Annual Financial Report 2011

HFA holdings

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"I am also pleased to report that during the year HFA took a significant step towards securing our long-term growth through a major strategic alliance with global asset manager Apollo Global Management."

Spencer Young
Chairman

CHAIRMAN'S REVIEW

Welcome to the HFA Holdings Limited (the "Company" / "HFA") annual report for the 2011 financial year.

It is with great pleasure that I can report that HFA has achieved a solid increase in net earnings as a result of the ongoing strength of the Group's US interests and sustainable growth in total assets under management and advice. I am also pleased to report that during the year HFA took a significant step towards securing our long-term growth through a major strategic alliance with global asset manager Apollo Global Management.

Under the terms of the agreement, HFA issued $75 million of Mandatory Convertible Notes to Apollo and a co-investor, while Apollo has entered into a marketing agreement to distribute the investment products of our US-based Lighthouse Partners business, through its global distribution network. The Apollo transaction has strengthened the Group's balance sheet and improved our ability to attract, retain and motivate key employees. The transaction will also provide access to Apollo's global relationships and expertise and will enhance Lighthouse's position as an innovative solutions provider in the alternative investment space.

I believe that this relationship will underpin increases in Assets Under Management and Advice (AUMA), as we gain access to Apollo's distribution relationships and benefit from our association with the extremely well respected Apollo brand and investment philosophy.

Review of results

In the 12 months to 30 June 2011, HFA delivered a 6% increase in revenue to $67.97 million and a 7% decrease in operating earnings before interest, tax, depreciation and amortisation (EBITDA) to $19.68 million ($21.41 before equity settled transactions). This was achieved with strong underlying operating cashflows of $23.75 million.

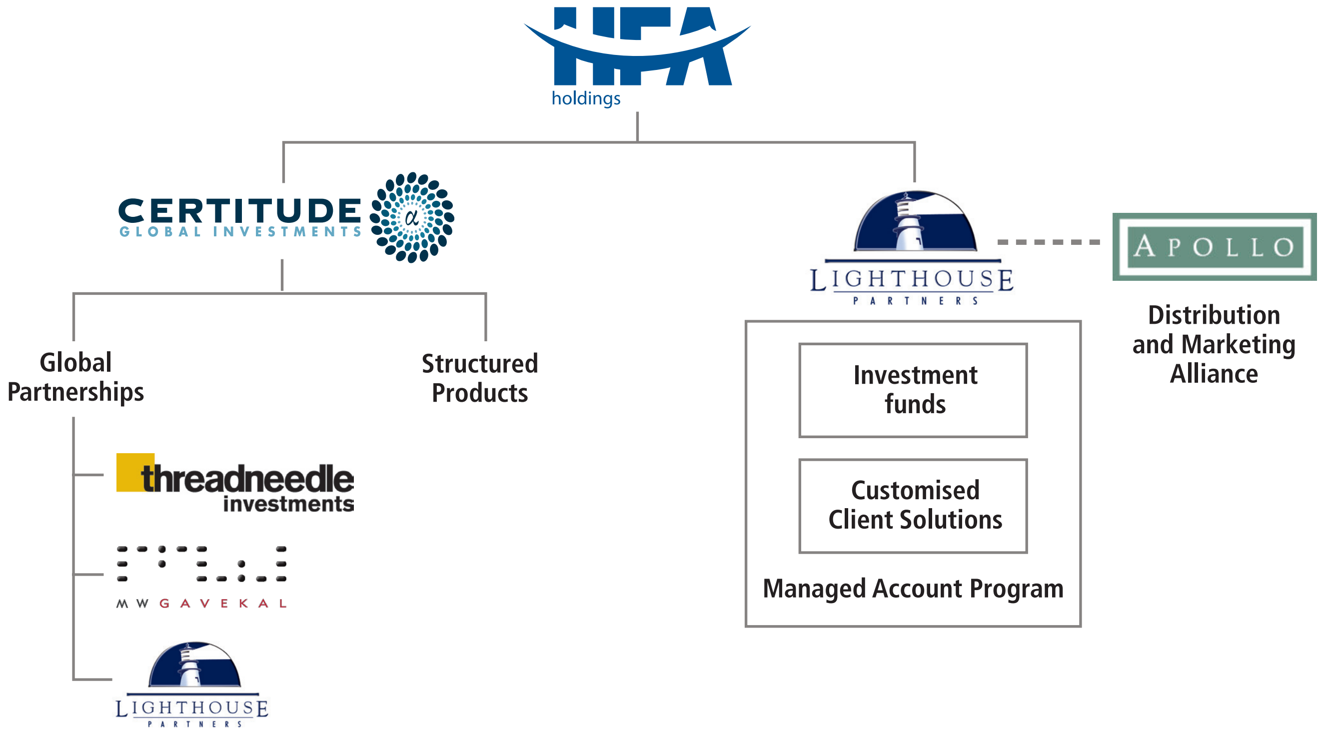
Net interest expenses fell 44% to $3.22 million, resulting in a net profit after tax (NPAT) of $5.53 million, up from $4.21 million previously. AUMA grew 23% to $5.81 billion with Lighthouse Partners increasing AUMA 28% to $4.64 billion while HFA's Australian-based fund management business Certitude Global Investments' AUMA fell by 15% to $1.09 billion in Australian dollar terms.

HFA continued to reduce its debt during the year with $74.98 million of debt repayments in FY11. As at 30 June debt stood at $28.32 million, down from $103.30 million at the same time last year. Excluding the $22.22 million of Mandatory Convertible Notes that are classified as debt on the balance sheet, the Company is currently in a nil net debt position.

Sound Financial Performance

- AUMA growth of 23% to $5.81 billion.
- Strong underlying operating cash flows of $23.75 million, with operating EBITDA of $19.68 million.
- Strengthening of balance sheet through the issue of convertible notes and significant decrease in debt levels.

CHAIRMAN'S REVIEW



Lighthouse Partners

HFA's strong financial results were driven by the excellent performance of the Lighthouse Partners business. Lighthouse's fund flows for FY11 were positive $562 million, with 8 of the 12 months recording net inflows. This result reflects the strength of the Company's US business, which continues to benefit from a more stable investment environment and greater transparency through its Managed Accounts Program.

Lighthouse's value was further reinforced towards the end of the financial year with the awarding of a $500 million mandate from a US pension fund. The securing of this mandate is a testament to Lighthouse's ability to meet the changing expectations of investors, particularly large institutional and wholesale investors.

The Lighthouse business is seeking to capitalise on the increased industry awareness generated by the pension fund mandate and is actively pursuing a number of significant opportunities to grow AUMA in the 2012 financial year. We are confident the Lighthouse business will continue to grow and develop with the investments made in improving transparency and liquidity ensuring its long term value to HFA shareholders. In particular, the business will continue to focus on broadening its distribution into the larger global institutional investor market.

Certitude Global Investments

Certitude's fund flows were affected by withdrawal windows offered by the HFA Diversified Investments Fund. Withdrawal restrictions were removed from the Fund in June 2011, and subsequently, redemptions from the Fund have reduced significantly.

Conditions in the Australian retail funds management market continue to provide challenges for the Certitude business. However, the Certitude Board has developed a clearly-articulated strategy to reposition the Australian business to deliver value to its product investors and ultimately HFA shareholders. Certitude continues to build a range of long-term partnerships and recently entered into partnership with international asset manager Threadneedle to provide access to its products to retail and high net worth investors in Australia.

The Australian business will continue to focus on distribution with Threadneedle along with existing products available via Lighthouse Partners and fund manager Marshall Wace GaveKal, while continuing to identify additional partners to further grow its product range.

Dividend

In a further indication of the strength of the Company, the Board has given consideration as to whether to declare a final dividend of 5.0 cents per share in relation to the 2011 financial year. Given that the Company is in an accumulated loss position, there is uncertainty as to whether or not a dividend declared by the Company can be franked, based on recent Draft Fact Sheets issued by the Australian Taxation Office.

The Company intends to seek a Private Ruling from the Australian Taxation Office to determine whether a dividend declared by the Company can be franked. Once certainty regarding the franking position has been obtained through the Australian Taxation Office Private Ruling, the Board will finalise a decision in relation to a dividend and announce details of any dividend declared, including the extent to which the dividend is franked.

CHAIRMAN'S REVIEW

Positive fund flows

- AUMA as at 30 June 2011 was USD 5.81 billion, a 23% increase from 30 June 2010.
- Lighthouse had a 28% increase in AUMA for FY11, and positive fund flows for 8 of the 12 months.
- Redemption levels witnessed at the height of the Global Financial Crisis have diminished.

Experienced management team

- Key senior executives have been on board for over 10 years, have developed strong client relationships and have aligned interests through HFA ownership stakes and investment in funds.
- The Apollo alliance has improved the Group's ability to attract, retain and motivate key employees.

Strong balance sheet

- Nil net debt position (excluding debt portion of Convertible Notes).
- Maturity of senior loan facility extended by 5 years.
- $22.22 million of Mandatory Convertible Notes classified as debt on the balance sheet.

FY11 result

- FY11 EBITDA of approximately $19.68 million, and NPAT of $5.53 million.
- Includes $1.73 million of non-cash employee share plan expense.
- Reflects performance fee revenue of $3.68 million.

Positioned for growth

- Managed Account Program provides the enhanced transparency, liquidity and security that fund investors are now demanding.
- Lighthouse continues to achieve strong investment performance versus most relevant indices.
- Going forward, AUMA growth is expected to benefit from (i) access to Apollo's relationships, (ii) association with the widely recognised Apollo brand, and (iii) the strengthened balance sheet.
- HFA's balance sheet is able to support any industry consolidation opportunities that may arise.

Diverse investor base

- HFA's distribution channels are highly diversified by both investor type and geography.
- Lighthouse has a strong prescence in both the institutional and high net worth markets.
- Over 400 retail financial planner dealer groups have invested into Certitude products representing more than 11,200 advisors and over 267 billion in funds under advice.

OUTLOOK

This year, we expect to build on our successes, by continuing to focus on developing new funds and services, and broadening distribution channels by maximising the opportunity presented by the Apollo alliance.

AUMA growth is expected to benefit from access to Apollo's relationships, association with the widely recognised Apollo brand, and the strengthened balance sheet. It will be further supported by our market-leading Managed Account Program which provides the enhanced transparency, liquidity and security that fund investors are demanding. Lighthouse continues to achieve strong investment performance versus most relevant indices, offering the prospect of significant organic growth. Meanwhile, our balance sheet is also able to support any industry consolidation opportunities that may arise.

I would like to take this opportunity to thank my fellow board members, the senior management and staff of HFA, Lighthouse and Certitude, for their continued efforts to position HFA to deliver long term value for both our shareholders and our product investors.

Kind Regards

Spencer Young
Chairman

DIRECTORS' REPORT

The directors present their report together with the financial report of HFA Holdings Limited and its subsidiaries (the "Group") for the financial year ended 30 June 2011 and the auditor's report thereon.

1. Directors

The names and particulars of the directors of HFA Holdings Limited (the "Company" / "HFA") at any time during or since the end of the financial year are:

Mr Spencer Young

Chairperson, Executive Director and Chief Executive Officer

Spencer founded HFA's Australian funds management business in 1998 which later listed on the ASX in April 2006 via an IPO of HFA Holdings Limited. He has over 28 years of investment and management experience including relationships with a network of international alternative investment managers.

Spencer holds a B.Eng (U.Qld) and an MBA from the Harvard Business School. Through his executive career he has held several senior investment positions including Executive Director of Rothschild Australia Private Equity and Lend Lease Corporation's senior executive in the USA for venture capital and private equity investments.

Appointed Executive Director 15 May 2003.

Appointed Non-Executive Director 13 April 2007 to 18 September 2007.

Appointed Chief Executive Officer and Executive Director 18 September 2007.

Mr Sean McGould

Executive Director

Sean is the co-founder of Lighthouse Investment Partners, LLC (Lighthouse) and serves as President and Co-Chief Investment Officer. He supports the investment team in the manager search, selection and review process and is the Chairperson of the Investment Committee. Sean has been overseeing all aspects of the portfolios since August 1996.

Sean joined Asset Management Advisors ("AMA"), a multi-family office as Chief Investment Officer in August 1996. Lighthouse was formally spun out of AMA in 1999. For the past 15 years, Sean has been investing in various alternative investment strategies. Prior to founding Lighthouse, Sean was the director of the Outside Trader Investment Program at Trout Trading Management Company and was responsible for the allocation of the fund's assets to external alternative asset strategies.

Prior to Trout, Sean worked for PriceWaterhouse. Sean holds a Bsc. Accounting.

Appointed 3 January 2008.

Mr F P (Andy) Esteban

Independent Non-Executive Director

Andy holds a Bachelor of Business majoring in Accounting, is a CPA and a member of the Australian Institute of Company Directors. He has over 31 years experience in the financial services industry, of which 21 years were with Perpetual Trustees Australia Limited.

