HFA Holdings Limited

ABN 47 101 585 737

Appendix 4D

Half-Year Ended 31 December 2009

(All comparisons to half-year ended 31 December 2008)

Results for announcement to the market

		% movement		$'000
Revenues from ordinary activities	Down	44%	to	36,443
Operating EBITDA (before impairment losses and equity settled transactions)	Down	61%	to	13,829
Profit/(loss) from ordinary activities after tax attributable to members	Up	100%[1]	to	993
Net profit/(loss) for the period attributable to members	Up	100%[1]	to	993

1 **% movement is presented as 100% as the prior period loss from ordinary activities and attributable to members was $570 million**

Dividends

The Board of HFA Holdings Limited has declared that no interim dividend for the six months ended 31 December 2009 will be paid.

Record date for determining entitlements to the dividend

N/A

	31 Dec 2009 (cents)	31 Dec 2008 (cents)
Net tangible assets per security	(19.8)	(31.8)

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 2009

Interim Financial Report

Contents

Directors' Report

The directors present their report together with the consolidated financial report for the six months ended 31 December 2009 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	
Andy Esteban	Appointed director 18 June 2008
John Larum	Appointed director 12 December 2008
Michael Shepherd	Appointed director 16 December 2009
Executive	
Spencer Young (Chairman)	Appointed director 15 May 2003
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 2009	31 Dec 2009 $000's	31 Dec 2008 $000's
Revenue	36,443	65,588
Investment management costs	(5,277)	(9,667)
Operating income	**31,166**	**55,921**
Foreign exchange gain/(loss) on operating activities	(144)	1,147
Operating expenses, net of other income	(17,193)	(21,699)
Operating EBITDA (before equity settled transactions)	**13,829**	**35,369**
Equity settled transaction expenses	(2,457)	(13,361)
Operating EBITDA (after equity settled transactions)	**11,372**	**22,008**
Depreciation and amortisation	(6,090)	(7,530)
Impairment losses	-	(596,569)
Net interest income / (expenses)	(3,140)	(2,769)
Profit/(loss) before income tax	**2,142**	**(584,860)**
Income tax benefit / (expense)	(1,149)	14,586
Net profit /(loss) after income tax	**993**	**(570,274)**
Basic EPS (cents)	**0.216**	**(124.085)**

The Group recorded a net profit after tax of $993,000 for the six months ended 31 December 2009 (2008: $570.3 million net loss). The Group's results from operations reflect the difficult global economic climate, and in particular the challenges this has posed to the global investment management industry, that the Group has faced over the past fifteen months. The Group recorded earnings before interest, tax, depreciation and amortisation, impairment losses and equity settled transactions of $13.8 million for the six months ended 31 December 2009 (2008: $35.4 million). The 61% decrease on the prior period reflects the significant reduction in management and performance fees received by the Group during the half year due to the steady decrease in assets under management ("AUM") between September 2008 and June 2009. This has been partially offset by a decrease in operating expenses.

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 risk adjusted returns.

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

In Australia, HFA provides absolute return products to retail, wholesale and institutional investors via the HFA Asset Management business.

Net income from operating activities

Net income from operating activities decreased to $31.2 million for the half year ended 31 December 2009. This represents a decrease of 44% compared to the December 2008 half year. The decrease is due to a significant reduction in management and performance fees received during the half year, notably by the HFA Asset Management business. The reduction in fees reflects the lower weighted average AUM of the Group for the half year as compared to the previous period as follows:

Weighted average AUM	31 December 2009	31 December 2008
Lighthouse	USD 3.5 billion	USD 4.7 billion
HFA Asset Management	AUD 1.6 billion	AUD 3.6 billion

Key factors contributing to this lower weighted average AUM are the net outflows which occurred during the previous financial year and the de-leveraging of HFA Asset Management products which began in January 2009. As at 31 December 2009, $113 million of leverage remains in the HFA Asset Management products.

