Appendix 4D

Half-Year Ended 31 December 2010

(All comparisons to half-year ended 31 December 2009)

Results for announcement to the market

		% movement		$'000
Revenues from ordinary activities	Down	5%	to	34,728
Operating EBITDA (before equity settled transactions)	Down	20%	to	11,089
Profit from ordinary activities after tax attributable to members	Up	204%	to	3,023
Net profit for the period attributable to members	Up	204%	to	3,023

Dividends

The Board of HFA Holdings Limited has declared that no interim dividend for the six months ended 31 December 2010 will be paid.

Record date for determining entitlements to the dividend

N/A

	31 Dec 2010 (cents)	31 Dec 2009 (cents)
Net tangible assets per security	(12.31)	(19.80)

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 2010

Interim Financial Report

Contents

Directors' report

The directors present their report together with the interim financial report of HFA Holdings Limited and its subsidiaries (the "Group") for the six months ended 31 December 2010 and the review report thereon.

Directors

The directors of HFA Holdings Limited (the "Company"/"HFA") at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
FP (Andy) Esteban	Appointed 18 June 2008
John Larum	Appointed 12 December 2008
Michael Shepherd	Appointed 16 December 2009
Executive	
Spencer Young (Chairman)	Appointed 15 May 2003
Sean McGould	Appointed 3 January 2008

Principal activities

The principal activity of the Group during the course of the six months ended 31 December 2010 was the operation of a specialist global funds management business providing absolute return fund products to investors with the aim of achieving consistent risk adjusted returns.

HFA Holdings Limited is the parent entity, which operates two strategic business units. A wholly owned subsidiary, HFA Lighthouse Holdings Corp is the parent entity of the US based Lighthouse Group ("Lighthouse"), which through Lighthouse Investment Partners, LLC acts as a global absolute return funds manager utilising a managed account program. Another wholly owned subsidiary, Certitude Global Investments Limited ("Certitude")(formerly HFA Asset Management Limited), acts as the Responsible Entity and Manager of managed investment schemes in Australia.

The Group's overall investor base has remained solid, and continues to be diversified across both client type and geographical region.

Lighthouse 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.

Certitude provides absolute return products to retail, wholesale and institutional investors in Australia.

Directors' report

Operating and financial review

Consolidated results

For the six months ended: *In thousands of AUD*	**31 December 2010**	**31 December 2009**
Revenue	34,728	36,443
Investment management costs	(6,436)	(5,277)
Operating income	**28,292**	**31,166**
Foreign exchange gain/(loss) on operating activities	87	(144)
Operating expenses, net of other income	(17,290)	(17,193)
Operating EBITDA (before equity settled transactions)	**11,089**	**13,829**
Equity settled transaction expenses	(338)	(2,457)
Operating EBITDA (after equity settled transactions)	**10,751**	**11,372**
Depreciation and amortisation	(5,580)	(6,090)
Net interest income / (expenses)	(1,840)	(3,140)
Profit/(loss) before income tax	**3,331**	**2,142**
Income tax benefit / (expense)	(308)	(1,149)
Net profit /(loss) after income tax	**3,023**	**993**
Basic EPS (cents)	**0.644**	**0.216**

Consolidated results

The Group recorded a net profit after tax of $3.023 million for the six months ended 31 December 2010 (2009: $0.993 million). The Group recorded earnings before interest, tax, depreciation and amortisation, and equity settled transactions of $11.089 million for the six months ended 31 December 2010 (2009: $13.829 million). The $2.740m or 19.8% decrease on prior period reflects a reduction in net operating income, with operating expenses (excluding depreciation and amortisation) remaining consistent with the 31 December 2009 half year.

The reduction in net operating income compared to the prior period is driven largely by a comparatively lower average Group AUM when measured in Australian Dollars due to the appreciation in the Australian Dollar. Despite this, Lighthouse's average AUM was 8.4% higher in US Dollar terms. However, the negative impact of the increase in the average Australian Dollar exchange rate for the period to 94.54 cents (2009: 87.19 cents), combined with a 28.7% decrease in Certitude's average AUM resulted in the Group's operating EBITDA (after equity settled transactions) being down by 5.5%.

