HFA Holdings Limited

ABN 47 101 585 737

Appendix 4D

Half-Year Ended 31 December 2008

(All comparisons to half-year ended 31 December 2007)

Results for announcement to the market

		% movement		$'000
Revenues from ordinary activities	Up	99%	to	65,588
Operating EBITDA (before impairment losses and equity settled transactions)	Up	161%	to	35,369
Profit/(loss) from ordinary activities after tax attributable to members	Down	3555%	to	(570,274)
Net profit/(loss) for the period attributable to members	Down	3555%	to	(570,274)

Dividend information	**amount per share (cents)**	**franked amount per share (cents)**	**tax rate for franking**
Interim dividend per share (to be paid)	-	-	-
Final dividend per share (paid 26 September 2008	3.50	3.50	30%
Total dividends per share	3.50	3.50	30%

Interim dividend dates

Ex dividend date	N/A No dividends have been declared
Record date	N/A No dividends have been declared
Payment date	N/A No dividends have been declared

	31 Dec 2008 (cents)	31 Dec 2007 (cents)
Net tangible assets per security	(31.80)	82.84

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

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

HFA Holdings Limited

ABN 47 101 585 737

and its controlled entities

31 December 2008

Interim Financial Report

Contents

Directors' Report

The directors present their report together with the consolidated financial report for the six months ended 31 December 2008 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Brett Howard (Chairman)	Appointed director and chairman 15 March 2006
Andy Esteban	Appointed director 18 June 2008
Robert Fraser	Appointed director 14 December 2007, resigned 24 November 2008
John Larum	Appointed director 12 December 2008
Executive	
Spencer Young	Appointed director 15 May 2003 (non-executive 13 April 2007 – 19 September 2007)
Sean McGould	Appointed director 3 January 2008

Principal activities

The principal activities of the HFA Holdings Limited Group (the "Group") during the course of the financial year were the provision of absolute return fund products to investors globally via HFA Asset Management Limited and Lighthouse Investment Partners LLC.

Consolidated results

For the six months ended 31 December 2008	31 Dec 2008 $000's	31 Dec 2007 $000's
Revenue	65,588	33,028
Investment management costs	(9,667)	(12,356)
Operating income	**55,921**	**20,672**
Foreign exchange gain/(loss) on operating activities	1,147	-
Operating expenses, net of other income	(21,699)	(7,101)
Operating EBITDA (before equity settled transactions)	**35,369**	**13,571**
Equity settled transaction expenses	(13,361)	-
Operating EBITDA (after equity settled transactions)	**22,008**	**13,571**
Depreciation and amortisation	(7,530)	(690)
Impairment losses	(596,569)	-
Net interest income / (expense)	(2,769)	1,584
FX gain/(loss) on financial instruments	-	8,920
Profit/(loss) before tax	**(584,860)**	**23,385**
Income tax benefit / (expense)	14,586	(6,881)
Net profit /(loss) after tax	**(570,274)**	**16,504**
EPS (cents)	**(124.085)**	**7.060**

The Group recorded a net loss after tax of $570.3 million for the six months ended 31 December 2008 (2007: $16.5 million net profit), which has been driven primarily by the impairment loss recognised in relation to the goodwill on acquisition of the Lighthouse Group of entities on 3 January 2008. Aside from this and other non-cash expense items recognised for the six months ended 31 December 2008, the Group's operations have performed satisfactorily relative to the difficult economic climate, recording earnings before interest, tax, depreciation and amortisation, impairment losses and equity settled transactions of $35.4 million for the six months ended 31 December 2008 (2007: $13.6 million). The 161% increase on the prior period reflects the contribution of the Lighthouse Group since acquisition, offset by a significant reduction in performance fees received by the Group during the half year.

Directors' Report

Dividends

The directors at the date of this report have not declared or recommended an interim dividend.

Review of operations

HFA operates a specialist global funds management business providing absolute return fund products to investors with the aim of achieving consistent returns. In Australia, HFA provides absolute return products to retail, wholesale and institutional investors via the HFA Asset Management business.

The Lighthouse business has an investor base that spans US, Europe, Canada and Asia and includes high net worth individuals, family offices, endowments, foundations, trusts, investment banks, benefit plans, healthcare and insurance companies.

The global financial crisis, particularly after the collapse of Lehman Brothers investment bank in September 2008, created one of the most difficult operating environments for funds managers in history. The severity and swiftness of the crisis, and the resultant distress in credit and capital markets around the world meant that even absolute return funds were not immune to negative investment performance. The relative investment performance of the HFA Group's flagship funds held up well when compared to global market indices.

Fund Flows

The severe contraction in credit markets and the associated lack of liquidity in capital markets resulted in significant outflows across the global wealth management industry, including the absolute return funds sector. The industry experienced significant outflows in the December 2008 quarter, which is expected to continue at least in the short term.