In 1999 he established FP Esteban and Associates, a private business specialising in implementing and monitoring risk management and compliance frameworks in the financial services industry. He has provided consulting services to a number of organisations including UBS Global Asset Management for their funds management operations in Australia, and South East Asia operations located in Hong Kong, Singapore, Taiwan and China. From July 2005 until June 2008 he was an independent director of Credit Suisse Asset Management (Australia) Ltd. He is currently the Chairperson of Certitude Global Investments Limited, a wholly-owned subsidiary of the Company.

Chairperson of the Audit Committee and Member of the Remuneration Committee.

Appointed 18 June 2008.

DIRECTORS' REPORT

Mr John Larum

Independent Non-Executive Director

John has extensive experience in the financial services industry having held a range of senior positions including, President of China Business for UBS Global Asset Management, Chief Executive Officer of UBS Global Asset Management (Australia), and Chief Economist for UBS Warburg (Australia). Prior to joining UBS, he spent more than a decade with the Federal Treasury in Canberra, where he rose to the position of Assistant Secretary, Domestic Economy Branch. John holds a Bachelor of Commerce (Econometrics) from the University of New South Wales and a Master of Economics from the Australian National University. John is also a Graduate of the Australian Institute of Company Directors.

Chairperson of the Remuneration Committee and Member of the Audit Committee.

Appointed 12 December 2008.

Mr Michael Shepherd

Independent Non-Executive Director

Michael has extensive experience in financial markets and the financial services industry having held a range of senior positions including Vice Chairperson of ASX Limited, and directorships of several of ASX's subsidiaries including Australian Clearing House Pty Ltd. He was also National President of the Financial Services Institute of Australasia.

Currently, Michael is Chairperson of the Shepherd Centre and is an independent Compliance Committee Member for UBS Global Asset Management (Australia) Limited. Michael is also a Senior Fellow (SF Fin), Life Member and past President of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Member of the Remuneration Committee and Member of the Audit Committee.

Appointed 16 December 2009.

Mr Anthony Civale

Non-Executive Director

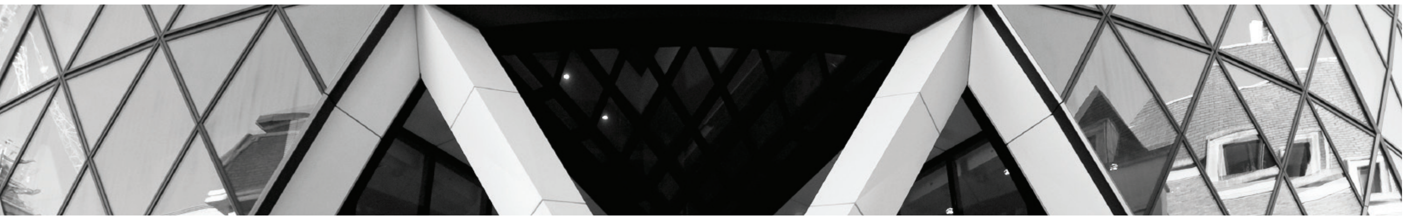
Anthony is a senior partner of Apollo Management, L.P. where he has responsibilities in Apollo's private equity business as well as for strategic and corporate development. He also co-heads Apollo's traditional fixed income business.

In addition to HFA, Mr. Civale currently serves on the Boards of Directors of Berry Plastics Group, Youth INC and is a member of the Board of Trustees of Middlebury College. Anthony has previously served on the Board of Directors of Breuners Home Furnishings Corp., Goodman Global, Inc. Harrah's Entertainment and Prestige Cruises. Prior to joining Apollo in 1999, Anthony was employed by Deutsche Bank Securities and Bankers Trust Company in their Financial Sponsors Group within the Corporate Finance division. Anthony holds a Bachelor of Arts in Political Science from Middlebury College, Vermont, USA.

Member of the Remuneration Committee.

Appointed 25 February 2011.

DIRECTORS' REPORT



Mr Grant Kelley

Non-Executive Director

Grant is a Managing Director of, and Head of Asia Pacific Real Estate for, Apollo Global Management. Grant has over 20 years experience in corporate strategy, private equity and real estate investment in Australia, Hong Kong, Japan, Singapore, South Korea, the United Kingdom and the U.S.

From 2004 until 2008, Grant was the Chief Executive Officer of Colony Capital Asia. Previously, he spent two years developing Colony Capital's regional operations in South Korea and Japan and prior to joining Colony in 2000, was a Principal at the international consulting firm, Booz Allen Hamilton. Grant is a past Director of the Sentosa Development Corporation in Singapore, of Fairmont Raffles Holdings in Toronto, and of Challenger Financial Services (as an alternate) in Australia.

Grant holds a Bachelor of Laws degree from the University of Adelaide, a Masters degree in International Relations from the London School of Economics and Political Science, and a MBA from the Harvard Business School.

Member of the Audit Committee.

Appointed 25 February 2011.

Mr James Zelter

Non-Executive Director

James is the Chief Executive Officer of Apollo Capital Management and Chairperson and Chief Executive Officer of Apollo Investment Corporation. From 1994 to 2006 James held various positions within Citigroup and its predecessor companies, including Chief Investment Officer of Citigroup Alternative Investments. During this period, James also served on the Global Fixed Income Management Committee and the Division Planning Committee. In addition, he was a standing member of the Citigroup Pension Investment Committee, the Salomon Smith Barney Capital Partners Investment Committee and the Citigroup Mezzanine Partners Investment Committee. Prior to joining Citigroup in 1994, James was employed by Goldman Sachs & Co. James is a board member of DUMAC, the investment management company that oversees the Duke Endowment and Duke Foundation. James holds a degree in Economics from Duke University, North Carolina, USA.

Appointed 25 February 2011.

DIRECTORS' REPORT

2. Company secretary

Ms Joanne Hill BA LLB was appointed to the position of company secretary on 20 November 2008 and remained in that position until 18 July 2011. Joanne is a qualified solicitor. Joanne has over eleven years experience in the financial services sector and prior to joining HFA in 2007 held senior legal advisory positions in both Australian Securities Exchange (ASX) and New Zealand Exchange (NZX) listed financial services companies.

Ms Amber Stoney BCom (Hons) CA was appointed to the position of company secretary on 18 July 2011. Amber previously held the role of company secretary for the period 15 March 2007 until 20 November 2008. Amber also holds the position of Chief Financial Officer.

3. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
Director	A	B	A	B	A	B
Mr Spencer Young	11	11	-	-	-	-
Mr Sean McGould	7	11	-	-	-	-
Mr F P (Andy) Esteban	11	11	10	10	3	3
Mr John Larum	10	11	10	10	3	3
Mr Michael Shepherd	10	11	10	10	3	3
Mr Anthony Civale	2	3	1	1	-	-
Mr Grant Kelley	1	3	-	-	1	1
Mr James Zelter	1	3	-	-	-	-

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

During the financial year ending 30 June 2011, the board had responsibility for the performance of the functions of the nomination committee and no separate nomination committee meetings were held.

4. Directors' interests

The relevant interest of each director in the shares, and rights over such instruments issued by the Company at the date of this report is as follows:

	Ordinary shares	Performance rights
Mr Spencer Young[1]	5,629,238	3,968,935[5]
Mr Sean McGould[2]	19,438,084	-
Mr F P (Andy) Esteban[3]	2,089	-
Mr John Larum	9,100	-
Mr Michael Shepherd[4]	25,000	-
Mr Anthony Civale	-	-
Mr Grant Kelley	-	-
Mr James Zelter	-	-

[1] 5,629,238 shares are held indirectly by Spencer Young as Trustee for the Spencer Young Family Trust. [2] 19,436,084 shares are held indirectly by SGM Holdings, LLC. [3] 2,089 shares are held indirectly by FJE Superannuation Fund. [4] 25,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund. [5] Performance rights issued on 31 December 2010 in accordance with shareholder approval granted at the HFA Holdings Limited Annual General Meeting held on 30 November 2010. Refer to the Remuneration Report for details of performance rights plan.

DIRECTORS' REPORT

5. Dividends

Declared and paid during the year 2011

No dividends have been paid or declared by the Company to members since the end of the previous financial year.

Declared after end of year

The Board has given consideration as to whether to declare a final dividend of 5.0 cents per share in relation to the 2011 financial year. Given the Company is in an accumulated loss position, there is uncertainty as to whether or not a dividend declared by the Company can be franked, based on recent Draft Fact Sheets issued by the Australian Taxation Office. The Company intends to seek a Private Ruling from the Australian Taxation Office to determine whether a dividend declared by the Company can be franked. Once certainty regarding the franking position has been obtained through the Australian Taxation Office Private Ruling, the Board will finalise a decision in relation to a dividend and announce details of any dividend declared, including the extent to which the dividend is franked.

6. Principal activities

The principal activities of the Group during the course of the financial year were the provision of investment management products and services to investors globally via Lighthouse Investment Partners, LLC and Certitude Global Investments Limited ("Certitude").

HFA Holdings Limited is a company limited by shares that is incorporated in Australia. 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 and adviser, and operates a managed account program for its funds and clients. Another wholly owned subsidiary, Certitude, acts as the responsible entity and manager of schemes and other products in Australia.

Details of the Consolidated Group are included at note 29 to the financial statements.

7. US dollar functional currency

On 1 March 2011, HFA Holdings Limited elected to adopt US dollars (USD) as its functional currency and as the presentation currency for the purpose of Group financial reporting. The functional currency of an entity is the currency of the primary economic environment in which the entity operates, and should reflect the economic substance of the underlying events and circumstances relevant to the Company.

As the majority of the Group's revenue, debt and issued convertible notes are denominated in USD, this change will provide shareholders with a more accurate reflection of the Company's and Group's underlying performance.

The annual financial report for the Group for the financial year ended 30 June 2011, including comparative information ("Represented"), has been presented in USD, unless otherwise indicated as being presented in Australian dollars (AUD).

8. Issue of convertible notes, options and Apollo performance rights

During the financial year ended 30 June 2011, the Group finalised the following transactions with Apollo Global Management, LLC (together with its affiliates the "Apollo Group"):

(a) The issue of $75 million of convertible notes by the Company, which will result in the issue of fully paid ordinary shares in the capital of the Company on the conversion of the convertible notes. Details of the convertible notes are included at note 20.

(b) The grant and issue of 31,250,000 options, each convertible into one fully paid ordinary share in the capital of the Company at an exercise price of AUD 8.00 and exercisable during a period of 8 years following issue. Details regarding the impact of these options on the Group's financials are included in notes 19 to 22.

(c) The grant of 1,000,000 Apollo Performance Rights, which will result in the issue of fully paid ordinary shares in the capital of the Company in the event that the vesting conditions associated with the Apollo Performance Rights are satisfied and the Apollo Performance Rights are exercised. Details of this transaction are included at note 19.

DIRECTORS' REPORT

9. Operating and financial review

Consolidated results

in thousands of USD	2011	2010 Represented
Revenue	67,969	64,020
Investment management costs	(12,304)	(10,568)
Net income from operating activities	55,665	53,452
Foreign exchange gain on operating activities	163	101
Operating expenses, net of other income	(34,415)	(30,421)
Operating EBITDA (before equity settled transactions)	21,413	23,132
Equity settled transaction expenses	(1,733)	(1,961)
Operating EBITDA (after equity settled transaction)	19,680	21,171
Depreciation and amortisation	(10,054)	(9,902)
Net interest expense	(3,215)	(5,764)
Profit before income tax	6,411	5,505
Income tax expense	(884)	(1,300)
Net profit after income tax	5,527	4,205
Basic EPS (cents)	4.51	3.62

The Group generated operating EBITDA of $19.68 million for the financial year ended 30 June 2011, which is down 7% on the previous period. However, due to the reduction in the Group's net interest expense, profit before tax increased by 16.5% to $6.411 million.

The Group recorded a consolidated profit after income tax of $5.527 million (2010 Represented: $4.205 million).

Net income from operating activities

Group revenue increased by 6.2% on the prior year to $67.969 million. This increase was driven by an increase in performance fees due to the solid investment performance of the Group's AUMA throughout the year, and an increase in average assets under management and advice (AUMA).

Net income from operating activities increased by 4.1% on the prior year to $55.665 million.

Net income from operating activities for the US Lighthouse operations was $47.031 million, up 12.2% from the prior year. This reflects Lighthouse's positive AUMA growth of 27.9% for the 2011 financial year, and an 11.7% growth in average AUMA compared to the 2010 financial year. The average net management fee (after investment management costs) earned on AUMA remained consistent with the prior year.

Certitude operations experienced a 25.2% decrease in net income from operating activities to $8.634 million. This reflects an 15.3% decrease in AUMA for the 2011 financial year, a 24.1% decrease in average AUMA compared to the 2010 financial year, and a decrease in the average net management fee (after investment costs) due to the full year impact of the reduction in management fee rates on the HFA Diversified Investments Fund and HFA Octane Asia Fund. As redemption restrictions have been removed from the HFA Diversified Investments Fund, the previous fee structure for the Fund has been reinstated, effective 1 July 2011.