Net income from operating activities of Lighthouse was $27.4 million for the six months to 31 December 2009 (2008: $41.1 million), which includes $1.4 million of investment management fees received from HFA Asset Management. HFA Asset Management's net income from operating activities was $6.5 million (2008: $15.0 million), which included the corresponding investment management expense to Lighthouse of $1.4 million.

Operating expenses

Operating expenses (excluding depreciation, amortisation and impairment costs) decreased to $17.2 million for the half year ended 31 December 2009. This represents a decrease of 21% ($4.5 million) when compared to the half year ended 31 December 2008. Whilst some of this decrease is attributable to the impact of the movement in exchange rates on US expenses, cost control measures across the Group have also contributed to this fall in expenditure.

Directors' Report

Review of operations (continued)

Debt profile

In March 2009 HFA successfully extended its existing loan facility until November 2011.

Between 30 June 2009 and 31 December 2009 the consolidated group reduced its AUD denominated debt from AUD6.9 million to AUD2.1 million. The consolidated group's USD denominated debt remained at USD113 million since the end of the previous financial year.

The Group made payments of USD7.2 million and AUD1 million subsequent to 31 December 2009. Following these payments, the Group's debt position is USD105.8 million and AUD1.1 million.

Taking into account the Group's cash and cash equivalent holdings, the Group's net debt position as at 31 January 2010 in Australian dollars following these payments is $96 million.

Fund Flows

HFA Group products experienced net outflows for the half year of $137 million, which represented approximately 2.4% of funds under management as at 30 June 2009. Outflows from the funds during the six months ended 31 December 2009 have continued to stabilise post the severe contraction in credit markets and the associated lack of liquidity that resulted in significant outflows across the global wealth management industry, including the absolute return funds sector experienced in the prior financial year.

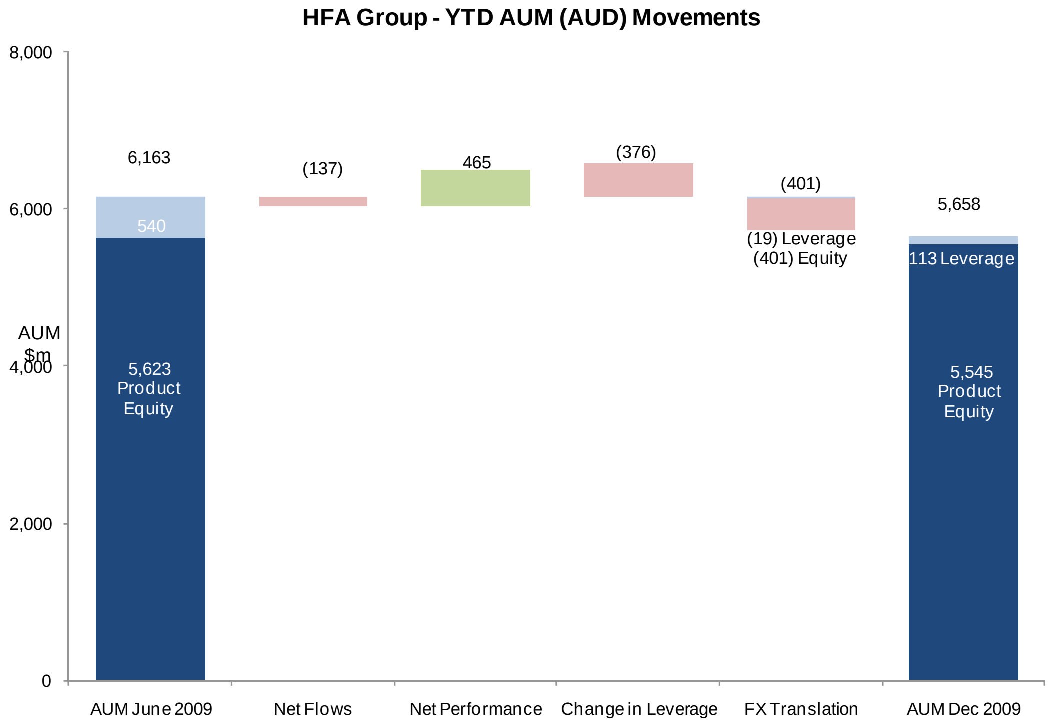
Lighthouse fund flows for the half year ended 31 December 2009 are positive $30 million. HFA Asset Management experienced net outflows for the half year of $167 million, with the majority of these outflows representing withdrawal windows offered by the HFA Diversified Investments Fund.