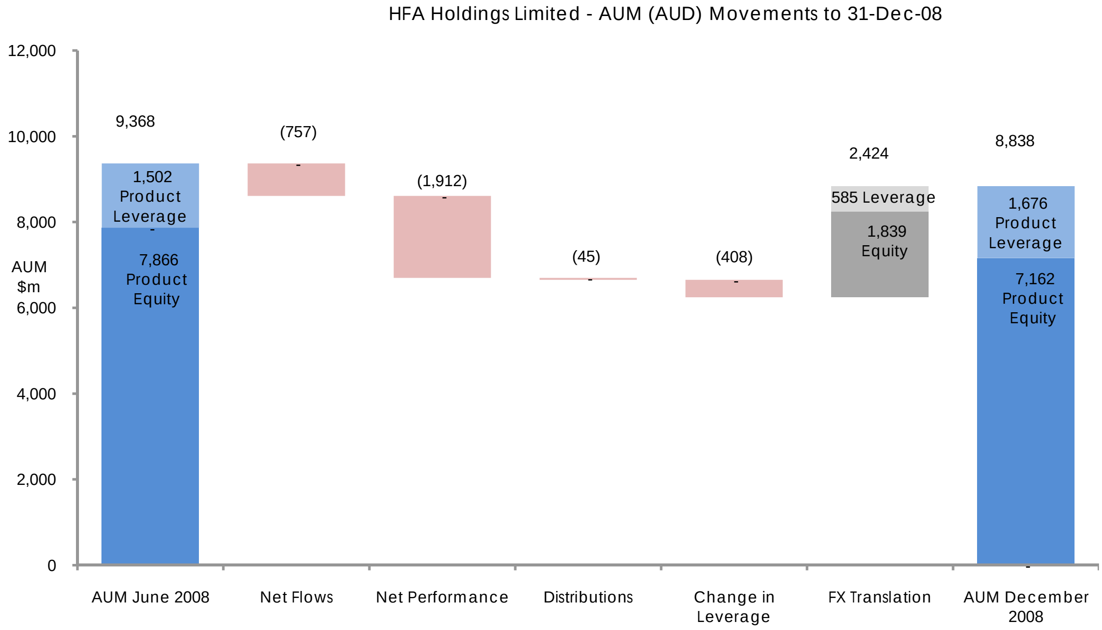
HFA Group products experienced net outflows for the half year of $757 million, which represented approximately 9.6% of funds under management as at 30 June 2008.

In response to market conditions, plans for new products during the half year were deferred pending the return to a more stable market environment. In December 2008, as a result of unfavourable changes in the liquidity of underlying assets, three of the HFA Asset Management products temporarily suspended redemptions to investors.

Directors' Report

Assets under management

As at 31 December 2008, HFA had total funds under management ("FUM") of $7.2 billion and total assets under management ("AUM") of $8.8 billion. This represents a decrease of 9% in FUM and 6% in AUM since the end of the previous financial year. The following graph shows how performance, net inflows, reduction of leverage within the products and foreign exchange translation impacted the AUM over the half year:



Net income from operating activities

Net income from operating activities increased to $55.9 million for the half year ended 31 December 2008. This represents an increase of 171% over the December 2007 half year. The increase is due to the six month contribution from Lighthouse of $41.9 million as a result of the acquisition in January 2008, offset by a significant reduction in performance fees received by the HFA Asset Management business during the half year.

Operating expenses

Operating expenses (excluding depreciation, amortisation and impairment costs) increased to $21.7 million for the half year ended 31 December 2008. This represents an increase of 206% ($14.6 million) when compared to the half year ended 31 December 2007.

This increase is largely due to the inclusion of the Lighthouse Group operating expenses for the current half year.

Impairment losses

The Company has sought and received independent advice on the carrying value of the goodwill in the balance sheet related to the acquisition of the Lighthouse Group in January 2008. The reduction in the Group's AUM as a result of the global financial crisis, and the expectation that fund outflows will continue in the short-term before fund flows and performance return to normal levels, has resulted in the recognition of a $586 million impairment loss in relation to the goodwill. This loss reflects the significantly lower expected future net cash flows from the US operations compared to the business at the time of acquisition.

In addition, an impairment loss of $10.9 million was recognised in relation to the goodwill, other intangible assets and investments held by the Australian business.

Directors' Report

Events subsequent to reporting date

As advised to the market in December 2008, the Company has been in negotiations with its bank regarding amendment to the terms of its USD127.8 million facility under the Cash Advance Facility Agreement ("CAFA"). As part of these negotiations, subsequent to reporting date the Company permanently repaid USD7.9 million against the outstanding facility.