Operating expenses

Operating expenses (excluding depreciation and amortisation costs) increased to $34.415 million for the financial year ended 30 June 2011. This represents an increase of $3.994 million or 13.1% when compared to the prior financial year. This is predominately due to an increase in Lighthouse personnel expenses, costs associated with the renegotiation of the Group's external debt facility, as well as the negative impact of the increase in the average AUD exchange rate for the year to 0.9891 (2010: 0.8830).

Certitude expenditure reduced slightly in Australian dollar terms as the Australian business continued to closely control its costs.

DIRECTORS' REPORT

Debt and net interest expense

On 7 March 2011, the Company issued $75 million of convertible notes. Of the proceeds from the issue of the convertible notes, $65 million was used to pay down debt outstanding under the Westpac Cash Advance Facility (CAFA).

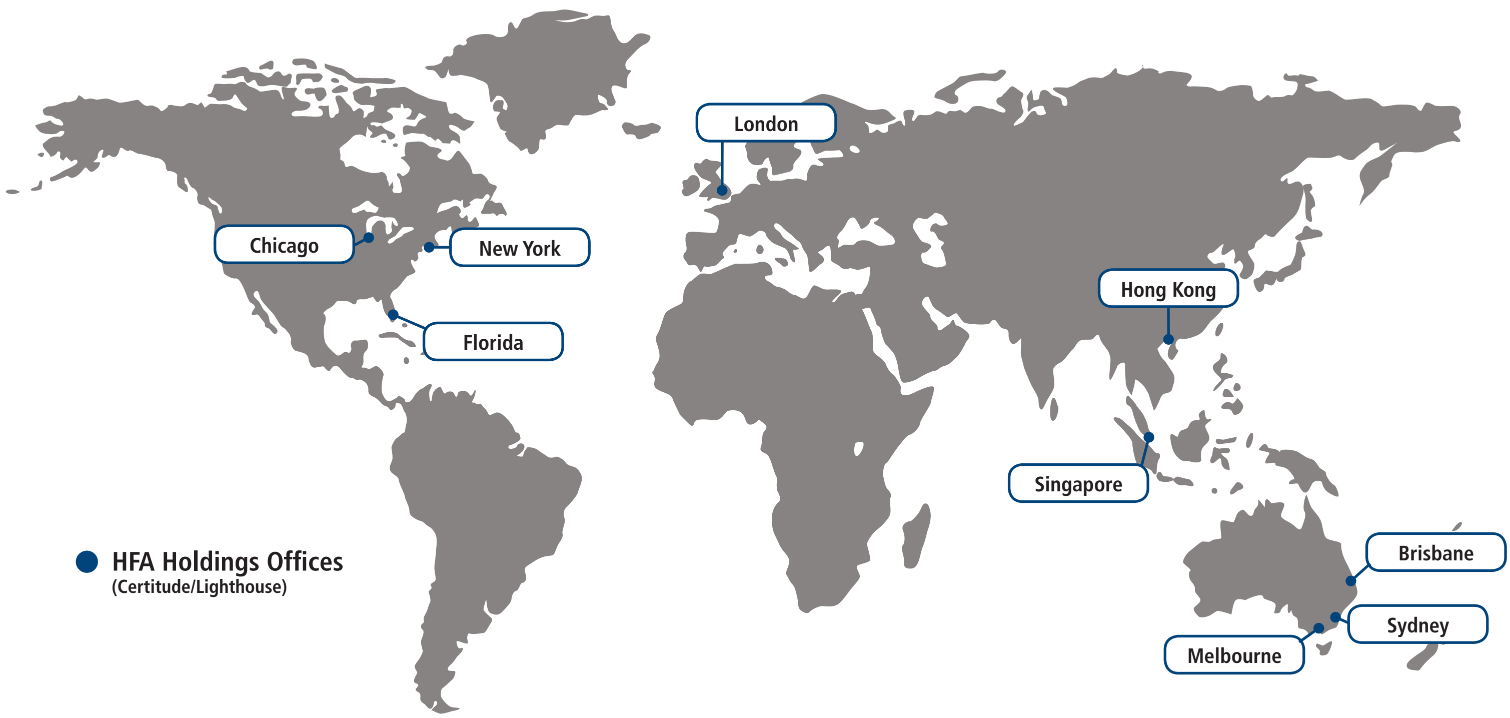
Since 30 June 2010, the Group has reduced USD denominated debt from $102.375 million to $28.323 million, and its AUD denominated debt from $0.926 million to Nil.

This reduction in debt, as well as the expiry in October 2010 of interest rate swaps on the USD denominated debt, has resulted in a decrease in net interest expense for the Group for the 2011 financial year.

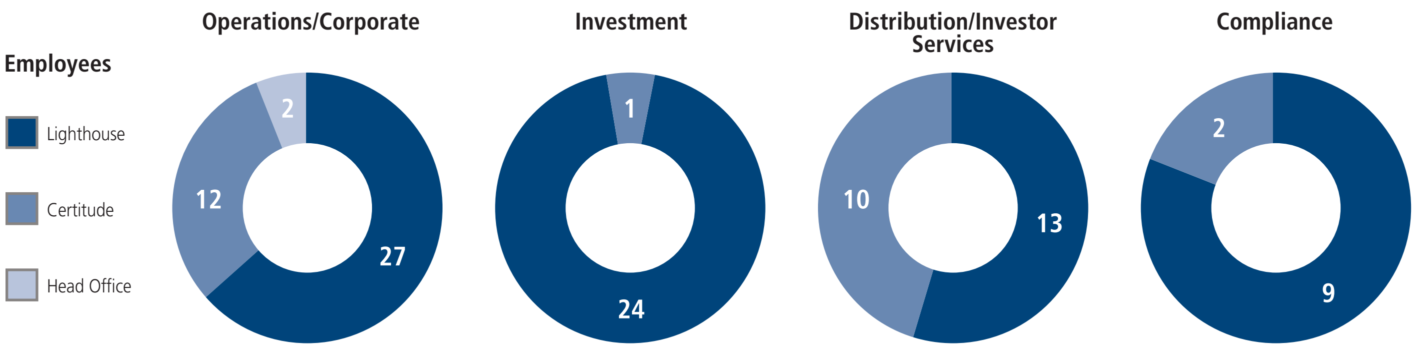
Review of operations

HFA operates a specialist global funds management business, primarily providing absolute return fund products and services to investors with the aim of achieving consistent risk adjusted returns.

One of the Group's most important assets is its high calibre employees. The Group has 100 staff in locations around the world.



Both the Lighthouse and Certitude operations are structured by function:



DIRECTORS' REPORT

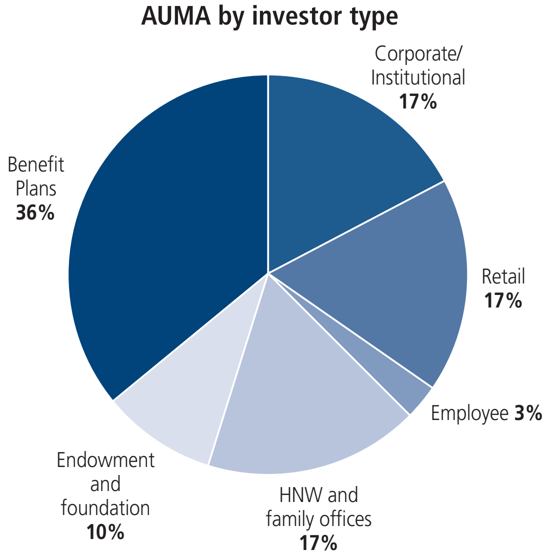
Investor base

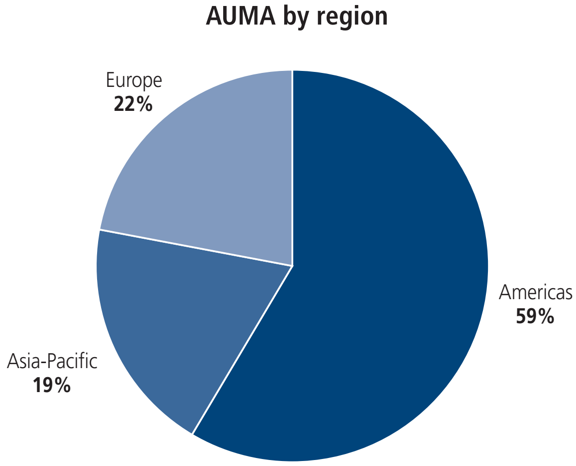
The Group's overall investor base continues to be well diversified across both client type and geographical region.

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 funds, healthcare and insurance companies.

In Australia, Certitude provides investment products to retail, high net worth and institutional investors via the operation and distribution of managed investment schemes.

At the Group level, distribution of the investor base as at 30 June 2011 by investor type and geographical region is as follows:

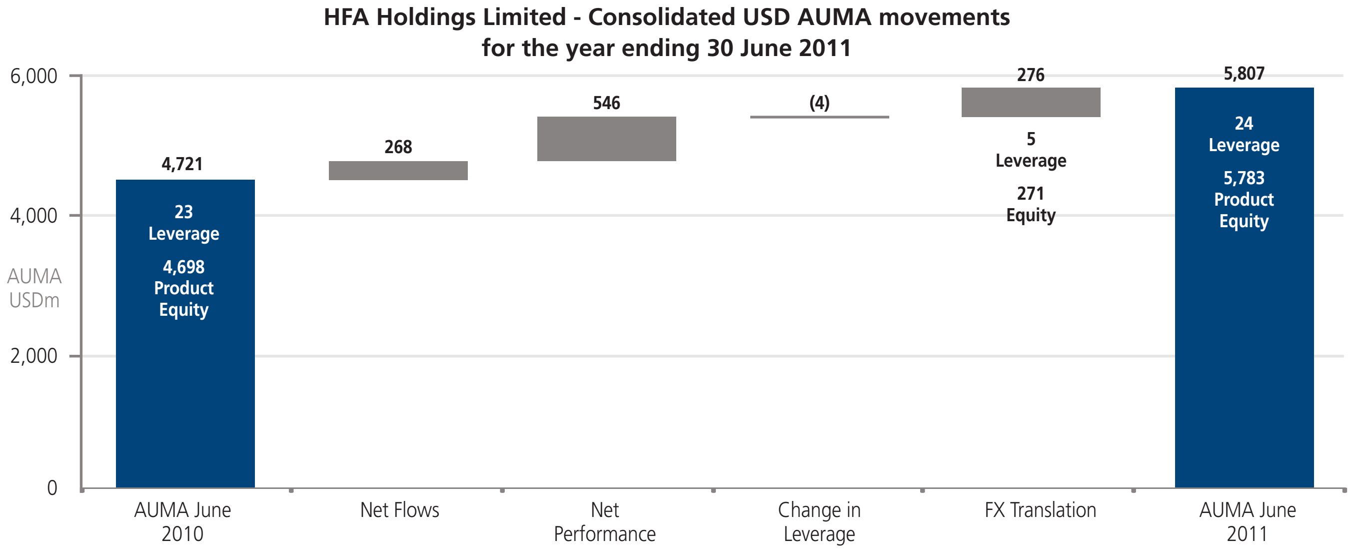




Assets under management and advice (AUMA)

The Group's growth in AUMA demonstrates the steadier conditions experienced by the global investment management industry over the past year, although the continued uncertainty in markets made raising money from investors challenging, both at an institutional and retail level.

As at 30 June 2011, HFA had total AUMA of $5.807 billion (2010: $4.721 billion). This represents an increase of 23% in AUMA since the end of the previous financial year. The following chart shows how performance, net flows, reduction in leverage within the products and foreign exchange translation impacted AUMA over the financial year:



DIRECTORS' REPORT

Lighthouse - US Operations

AUMA for Lighthouse has increased from $3.628 billion to $4.641 billion, an increase of 27.9% for the financial year ended 30 June 2011. This increase is driven by both positive net inflows for the year of $562 million, and positive investment performance across the core Lighthouse products.

With positive AUMA growth for the 2011 financial year, Lighthouse has been the major contributor to the Group's result, with the US operations accounting for approximately 80% of net operating income.

The transaction with the Apollo Group during the year has provided Lighthouse with the opportunity to significantly expand its relationships. The Apollo relationship will allow Lighthouse to further diversify its client base into the broader global institutional market.

This also complements Lighthouse's expansion of the services it offers clients. Whilst Lighthouse's managed funds currently represent the majority of its AUMA, Lighthouse is expanding its services to provide customised solutions for clients through the use of its Managed Account Program.

Over the course of the 2012 financial year, Lighthouse will continue to focus on expanding its capabilities. It is expected that the full benefits of these activities will be reflected in the Group's results in the following financial years.