New product offerings are planned to be launched in the short term and the Group expects inflows to continue to improve.

Directors' Report

Assets under management

As at 31 December 2009, HFA had total funds under management ("FUM") of $5.6 billion and total AUM of $5.7 billion. This represents a decrease of 1% in FUM and 8% in AUM since the end of the previous financial year. The decrease in AUM has been primarily due to the continuing deleveraging of the HFA Asset Management products during the half year. The following graph shows how performance, net inflows, reduction of leverage within the products and foreign exchange translation impacted the Group's AUM over the half year:



Events subsequent to reporting date

Subsequent to 31 December 2009, the Group made payments of USD7.2 million and AUD1.0 million against its Cash Advance Facility Agreement at the end of January 2010.

In the opinion of the Directors of the Company, apart from the matter 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 to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Rounding off

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

Directors' Report

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 6 and forms part of the directors' report for the six months ended 31 December 2009.

Signed in accordance with a resolution of directors:

Spencer Young
Chairperson/Executive Director/ Chief Executive Officer

F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 23rd day of February 2010

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 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Robert S Jones

Robert S Jones
Partner

Brisbane

23 February 2010

Consolidated interim income statement

For the six months ended 31 December 2009

	Note	31 Dec 2009 $000's	31 Dec 2008 $000's
Revenue	5	36,443	65,588
Investment management costs		(5,277)	(9,667)
Net income from operating activities		**31,166**	**55,921**
Other income		2	171
Expenses		(22,764)	(28,785)
Results from operating activities before impairment losses and equity settled transactions		**8,404**	**27,307**
Impairment losses		-	(596,569)
Equity settled transactions	9	(2,457)	(13,361)
Results from operating activities		**5,947**	**(582,623)**
Financial income		66	1,743
Financial expenses		(3,871)	(3,980)
Net financial income / (expense)		**(3,805)**	**(2,237)**
Profit / (loss) before income tax		**2,142**	**(584,860)**
Income tax (expense) / benefit		(1,149)	14,586
Net profit / (loss)		**993**	**(570,274)**
Profit attributable to:			
Members of HFA Holdings Limited		993	(570,274)
Profit for the period		**993**	**(570,274)**
Earnings per share			
Basic earnings per share (cents per share)	12	0.216	(124.085)
Diluted earnings per share (cents per share)	12	0.216	(123.842)

The notes on pages 13 to 22 are an integral part of these consolidated interim financial statements

Consolidated interim statement of comprehensive income

For the six months ended 31 December 2009

	Note	31 Dec 2009	31 Dec 2008
		$000's	$000's
Profit for the period		993	(570,274)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(6,708)	151,220
Effective portion of changes in fair value of cash flow hedges		202	(3,938)
Net change in fair value of available-for-sale financial assets		51	5
Other comprehensive income for the period, net of income tax		**(6,455)**	**147,287**
Total comprehensive income for the period		**(5,462)**	**(422,987)**
Total comprehensive income attributable to:			
Members of HFA Holdings Limited		(5,462)	(422,987)
Total comprehensive income for the period		**(5,462)**	**(422,987)**

The notes on pages 13 to 22 are an integral part of these consolidated interim financial statements.