The Company has accepted in principle an offer from its bank to a restructure of terms in relation to the CAFA, subject to completion of formal documentation by no later than 20 March 2009. A key provision of the restructure is the extension of the term of the facility by an additional twelve months to 1 November 2011.

The Company has received conditional waivers in relation to review events under the existing CAFA whilst the negotiations are being conducted, and as a result the Group has classified the CAFA as a current liability as at 31 December 2008. Upon successful completion of the formal documentation of the restructure of the CAFA, the Company will reclassify the liability as non-current.

The ability of the Company and the Group to continue as a going concern is dependent on the completion of formal documentation of the restructure of the CAFA by 20 March 2009 (refer to note 5 of the consolidated interim financial statements).

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

Rounding off

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

Lead auditor's independence declaration

The lead auditor's independence declaration required under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2008.

Signed in accordance with a resolution of directors:

Brett Howard
Chairman

Spencer Young
Executive Director / Chief Executive Officer

Dated at Sydney this 26th day of February 2009

Lead auditor's independence declaration

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 review for the half-year ended 31 December 2008 there have been:

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

KPMG

KPMG

Robert S Jones

Robert S Jones
Partner

Brisbane
26 February 2009

Consolidated interim income statement

For the six months ended 31 December 2008

	Note	31 Dec 2008	31 Dec 2007
		$'000	$000's
Revenue		65,588	33,028
Investment management costs		(9,667)	(12,356)
Net income from operating activities		**55,921**	**20,672**
Other income		171	50
Expenses		(28,785)	(7,776)
Results from operating activities before impairment losses and equity settled transactions		**27,307**	**12,946**
Impairment losses	8-9	(596,569)	**-**
Equity settled transactions	11	(13,361)	-
Results from operating activities		**(582,623)**	**12,946**
Financial income		1,743	2,340
Financial expenses		(3,980)	(821)
FX gain on financial instrument	6	-	8,920
Net financial income / (expense)		**(2,237)**	**10,439**
Profit / (loss) before income tax		**(584,860)**	**23,385**
Income tax (expense) / benefit		14,586	(6,881)
Net profit / (loss)		**(570,274)**	**16,504**
Earnings per share			
Basic earnings per share (cents per share)	14	(124.085)	7.060
Diluted earnings per share (cents per share)	14	(123.842)	7.060

The income statement is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 10 to 22.

Consolidated interim statement of recognised income and expense

For the six months ended 31 December 2008

	Note	31 Dec 2008 $000's	31 Dec 2007 $000's
Foreign currency translation differences for foreign operations	13	151,220	-
Effective portion of changes in fair value of cash flow hedges	13	(3,938)	-
Net change in fair value of available-for-sale financial assets	13	5	(98)
Net income/(expense) recognised directly in equity		147,287	(98)
Profit/(loss) for the period		(570,274)	16,504
Total recognised income and expense for the period		**(422,987)**	**16,406**
Attributable to:			
Members of HFA Holdings Limited		**(422,987)**	**16,406**
Total recognised income and expense for the period		**(422,987)**	**16,406**

Other movements in equity arising from transactions with owners are set out in note 13.

The statement of recognised income and expense is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 10 to 22.

Consolidated interim balance sheet

As at 31 December 2008

	Note	31 Dec 2008 $000's	30 June 2008 $000's
Assets			
Current			
Cash and cash equivalents		44,865	38,829
Trade and other receivables		23,919	25,341
Other current assets		106	3
Total current assets		**68,890**	**64,173**
Non-current			
Trade and other receivables		2,968	-
Investments, including derivatives	8	2,596	5,327
Property, plant and equipment		2,653	2,358
Deferred tax assets		1,730	3,968
Intangible assets	9	231,626	604,286
Total non-current assets		**241,573**	**615,939**
Total assets		**310,463**	**680,112**
Liabilities			
Current			
Trade and other payables, including derivatives		16,466	12,037
Current tax liability		3,172	5,535
Interest bearing loans and borrowings	10	183,388	-
Employee benefits		11,916	7,981
Total current liabilities		**214,942**	**25,553**
Non-current			
Interest bearing loans and borrowings	10	-	141,729
Employee benefits		170	164
Deferred tax liabilities		8,561	-
Deferred income		1,303	1,467
Total non-current liabilities		**10,034**	**143,360**
Total liabilities		**224,976**	**168,913**
Net assets		**85,487**	**511,199**
Equity			
Issued capital	13	504,730	504,730
Reserves	13	113,132	(34,155)
Retained earnings / (accumulated losses)	13	(532,375)	40,624
Total equity		**85,487**	**511,199**

The balance sheet is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 10 to 22.