Net income from operating activities

Net income from operating activities decreased to $28.292 million for the half year ended 31 December 2010. This 9.2% decrease reflects the negative impact of the increase in the average Australian Dollar exchange rate for the year to 94.54 cents (2009: 87.19 cents), offset by a higher average Group AUM (when measured in the underlying base currency) and improved performance fees.

Net operating income from the US Lighthouse operations was $23.783 million, up 5.0% in US Dollar currency terms from the prior year. This reflects the increase in average AUM and improved performance fees, whilst being partially offset by a slight decrease in the average net management fee rate (after investment management costs) earned on AUM due to an increase in the proportion of Lighthouse's overall AUM which is subject to investment management costs.

The Australian Certitude operations experienced a 30.5% decrease in net operating income to $4.509 million, mirroring the decrease in the average AUM and a slight decrease in the average net management fee percentage due to a fee reduction applied to the HFA Octane Asia Fund effective from 1 July 2010.

Directors' report

Operating expenses

Operating expenses (excluding depreciation and amortisation) remained steady at $17.290 million for the half year ended 31 December 2010 (2009: $17.193 million). This is a result of the positive impact of the increase in the average Australian Dollar exchange rate, offset by a 3.4% increase in personnel costs.

Debt and net interest expense

In October 2010 HFA successfully extended the maturity date of its existing Cash Advance Facility Agreement until 31 March 2012.

Since June 2010, the Group has reduced its US Dollar ("USD") denominated debt from USD 102.375 million to USD 93.823 million (including a USD 3.184 million payment made in January 2011), and its Australian Dollar ("AUD") denominated debt from AUD 1.087 million to Nil. The ongoing reduction of the debt combined with the appreciation of the Australian Dollar exchange rate and the expiry of the interest rate swaps in October 2010 has resulted in a decrease in net interest expense of 41.4% for the half year.

The Company proposes to issue Convertible Notes, subject to obtaining shareholder approval and the satisfaction of a number of other conditions precedent (refer Note 17 for further details). In the event the Convertible Notes are issued, the Group will use USD65,000,000 of the proceeds of the Convertible Notes to reduce the outstanding principal of Facility A.

Equity settled transactions

The Group's equity settled transaction expense of $338,000 for the six months to 31 December 2010 relates to the Chief Executive Officer's share-based remuneration package which was approved by shareholders at the Annual General Meeting on 30 November 2010.