Consolidated interim statement of changes in equity

For the six months ended 31 December 2009

	Attributable to equity holders of the Company					
In thousands of AUD	**Share capital**	**Fair value reserve**	**Hedging reserve**	**Translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 July 2008	504,730	(5)	1,614	(35,764)	40,624	511,199
Total comprehensive income for the period						
Profit or loss	-	-	-	-	(570,274)	(570,274)
Other comprehensive income						
Foreign currency translation differences	-	-	-	151,220	-	151,220
Effective portion of changes in fair value of cash flow hedged	-	-	(3,938)	-	-	(3,938)
Net change in fair value of available-for-sale financial assets	-	5	-	-	-	5
Total other comprehensive income	-	5	(3,938)	151,220	-	147,287
Total comprehensive income for the period	-	-	(3,938)	151,220	(570,274)	(422,987)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends to equity holders	-	-	-	-	(16,086)	(16,086)
Share-based payment transactions	-	-	-	-	13,361	13,361
Total transactions with owners					(2,725)	(2,725)
Balance at 31 December 2008	**504,730**	**-**	**(2,324)**	**115,456**	**(532,375)**	**85,487**

Consolidated interim statement of changes in equity

For the six months ended 31 December 2009

Consolidated interim statement of changes in equity (continued)

	Attributable to equity holders of the Company					
In thousands of AUD	**Share capital**	**Fair value reserve**	**Hedging reserve**	**Translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 July 2009	504,730	-	(3,455)	117,442	(536,249)	82,468
Total comprehensive income for the period						
Profit or loss	-	-	-	-	993	993
Other comprehensive income						
Foreign currency translation differences	-	-	-	(6,708)	-	(6,708)
Effective portion of changes in fair value of cash flow hedged	-	-	202	-	-	202
Net change in fair value of available-for-sale financial assets	-	51	-	-	-	51
Total other comprehensive income	-	51	202	(6,708)	-	(6,455)
Total comprehensive income for the period	-	51	202	(6,708)	993	(5,462)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends to equity holders	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	241	241
Total transactions with owners	-	-	-	-	241	241
Balance at 31 December 2009	**504,730**	**51**	**(3,253)**	**110,734**	**(535,015)**	**77,247**

The notes on pages 13 to 22 are an integral part of these consolidated interim financial statements.

Consolidated interim balance sheet

As at 31 December 2009

	Note	31 Dec 2009 $000's	30 June 2009 $000's
Assets			
Current			
Cash and cash equivalents		40,447	29,290
Trade and other receivables		12,005	19,391
Current tax assets		344	307
Total current assets		**52,796**	**48,988**
Non-current			
Investments, including derivatives	6	2,044	2,319
Plant and equipment		1,425	1,893
Deferred tax assets		882	496
Intangible assets	7	168,403	191,959
Total non-current assets		**172,754**	**196,667**
Total assets		**225,550**	**245,655**
Liabilities			
Current			
Trade and other payables		7,449	9,294
Interest bearing loans and borrowings	8	20,035	7,879
Employee benefits		9,992	5,303
Derivatives		3,254	-
Total current liabilities		**40,730**	**22,476**
Non-current			
Interest bearing loans and borrowings	8	107,339	137,039
Employee benefits		234	217
Derivatives		-	3,455
Total non-current liabilities		**107,573**	**140,711**
Total liabilities		**148,303**	**163,187**
Net assets		**77,247**	**82,468**
Equity			
Share capital		504,730	504,730
Reserves	11	107,532	113,987
Retained earnings / (accumulated losses)		(535,015)	(536,249)
Total equity		**77,247**	**82,468**

The notes on pages 13 to 22 are an integral part of these consolidated interim financial statements.