Consolidated interim statement of cash flows

As at 31 December 2008

	31 Dec 2008 $000's	31 Dec 2007 $000's
Cash flows from operating activities		
Fees received	72,344	44,739
Payments to suppliers and employees	(31,063)	(25,792)
Cash generated from operations	41,281	18,947
Interest received	587	896
Dividends and distributions received	8	28
Income taxes paid	(9,711)	(6,025)
Interest paid	(5,575)	(727)
Net cash from operating activities	**26,590**	**13,119**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(140)	(88)
Acquisition of controlled entities	-	(5,449)
Acquisition of intangibles	-	(3,119)
Net cash used in investing activities	**(140)**	**(8,656)**
Cash flows from financing activities		
Proceeds from borrowings	-	258,318
Repayments of borrowings	(10,000)	-
Payments for share issues	-	(8,321)
Dividends paid	(16,085)	(8,072)
Borrowing costs	(56)	-
Net cash from/(used in) financing activities	**(26,141)**	**241,925**
Net increase in cash and cash equivalents	**309**	**246,388**
Cash and cash equivalents at 1 July	38,829	17,942
Effect of exchange rate fluctuations on cash held	5,727	-
Cash and cash equivalents at 31 December	**44,865**	**264,330**

The statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 10 to 22.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

1. Reporting entity

HFA Holdings Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at Level 5, 151 Macquarie Street, Sydney NSW 2000 or at www.hfaholdings.com.au.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on 26 February 2009.

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

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2008.

4. Estimates

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

Except as described below, in preparing this consolidated interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial report as at and for the year ended 30 June 2008.

During the six months ended 31 December 2008 management reviewed its estimates in respect of the recoverable amount of intangible assets (see note 9) and financial assets available for sale (see note 8).

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

5. Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuation of normal business operations.

During the half year ended 31 December 2008, and as a result of the ongoing global credit and liquidity crisis and its impact on the global absolute return fund industry:

- the Group experienced net fund outflows of $589 million;
- the Australian business commenced a significant reduction in the leverage held within its products, with an expectation that this leverage will be largely extinguished within the next twelve months;
- the Group reviewed the carrying value of a number of assets as at 31 December 2008 resulting in significant impairment losses being incurred (refer note 9); and
- the Group commenced negotiations with its bank in relation to restructuring the existing debt facility.

For the half year ended 31 December 2008, the Group incurred losses of $570 million, primarily as a result of impairment losses of $597 million. As at 31 December 2008, the Group had net assets of $85 million, however it had a deficiency in net current assets of $146 million, primarily as a result of classifying the Cash Advance Facility Agreement (CAFA) of $183.5 million as a current liability (refer note 10).

Subsequent to reporting date, the Group has repaid USD7.9 million of its USD127.8 million facility. Further, the Company has accepted in principle an offer from its bank to a restructure of terms in relation to the CAFA, subject to completion of formal documentation by no later than 20 March 2009. A key provision of the restructure is the extension of the term of the facility by an additional twelve months to 1 November 2011.

The ability of the Company and the Group to continue as a going concern is dependent on the completion of formal documentation of the restructure by 20 March 2009.

Upon completion of the formal documentation for the restructure of the CAFA, the facility will be reclassified as non-current.

The directors have approved cash flow projections that support the Company's and the Group's ability to meet its obligations, incorporating the agreed amendments to the existing facility. The directors and management of the Company have prepared the financial statements on a going concern basis as they anticipate formal completion of the CAFA documentation by 20 March 2009 and it is their intention to repay, refinance or extend the existing facility prior to its maturity on 1 November 2011.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

6. Financial risk management

Foreign Currency Risk

During the six months ended 31 December 2008 the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

During the six months ended 31 December 2007, the Group entered into a forward exchange rate contract (FEC) to hedge the foreign currency exposure on the cash portion of the purchase price for the acquisition of the Lighthouse Group. At 31 December 2007 the FEC had a fair value of $8,920 thousand and the change in fair value, a gain of $8,920 thousand, was recognised in the profit for the period. The FEC was settled and the gain realised on 3 January 2008. There was no FEC entered into by the Company during the six months ended 31 December 2008.

7. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Business segments

Primary Segment - Geographic Information

The geographic segmentation of revenue and assets is based on the location of operations. HFA operates in two principal geographical locations, being Australia and the United States.

Secondary Segment - Business Information

The business activity engaged in by the Group is funds management activities in the Absolute Return fund finance sector. There are no distinguishable components in the provision of funds management activities by the Group.