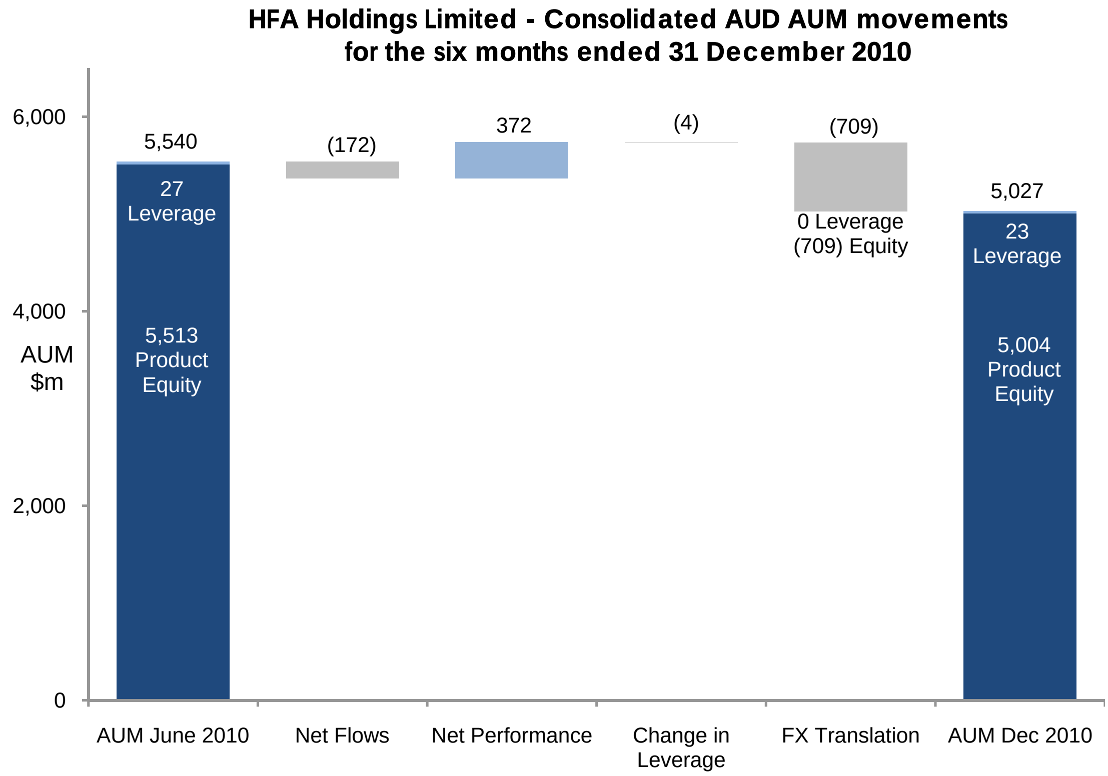
The $2.457 million of equity settled transaction expense recognised in the prior period related primarily to the shares issued to Lighthouse employees under the Lighthouse Investment Partners Short Term Incentive Plan.

Assets under management

As at 31 December 2010, HFA had total funds under management ("FUM") of $5.004 billion and total AUM of $5.027 billion. This represents a decrease of 9% in both FUM and AUM since the end of the previous financial year.

However, this fall in AUM has been primarily due to the appreciation of the Australian Dollar exchange rate to 101.63 cents as at 31 December 2010 (30 June 2010: 85.23 cents). The following graph shows how performance, net inflows and foreign exchange translation impacted the Group's AUM over the half year:

Directors' report



HFA Group products experienced net outflows for the half year of $172 million, which represented approximately 3.1% of funds under management as at 30 June 2010. This overall outflow was driven by the Certitude business, with the majority of its AUD 187.7 million of outflows resulting from withdrawals from the HFA Diversified Investments Fund. Lighthouse fund flows for the half year ended 31 December 2010 were positive USD 8.4 million.

Lighthouse's AUM (when denominated in USD currency) has grown by 8.3%, reflecting the positive investment performance of its products. Certitude's AUM has fallen by 9.7%, with the impact of outflows partially offset by positive product performance.

Directors' Report

Dividends

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

Events subsequent to reporting date

On 21 January 2011, HFA Holdings Limited released the Notice of Meeting and Explanatory Memorandum ("NOM/EM") in relation to the previously announced proposed transaction with Apollo Global Management, LLC and its affiliates (together, "Apollo Group").

Please refer to note 17 for additional details.

In January 2011, Lighthouse employees were granted 16 million performance rights under the Lighthouse Performance Rights Plan. The performance rights vest within three years after meeting an EBITDA performance hurdle where employees remain in employment. The share based payment expense associated with the plan will be recognised over the three year term of the Plan.

In the opinion of the Directors of the Company, apart from the matters 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.

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 7 and forms part of the directors' report for the six months ended 31 December 2010.