Consolidated interim statement of cash flows

For the six months ended 31 December 2009

	31 Dec 2009 $000's	31 Dec 2008 $000's
Cash flows from operating activities		
Fees received	43,893	72,344
Payments to suppliers and employees	(22,751)	(31,063)
Cash generated from operations	21,142	41,281
Interest received	211	587
Dividends and distributions received	-	8
Income taxes paid	(1,573)	(9,711)
Net cash from operating activities	**19,780**	**32,165**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(101)	(140)
Net cash used in investing activities	**(101)**	**(140)**
Cash flows from financing activities		
Repayments of borrowings	(4,737)	(10,000)
Interest paid	(4,050)	(5,575)
Dividends paid	-	(16,085)
Borrowing costs	(936)	(56)
Net cash from/(used in) financing activities	**(9,723)**	**(31,716)**
Net increase in cash and cash equivalents	**9,956**	**309**
Cash and cash equivalents at 1 July	29,290	38,829
Effect of exchange rate fluctuations on cash held	1,201	5,727
Cash and cash equivalents at 31 December	**40,447**	**44,865**

The notes on pages 13 to 22 are an integral part of these consolidated interim financial statements.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

1. Reporting entity

HFA Holdings Limited (the "Company"/ "HFA") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2009 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 2009 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.

It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2009.

This consolidated interim financial report was approved by the Board of Directors on 23 February 2010.

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

Except as described below, 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 2009.

(a) Change in accounting policy

(i) Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously, operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*.

The Group presents segment information on two reportable segments to the Board of Directors which are Australia and the United States. These two geographical areas represent the two strategic business units of the group, which form the basis of internal reporting. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

(a) Change in accounting policy

(ii) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements, which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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.

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 2009.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

5. Operating Segments

The Group presents segment information on two reportable segments to the CEO and Board of Directors, as described below, which are the Group's strategic business units. The strategic business units are based on the Group's two principal geographical locations, being Australia and the United States. The following summary describes the operations in each of the Group's reportable segments:

- *Australia.* Includes Australian based HFA Asset Management investment products and the parent entity.
- *United States.* Includes United States based Lighthouse investment products

	Australia		United States		Total	
	31 Dec 2009 $000's	31 Dec 2008 $000's	31 Dec 2009 $000's	31 Dec 2008 $000's	31 Dec 2009 $000's	31 Dec 2008 $000's
External revenue	8,636	23,632	27,807	41,956	36,443	65,588
Inter-segment revenue	-	-	1,429	7,607	1,429	7,607
Reportable segment profit before income tax	27,932	8,585	(30,272)	(510,632)	(2,340)	(502,047)

	Australia		United States		Total	
	31 Dec 2009 $000's	30 June 2009 $000's	31 Dec 2009 $000's	30 June 2009 $000's	31 Dec 2009 $000's	30 June 2009 $000's
Reportable segment assets	132,062	109,368	200,132	217,171	332,194	326,539

Reconciliation of reportable segment profit or loss:	31 Dec 2009 $000's	31 Dec 2008 $000's
Total profit/(loss) for reportable segments	(2,340)	(502,047)
Elimination of inter-segment profit/(loss)	4,482	(82,813)
Consolidated profit/(loss) before income tax	**2,142**	**(584,860)**

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2008.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

5. Operating Segments (continued)

The $30.272 million reportable segment loss before income tax, in the United States segment, includes foreign currency transaction losses of $26.943 million arising on an intercompany loan balance between HFA Holdings Limited and the US subsidiary, HFA Lighthouse Holdings Corporation. A corresponding gain related to the intercompany loan is included in the $27.932 million profit before tax reported for the Australian segment. This intercompany loan balance was converted to equity in October 2009 and no further intercompany loan translation gains or losses will arise as a result.

6. Investments, including derivatives

	31 Dec 2009 $000's	30 June 2009 $000's
Non-current		
Available-for-sale financial assets	157	84
Financial assets designated at fair value through profit or loss	1,887	2,235
	2,044	**2,319**

7. Intangible assets

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

	31 Dec 2009 $000's	30 June 2009 $000's
US based funds management		
Goodwill	104,583	115,603
Management rights / customer relationships	61,378	73,500
Trade marks	1,907	2,166
Software	535	690
	168,403	**191,959**