The below table sets out geographical segment results for the Group. The United States segment has recognised financial income of $83,995 thousand which relates predominantly to an unrealised foreign exchange gain that has arisen due to the translation of the Australian dollar denominated loan between HFA Holdings Limited and HFA Lighthouse Holdings Corp as at 31 December 2008. This financial income eliminates on consolidation.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

7. Segment reporting (continued)

Geographical Segments	Australia		United States		Elimination		Consolidated	
In thousands of AUD	2008	2007	2008	2007	2008	2007	2008	2007
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
External revenue	23,632	33,028	41,956	-	-	-	65,588	33,028
Inter-segment revenue	-	-	7,607	-	(7,607)	-	-	-
Investment management costs	(8,731)	(12,356)	(8,543)	-	7,607	-	(9,667)	(12,356)
Net income from operations	**14,901**	**20,672**	**41,020**	**-**	**-**	**-**	**55,921**	**20,672**
Other income	90	50	81	-	-	-	171	50
Expenses	(7,564)	(7,776)	(21,221)	-	-	-	(28,785)	(7,776)
Results from operating activities before impairment losses and equity settled transactions	**7,427**	**12,946**	**19,880**	**-**	**-**	**-**	**27,307**	**12,946**
Impairment losses	(10,949)	-	(585,620)	-	-	-	(596,569)	-
Equity settled transactions	(344)	-	(13,017)	-	-	-	(13,361)	-
Results from operating activities	**(3,866)**	**12,946**	**(578,757)**	**-**	**-**	**-**	**(582,623)**	**12,946**
Financial income	12,886	2,340	83,995	-	(95,138)	-	1,743	2,340
Financial expenses	(435)	(821)	(15,870)	-	12,325	-	(3,980)	(821)
FX gain on financial instrument	-	8,920	-	-	-	-	-	8,920
Net financial income / (expenses)	**12,451**	**10,439**	**68,125**	**-**	**(82,813)**	**-**	**(2,237)**	**10,439**
Profit / (loss) before tax	**8,585**	**23,385**	**(510,632)**	**-**	**(82,813)**	**-**	**(584,860)**	**23,385**
Income tax (expense) / benefit	(2,681)	(6,881)	(14,946)	-	32,213	-	14,586	(6,881)
Net profit / (loss)	**5,904**	**16,504**	**(525,578)**	**-**	**(50,600)**	**-**	**(570,274)**	**16,504**

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

8. Investments, including derivatives

	31 Dec 2008 $000's	30 June 2008 $000's
Non-current		
Available-for-sale financial assets	84	528
Financial assets designated at fair value through profit or loss	2,512	2,048
Derivatives used for hedging	-	2,751
	2,596	**5,327**

Impairment of Available-for-sale financial assets

HFA Holdings Limited holds 561,692 shares in HFA Accelerator Plus Limited (HAP) with a cost base of $535 thousand (approximately 0.95 cents per share). As at 31 December 2008, the fair value of these shares was $84 thousand (0.15 cents per share). As a result, the carrying value of this asset was assessed under the impairment provisions of AASB 139 Financial Instruments. Due to the significant decline in the fair value of this investment, an impairment loss of $450 thousand (2007: $nil) was recognised and is included in "impairment losses". Subsequent to reporting date, the value of the HAP shares has further declined with the share price reaching a low of approximately 7.0 cents per share.

9. Intangible assets

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

	31 Dec 2008 $000's	30 June 2008 $000's
Australian based funds management		
Management rights	-	9,181
Goodwill	-	2,019
US based funds management		
Goodwill	135,394	518,927
Management rights / customer relationships	92,703	71,486
Trade marks	2,605	1,925
Software	924	748
	231,626	**604,286**

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

9. Intangible assets (continued)

	Consolidated				
	Goodwill	Mgmt rights / Customer Relationships	Trade marks	Software	Total
	$	$	$	$	$
Cost					
Balance at 30 June 2008	520,946	88,203	1,974	831	611,954
Additions	-	-	-	-	-
Effect of movement in exchange rates	202,088	29,660	768	324	232,840
Balance at 31 December 2008	**723,034**	**117,899**	**2,742**	**1,155**	**844,830**
Amortisation and impairment losses					
Balance at 30 June 2008	-	(7,536)	(49)	(83)	(7,668)
Amortisation for six months	-	(6,680)	(62)	(105)	(6,847)
Impairment losses	(587,640)	(8,479)	-	-	(596,119)
Effect of movement in exchange rates	-	(2,465)	(26)	(43)	(2,534)
Balance at 31 December 2008	**(587,640)**	**(25,160)**	**(137)**	**(231)**	**(613,168)**
Carrying value at 31 December 2008	**135,394**	**92,703**	**2,605**	**924**	**231,626**

The global financial crisis, particularly following the collapse of Lehman Brothers investment bank in September 2008, created one of the most difficult operating environments for funds managers in history. The severity and swiftness of the crisis, and the resultant distress in credit and capital markets around the world has meant that the absolute return funds sector experienced investment losses and significant net fund outflows.

The Group assessed the carrying value of the goodwill and intangible assets due to the reduction in the Group's AUM and the expectation that these conditions will continue in the short-term before fund flows and performance return to normal levels.