Certitude - Australian Operations

Conditions in the Australian retail funds management sector have remained challenging in the 2011 financial year, with many retail investors retaining large allocations to cash. In light of these difficult market conditions, the Australian business has focussed on resolving the residual issues from the Global Financial Crisis, and laying the ground work to pursue its new strategic direction through the diversification of its products and client base.

Australian AUMA fell 15.3% in AUD terms. The key driver for this decrease was AUD 247 million of withdrawal offers made by the HFA Diversified Investments Fund throughout the year. All withdrawal restrictions were removed from the HFA Diversified Investments Fund in June 2011, and subsequently, redemptions from the fund have reduced significantly.

The Australian business has continued to focus on controlling operating costs, with a 4% reduction compared to the prior year.

As part of its strategy to broaden its investment offerings, Certitude has signed an agreement with international asset manager Threadneedle Investments. The first product distributed by Certitude will be a global equity fund, designed to complement an expected increase in demand by Australian investors for greater international exposure through an actively managed portfolio. Certitude will continue to work with Threadneedle to introduce additional new products throughout the coming year. Results of the Australian operations will continue to be impacted in the short-term by the decline in AUMA which has occurred over recent years. However, the implementation of Certitude's business strategy, and in particular the partnership with Threadneedle to distribute high quality products that are liquid, transparent and simple, is laying the foundations for renewed AUMA growth and profitability over the medium-term.

10. Likely developments

The US business will continue to focus on the expansion of its distribution capabilities and services, in particular focusing on broadening distribution into the larger institutional investor market. It is likely that there will be some reduction in the average net management fee for Lighthouse in the 2012 financial year, as it seeks mandates from larger institutional clients under its marketing agreement with the Apollo Group.

The Australian business will pursue its business strategy, focusing on distribution with its new partner, Threadneedle Investments, along with existing products available via Lighthouse Partners and Marshall Wace GaveKal, whilst continuing to identify additional partners to further grow its product range.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

11. Events subsequent to reporting date

In the opinion of the directors of the Company, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

12. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council Principles and Recommendations, unless otherwise stated.

Summaries of the Company's policies, charters and codes in relation to corporate governance are available on the Company's website (www.hfaholdings.com.au).

12.1 Board of directors

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Group, including:

- ensuring the integrity of risk management, internal control, legal compliance and management control systems;
- reviewing and approving corporate strategies, budgets, plans and policies developed by management and evaluating performance of the Group against those strategies and business plans in order to:

DIRECTORS' REPORT

  - monitor the performance of functions delegated to management including the progress of major capital expenditure, capital management, acquisitions, divestitures and strategic commitments; and
  - assess the suitability of the Group's overall strategies, business plans and resource allocation;
- ensuring that effective audit, risk management and regulatory compliance programs are implemented to protect the Group's assets and shareholder value;
- reviewing and approving governance policies;
- oversight of corporate governance matters pertaining to board management;
- appointing and removing the chief executive officer (CEO), chief financial officer (CFO) and company secretary;
- evaluating the performance of the CEO and management;
- reviewing board and management succession planning;
- monitoring financial performance and business results (including the audit process) to understand at all times the financial position of the Group;
- oversight of the Company's continuous disclosure obligations including approving the Group's statutory accounts and directors' reports;
- reporting to shareholders and other stakeholders;
- capital management, including issues, calls on, forfeiture of shares, declaration of dividends and share buy backs;
- membership and role of board sub-committees;
- reviewing the performance of the board and board committees; and
- implementing a culture of compliance with the highest legal and ethical standards and business practices.

The board has delegated to the CEO and, under the CEO's leadership, management, the powers and authority necessary to implement the strategies approved by the board and to manage the day to day business affairs of the Company. The CEO is required to consult the board on matters that are sensitive, extraordinary, of a strategic nature or are otherwise outside the CEO's delegated authority limits as specified by the board from time to time.

At the time of their appointment, non-executive directors receive a formal letter of appointment which sets out the key terms and conditions of their appointment, including expectations of attendance and preparation for all board meetings, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice. The roles and responsibilities of the CEO and CFO are formally outlined.

A summary of the board's charter is located on the Company's website.

Composition of the board

The composition of the board is determined using the following principles:

- a minimum of four directors, with a broad range of expertise;
- a maximum of nine directors; and
- a majority of non-executive directors.

The table below summarises the composition of the board as at 18 August 2011:

Name	Position	Indepen-dent	First appointed
Mr Spencer Young	Chairperson, CEO and Executive Director	No	May 2003
Mr Sean McGould	Executive Director	No	January 2008
Mr F P (Andy) Esteban	Non-Executive Director	Yes	June 2008
Mr John Larum	Non-Executive Director	Yes	December 2008
Mr Michael Shepherd	Non-Executive Director	Yes	December 2009
Mr Anthony Civale	Non-Executive Director	No	February 2011
Mr Grant Kelley	Non-Executive Director	No	February 2011
Mr James Zelter	Non-Executive Director	No	February 2011

On 25 February 2011, Messrs Kelley, Zelter and Civale were appointed non-executive directors. Messrs Kelly, Zelter and Civale hold positions with Apollo Global Management, LLC or its affiliates (the "Apollo Group"). The Apollo Group, as holder of convertible notes issued by the Company and as party to a Marketing Agreement with HFA's US subsidiary Lighthouse Investment Partners, LLC, is a related party of the HFA Holdings Limited Group. Neither Mr Kelley, Mr Zelter nor Mr Civale are therefore considered independent.

Since 31 March 2009 the roles of Chairperson and CEO have been exercised by the same person. The board believes that Mr Young continues to have the appropriate knowledge and experience to undertake the Chairperson role. This arrangement remains under review by the board. Accordingly, the Company was not in compliance with ASX Corporate Governance Principles 2.1, 2.2 and 2.3 during the financial year.

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Director independence

An independent director is a director who is not a member of management, is free of any business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement, and who:

- is not a substantial shareholder of the Company, holds less than 5% of the voting securities of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a holder of more than 10% of the Company's voting securities;
- has not, within the last three years, been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Company.

The terms of the convertible note allow the Apollo Group to nominate three directors to the board of HFA Holdings Limited as their representatives. Accordingly, the board does not have a majority of independent directors. It is considered that eight directors constitutes a board of appropriate size, given the scope and nature of the Company's operations. The Board has adopted a number of policy measures to ensure that independent judgement is exercised and maintained in respect of its decision-making processes. These include:

- directors are entitled to seek independent professional advice at the Company's expense, subject to prior consultation with the Chairperson;
- directors who have a conflict of interest in relation to a particular item of business must absent themselves from the Board or Committee meeting before commencement of discussion on the topic; and
- non-executive directors confer on a needs basis without management in attendance.

Independent professional advice and access to Company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is to be made available to all other members of the board, except in cases where the advice pertains to matters such as remuneration of executive directors.

Director and executive education

The Group educates new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors are encouraged to interact with management to gain a better understanding of business operations, and are encouraged to undertake continuing education in relation to the Group and the industry in which it operates to update and enhance their skills and knowledge.

Board processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a nomination committee, a remuneration committee, and an audit committee. These committees have written charters outlining the duties and responsibilities of the committee, which are reviewed on a regular basis. The board has also established a framework for management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards and codes of conduct. The framework includes:

- internal controls (for example: dual signatories, reconciliations, and segregation of duties);
- business risk management process (risk register, compliance plans for the operation of managed investment schemes, staff trading policies, and employee manual); and
- ethical standards and codes of conduct (director code of conduct, employee code of conduct, and employee manual).

The board meets approximately every two months, with additional meetings held as required to address specific issues. The agenda for meetings is prepared in conjunction with the CEO, CFO and company secretary to ensure adequate coverage of strategic, financial, governance and compliance matters. Board papers are circulated in advance of the meetings. Senior executives are invited to attend board meetings and are available for contact by non-executive directors between meetings. The directors may have closed sessions without any executive involvement during meetings at their discretion.

12.2 Audit committee

The audit committee has a documented charter approved by the board. The committee charter requires that the audit committee be comprised of at least three non-executive directors, the majority of which must be independent. The Chairperson may not be the Chairperson of the board.

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The members of the audit committee during the year were:

- Mr F P (Andy) Esteban - Chairperson and independent non-executive director
- Mr John Larum - Independent non-executive director
- Mr Michael Shepherd - Independent non-executive director
- Mr Grant Kelley - non-executive director (appointed 25 February 2011).

At the discretion of the audit committee, the external auditor and other members of the board and management will be invited to attend audit committee meetings.

The CEO and the CFO declare in writing to the board on an annual basis that the financial records of the Company for the financial year have been properly maintained and that the Company's financial reports for the financial year comply with accounting standards and present a true and fair view of the Group's financial condition and operational results.

The frequency of meetings and the attendance record of committee members, along with a summary of director qualifications are disclosed in the directors' report.

A summary of the audit committee's charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The role of the audit committee is to assist the board in discharging its oversight responsibilities in relation to audit and financial reporting matters. Responsibilities include:

- overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial reports, including;
    - reviewing the half year and annual financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is consistent with committee members' information and adequate for shareholders' needs;
    - assessing management's procedures surrounding the financial reporting process;
    - considering the results of the audit, including recommendations submitted by the external auditor and management's responses; and
    - making recommendations to the board regarding same;
- reviewing the effectiveness of internal controls relevant to the financial reporting function;
- reviewing the Company's process for monitoring compliance with laws and regulations affecting financial reporting; and
- reviewing the independence of the external auditors and audit process, including:
    - making recommendations regarding the appointment / removal of the external auditor and rotation of the external audit partner;
    - assessing the performance of the external auditor; and
    - reviewing non-audit services provided by the external auditor and compliance with the Company's External Auditor Policy.

The audit committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents prior to announcement of results;
- review the draft annual and half-year financial reports, and recommend board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations.

External auditors

The Company has engaged KPMG as its external auditors. The external auditor must remain independent of the Group at all times and comply with APES 110 Code of Ethics for Professional Accountants pertaining to financial independence and business relationships. In addition, the external auditor must not provide non-audit services that could be considered to impair the auditor's independence whether in fact or on a perception basis.

The lead audit engagement partner should be rotated after a period of no longer than five years and cannot resume the role until at least two years have elapsed. Mr Stephen Board, the current lead audit engagement partner was appointed at the beginning of the current financial year.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 26 of the financial statements.

12.3 Nomination committee

The nomination committee charter requires that the nomination committee be comprised of at least three non-executive directors, the majority of which must be independent. The committee is required to meet twice a year or as often as necessary to enable it to effectively discharge its responsibilities.

The nomination committee is to advise the board on matters relating to the composition and performance of the board. Board candidates must stand for election at the general meeting subsequent to their appointment. The nomination committee is also responsible for making recommendations

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regarding the appointment and removal of directors, having regard to an appropriate mix of skills and expertise.

The nomination committee's nomination of existing directors for re-appointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future requirements of the board. The nomination committee submits recommendations to the board, which then votes on them.

The nomination committee also reviews performance of the board, committees and key executives, reviews board succession plans, as well as oversees the induction process for new directors and committee members. Due to the recent changes to the composition of the board, it was not considered appropriate to undergo a formal performance evaluation during the year ended 30 June 2011. However, the board undertakes on-going self-assessment and is currently reassessing its process for a formal performance evaluation.

The nomination committee is also responsible for the promotion and cultivation of diversity throughout the Group.

The Company does not currently comply with ASX Corporate Governance Principle 2.4 and, during the year ended 30 June 2011, the functions of the nomination committee were undertaken by the board. The Company considered this appropriate given the small size of the board for the majority of the year. As the functions of the nomination committee were undertaken by the board for the year ended 30 June 2011, separate meetings of the committee were not held.

On 18 August 2011, the board approved the formation of a combined remuneration and nomination committee. The combined committee will take on the duties and responsibilities previously assigned to the individual committees. Mr Larum has been appointed chair of the committee, and Messrs Esteban, Shepherd and Civale are the committee members.

Further details of the remuneration and nomination committee's charter and policies, including those for appointing directors and senior executives, are available on the Company's website.

Diversity

The Company recognises the organisational strength, ability and opportunity that diversity brings to the Group. Accordingly, the Company is committed to providing an environment in which all employees are treated with fairness and respect and have equal access to opportunities available at work, irrespective of individual backgrounds or differences.

The Board aims to ensure diversity and the growth of diversity within the Group. In order to support a culture of diversity within the organisation, the Board has delegated the responsibility of setting objectives in this regard to the remuneration and nomination committee. These objectives will be set, assessed and reported on an annual basis beginning in the next financial year.

Management will be responsible for:

- implementing initiatives in order to achieve the diversity objectives;
- reporting to the remuneration and nomination committee on progress against the objectives; and
- identifying areas within the Company which would benefit from further focus on diversity.

The increased focus on diversity at all levels of the business is intended to reinforce the importance of equality in the workplace. The Company facilitates this practice by providing flexible work arrangements and making decisions based on merit for internal promotions and career and leadership development opportunities.