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

7. Intangible assets (continued)

	Goodwill	Mgmt rights / Customer Relationships	Trade marks	Software	Total
	$000's	$000's	$000's	$000's	$000's
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)	**(7,688)**
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)**	**(357)**	**(613,168)**
Carrying value at 31 December 2008	**135,394**	**92,703**	**2,605**	**924**	**231,626**
Cost					
Balance at 30 June 2009	617,645	102,378	2,342	986	**723,351**
Additions	-	-	-	-	**-**
Effect of movement in exchange rates	(58,687)	(8,624)	(223)	(94)	**(67,628)**
Balance at 31 December 2009	**558,958**	**93,754**	**2,119**	**892**	**655,723**
Amortisation and impairment losses					
Balance at 30 June 2009	(502,042)	(28,878)	(176)	(296)	**(531,392)**
Amortisation for six months	-	(5,274)	(55)	(92)	**(5,421)**
Impairment losses	-	-	-	-	**-**
Effect of movement in exchange rates	47,667	1,777	18	31	**49,493**
Balance at 31 December 2009	**(454,375)**	**(32,375)**	**(213)**	**(357)**	**(487,320)**
Carrying value at 31 December 2009	**104,583**	**61,379**	**1,906**	**535**	**168,403**

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

8. Interest bearing loans and borrowings

	31 Dec 2009 $000's	30 June 2009 $000's
Current		
Bank loan - secured		
Facility A - USD	17,943	5,885
Facility B - AUD	2,092	1,994
	20,035	**7,879**
Non-current		
Bank loan - secured		
Facility A - USD	107,339	132,247
Facility B - AUD	-	4,792
	107,339	**137,039**

The terms and conditions of the outstanding loans as at 31 December 2009 were as follows:

	Nominal Interest Rate	Year of Maturity	31 December 2009 Face Value $000's	31 December 2009 Carrying Amount $000's	30 June 2009 Face Value $ 000's	30 June 2009 Carrying Amount $000's
Facility A – USD	LIBOR + 2.25%	2011	126,072	125,282	139,357	138,132
Facility B – AUD	BBSY + 2.25%	2011	2,162	2,092	6,899	6,786
Total interest bearing liabilities			**128,234**	**127,374**	**146,256**	**144,918**

The Company restructured its cash advance facility agreement, and the facility was extended until November 2011.

Interest bearing loans and borrowings have been classified as non-current, other than the portion of bank loans expected to be paid within one year.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

9. 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 2009. An expense of $242,000 in relation to this plan was recognised in the six months ended 31 December 2009.

Lighthouse Investment Partners remuneration by issue of HFA Holdings Shares

Effective 31 December 2009 the Board of HFA Holdings Limited resolved to issue 8,547,009 shares to employees of Lighthouse Investment Partners LLC as part of remuneration arrangements. The shares were issued on 9 February 2010 and immediately vested on issue.

An expense of $2.215 million was recognised as an expense in the current period and was based on the issue of 8,547,009 shares and the weighted average share price of HFA Holdings Limited on the 5 trading days preceding 31 December 2009.

10. Income tax expense

The Group’s consolidated effective tax rate for the six months ended 31 December 2009 was 54 percent (for the year ended 30 June 2009: 1.3 percent; for the six months ended 31 December 2008: 2.5 percent).

The effective tax rate for the six months ended 31 December 2009 was primarily impacted by tax losses incurred for the period in the US Lighthouse Group, which have not been recognised as a deferred tax asset. In particular, the current period tax losses for the US Lighthouse Group include an interest expense in relation to the intercompany loan that existed between the parent entity, HFA Holdings Limited, and its wholly-owned subsidiary, HFA Lighthouse Holdings Corp. No deferred tax asset has been recognised in relation to this interest expense, and hence no corresponding income tax benefit is included in the income statement. However, the equivalent interest income is assessable to the Australian tax consolidation group in the current period, resulting in an income tax expense in relation to the interest without an off-setting income tax benefit. The effect of this is to increase the Group's consolidated effective tax rate in the current period.