Australian based funds management cash generating unit (AUS CGU)

As a result of the testing carried out on the AUS CGU, the carrying amount of management rights and goodwill allocated to this CGU was determined to be higher than its recoverable amount, and an impairment loss of $10,498 thousand (2007: $nil) was recognised and is included in “impairment losses”.

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

To calculate this, cash flow projections were based on the financial forecasts approved by the Board of Directors for the period 2009 to 2012, which were prepared on a going concern basis (refer Note 5). Forecasts for 2013 were based on levels consistent with 2012. A terminal value was calculated using a growth rate of 0%.

These cash flow projections were then discounted using the pre-tax discount rate of 20.2% (2007: 17.1%).

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

9. Intangible assets (continued)

US based funds management cash generating unit (US CGU)

As a result of the testing carried out on the US CGU, the aggregate carrying amount of assets allocated to this CGU was determined to be higher than its recoverable amount, and an impairment loss of $585,621 thousand (2007: $nil) was recognised and is included in "impairment losses". The impairment loss was allocated fully against goodwill.

This loss reflects the significantly lower expected future net cash flows from the US operations compared to the business at the time of acquisition.

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

To calculate this, cash flow projections were based on the financial forecasts approved by the Board of Directors for the period 2009 to 2012 which were prepared on a going concern basis (refer Note 5).. Forecasts for 2013 were based on revenue growth that was broadly consistent with the approved growth rates for 2011 and 2012 and normalised cost percentages.

A long term growth rate of 3.5% was used in the terminal value component of the calculation. This rate was based on a 2.1% CPI long term forecast plus 1.4% for real GDP as sourced from the Economist Intelligence Unit, and is consistent with the growth assumption applied by many US companies when performing impairment tests.

These cash flow projections were discounted using the pre-tax discount rate of 16.6%.

10. Interest bearing loans and borrowings

The terms and conditions of the outstanding loans as at 31 December 2008 were as follows:

			31 December 2008		30 June 2008	
In thousands of AUD	Nominal Interest Rate	Year of Maturity	Face Value $	Carrying Amount $	Face Value $	Carrying Amount $
Current						
Facility A – USD 130,000,000	LIBOR + 0.80%	2010	184,415	183,388	-	-
Facility B – AUD 30,000,000	BBSY + 0.80%	2010	-	-	-	-
Total interest bearing liabilities			**184,415**	**183,388**	**-**	**-**
Non-current						
Facility A – USD 130,000,000	LIBOR + 0.80%	2010	-	-	132,727	131,927
Facility B – AUD 30,000,000	BBSY + 0.80%	2010	-	-	10,000	9,802
Total interest bearing liabilities			-	-	**142,727**	**141,729**

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

10. Interest bearing loans and borrowings (continued)

Interest bearing loans and borrowings were classified as current as at 31 December 2008. As announced to the market in December 2008, the Company has been in negotiations with its bank regarding a restructure of its Cash Advance Facility Agreement (CAFA). During the course of these negotiations, the Company received a waiver in respect of certain requirements under the CAFA which was subject to the Company complying with agreed conditions. Whilst the Company has complied with these conditions and the waiver was in effect as at reporting date, the Company did not have an unconditional right to defer settlement of the outstanding loan balance under the CAFA for at least twelve months from 31 December 2008. As a result, the outstanding loan balance was classified as current.

Subsequent to reporting date, the Company has accepted in principle an offer from its bank to a restructure of terms in relation to the CAFA, subject to completion of formal documentation by no later than 20 March 2009. Upon completion of the formal documentation of the restructure of the CAFA, the Company will reclassify its interest bearing loans and borrowings as non-current.

11. Share-based payments

2008 Employee Performance Rights Plan

An offer of rights to issued shares in the Company was made to employees of the Group's Australian business on 12 March 2008. The terms and conditions of the performance plan are disclosed in the consolidated financial report as at and for the year ended 30 June 2008. An expense of $344 thousand in relation to this plan was recognised in the six months ended 31 December 2008.

Lighthouse Investment Partners Incentive Compensation Plan

An incentive plan for employees of Lighthouse Investment Partners, LLC was established by SGM Holdings, LLC on 1 July 2008. SGM Holdings, LLC is a related entity of Sean McGould, a director of the Company, and is not part of the HFA Holdings Limited Group. Grants made under the plan will be funded by SGM Holdings, LLC not the HFA Holdings Limited Group. However, as SGM Holdings, LLC is a shareholder of HFA Holdings Limited, accounting standards require that the Company recognise an expense associated with the shares granted under the plan with a corresponding increase in the Company's equity to recognise the contribution by SGM Holdings, LLC as a shareholder.