A summary of the Company's diversity policy is available on the Company's website.

12.4 Remuneration committee

The remuneration committee's duties and responsibilities are outlined in the remuneration committee charter. The remuneration committee charter requires that the remuneration committee be comprised of at least three non-executive directors, the majority of which must be independent.

The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors of the Company.

It is also responsible for reviewing and making recommendations in relation to share schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the remuneration committee during the year were:

- Mr John Larum - Chairperson and independent non-executive director
- Mr F P (Andy) Esteban - Independent non-executive director
- Mr Michael Shepherd - Independent non-executive director
- Mr Anthony Civale - Non-executive director (appointed 25 February 2011).

The CEO is invited to remuneration committee meetings as required, to discuss senior executives' performance and remuneration packages but does not attend meetings involving matters pertaining to himself as CEO.

The remuneration committee meets twice a year or as often as necessary to enable it to effectively discharge its responsibilities. The frequency of meetings and the attendance record of committee members are disclosed in the directors' report.

A summary of the remuneration committee's charter is available on the Company's website.

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12.5 Remuneration report – audited

The following remuneration report outlines the remuneration arrangements for the Group's key management personnel. Key management personnel are those employees that have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company and senior executives for the Group including the five most highly remunerated Company and Group executives as follows:

Name	Position held
Non-Executive Directors	
Mr F P (Andy) Esteban	Non-Executive Director
Mr John Larum	Non-Executive Director
Mr Michael Shepherd	Non-Executive Director
Mr Anthony Civale	Non-Executive Director
Mr Grant Kelley	Non-Executive Director
Mr James Zelter	Non-Executive Director
Executive Directors	
Mr Spencer Young	Chairperson, CEO and Executive Director
Mr Sean McGould	Chief Investment Officer, Lighthouse Investment Partners, LLC
Executives	
Mr Craig Mowll	Chief Executive Officer, Certitude Global Investments Limited
Ms Amber Stoney	Chief Financial Officer, HFA Holdings Limited
Mr Scott Perkins	Director of Investor Relations, Lighthouse Investment Partners, LLC
Mr Kelly Perkins	Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
Mr Robert Swan	Chief Operating Officer, Lighthouse Investment Partners, LLC

The remuneration report is arranged in the following sections:

12.5.1 Remuneration policy	Remuneration for senior executives includes a mix of three components: • Fixed annual remuneration, comprising base salary, superannuation / benefits, and fringe benefits; • Short-term incentives; and • Long-term incentives.
12.5.2 Fixed remuneration	Determined by reference to appropriate benchmark information, and having regard to the senior executive's responsibilities, performance, qualifications and experience.
12.5.3 Short-term incentives (STI)	Short-term incentives are both performance based and contractual. The Group's STI programs provide senior executives (and other staff) with the opportunity to earn bonuses that are both cash and share-based.
12.5.4 Long-term incentives (LTI)	Long-term incentives are performance based. The Group's LTI programs provide senior executives (and other staff) with the opportunity to acquire shares in the Company where they succeed in achieving outcomes linked to the creation of long-term sustainable growth for Shareholders. These LTI plans are in the form of performance rights which are subject to the achievement of performance hurdles before vesting.

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12.5.5 CEO remuneration package	The CEO's remuneration package includes a mix of the following components: • Fixed annual remuneration, comprising base salary, superannuation / benefits, and fringe benefits; • Retention incentives; • Short-term incentives; and • Long-term incentives.
12.5.6 Service agreements	The remuneration and other terms of employment for senior executives are formalised in service agreements. These service agreements deal with notice periods and entitlements upon termination.
12.5.7 Relationship between remuneration policy and company performance	The overall level of key management personnel's remuneration takes into account the Group's performance and benefits for shareholders' wealth.
12.5.8 Non-executive directors	Non-executive directors receive director fees which have been determined by reference to external benchmarks, surveys and fees paid to other non-executive directors of comparable companies.
12.5.9 Directors' and executives' remuneration	Full details of directors' and senior executives' remuneration for the 2011 and comparative financial years.
12.5.10 Analysis of cash bonuses included in remuneration	Details of the vesting profile of short-term cash bonuses awarded to senior executives during the financial year.
12.5.11 Analysis of performance rights granted as remuneration	Details of performance rights granted as remuneration.

12.5.1 Remuneration policy

The overall objective of the Group's remuneration policies is to support the business strategy of the Group by attracting, retaining and rewarding quality executive employees and staff, with a view to aligning employee and shareholder goals. External remuneration benchmarks and surveys are considered when setting remuneration levels.

These remuneration policies take into account:

- the capability and experience of key management personnel;
- key management personnel's ability to control relevant performance;
- the Group's performance; and
- the amount of incentives within each key management person's remuneration package.

Remuneration packages include a mix of fixed remuneration plus performance linked remuneration which includes a short-term incentive and may include a long-term incentive.

12.5.2 Fixed remuneration

Fixed remuneration consists of base salary, as well as employer contributions to defined contribution superannuation and retirement plans. Fixed remuneration is determined by reference to appropriate benchmark information, and having regard to the senior executive's responsibilities, performance, qualifications and experience.

Individual performance evaluations are undertaken for the Company's senior executives in accordance with the Company's employment policies. These performance evaluations assist the board and senior management to make appropriate remuneration decisions. Key executive remuneration levels are reviewed annually through a process that considers individual and overall performance of the Group. A senior executive's remuneration is also reviewed on promotion. During the reporting period, evaluations were carried out on the performance of senior executives as part of the salary reviews.

12.5.3 Short-term incentives (STI)

Contractual

In accordance with their service agreements, Mr Kelly Perkins and Mr Robert Swan are entitled to semi-annual compensation calculated as 1.25% and 1.00% respectively of the gross revenue of Lighthouse Investment Partners, LLC. This semi-annual bonus forms part of the Lighthouse STI bonus pool outlined below.

Performance based

Performance based STIs are paid to senior executives and employees in the form of cash, but may be satisfied by the issue of shares. These bonuses are paid on a semi-annual, annual or ad hoc basis depending on the details of the plan under which they fall.

The aim of the arrangements in place across the Group is to recognise the contributions and achievements of individuals. Performance measures generally include measures relating to the Group and the individual, and include financial, people, client service, strategy and risk measures as appropriate. The measures are chosen as they directly align the individual's reward to the success of the Group and to its strategy and performance.

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STI bonuses allocated to the CEO are reviewed and recommended to the board by the remuneration committee. Performance based STI bonuses are allocated to other senior executives based on qualitative assessments of an individual's performance during the previous year as well as the achievement of tangible performance indicators.

Australian distribution staff are eligible for an STI based on a "Sales Incentive Scheme", which determines the cash bonus as a function of net funds raised by each individual over a pre-determined minimum threshold. Other Australian staff and executives are entitled to a discretionary STI bonus, determined after taking into account their achievement of performance measures and the overall performance of the business unit.

Employees of Lighthouse Investment Partners, LLC are entitled to participate in a STI bonus pool which is determined as up to 20% of EBITDA of Lighthouse Investment Partners, LLC. Allocation of the STI bonus pool is recommended by senior management of Lighthouse based on achievement of performance measures.

Lighthouse distribution staff are eligible to participate in a separate and discretionary bonus pool. Allocation of this bonus pool is recommended by senior management of Lighthouse based on achievement of performance measures.

In December 2009, Lighthouse management recommended, and the board approved, the grant of 8,547,009 shares (pre share consolidation) to senior Lighthouse executives in addition to the cash bonus pool. The shares were granted for the purpose of recognition of staff contribution to the growth of the Lighthouse business during the year and to provide additional motivation to retain key staff within the business. The non-cash expense recognised in relation to this grant of shares for the year ended 30 June 2010 totalled $1,743,017. No additional shares were issued to Lighthouse staff as STIs during the year ended 30 June 2011.

Refer section 12.5.5 for details regarding the STI components of the CEO's remuneration package.

12.5.4 Long-term Incentives (LTI)

Offers of rights to issued shares in the Company are issued under the HFA Holdings Limited Performance Rights Plan. Rights issued under this plan provide long-term incentives for employees and management to contribute to the long-term profitability and share price growth of the Group through direct growth in the value of their shareholdings and future dividend streams.

No consideration is payable by employees upon the issue of performance rights or in respect of the shares to be issued upon the exercise of the performance rights. Vesting conditions must be satisfied for the performance rights to be exercised.

2008 Employee Performance Rights Plan

On 12 March 2008, the board approved the allocation of 3,955,000 (pre share consolidation) performance rights to employees of the HFA Australian business.

The performance rights vested in tranches of 25%, 35% and 40% with respective vesting dates of 31 December 2008, 31 December 2009 and 31 December 2010. Vesting conditions included being employed by the Group at relevant vesting dates and meeting performance hurdles relating to assets under management, base revenue (excluding performance fees) and EBITDA.

The HFA Holdings Limited board retained the ability to permit vesting in circumstances where hurdle thresholds are not met but commercial circumstances warrant limited or full vesting.

Allocations under the performance rights plan were approved by the board based on recommendations from the CEO, with seniority in the organisation and potential to contribute to the future success of the Group forming the basis of these recommendations.

Tranche 1 vested on 31 December 2008. 100% of the shares (901,250 pre consolidation shares) available under the tranche for eligible employees were issued at the discretion of the board. The non-cash expense recognised in relation to Tranche 1 for the year ended 30 June 2009 (Represented) totalled $237,127.

Tranche 2 vested on 31 December 2009. 30% of the shares (299,250 pre consolidation) available under the tranche for eligible employees were issued due to the satisfaction of the base revenue performance hurdle. The board did not exercise its discretion to vest any additional shares under Tranche 2. The non-cash expense recognised in relation to Tranche 2 for the year ended 30 June 2010 (Represented) totalled $217,931.

Tranche 3 vested on 31 December 2010. The Company had not met any of the agreed targets for vesting. The Board did not exercise its discretion to vest the shares and therefore the performance rights lapsed.

2011 Lighthouse Investment Partners Incentive Compensation Plan

On 3 December 2010, the board approved the allocation of 4,000,000 performance rights to employees of Lighthouse Investment Partners, LLC (Lighthouse).

The vesting of the performance rights is conditional on continued employment and on Lighthouse, on a stand-alone basis, achieving a minimum EBITDA of $35 million in a trailing twelve month period, provided such 12 month period commences on or after 1 January 2011 and ends before 31 December 2013.

The total non-cash expense recognised by the Group in relation to this plan for the year ended 30 June 2011 totalled $639,570 (2010 Represented: Nil).

Refer section 12.5.5 for details regarding the LTI components of the CEO's remuneration package.

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12.5.5 CEO remuneration package

The CEO remuneration package currently in place is made up of the following components:

Fixed remuneration - comprising base salary, superannuation and fringe benefits.

Retention incentives – performance rights subject to the achievement of certain strategic objectives for the 2011 financial year.

Short-term cash incentives – cash bonus payable based on achievement of certain strategic and financial objectives for the 2011, 2012 and 2013 financial years.

Short-term share based incentives – performance rights subject to the achievement of certain strategic and financial objectives for the 2011, 2012 and 2013 financial years.

Long-term share based incentives – performance rights subject to the achievement of Total Shareholder Return (TSR) and Earnings per Share (EPS) growth rates measured over a three year period, with vesting over a 5 year period. TSR is measured against the ASX 200 Accumulation index, with 50% of the rights vesting upon achievement of the top 50th percentile, 75% vesting on achievement of the top 75th percentile, and 100% vesting upon achievement of the top 90th percentile. 50% of the EPS rights vest upon achievement of a 37% EPS absolute compound growth rate, 75% vest on a 40% growth rate and 100% vest on a 43% growth rate.

The total non-cash expense recognised by the Group in relation to this plan for the year ended 30 June 2011 totalled $985,897 (2010 Represented: Nil).

12.5.6 Service agreements

The Group has entered into service agreements with each executive director and member of key management personnel. The contracts specify the duties and obligations to be fulfilled.

Mr Spencer Young, Chief Executive Officer, HFA Holdings Limited entered into an executive service agreement commencing on 1 July 2010.

The agreement was for an initial term of twelve months from commencement, and was extended for a further two year period on 28 June 2011.

The Group may terminate the agreement at any time for gross negligence or wilful misconduct.

The Group or Mr Young may terminate the agreement for any reason other than gross negligence or wilful misconduct at any time by giving the other twelve months' notice in writing. In the event that the Group terminates the agreement, Mr Young will be entitled to a payment of twelve months base salary, as well as a combination of cash and shares based on performance rights outstanding at the date of termination. The value of cash and shares paid on termination in relation to Mr Young's performance rights plan is subject to achievement of performance hurdles, contractual early vesting percentages and board discretion.