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 21st day of February 2011

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 2010, 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

Stephen Board
Partner

Brisbane
Dated this 21st day of February 2011

Consolidated interim income statement

For the six months ended 31 December 2010

In thousands of AUD	Note	31 December 2010	31 December 2009
Revenue	6	34,728	36,443
Investment management costs		(6,436)	(5,277)
Net income from operating activities		**28,292**	**31,166**
Other income		-	2
Expenses		(22,756)	(22,764)
Results from operating activities before equity settled transactions		**5,536**	**8,404**
Equity settled transactions	12	(338)	(2,457)
Results from operating activities		**5,198**	**5,947**
Financial income		721	66
Financial expenses		(2,588)	(3,871)
Net financial expense		**(1,867)**	**(3,805)**
Profit before income tax		**3,331**	**2,142**
Income tax expense	13	(308)	(1,149)
Net profit		**3,023**	**993**
Profit attributable to:			
Members of HFA Holdings Limited		3,023	993
Profit for the period		**3,023**	**993**
Earnings per share			
Basic earnings per share (cents per share)	15	0.644	0.216
Diluted earnings per share (cents per share)	15	0.644	0.216

The notes on pages 14 to 23 are an integral part of these consolidated interim financial statements

Consolidated interim statement of comprehensive income

For the six months ended 31 December 2010

In thousands of AUD	**31 December 2010**	**31 December 2009**
Profit for the period	3,023	993
Other comprehensive income		
Foreign currency translation differences for foreign operations	(11,528)	(6,708)
Effective portion of changes in fair value of cash flow hedges	1,359	202
Net change in fair value of available-for-sale financial assets	(20)	51
Other comprehensive income for the period, net of income tax	**(10,189)**	**(6,455)**
Total comprehensive income for the period	**(7,166)**	**(5,462)**
Total comprehensive income attributable to:		
Members of HFA Holdings Limited	(7,166)	(5,462)
Total comprehensive income for the period	**(7,166)**	**(5,462)**

The notes on pages 14 to 23 are an integral part of these consolidated interim financial statements.

Consolidated interim balance sheet

As at 31 December 2010

In thousands of AUD	Note	31 December 2010	30 June 2010
Assets			
Current			
Cash and cash equivalents		32,203	32,977
Trade and other receivables		13,623	12,817
Other current assets	7	1,421	-
Current tax assets		97	500
Total current assets		**47,344**	**46,294**
Non-current			
Investments		2,637	2,373
Plant and equipment		1,359	1,615
Deferred tax assets		445	293
Intangible assets	8	139,340	171,683
Other non-current assets	9	553	-
Total non-current assets		**144,334**	**175,964**
Total assets	6	**191,678**	**222,258**
Liabilities			
Current			
Trade and other payables		7,409	7,252
Employee benefits		7,269	4,399
Derivatives	10	-	1,359
Loans and borrowings	11	12,636	10,322
Total current liabilities		**27,314**	**23,332**
Non-current			
Employee benefits		168	172
Loans and borrowings	11	82,621	110,351
Total non-current liabilities		**82,789**	**110,523**
Total liabilities		**110,103**	**133,855**
Net assets		**81,575**	**88,403**
Equity			
Share capital		504,730	504,730
Reserves	14	102,782	112,971
Accumulated losses		(525,937)	(529,298)
Total equity		**81,575**	**88,403**

The notes on pages 14 to 23 are an integral part of these consolidated interim financial statements.

Consolidated interim statement of changes in equity (continued)

For the six months ended 31 December 2010

	Attributable to equity holders of the Company					
In thousands of AUD	Share Capital	Fair value reserve	Hedging reserve	Translation reserve	Accumulated losses	Total equity
Balance at 1 July 2010	504,730	75	(1,359)	114,255	(529,298)	88,403
Total comprehensive income for the period						
Profit or loss	-	-	-	-	3,023	3,023
Other comprehensive income						
Foreign currency translation differences	-	-	-	(11,528)	-	(11,528)
Effective portion of changes in fair value of cash flow hedges	-	-	1,359	-	-	1,359
Net change in fair value of available-for-sale financial assets	-	(20)	-	-	-	(20)
Total other comprehensive income	-	(20)	1,359	(11,528)	-	(10,189)
Total comprehensive income for the period	-	(20)	1,359	(11,528)	3,023	(7,166)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends to equity holders	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	338	338
Total transactions with owners	-	-	-	-	338	338
Balance at 31 December 2010	**504,730**	**55**	**-**	**102,727**	**(525,937)**	**81,575**

The notes on pages 14 to 23 are an integral part of these consolidated interim financial statements

Consolidated interim statement of changes in equity

For the six months ended 31 December 2010

	Attributable to equity holders of the Company					
In thousands of AUD	**Share Capital**	**Fair value reserve**	**Hedging reserve**	**Translation reserve**	**Accumulated losses**	**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 hedges	-	-	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 14 to 23 are an integral part of these consolidated interim financial statements.

