Further information will be provided in coming financial periods.

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:

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle
- Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Interpretation 23 Uncertainty over income tax treatments

Directors’ declaration

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 62, and the Remuneration report on pages 17 to 23 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 2017 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 2017.

3. The directors draw attention to note 29 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 9th day of August 2017

KPMG

Independent Auditor's Report

To the shareholders of HFA Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of HFA Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- consolidated statement of financial position as at 30 June 2017;
- consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended;
- notes including a summary of significant accounting policies; and
- Directors Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

The ***Key Audit Matters*** we identified are:

- recoverability of deferred tax assets; and
- valuation of goodwill and other intangible assets.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of deferred tax assets ($106.3m)

Refer to Note 6 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Recoverability of deferred tax assets is a key audit matter due to: • the size of the balance (being 40% of total assets); and • the judgements required by us in auditing the Group's estimate that the US based Lighthouse Group will earn sufficient future taxable profits enabling it to utilise the deferred tax assets, which include past tax losses, prior to the tax losses expiring. The Group's assessment of the recoverability of deferred tax assets, applies significant judgements in: • forecasting future taxable profits; and • determining the availability and expected timing of utilisation of deferred tax assets against future taxable income in accordance with applicable tax laws. In assessing this key audit matter, we involved senior audit team members, including tax specialists, who understand the Group's business, industry and the economic environment it operates in.	Our procedures included: • comparing the amount of past tax losses not utilised and carried forward as deferred tax assets to prior period tax returns lodged with the relevant tax authorities; • comparing the forecast cash flows used in assessing future taxable profits to Board approved forecasts and for consistency with the forecasts and assumptions used in assessing the recoverable amount of goodwill and other intangible assets; • assessing the integrity of the Group's deferred tax assets utilisation model, including the accuracy of the underlying calculation formulas; • assessing the accuracy of the Group's previous forecasts of future taxable profits by comparing to actual past performance to inform our evaluation of current period forecasts. We identified historical trends for further testing; and • working with our tax specialists to assess the calculation of net deferred tax assets arising from deductible temporary differences and in analysing the Group's determination of availability and expected timing of utilisation of deferred tax assets for consistency with requirements of applicable tax laws.

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Valuation of goodwill and other intangible assets ($95.4m)	
Refer to Note 14 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Valuation of goodwill and other intangible assets is a key audit matter due to: • the size of the balance (being 36% of total assets); and • the judgements required by us in auditing the Group's estimate of the value in use of the US based Lighthouse Group cash generating unit that goodwill and other intangible assets have been allocated to. The Group's assessment of the valuation of goodwill and other intangible assets, through its value in use model, applies significant judgements including: • forecast cash flows; and • revenue growth, EBITDA margin growth, terminal growth and discount rates applied. In assessing this key audit matter, we involved senior audit team members, including valuation specialists, who understand the Group's business, industry and the economic environments it operates in.	Our procedures included: • comparing the forecast cash flows contained in the value in use model to Board approved forecasts; • assessing the integrity of the value in use model used, including the accuracy of the underlying calculation formulas; • assessing the accuracy of the Group's previous forecasts, including forecast revenue and EBITDA margin, by comparing actual past performance with previous forecasts. We identified historical trends for further testing; • assessing key assumptions included in the model including the revenue growth, EBITDA growth, terminal growth and discount rates applied by comparing to external data, such as peer group forecasts, and our own assessments based on historical and industry experience and knowledge of the Group; and • performing sensitivity analysis by varying key assumptions, such as revenue growth, terminal growth rates and discount rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application so as to focus our further procedures and to further challenge the Group's assumptions.

Other Information

Other Information is financial and non-financial information in HFA Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of HFA Holdings Limited for the year ended 30 June 2017 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 17 to 23 of the Directors' Report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Matthew McDonnell
Partner

Brisbane
9 August 2017

Shareholder information

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

Shareholdings (as at 7 August 2017)

Substantial shareholdings (not less than 5%)

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

Category	Number of ordinary shares	%
Delaware Street Capital Master Fund, LP	26,101,982	16.10%
Sean McGould, his controlled entities and associates	19,438,084	11.99%
Eley Griffiths Group	12,455,487	7.68%
IOOF Holdings	9,834,006	6.06%

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Citicorp Nominees Pty Limited	58,580,805	36.13%
HSBC Custody Nominees (Australia) Limited	23,946,974	14.77%
J P Morgan Nominees Australia Limited	23,540,995	14.52%
National Nominees Limited	12,066,194	7.44%
BNP Paribas Noms Pty Ltd	3,884,443	2.40%
BNP Paribas Nominees Pty Limited	3,754,674	2.32%
RBC Investor Services Australia Nominees Pty Ltd	2,711,044	1.67%
Mr Shay Shimon Hazan-Shaked	1,300,000	0.80%
Citicorp Nominees Pty Ltd	1,166,949	0.72%
Bond Street Custodians Limited	1,125,000	0.69%
BNP Paribas Noms (NZ) Ltd	1,098,000	0.68%
FF Okram Pty Ltd	1,000,000	0.62%
BNP Paribas Nominees Pty Ltd	813,577	0.50%
Winchester Global Trust Company Limited	742,719	0.46%
Brispot Nominees Pty Ltd	646,069	0.40%
Australian Executor Trustees Limited	617,192	0.38%
Mr Ethan J Baron	593,862	0.37%
Mr Mark Sheffield Hancock & Brig Ian Denis Westwood	422,252	0.26%
Warbont Nominees Pty Ltd	404,693	0.25%
Mr Mark Sheffield Hancock & Mr Ian Denis Westwood	338,043	0.21%

Shareholder information

Distribution of shareholdings

Range	Number of holders of ordinary shares	% of holders	Number of ordinary share	% of share
1-1,000	480	23.17%	224,398	0.14%
1,001-5,000	749	36.15%	2,122,322	1.31%
5,001-10,000	342	16.51%	2,660,827	1.64%
10,001-50,000	391	18.87%	8,580,418	5.29%
50,001 – 100,000	56	2.70%	4,072,548	2.51%
100,001 and over	54	2.61%	144,487,384	89.11%
Total	**2,072**	**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.