Mr Sean McGould, President, Chief Investment Officer Lighthouse Investment Partners. LLC

Mr Scott Perkins, Director of Investor Relations, Lighthouse Investment Partners, LLC

Mr Kelly Perkins Co-Chief Investment Officer, Lighthouse Investment Partners, LLC

Mr Robert Swan, Chief Operating Officer, Lighthouse Investment Partners, LLC

The above key management personnel entered into service agreements commencing on 7 March 2011. The agreements specify the duties and obligations to be fulfilled. The agreements are for an initial term of four years and thereafter shall automatically be extended for one year terms unless either the Group or the employee gives not less than sixty days notice of their intention not to extend the agreement.

The Group may terminate the agreement at any time for gross negligence or wilful misconduct. In these circumstances there is no entitlement to a termination payment.

The Group may terminate the agreement for any reason other than gross negligence or wilful misconduct at any time by giving not less than sixty days notice.

The employee may terminate the agreement at any time if the Group fails to comply in any material respect with the terms of the agreement, there is a material reduction in the compensation opportunities or there is a material and unconsented change to responsibilities.

The employee may terminate the agreement and his employment at any time for any reason other than gross negligence or wilful misconduct by giving not less than sixty days notice.

In these circumstance, a payment of $1,000,000 multiplied by the number of days since the fiscal year ending before termination divided by 365 will be made in lieu of any unpaid bonus.

Mr Sean McGould and Mr Scott Perkins are entitled to participate in incentive plans, including equity based plans.

Mr Kelly Perkins and Mr Robert Swan, in addition to their base salary, are entitled to semi-annual compensation calculated as 1.25% and 1.00% respectively of the gross revenue of Lighthouse Investment Partners, LLC.

Ms Amber Stoney, Chief Financial Officer, HFA Holdings Limited

Mr Craig Mowll, Chief Executive Officer, Certitude Global Investments Limited

Amber Stoney and Craig Mowll are each engaged pursuant to an executive services agreement.

The Group may terminate the agreement at any time, without notice for a number of reasons including bankruptcy, gross negligence or wilful and serious misconduct. In these circumstances there is no entitlement to termination payment. The employee may terminate the agreement at any time by giving six months notice and the Group may terminate the agreement at any time by giving six months notice or payment in lieu.

Amber Stoney and Craig Mowll may, from time to time, be invited to participate in employee incentive or similar schemes.

DIRECTORS' REPORT

12.5.7 Relationship between remuneration policy and company performance

The overall level of key management personnel's remuneration takes into account the performance of the Group over a number of years. In considering the Group's performance and benefits for shareholders' return, the remuneration committee have regard to the following indicators:

in thousands of USD	2011	2010	2009	2008	2007
Net profit / (loss) attributable to equity holders of the parent	5,527	4,205	(398,117)	31,632	15,993
Dividends paid	-	-	13,368	13,241	6,563
Dividends per share (US cents Represented)[1]	-	-	11.64	21.55	13.01
Closing share price (dollars)[1]	AUD 1.23	AUD 0.68	AUD 0.70	AUD 4.64	AUD 10.20
Change in share price (dollars)[1]	AUD 0.55	AUD (0.02)	AUD (3.94)	AUD (5.56)	AUD 3.44

[1] Prior year numbers have been adjusted to provide reasonable comparative amounts in light of HFA's 1 March 2011 4 to 1 share consolidation.

12.5.8 Non-executive directors

Non-executive directors receive director fees. The aggregate of non-executive director fees is capped at a maximum of AUD 750,000 per annum, as approved by shareholders at the annual general meeting held on 14 December 2007.

Directors' base fees are presently AUD 80,000 plus superannuation per annum, which has been determined by reference to external benchmarks, surveys and fees paid to other non-executive directors of comparable companies. Messrs Civale, Kelley and Zelter have elected not to receive remuneration or reimbursement from the Company for their roles as non-executive directors.

Directors' fees cover all main board activities and membership of any committee. Executive and non-executive directors may be reimbursed for their reasonable expenses properly incurred as directors.

Non-executive directors are not entitled to participate in executive remuneration schemes, may not receive options or bonus payments, and are not provided with retirement benefits other than statutory superannuation entitlements. Non-executive directors are not entitled to any benefits or payments on retirement from office.

Actual remuneration for non-executive directors for the financial year ended 30 June 2011 was $323,437 (2010 Represented: $200,292). This increase reflects additional fees paid to Mr FP Esteban for his position as director and chairman of wholly owned subsidiary Certitude Global Investments Limited, as well as reflecting a full year's service from Mr Michael Shepherd.

12.5.9 Directors' and executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of awarded key management personnel of the Group are:

		Short-term				Post-employment	Other long-term	Share-based payments			
		Salary & fees $	STI cash bonus [A] $	Annual leave $	Total $	Superannuation and retirement plan contributions $	Long service leave $	Shares and performance rights [B] $	Total $	S300A (1)(e)(i) Proportion of remuneration performance based	S300A (1)(e)(vi) Value of shares as a % of remuneration
Non-Executive Directors											
Mr F P (Andy) Esteban	2011[1]	138,474	-	-	138,474	12,463	-	-	150,937	-	-
	2010	74,534	-	-	74,534	6,708	-	-	81,242	-	-
Mr John Larum	2011	79,128	-	-	79,128	7,122	-	-	86,250	-	-
	2010	70,640	-	-	70,640	6,358	-	-	76,998	-	-
Mr Michael Shepherd	2011	79,128	-	-	79,128	7,122	-	-	86,250	-	-
	2010[2]	38,580	-	-	38,580	3,472	-	-	42,052	-	-
Executive Directors											
Mr Spencer Young	2011	395,640	49,455	40,051	485,146	15,034	53,165	985,897	1,539,242	67%	64%
	2010	253,307	-	1,140	254,447	12,769	13,614	-	280,830	-	-
Mr Sean McGould	2011	250,000	-	-	250,000	15,000	-	-	265,000	-	-
	2010	250,000	-	-	250,000	15,000	-	-	265,000	-	-
Executives											
Mr Craig Mowll	2011	341,772	237,384	21,520	600,676	15,034	568	-	616,278	39%	-
	2010[3]	44,202	-	3,912	48,114	3,192	8	-	51,314	-	-
Ms Amber Stoney	2011	207,384	197,820	7,780	412,984	15,034	2,017	-	430,035	46%	-
	2010[4]	99,622	17,660	1,709	118,991	8,541	3,831	17,052	148,415	23%	11%
Mr Scott Perkins	2011	250,000	406,809	-	656,809	19,931	-	99,933	776,673	65%	13%
	2010	250,000	307,823	-	557,823	10,143	-	183,017	750,983	65%	24%
Mr Kelly Perkins	2011	250,000	482,262	-	732,262	19,386	-	99,933	851,581	68%	12%
	2010	250,000	372,278	-	622,278	8,378	-	239,665	870,321	70%	28%
Mr Robert Swan	2011	250,000	406,809	-	656,809	19,931	-	99,933	776,673	65%	13%
	2010	250,000	307,823	-	557,823	10,143	-	183,017	750,983	65%	24%
Total	2011	2,241,526	1,780,539	69,351	4,091,416	146,057	55,750	1,285,696	5,578,919	55%	23%
	2010	1,580,885	1,005,584	6,761	2,593,230	84,704	17,453	622,751	3,318,138	49%	19%

[1]In addition to the $79,128 received by Mr F P (Andy) Esteban for his role as non-executive director of HFA Holdings Limited, he received $59,346 for his role as non-executive director of Certitude Global Investments Limited (appointed 21 May 2010). [2]Appointed 16 December 2009. [3]Appointed 14 May 2010. [4]Ms Amber Stoney took a leave of absence during the period 15 May 2009 to 12 October 2009. Her duties and responsibilities during that period were shared amongst other employees and members of key management personnel.

DIRECTORS' REPORT

Notes in relation to the table of directors' and executive officers' remuneration

A The STI cash bonus is for performance during the respective financial year and using the criteria set out in sections 12.5.3 and 12.5.5.

B The amounts shown as share-based payments in 2011 represents the accounting value for the performance rights which reflects the fair value of the performance rights at grant date, amortised over the period from grant date to vesting date. It does not represent the cash value of the performance rights to the executive and any cash value to the executive will be conditional on meeting the performance hurdles associated with the rights as detailed in section 12.5.4 and 12.5.5.

12.5.10 Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to key management personnel of the Group are detailed below:

Name	Included in remuneration	% Vested in year	% Forfeited in year	Payable in future years
Executive directors				
Mr Spencer Young	49,455	50%	50%[C]	214,780[D]
Executives				
Mr Craig Mowll	237,384	A	A	A
Ms Amber Stoney	197,820	A	A	A
Mr Scott Perkins	406,809	A	A	A
Mr Kelly Perkins	482,262	100%	0%	B
Mr Robert Swan	406,809	100%	0%	B

A Short-term incentive plans relating to these senior executives are discretionary and are awarded based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of these plans.

B As per their service agreements, Mr Kelly Perkins and Mr Robert Swan are entitled to semi-annual compensation calculated as 1.25% and 1.00% respectively of the gross revenue of Lighthouse Investment Partners, LLC. The amounts payable in future financial years are dependent on gross revenue earned for that year.

C Mr Young's cash bonus for the 2011 financial year was subject to the achievement of defined strategic objectives, and the following financial objectives: EBITDA of $19.1 million, and AUMA of $7.2 billion. 50% of the bonus was awarded in accordance with achievement of the defined objectives.

D As per his service agreement, Mr Young is entitled to a cash bonus of AUD $100,000 for each of the 2012 and 2013 financial years based on the achievement of certain strategic and financial objectives relating to those years. The amount payable in future years has been converted to USD using a 30 June 2011 rate of 1.0739.

12.5.11 Analysis of performance rights granted over equity instruments granted as remuneration

Details of the performance rights granted as remuneration to key management personnel are set out in the table below.

The right to receive these shares is conditional on continuing service, and the achievement of certain performance hurdles. Details of performance criteria are set out in sections 12.5.4 and 12.5.5.

No consideration is payable by employees upon the issue of performance rights or in respect of the shares to be issued upon the exercise of the performance rights.

No terms of equity settled share-based payment transactions (including performance rights granted as remuneration to a key management person) have been altered or modified during the reporting period or prior period.

12.5.11 Analysis of performance rights granted over equity instruments granted as remuneration (continued)

Executives	Number of rights granted	Grant date	[B] Fair value per right at grant date $	[B] Fair value per grant at grant date $	Vesting date	Financial year in which grant vests	Number of rights vested during 2011	[C] Number of options forfeited during 2011	[C] % Forfeited during 2011	[C] Value of rights lapsed during 2011 $
Number of rights quoted on a post 4 to 1 consolidation basis										
Mr Spencer Young	591,716	30/11/10	0.65	384,720	07/10/11	2012	-	-	-	-
	591,716	30/11/10	0.63	371,061	07/10/12	2013	-	-	-	-
	443,787	30/11/10	0.65	286,833	31/12/11	2012	-	-	-	-
	375,000	[A]	0.81	302,840	31/12/12	2013	-	-	-	-
	375,000	[A]	0.65	244,446	31/12/13	2014	-	-	-	-
	295,858	30/11/10	0.40	118,375	31/12/13	2014	-	-	-	-
	250,000	30/11/10	0.24	59,632	31/12/14	2015	-	-	-	-
	250,000	30/11/10	0.21	52,899	31/12/15	2016	-	-	-	-
	295,858	21/02/11	1.09	321,170	30/12/13	2014	-	-	-	-
	250,000	21/02/11	0.66	166,172	31/12/14	2015	-	-	-	-
	250,000	21/02/11	0.54	133,797	31/12/15	2016	-	-	-	-
Mr Scott Perkins	625,000	20/01/11	0.97	607,925	31/12/13	2014	-	-	-	-
Mr Kelly Perkins	625,000	20/01/11	0.97	607,925	31/12/13	2014	-	-	-	-
Mr Robert Swan	625,000	20/01/11	0.97	607,925	31/12/13	2014	-	-	-	-
Number of rights quoted on a pre 4 to 1 consolidation basis										
Ms Amber Stoney	80,000	12/03/08	AUD 0.85	AUD 67,992	31/12/10	2011	-	80,000	100%	AUD 67,992

A These performance rights form part of the STI component of the CEO's remuneration package and relate to the 2012 and 2013 financial years. Financial and strategic performance hurdles for these rights will be set at the start of the relevant financial year, at which point the final grant date will be determined. Fair value at grant date has been estimated as at 30 June 2011 using inputs current at that date.

B The fair value of the rights granted is calculated at grant date using either the Black Scholes option-pricing model or Monte Carlo simulation technique as appropriate. The total value per grant is allocated to remuneration over the relevant vesting / service period for each grant.