HFA Holdings Limited converted the intercompany loan to equity in October 2009, and as such, no intercompany interest income or expense will arise in the future. In the event that the US Lighthouse Group is able to utilise its tax losses and/or recognise the currently unrecognised deferred tax asset, in a future period, this will have the effect of decreasing the Group's consolidated effective tax rate in that future period

The following deferred tax assets have not been recognised:

	31 Dec 2009 $000’s	30 June 2009 $000’s
Deferred tax asset	311,902	308,497

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

11. Capital and reserves

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 2009 $000's	31 Dec 2008 $000's
$Nil per qualifying ordinary share fully franked (28 September 2008: $0.035)	-	16,086

The Directors have at the date of this report declared that no interim dividend will be paid for 2010.

12. Earnings per share

The calculation of basic earnings per share and diluted earnings per share at 31 December 2009 was based on:

- profit attributable to ordinary shareholders of $993,000 (2008: loss of $570.274 million); and
- a weighted average number of ordinary shares outstanding during the period ended 31 December 2009 of 460,483,911 (2008: 459,582,661) and 460,483,911 (2008: 460,483,911) respectively, calculated as follows:

and is calculated as follows:

	31 Dec 2009 $000's	31 Dec 2008 $000's
Earnings from operations used in calculating basic earnings per share	993	(570,274)
Earnings from operations used in calculating diluted earnings per share	993	(570,274)

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

12. Earnings per share (continued)

	31 Dec 2009 No. of Shares	31 Dec 2008 No. of Shares
Weighted average number of shares issued		
Issued ordinary shares at 31 December	460,483,911	459,582,661
Weighted average number of ordinary shares used in calculating basic earnings per share	460,483,911	459,582,661
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	460,483,911

13. 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, that receives investment management and some administrative services from HFA Asset Management Limited, a wholly owned subsidiary of HFA Holdings Limited, pursuant to a management agreement.

Robert White is a secretary of the Company and a director of HFA Asset Management Limited and former director of HFA Accelerator Plus Limited.

During the six months the following related party transactions occurred:

(i) The Company purchased no additional shares in HFA Accelerator Plus Limited. The fair value of the holding of 561,692 shares as at 31 December 2009 is $157,274 (2008: $84,254); and

(ii) HFA Asset Management Limited recognised management and performance fees of $383,912 (2008: $5,522,287) from HFA Accelerator Plus Limited. Amounts receivable from HFA Accelerator Plus Limited at 31 December 2009 were $176,737 (2008: $1,146,195).

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2009

13. Related parties (continued)

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 $8,245,889 (2008: $17,985,467) 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 $2,921,012 (2008: $13,679,963).

Lighthouse Investment Partners, LLC

Lighthouse Investment Partners, LLC (LIP) is a wholly owned subsidiary of the Company. 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 $27,807,277 (2008: $41,955,814) from investment products for which LIP acts as general partner and investment manager. Amounts receivable from these products at 31 December 2009 were $7,684,421 (2008: $11,396,754).

(ii) LIP holds investments in products in which they act as general partner and investment manager with a combined value of $1,887,000. These investments are classified at fair value through profit and loss.

14. Events subsequent to reporting date

Subsequent to 31 December 2009, the Group made payments of USD7.2 million and AUD$1.0 million against its Cash Advance Facility Agreement at the end of January 2010.

In the opinion of the Directors of the Company, apart from the matter 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 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' declaration

For the six months ended 31 December 2009

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

1. the financial statements and notes set out on pages 7 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 2009 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 23rd day of February 2010.

Signed in accordance with a resolution of the directors:

Spencer Young
Chairperson/Executive Director/Chief Executive Officer

F P (Andy) Esteban
Non-Executive Director

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

Report on the financial report

We have reviewed the accompanying interim financial report of HFA Holdings Limited, which comprises the consolidated interim balance sheet as at 31 December 2009, consolidated interim income statement and consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 14 and the directors' declaration set out on pages 7 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 interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim 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 interim 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 circum stances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the interim period 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 interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the interim period ended on that date; and

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

KPMG

KPMG

Robert S Jones

Robert S Jones
Partner

Brisbane

23 February 2010