Consolidated interim statement of cash flows

For the six months ended 31 December 2010

In thousands of AUD	**31 December 2010**	**31 December 2009**
Cash flows from operating activities		
Fees received	33,346	43,893
Payments to suppliers and employees	(19,863)	(22,751)
Cash generated from operations	13,483	21,142
Income taxes paid	(12)	(1,573)
Net cash from operating activities	**13,471**	**19,569**
Cash flows from investing activities		
Interest received	455	211
Dividends and distributions received	28	-
Acquisition of property, plant and equipment	(253)	(101)
Acquisition of investments	(500)	-
Investment in long-term cash deposits	(619)	-
Net cash from/(used) in investing activities	**(889)**	**110**
Cash flows from financing activities		
Repayments of borrowings	(6,892)	(4,737)
Interest paid	(2,769)	(4,050)
Transaction costs paid	(1,421)	-
Borrowing costs	(19)	(936)
Net cash from/(used in) financing activities	**(11,101)**	**(9,723)**
Net increase in cash and cash equivalents	**1,481**	**9,956**
Cash and cash equivalents at 1 July	32,977	29,290
Effect of exchange rate fluctuations on cash held	(2,255)	1,201
Cash and cash equivalents at 31 December	**32,203**	**40,447**

The notes on pages 14 to 23 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 2010

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 2010 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 2010 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

This consolidated interim financial report 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 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 2010.

This consolidated interim financial report was approved by the Board of Directors on 21 February 2011.

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 2010.

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 2010.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2010.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

6. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Group's CEO and board of directors review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Australia*. Includes the Australian Certitude business, which acts as the Responsible Entity of schemes and other products which are provided to retail, wholesale and institutional investors throughout Australia.
- *United States*. Includes the US based Lighthouse Group, which acts as a global absolute return funds manager for US and Cayman Island based funds.

	Australia		United States		Total reportable segments		Unallocated / Corporate		Elimination		Consolidated	
In thousands of AUD	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
External revenue	6,154	8,636	28,574	27,807	34,728	36,443	-	-	-	-	34,728	36,443
Inter-segment revenue	-	-	1,156	1,429	1,156	1,429	-	-	(1,156)	(1,429)	-	-
Reportable segment profit before income tax	**414**	**2,335**	**4,207**	**(30,272)**	**4,621**	**(27,937)**	**(185)**	**25,597**	**(1,105)**	**4,482**	**3,331**	**2,142**
Adjusted reportable segment profit before income tax[1]	414	2,335	4,207	(3,329)	4,621	(994)	(185)	786	(1,105)	2,350	3,331	2,142

	Australia		United States		Total reportable segments		Unallocated / Corporate		Elimination		Consolidated	
In thousands of AUD	31 Dec 2010	30 June 2010	31 Dec 2010	30 June 2010	31 Dec 2010	30 June 2010	31 Dec 2010	30 June 2010	31 Dec 2010	30 June 2010	31 Dec 2010	30 June 2010
Reportable segment assets	22,568	21,605	167,314	198,646	189,882	220,251	121,966	122,573	(120,170)	(120,566)	191,678	222,258

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

6. Operating segments (continued)

[1]For the six months ended 31 December 2009, the $30,272,000 reportable segment loss before income tax reported by the United States segment included foreign currency translation losses of $26,943,000 arising on an intercompany loan balance between HFA Holdings Limited and its wholly owned US subsidiary, HFA Lighthouse Holdings Corporation. A $22,461,000 gain related to the valuation of the intercompany loan and other intercompany assets is included in the $27,932,000 profit before tax reported for the Australian segment. This intercompany loan balance was converted to equity in October 2009 and no further translation or valuation gains or losses have arisen for the six months ended 31 December 2010.