C Rights forfeited during the year represents rights that have lapsed due to performance criteria not being met. The value of the options lapsed represents the benefit forgone and is calculated using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

DIRECTORS' REPORT

12.6 Risk Management

Oversight of the risk management system

The board oversees the establishment, implementation, and annual review of the Company's risk management system. Management has established and implemented a risk management system for assessing, monitoring and managing all risks, including material business risks, for the Group. A summary of these procedures is contained on the Company's website. The CEO and the CFO have provided assurance, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed, found to be operating effectively and the same reported by management to the board. All risk assessments cover the entire financial year and the period up to the signing of the annual financial report for all material operations in the Group.

Risk profile

The Group's risk management policies and procedures are aimed at ensuring risks are identified, assessed and appropriately managed. The board reviews the status of the Group's risk profile at least annually. Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

Each business unit is responsible and accountable for implementing and managing the standards required.

Material business risks for the Company may arise from such matters as product investment performance, interest rate and exchange rate movements, actions by competitors, counterparty risk, systems risk, government policy changes, financial reporting, and the purchase, development and application of information technology systems.

Risk management and compliance and controls

The Group strives to ensure that its investment products are of the highest standard. The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The board's policy on internal control comprises the Company's internal compliance and control systems, including:

- Operating unit controls – Operating units confirm compliance with financial controls and procedures including information systems controls.
- Functional speciality reporting – Key areas subject to regular reporting to the board include finance, operations, regulatory and compliance.
- Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority, and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- compliance with financial services regulation;
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, foreign exchange rate management and credit risk management are included in notes 5 and 23 of the financial statements;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- environmental regulation compliance (see below).

Given the size and nature of the Group, the board does not consider it necessary to establish an internal audit function. The Group has a number of alternative policies in place in relation to independent oversight of compliance with financial services legislation, such as dedicated compliance resources in each business unit and the establishment of an external compliance committee for each registered scheme operated under an Australian Financial Services Licence.

Quality and integrity of personnel

Written confirmation of compliance with policies is obtained from all business units. Performance appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

Financial reporting

The CEO and the CFO have provided assurance in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors, and revised forecasts for the year are prepared regularly.

Environmental regulation

The Group's operations are not subject to any significant environmental regulation under either Australian or United States legislation. However, the board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

DIRECTORS' REPORT

12.7 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. Processes are in place to promote and communicate these standards of ethical behaviour.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned may only be present when the item is being considered at the board's discretion. Details of director related entity transactions with the Group are set out in note 28 to the financial statements.

Code of conduct

The Group has advised each director, manager and employee that they must comply with the Director or Employee Code of Conduct, as applicable, and the Employee Manual. The Codes of Conduct and Employee Manual cover the following:

- aligning the behaviour of the board and management with the Codes of Conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- fulfilling responsibilities to consumers by maintaining high standards of service, and safety;
- employment practices such as occupational health and safety, equal employment opportunity, training and educational support, community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation;
- managing actual or potential conflicts of interest;
- corporate opportunities, such as preventing directors, management and employees from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Company's assets; and
- reporting of unlawful or unethical behaviour and breaches of the Code of Conduct.

A summary of the Director and Employee Codes of Conduct is included on the Company's website.

Trading in general Company securities by directors and employees

In accordance with changes to the ASX Listing Rules, the Company updated its Trading Policy with effect from 1 January 2011.

The key elements of the Trading Policy are:

- identification of the designated officers to whom the policy applies, which includes all directors and all staff;
- prohibition of designated officers from trading in Company securities:
  - except during the four week period commencing the first business day after the announcement of half-yearly and annual results to the ASX, or the Annual General Meeting, or any additional period as determined by the board;
  - except during periods outside the above mentioned trading windows, where approval has been granted by the board or the board's delegate; and
  - whilst in possession of price sensitive information not yet released to the market.
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- requiring details to be provided of intended trading in the Company's shares;
- requiring details to be provided of the subsequent confirmation of the trade;
- identification of processes for unusual circumstances where discretion may be exercised in cases such as financial hardship;
- a prohibition on transactions or arrangements designed to limit the economic risk of security holdings in the Company over unvested entitlements.

The policy also details the insider trading provisions of the Corporations Act 2001 and is summarised on the Company's website.

12.8 Communication with shareholders

The board provides shareholders and the broader public with information in accordance with its Continuous Disclosure Policy and its Shareholder Communication Policy. A summary of each policy is contained on the Company's website.

DIRECTORS' REPORT

Continuous disclosure

The Continuous Disclosure Policy outlines how the Company identifies matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases.

The CEO is responsible for ensuring HFA complies with continuous disclosure requirements, whilst the company secretary oversees and monitors disclosure of information to the ASX, analysts, brokers, shareholders, investors, the media and the public.

Any matters requiring disclosure are advised to the ASX when they are discovered, and all staff must follow the Continuous Disclosure Process, which involves monitoring all areas of the Group's internal and external environment.

Shareholder communication

The Company shareholder communication platform consists of:

- the Company's Continuous Disclosure Policy which is designed to facilitate compliance with continuous disclosure obligations imposed under the Corporations Act 2001 and ASX Listing Rules;
- the Company's website which contains relevant information about the Company's activities and corporate governance framework;
- participation by shareholders at the Company's general meetings, to ensure a high level of accountability and identification with the Group's strategy and goals;
- attendance by the Company's auditor at the Company's Annual General Meeting to answer shareholder queries regarding the conduct of the audit and the preparation and content of the auditor's report; and
- the use of electronic technology where appropriate to facilitate greater effectiveness of corporate communication.

Information is made available on the Company's website within one day of public release. Important issues are presented to shareholders at general meetings as single resolutions. In particular, shareholders are requested to vote on the election and re-election of directors, the aggregate remuneration of non-executive directors, the granting of options and shares to directors, the remuneration report and changes to the Constitution.

A copy of the Constitution is available to any shareholder upon request.

13. Indemnification and insurance of directors and officers

Indemnification

The Company has agreed to indemnify current directors and former directors against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

The directors have not included details of the amount of the premium paid in respect of the directors' and officers' liability insurance contracts; as such disclosure is prohibited under the terms of the contract. The insurance premiums paid relate to costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain a personal advantage.

14. Auditor

KPMG continues in office as auditor in accordance with section 327 of the Corporations Act 2001.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and it is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or payable to KPMG for audit and non audit services are provided in note 26 of the financial statements.

DIRECTORS' REPORT

15. Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration required under section 307C of the Corporations Act 2001 is set out on page 30 and forms part of the directors' report for the financial year ended 30 June 2011.

16. 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.

Signed in accordance with a resolution of the directors:

Spencer Young
Chairperson/Executive Director/Chief Executive Officer

F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 18th day of August 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 audit for the financial year ended 30 June 2011 there have been:

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

KPMG

KPMG

Stephen Board
Partner

Dated at Brisbane this 18th day of August 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

in thousands of USD	Note	2011	2010 Represented	1 July 2009[1] Represented
Assets				
Cash and cash equivalents	10a	28,456	28,106	23,766
Investments in term deposits	10b	16,360	-	-
Trade and other receivables	11	12,145	10,924	15,734
Current tax assets	9b	16	426	249
Total current assets		56,977	39,456	39,749
Investments	12	3,666	2,022	1,882
Plant and equipment	13	1,259	1,377	1,536
Deferred tax assets	9b	-	250	402
Intangible assets	14	136,896	146,326	155,756
Other non-current assets	15	574	-	-
Total non-current assets		142,395	149,975	159,576
Total assets		199,372	189,431	199,325
Liabilities				
Trade and other payables	16	7,410	6,181	7,541
Employee benefits	17	5,546	3,749	4,303
Derivatives	18	-	1,159	-
Loans and borrowings	20	3,903	8,797	6,393
Total current liabilities		16,859	19,886	18,237
Employee benefits	17	245	146	176
Derivatives	18	-	-	2,804
Loans and borrowings	20	46,640	94,053	111,194
Total non-current liabilities		46,885	94,199	114,174
Total liabilities		63,744	114,085	132,411
Net assets		135,628	75,346	66,914
Equity				
Share capital		491,392	447,570	447,570
Reserves	21	12,491	1,558	(2,669)
Accumulated losses		(368,255)	(373,782)	(377,987)
Total equity attributable to equity holders of the Company		135,628	75,346	66,914

[1] With effect from 1 March 2011, the directors of HFA Holdings Limited determined that the functional currency of the Company is US dollars. Consistent with the change in functional currency, HFA Holdings Limited has elected to change its presentation currency from Australian dollars to US dollars. As such, in accordance with AASB 108.29, a third consolidated statement of financial position as at 1 July 2009, and notes to the represented US dollar amounts have been presented.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011

in thousands of USD	Note	2011	2010 Represented
Revenue	7a	67,969	64,020
Investment management costs		(12,304)	(10,568)
Net income from operating activities		**55,665**	**53,452**
Other income	7b	2	3
Expenses	7c	(44,310)	(40,098)
Equity settled transactions	7d	(1,733)	(1,961)
Results from operating activities		**9,624**	**11,396**
Finance income	8a	1,519	582
Finance costs	8a	(4,732)	(6,473)
Net finance costs		**(3,213)**	**(5,891)**
Profit before income tax		**6,411**	**5,505**
Income tax expense	9a	(884)	(1,300)
Net profit for the year		**5,527**	**4,205**
Attributable to:			
Owners of the Company		5,527	4,205
Profit for the period		**5,527**	**4,205**
Earnings per share			
Basic earnings per share (US cents)	22	4.51	3.62
Diluted earnings per share (US cents)	22	4.49	3.62

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

in thousands of USD	Note	2011	2010 Represented
Profit for the year		5,527	4,205
Other comprehensive income			
Foreign currency translation differences for foreign operations	8b	4,263	557
Effective portion of changes in fair value of cash flow hedges	8b	1,159	1,645
Net change in fair value of available-for-sale financial assets	8b	(91)	91
Income tax on other comprehensive income	8b/9a	27	(27)
Other comprehensive income for the year, net of income tax		5,358	2,266
Total comprehensive income for the year		10,885	6,471
Attributable to:			
Owners of the Company		10,885	6,471
Total comprehensive income for the year		10,885	6,471

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

		Attributable to equity holders of the Company						
in thousands of USD	Note	Share Capital	Share Based Payments Reserve	Fair Value Reserve	Hedging Reserve	Translation Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2009 (Represented)[1]		447,570	10,357	-	(2,804)	(10,222)	(377,987)	66,914
Total comprehensive income for the year								
Profit / (loss) for the year		-	-	-	-	-	4,205	4,205
Other comprehensive income								
Foreign currency translation differences, net of tax	8b	-	-	-	-	557	-	557
Effective portion of changes in fair value of cash flow hedges, net of tax	8b	-	-	-	1,645	-	-	1,645
Net change in fair value of available-for-sale financial assets, net of tax	8b	-	-	64	-	-	-	64
Total other comprehensive income		-	-	64	1,645	557	-	2,266
Total comprehensive income for the year		-	-	64	1,645	557	4,205	6,471
Transactions with owners, recorded directly in equity								
Equity settled transactions	19	-	1,961	-	-	-	-	1,961
Total transactions with owners		-	1,961	-	-	-	-	1,961
Balance at 30 June 2010 (Represented)		447,570	12,318	64	(1,159)	(9,665)	(373,782)	75,346

[1] With effect from 1 March 2011, the directors of HFA Holdings Limited determined that the functional currency of the Company is US dollars. Consistent with the change in functional currency, HFA Holdings Limited has elected to change its presentation currency from Australian dollars to US dollars. As such, in accordance with AASB 108.29, a third consolidated statement of financial position as at 1 July 2009, and notes to the represented USD amounts have been presented.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

		Attributable to equity holders of the Company						
in thousands of USD	Note	Share Capital	Share Based Payments Reserve	Fair Value Reserve	Hedging Reserve	Translation Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2010 (Represented)		447,570	12,318	64	(1,159)	(9,665)	(373,782)	75,346
Total comprehensive income for the year								
Profit / (loss) for the year		-	-	-	-	-	5,527	5,527
Other comprehensive income								
Foreign currency translation differences, net of tax	8b	-	-	-	-	4,263	-	4,263
Effective portion of changes in fair value of cash flow hedges, net of tax	8b	-	-	-	1,159	-	-	1,159
Net change in fair value of available-for-sale financial assets, net of tax	8b	-	-	(64)	-	-	-	(64)
Total other comprehensive income		-	-	(64)	1,159	4,263	-	5,358
Total comprehensive income for the year		-	-	(64)	1,159	4,263	5,527	10,885
Transactions with owners, recorded directly in equity								
Issue of convertible notes, net of tax	20	43,822	-	-	-	-	-	43,822
Issue of share options, net of tax	19	-	3,842	-	-	-	-	3,842
Equity settled transactions	19	-	1,733	-	-	-	-	1,733
Total transactions with owners		43,822	5,575	-	-	-	-	49,397
Balance at 30 June 2011		491,392	17,893	-	-	(5,402)	(368,255)	135,628

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

In thousands of USD	Note	2011	2010 Represented
Cash flows from operating activities			
Cash receipts from customers		70,154	71,791
Cash paid to suppliers and employees		(47,367)	(45,215)
Cash generated from operations		22,767	26,576
Interest received		893	480
Dividends and distributions received		28	-
Income taxes paid / (refunded)		42	(1,420)
Net cash from operating activities	10c	23,750	25,636
Cash flows from investing activities			
Acquisition of plant and equipment		(440)	(463)
Acquisition of investments in financial assets designated at fair value through the profit or loss		(1,493)	(150)
Acquisition of investments in cash term deposits		(16,360)	-
Acquisition of other non-current assets		(574)	-
Proceeds from disposal of investment		171	263
Net used in investing activities		(18,696)	(350)
Cash flows from financing activities			
Proceeds from the issue of convertible notes		75,000	-
Transaction costs relating to the issue of convertible notes		(4,557)	-
Repayment of borrowings		(75,136)	(15,821)
Borrowing costs		(546)	(124)
Interest paid		(3,587)	(5,684)
Net cash used in financing activities		(8,826)	(21,629)
Net increase/(decrease) in cash and cash equivalents		(3,772)	3,657
Cash and cash equivalents at 1 July		28,106	23,766
Effect of exchange rate fluctuations on cash balances held in foreign currencies		4,122	683
Cash and cash equivalents at 30 June	10a	28,456	28,106

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

1. Reporting entity

HFA Holdings Limited (the "Company" / "HFA") is domiciled in Australia. HFA is a company limited by shares, incorporated in Australia whose shares are publicly listed on the Australian Securities Exchange. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (the "Group").