The terms and conditions of the performance plan are disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

An expense of $13,017 thousand relating to the incentive plan was recognised in the current reporting period. This expense relates to the total number of shares that were issued under the plan which vested in year one of the plan. The cash component of the plan, which is also funded solely by SGM Holdings, LLC, will continue to vest over the remaining two years of the plan. The cash component of the plan in the current and future years is not required to be recognised as an expense of the Company.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

12. Income tax expense

The Group's consolidated effective tax rate for the six months ended 31 December 2008 was 2.5 percent (for the year ended 30 June 2008: 31 percent; for the six months ended 31 December 2007: 29 percent). The effective tax rate for the six months ended 31 December 2008 was impacted by the following factors:

- the inclusion of the Lighthouse Group in the results for six months to 31 December 2008 with a US tax rate of approximately 39%. This has the effect of increasing the effective tax rate.
- the majority of the $13,361 thousand in non-cash equity settled transaction expenses that were recognised in the six months ended 31 December 2008 are not tax deductible. This has the effect of increasing the effective tax rate.
- The Group has determined that due to the current operating environment in the global financial markets it is not probable that sufficient taxable profits will be generated in the future to utilise the potential benefit associated with the impairment loss recognised on goodwill . As such, the Group did not recognise the value of the potential benefit associated with these losses in the current period. This has the effect of decreasing the effective tax rate.

Deferred tax assets that have not been recognised:

	31 Dec 2008 $000's	30 June 2008 $000's
Deferred tax asset	208,987	-

13. Capital and reserves

Reconciliation of movements in capital and reserves

In thousands of AUD	Share capital	Fair value reserve	Hedging reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 July 2007	706	133	-	-	19,796	20,635
Issue of ordinary shares	258,319	-	-	-	-	258,319
Equity Raising costs	(9,533)	-	-	-	-	(9,533)
Tax effect of equity raising costs	2,859	-	-	-	-	2,859
Total recognised income and expense	-	(98)	-	-	16,504	16,406
Dividends to equity holders	-	-	-	-	(8,072)	(8,072)
Balance at 31 December 2007	252,351	35	-	-	28,228	280,614
Balance at 1 July 2008	504,730	(5)	1,614	(35,764)	40,624	511,199
Total recognised income and expense	-	5	(3,938)	151,220	(570,274)	(422,987)
Dividends to equity holders	-	-	-	-	(16,086)	(16,086)
Equity settled transactions	-	-	-	-	13,361	13,361
Balance at 31 December 2008	504,730	-	(2,324)	115,456	(532,375)	85,487

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

13. Capital and reserves (continued)

Nature and purpose of reserves

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends

The following dividends were declared and paid by the Group:

For the six months ended:	**31 Dec 2008 $000's**	**31 Dec 2007 $000's**
26 September 2008: $0.035 per qualifying ordinary share fully franked (28 September 2007: $0.04)	16,086	8,072

14. Earnings per share

The calculation of basic earnings per share and diluted earnings per share at 31 December 2008 was based on the loss attributable to ordinary shareholders of $570,274 thousand (2007: profit of $16,503 thousand) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2008 of 459,582,661 (2007: 233,768,399) and 460,483,911 (2007: 233,768,399) respectively, calculated as follows:

	31 Dec 2008 $000's	**31 Dec 2007 $000's**
Earnings from operations used in calculating Basic earnings per share	(570,274)	16,503
Earnings from operations used in calculating Diluted earnings per share	(570,274)	16,503
Weighted average number of shares issued	**No. of Shares**	**No. of Shares**
Issued ordinary shares at 31 December	459,582,661	201,811,000
Weighted average number of ordinary shares used in calculating basic earnings per share	459,582,661	233,768,399
Effect of performance rights issued 12 March 2008	901,250	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	460,483,911	233,768,399

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

15. Related parties

A number of key management personnel of the Company, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the six months relating to key management personnel and other related parties were as follows:

HFA Accelerator Plus Limited

HFA Accelerator Plus Limited is a listed investment company managed by HFA Asset Management Limited, a wholly owned subsidiary of HFA Holdings Limited, pursuant to a management agreement.

Robert White is a director of HFA Asset Management Limited and HFA Accelerator Plus Limited. Oscar Martinis is a director of HFA Asset Management Limited. Jonathan Pain is a director of HFA Asset Management Limited and a former director of HFA Accelerator Plus Limited.

During the six months the following related party transactions occurred:

(i) The Company received a dividend of $8,425 fully franked (2007: $28,084) from its shareholding in HFA Accelerator Plus Limited;

(ii) The Company holds 561,692 HFA Accelerator Plus Limited shares (2007:561,692 shares) with a fair value of $84,254 as at 31 December 2008 (2007: $584,160). The Company recognised an impairment loss of $450,535 (2007: $Nil) in relation to this shareholding at 31 December 2008; and

(iii) HFA Asset Management Limited recognised management and performance fees of $5,522,287 (2007: $6,024,946) from HFA Accelerator Plus Limited.