7. Other current assets

In thousands of AUD	**31 December 2010**	**30 June 2010**
Current		
Prepaid transaction costs – convertible notes	1,421	-
	1,421	**-**

Prepaid transaction costs relate to costs associated with the proposed issue of Convertible Notes.

In the event that the transaction detailed in note 17 is approved by shareholders and the transaction completed, these costs will be offset against the equity and debt raised. If the transaction does not complete, these costs will be written off as an expense in the full year ended 30 June 2011.

8. Intangible assets

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

In thousands of AUD	**31 December 2010**	**30 June 2010**
US based funds management		
Goodwill	92,296	110,056
Management rights / customer relationships	45,139	59,208
Trade marks	1,589	1,950
Software	316	469
	139,340	**171,683**

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

8. Intangible assets (continued)

In thousands of AUD	Goodwill	Mgmt rights / Customer Relationships	Trade marks	Software	Total
Cost					
Balance at 1 January 2010	558,958	93,754	2,119	892	**655,723**
Additions	-	-	-	-	**-**
Effect of movement in exchange rates	29,145	4,283	110	47	**33,585**
Balance at 30 June 2010	**588,103**	**98,037**	**2,229**	**939**	**689,308**
Amortisation and impairment losses					
Balance at 1 January 2010	(454,375)	(32,375)	(213)	(357)	**(487,320)**
Amortisation for six months	-	(5,135)	(53)	(90)	**(5,278)**
Impairment losses	-	-	-	-	**-**
Effect of movement in exchange rates	(23,672)	(1,319)	(13)	(23)	**(25,027)**
Balance at 30 June 2010	**(478,047)**	**(38,829)**	**(279)**	**(470)**	**(517,625)**
Carrying value at 30 June 2010	**110,056**	**59,208**	**1,950**	**469**	**171,683**
Cost					
Balance at 30 June 2010	588,103	98,037	2,229	939	**689,308**
Additions	-	-	-	-	**-**
Effect of movement in exchange rates	(94,576)	(13,898)	(360)	(150)	**(108,984)**
Balance at 31 December 2010	**493,527**	**84,139**	**1,869**	**789**	**580,324**
Amortisation and impairment losses					
Balance at 30 June 2010	(478,047)	(38,829)	(279)	(470)	**(517,625)**
Amortisation for six months	-	(4,864)	(50)	(85)	**(4,999)**
Impairment losses	-	-	-	-	**-**
Effect of movement in exchange rates	76,816	4,693	49	82	**81,640**
Balance at 31 December 2010	**(401,231)**	**(39,000)**	**(280)**	**(473)**	**(440,984)**
Carrying value at 31 December 2010	**92,296**	**45,139**	**1,589**	**316**	**139,340**

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

9. Other non-current assets

In thousands of AUD	31 December 2010	30 June 2010
Non-current		
Long-term cash deposits	553	-
	553	**-**

Other non-current assets represent cash deposit accounts held as security for bank guarantees relating to leased office premises for both the Australian and US operations.

10. Derivatives

In thousands of AUD	31 December 2010	30 June 2010
Current		
Derivatives used for hedging	-	1,359
	-	**1,359**

Derivatives used for hedging relate to interest rate swaps used to hedge the Group's exposure to interest rate risk. The fair value of these derivatives is based on valuations received from the interest rate swap provider. All outstanding derivatives expired in October 2010.