HFA Asset Management Limited

HFA Asset Management Limited is a wholly owned subsidiary of the Company and responsible entity of a number of managed investment schemes.

During the six months HFA Asset Management Limited recognised management and performance fees paid or payable of $17,985,467 (2007: $27,003,051) from managed investment schemes for which it acts as the Responsible Entity. Amounts receivable from schemes for which HFA Asset Management Limited acts as the Responsible Entity and HFA Accelerator Plus Limited were $13,679,963 (2007: $23,160,049).

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

15. Related parties (continued)

Lighthouse Investment Partners, LLC

Lighthouse Investment Partners, LLC (LIP) became a wholly owned subsidiary and related party of the Company on 3 January 2008. LIP 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 six months the following related party transactions occurred:

(i) LIP recognised management and performance fees paid or payable of $41,955,814 (2007: Nil) from investment products for which LIP acts as general partner and investment manager. Amounts receivable from these products at 31 December 2008 were $11,396,754 (2007: Nil).

(ii) LIP holds investments in products in which they act as general partner and investment manager with a combined value of $2,512,000. These investments are classified at fair value through profit and loss.

16. Contingent liabilities

The Group is defending actions brought against it by its former Chief Executive Officer and a former employee arising from the termination of their employment.

The Group strongly denies any liability or wrong doing. The directors do not expect the outcome of the actions to have a material effect on the Group's financial position.

In the directors' opinion, disclosure of any further information would be prejudicial to the interest of the Group.

17. Events subsequent to reporting date

As advised to the market in December 2008, the Company has been in negotiations with its bank regarding amendment to the terms of its USD127.8 million facility under the Cash Advance Facility Agreement ("CAFA"). As part of these negotiations, subsequent to reporting date the Company permanently repaid USD7.9 million against the outstanding facility.

The Company has accepted in principle an offer from its bank to a restructure of terms in relation to the CAFA, subject to completion of formal documentation by no later than 20 March 2009. A key provision of the restructure is the extension of the term of the facility by an additional twelve months to 1 November 2011.

The Company has received conditional waivers in relation to review events under the existing CAFA whilst the negotiations are being conducted, and as a result the Group has classified the CAFA as a current liability as at 31 December 2008. Upon successful completion of the formal documentation of the restructure of the CAFA, the Company will reclassify the liability as non-current.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2008

17. Events subsequent to reporting date (continued)

The ability of the Company and the Group to continue as a going concern is dependent on the completion of formal documentation of the restructure of the CAFA by 20 March 2009 (refer to note 5 of the consolidated interim financial statements).

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

Directors' declaration

For the six months ended 31 December 2008

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

1. the financial statements and notes set out on pages 6 to 22, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the financial position of the Group as at 31 December 2008 and of its performance for the six month period ended on that date; and

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

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 26th day of February 2009.

Signed in accordance with a resolution of the directors:

Brett Howard
Chairman

Spencer Young
Executive Director / Chief Executive Officer

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

For the six months ended 31 December 2008

KPMG

Report on the Financial Report

We have reviewed the accompanying half-year financial report of HFA Holdings Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration set out on pages 6 to 23 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of HFA Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Whilst we draw your attention to the material uncertainties detailed below, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HFA Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

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

For the six months ended 31 December 2008

(a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

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

Material uncertainty regarding continuation as a going concern

Without qualification to the above conclusion, we draw attention to note 5 of the interim financial report which indicates that the Company and the Group are critically dependent upon the continued support of their banker for a period significantly in excess of the banker's current undertakings being to 20 March 2009. Subsequent to 31 December 2008, the Group's banker has formally offered to restructure the Group's banking facilities subject to both parties agreeing to and completing appropriate documentation. The ability of the Company and the Group to continue as a going concern is dependent upon the Company and the Group completing documentation to restructure its debt facilities by 20 March 2009 as required by its banker and continuing to derive sufficient cash flow from ongoing business operations to meet operating cash flow requirements incorporating the agreed amendments to the existing debt facilities.

Due to the matters set out in note 5, a material uncertainty exists which may cast significant doubt about the Company's and the Group's ability to continue as a going concern, and therefore whether the Company and the Group are able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

Material uncertainty regarding the carrying value of intangible assets

Without qualification of the above conclusion, we draw your attention to note 9 of the interim financial report. The recoverable amount of the Group's intangible assets is dependent upon the Company and the Group continuing as a going concern and generating the projected future cash flows used as the basis for determining the recognised value of these assets as discussed in note 5.

The uncertainty regarding the Company and the Group's ability to continue as a going concern casts doubt about the carrying values of the Group's intangible assets which total $231,626,000 as at 31 December 2008.

KPMG

KPMG

Robert S Jones

Robert S Jones
Partner

Brisbane
26 February 2009