11. Loans and borrowings

In thousands of AUD	31 December 2010	30 June 2010
Current		
Bank loan - secured		
Facility A - USD	12,636	10,322
Facility B - AUD	-	-
	12,636	**10,322**
Non-current		
Bank loan - secured		
Facility A - USD	82,621	109,293
Facility B - AUD	-	1,058
	82,621	**110,351**
Total loans and borrowings	**95,257**	**120,673**

Current loans and borrowings are the estimated portion of bank loans that are due to be settled within one year under the terms of the current Cash Advance Facilities Agreement.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

11. Loans and borrowings (continued)

Terms and debt repayment schedule

The terms and conditions of the outstanding loans as at 31 December 2010 were as follows:

			31 December 2010		30 June 2010	
	Nominal interest rate	Date of maturity	Face value	Carrying amount	Face value	Carrying amount
			AUD $000's	AUD $000's	AUD $000's	AUD $000's
Facility A	LIBOR + 2.25%	31/03/ 2012	95,451	95,257	120,116	119,615
Facility B	BBSY + 2.25%	31/03/ 2012	-	-	1,087	1,058
Total loans and borrowings			**95,451**	**95,257**	**121,203**	**120,673**

In October 2010 HFA extended its existing loan facility until 31 March 2012.

The Company proposes to issue Convertible Notes, subject to obtaining shareholder approval and the satisfaction of a number of other conditions precedent (refer Note 17 for further details). In the event the Convertible Notes are issued, the Group will use USD65,000,000 of the proceeds of the Convertible Notes to reduce the outstanding principal of Facility A.

For details regarding the security and financial undertakings relating to this facility, please refer to the annual financial report of the Group as at and for the year ended 30 June 2010.

12. Share-based payments

HFA Holdings Limited 2008 Employee Rights Plan

CEO Performance Rights Issue

On 30 November 2010, HFA Holdings Limited shareholders passed an ordinary resolution that the Company be authorised to grant to Mr Spencer Young, Chairman and Chief Executive Officer or his nominee, up to a maximum of 15,875,740 performance rights pursuant to the HFA Holdings Limited 2008 Employee Performance Rights Plan. Details of the offer to Mr Young are contained in the Company's Notice of Meeting dated 29 October 2010. An expense of $338,000 has been recognised in the six months ended 31 December 2010 in relation to this grant.

12 March 2008 Offer

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 this performance rights plan are disclosed in the consolidated financial report as at and for the year ended 30 June 2010. An expense of $242,000 was recognised in the six months ended 31 December 2009. As at 31 December 2010, all remaining rights issued under this performance rights plan have lapsed. No further expense in relation to this offer has been recognised in the six months ended 31 December 2010.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

12. Share-based payments (continued)

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.

A total expense of $2,215,000 was recognised in relation to the issue in the six months ended 31 December 2009. The amount of the expense 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. No further expense in relation to this issue of shares has been recognised in the six months ended 31 December 2010.

13. Income tax expense

The Group's consolidated effective tax rate for the six months ended 31 December 2010 was 9.3% (for the year ended 30 June 2010: 25.4%; for the six months ended 31 December 2009: 53.6%).

The effective tax rate for the six months ended 31 December 2010 was primarily impacted by the following:

- The US Lighthouse Group is in a tax loss position for the six months ended 31 December 2010. This would ordinarily result in tax benefit being recognised in the income statement for the US Group. However, tax losses incurred for the financial period by the US Lighthouse Group have not been recognised as a deferred tax asset, resulting in a $Nil tax expense/benefit for the US Lighthouse Group. The Group has determined that based on current operating forecasts, it is not probable that sufficient taxable profits will be generated in the future to utilise the potential benefits associated with the carried forward operating losses. The overall impact of the US tax position is to decrease the effective tax rate for the Group.

- $338,000 in non-cash equity settled transaction expenses that were recognised during the financial period that are not tax deductible. This has the impact of increasing the effective tax rate.

- $429,000 tax expense recognised in the current period relating to the finalisation of a prior period tax return. This has the impact of increasing the effective tax rate.

The following deferred tax assets have not been recognised:

In thousands of AUD	**31 December 2010**	**30 June 2010**
Deductible temporary differences	245,289	275,758
Tax losses	29,143	29,746
	274,432	305,504

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

14. 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 December 2010**	**31 December 2009**
In thousands of AUD		
$Nil per qualifying ordinary share fully franked (2009: $Nil)	-	-

The Directors have at the date of this report declared that no interim dividend will be paid for 2011.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

15. Earnings per share

Basic and diluted earnings per share as at 31 December 2010 were calculated as follows:

In thousands of AUD	31 December 2010	31 December 2009
Earnings from operations used in calculating basic earnings per share	3,023	993
Earnings from operations used in calculating diluted earnings per share	3,023	993

	31 December 2010 No. of Shares	31 December 2009 No. of Shares
Weighted average number of shares issued		
Issued ordinary shares at 31 December	469,330,170	460,483,911
Weighted average number of ordinary shares used in calculating basic earnings per share	469,330,170	460,483,911
Weighted average number of ordinary shares used in calculating diluted earnings per share	469,330,170	460,483,911

16. Contingencies

The Group is defending an action brought against it by a former employee as a result of an employee share offer at the time of the initial public offering.

The Group strongly denies any liability or wrongdoing. The directors do not expect the outcome of the action 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 interests of the Group.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2010

17. Events subsequent to reporting date

Proposed issue of convertible notes

On 21 January 2011, HFA Holdings Limited released the Notice of Meeting and Explanatory Memorandum in relation to the proposed issue of Convertible Notes by the Company as well as associated transactions ("the Transaction"). A General Meeting of HFA Holdings Limited will be held on 25 February 2011 to consider, and if thought fit, pass Resolutions in relation to the following items:

1. Share Consolidation

   The issued capital of the Company be consolidated on the basis that every four Shares or options on issue be consolidated into one Share or option (as the case may be) to take effect on 1 March 2011.

2. Issue of Convertible Notes, Options and Apollo Performance Rights

   a) The issue of USD 75,000,000 of Convertible Notes by the Company, including the issue of fully paid ordinary shares in the capital of the Company on the conversion of the Convertible Notes.

   b) The grant and issue of 31,250,000 Options (on a post-consolidation basis if Resolution 1 is passed) each convertible into one fully paid ordinary share in the capital of the Company at an exercise price of AUD 8.00 (on a post-consolidation basis) and exercisable during a period of 8 years following issue.

   c) The grant to AP CM, LLC of 1,000,000 (on a post-consolidation basis) Apollo Performance Rights, including the issue of fully paid ordinary shares in the capital of the Company pursuant to the exercise of the Apollo Performance Rights.

3. Approval of Right of First Refusal Agreement

   Shareholder approval for APH HFA Holdings, L.P.'s contractual rights in respect of Shares under the Right of First Refusal Agreement entered into with the specified Lighthouse employees and any resulting acquisition of Shares under the Right of First Refusal Agreement.

4. Approval of Escrow Arrangements

   Shareholder approval for the Company to acquire a relevant interest in the Escrow Shares of specified Lighthouse senior employees as a result of the Company's power to control the exercise of the power to dispose of the Escrow Shares due to escrow provisions included in their employment agreements.

5. Election of Directors

   The election of three directors nominated by Apollo Global Management LLC.

The full details of the Transaction, including the terms and conditions of each of the above items, are contained in the Explanatory Memorandum accompanying the Notice of Meeting dated 20 January 2011.

Lighthouse Performance Rights Plan

In January 2011, Lighthouse employees were granted 16,000,000 performance rights under the Lighthouse Performance Rights Plan. The performance rights vest within three years after meeting an EBITDA performance hurdle where employees remain in employment. The share based payment expense associated with the plan will be recognised over the three year term of the Plan.

Directors' declaration

For the six months ended 31 December 2010

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

1. the consolidated interim financial statements and notes set out on pages 8 to 23, are 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 2010 and of its performance for the 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 21st day of February 2011

Signed in accordance with a resolution of the directors:

Spencer Young
Chairperson/Executive Director/Chief Executive Officer

F P (Andy) Esteban
Non-Executive Director

KPMG

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 balance sheet as at 31 December 2010, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the 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 of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 2010 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 an 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 interim 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 2010 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

S Board

Stephen Board
Partner

Brisbane
Dated this 21st day of February 2011