HFA has two Australian domiciled wholly owned subsidiaries, Certitude Global Investments Limited (formerly HFA Asset Management Limited) ("Certitude") and Admin Pty Ltd (formerly HFA Admin Pty Ltd) ("Admin"). Certitude is the responsible entity for the Australian based investment schemes. Admin is a service entity to Certitude and provides administrative services including staff, premises and other resources to Certitude and the Company.

HFA's US operations (the "Lighthouse Group") comprises eight foreign entities being HFA Lighthouse Holdings Corp, HFA Lighthouse Corp, LHP Investments LLC, Lighthouse Investment Partners LLC, Lighthouse Partners NY LLC, Lighthouse Partners UK LLC (all incorporated in the United States), Lighthouse Partners Limited (HK) (incorporated in Hong Kong) and LHP Ireland Fund Management Limited (incorporated in Ireland). Lighthouse Investment Partners LLC is the investment manager for the Lighthouse investment schemes.

The registered office of HFA is Level 5, 151 Macquarie Street, Sydney NSW 2000.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements are presented in US dollars. The amounts contained in this financial report have been rounded to the nearest thousand dollars in accordance with the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998, unless otherwise stated.

The consolidated financial statements were approved by the board of directors on 18 August 2011.

Apart from the changes in accounting policy noted below, the accounting policies adopted are consistent with those disclosed in the annual financial report for the year ended 30 June 2010. Certain comparative information has been restated to be presented on a consistent basis with the current year's presentation.

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis. As such, the consolidated financial statements have been prepared on a historical cost basis except for the following items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through the profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value.

The methods used to measure fair value are discussed further in note 4.

(c) Functional and presentation currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates, which should reflect the economic substance of the underlying events and circumstances relevant to the Company. In March 2011, the Company issued $75 million in US dollar (USD) denominated convertible notes. In addition to these convertible notes, the majority of the Group's revenue and its secured bank loan facility are also denominated in USD. Consequently, the Company announced on 2 March 2011 that the directors had determined that the functional currency of the Company is USD. This change in functional currency has been applied prospectively as a change in estimate with effect from 1 March 2011 in accordance with the requirements of the Accounting Standards.

Following the change in functional currency, HFA Holdings Limited elected to change its presentation currency from Australian dollars (AUD) to USD. The directors believe that changing the presentation currency will provide shareholders with a more accurate reflection of the Company's and Group's underlying performance. The change in presentation currency reflects a voluntary change in accounting policy, which has been applied retrospectively.

To give effect to the change in functional currency, the assets and liabilities of group entities with an AUD functional currency as at 28 February 2011 were converted to USD at a fixed exchange rate on 1 March 2011 of AUD 1 : USD 1.0163 and the contributed equity, reserves and retained earnings were converted at applicable historical rates.

In order to derive USD comparatives ("Represented") to reflect the change in presentation currency, the AUD functional currency assets and liabilities at 30 June 2010 were converted at a spot rate of AUD 1 : USD 0.8523; the AUD functional currency assets and liabilities at 1 July 2009 were converted at a spot rate of AUD 1 : USD 0.8114; revenue and expenses for the year ended 30 June 2010 were converted at an average exchange rate of AUD 1 : USD 0.8830, or at the exchange rates ruling at the date of the transaction to the extent practicable, and equity balances were converted at applicable historical rates.

The change in functional and presentation currency resulted in a change in the foreign currency reserve as at 1 July 2009 from AUD 117.443 million to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

USD (10.222) million. Refer to note 31 for detailed disclosure regarding the impact of the change in presentation currency on the comparative figures included in the consolidated financial statements.

Earnings per share for the financial year ended 30 June 2010 has also been restated to USD to reflect the change in the presentation currency (refer note 22).

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimations applied to determine the reported amounts of assets, liabilities, income and expenses is included in the following notes:

- note 9b - utilisation of tax losses
- note 12 - measurement of investments
- note 14 - measurement of the recoverable amounts of cash-generating units containing goodwill
- note 19 - measurement of share based payments
- note 23 - valuation of financial instruments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

note 9b - utilisation of tax losses

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(c) which addresses the change in accounting policy relating to the Group's presentation currency.

(a) Basis of consolidation

The consolidated financial statements are those of the Group, comprising HFA Holdings Limited (the parent company) and all entities that HFA Holdings Limited controlled from time to time during the period and at the reporting date.

(i) Business combinations

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

For acquisitions between 1 July 2004 and 1 July 2009, goodwill represents the excess of the costs of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

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

No acquisitions have been carried out post 1 July 2009.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

The results and financial position of all Group entities that have a functional currency different to the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings designated as hedges of such investments, are taken to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Transactions in foreign currencies have been converted at rates of exchange ruling on the date of those transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets such as investments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in equity.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial instruments (including instruments designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Cash and cash equivalents and investments in term deposits: Cash and cash equivalents and investments in term deposits comprise cash balances, call deposits and investments in term deposits with a maturity period of greater than 90 days.

Trade and other receivables: Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value, and then subsequently are measured at amortised cost using the effective interest rate method, less impairment losses (see accounting policy (g)).

Available-for-sale financial assets: The Group's investments in equity securities are non-derivative financial assets that are classified as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy (g)), are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss: A financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on the fair value in accordance with the Group's investment strategy or risk management strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The Group has the following non-derivative financial liabilities:

Trade and other payables: Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.

Loans and borrowings: Loans and borrowings are recognised initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Derivative financial instruments, including hedge accounting

The Group has held derivative financial instruments to hedge certain foreign currency and interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes

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in the fair value or cash flows of the respective hedged items attributable to hedged risk.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein accounted for as described below.

Cash flow hedges: Changes in fair value of derivative hedging instruments designated as cash flow hedges are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.

(iv) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. Fair value is calculated by discounting estimated future cash flows using a market rate of interest. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying mounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method, which ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried on the balance sheet. Interest expense in this context includes amortisation of transaction costs as well as any interest or coupon payable while the liability is outstanding.

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

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(v) Share Capital

Ordinary shares: Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Leased assets

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(e) Plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "expenses" in profit or loss.

(ii) Depreciation

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

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

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

(f) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a).

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses (see accounting policy (g)).

(ii) Management rights and customer relationships

Where acquired separately, management rights and customer relationship assets are capitalised at cost. Subsequent to acquisition, the assets are measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy (g)).

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(iii) Other intangible assets

Other intangible assets acquired by the Group, which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Management rights and customer relationships	5 - 10 years
Trademarks	20 years
Capitalised software development costs	5 years

(g) Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy (n)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognised if, as a result of a past event the Group has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other long-term employee benefits

The Group's obligation in relation to long-term employee benefits is the amount of future benefits that employees have earned in return for their

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service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate used is the government cash deposit rate at reporting date.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

(iv) Share based payments

The Group provides benefits to its employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The grant date fair value of share-based payment awards granted to employees is recognised as an equity settled transaction expense in the profit or loss, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects: (i) the grant date fair value of the award; (ii) the extent to which the vesting period has expired; and (iii) the current best estimate of the number of awards that will vest.

Share based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

Management fees and performance fees

Periodic management fees are received for management services provided by Group entities that act as investment manager in relation to various investment products. These fees are recognised as revenues as the management services are provided.

Periodic performance fees are received by Group entities that act as investment manager of various investment products when the performance of the product exceeds a predetermined level. These fees are recognised as revenues when it is established that performance of the investment product has exceeded the required level.

(k) Investment management costs

Investment management costs consist of fees for investment management services from investment advisors and distribution rebates paid to financial advisors and other third party distributors. These costs are recognised on an accrual basis.

(l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend and distribution income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets held at fair value through the profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend and distribution income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, losses on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Fees paid in relation to the negotiation of the Group's finance facility are also included in finance costs.

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

(n) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 May 2006 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is HFA Holdings Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes share options granted to employees.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO and board of directors to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the CEO and board of directors include items directly attributable to a segment.

Unallocated items comprise assets and liabilities relating to the corporate parent entity, HFA Holdings Limited and Australian service entity Admin Pty Ltd, corporate expenses and amounts that are eliminated on consolidation of the Group.

(r) New standards and interpretations not yet adopted

AASB 9 Financial Instruments will become mandatory for the Group's 30 June 2014 consolidated financial statements and could change the classification and measurement of financial assets held by the Group. The extent of the impact has not yet been determined.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of the fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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Investments in equity securities and investment vehicles: The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their closing unit price or quoted closing bid price at the reporting date.

Derivatives: The fair value of interest rate swaps is based on valuations received from the interest swap provider. These valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at measurement date.

Non-derivative financial liabilities: Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Share-based payment transactions: The fair value of employee performance rights plans are measured using either Monte Carlo Sampling, or the Black Scholes pricing model. Measurement inputs include share price on grant date, exercise price of the instrument, life of the instrument, expected dividends, and the risk free interest rate (based on government bonds) and any market conditions attached to the rights. Service and non-market conditions are not taken into account in determining fair value.

5. Risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, employee manuals and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework and oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and investment securities.

Cash and cash equivalents, and investments in term deposits

The Group held cash and cash equivalents, and investments in term deposits, of $44,816 thousand at 30 June 2011 (2010 Represented: $28,106 thousand), which represents its maximum credit exposure on these assets.

Cash and cash equivalents and investments in term deposits held in Australia are held with bank and financial institution counterparties, which are rated BBB to AA for long-term deposits and A2 to A1+ for short term deposits (Standard & Poor's).

Cash and cash equivalents held in the United States are held with SunTrust Bank Inc. in deposit accounts which are rated BBB for long-term deposits, and A-2 for short term deposits (Standard & Poor's).

Trade and other receivables

The Group's exposure to credit risk is predominantly related to management fees, performance fees and other related fees from products managed by the Group. The largest fund managed by the Group is the Lighthouse Diversified Fund, which represents approximately 42% of Group Assets under Management and Advice (AUMA) and 44% of trade and other receivables as at 30 June 2011.

Investments

The Group limits its exposure to credit risk from investments by only investing in either quoted securities or unquoted securities where the investment entity is managed by the Group. Based on historical performance, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient resources available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains 12 month rolling forecasts, which assist it in monitoring cash flow requirements and optimising its return on cash investments. The Group ensures that it has sufficient cash on demand to meet operational requirements, including the servicing of financial obligations. This approach excludes the potential impact of extreme circumstances which cannot be predicted.

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Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on fee revenue, receivables and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. This relates primarily to AUD denominated balances held by HFA Holdings Limited which has a functional currency of USD.

In addition, the Group is exposed to currency risk in respect of financial assets and liabilities denominated in AUD and the foreign currency risk of net assets relating to the Group's subsidiaries with an AUD functional currency. The Group is also exposed to currency risk in respect of the translation of its AUD earnings.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's cash and cash equivalents, investments in term deposits and secured bank loans. Interest rates on secured bank loans are on a variable rate basis. The Group does not currently have any interest rate swaps in place in relation to these borrowings. However, regular reviews of interest rate structures are performed to monitor potential exposure.

Equity risk

Equity price risk arises from available-for-sale assets and financial assets designated at fair value through profit or loss. Available-for-sale financial assets consist of investments in ordinary shares. Financial assets designated at fair value through profit or loss are units in investment vehicles that would otherwise be classified as available-for-sale. The value of these investments held by the Group is not considered to result in any significant risk to the Group's income.

Further information on credit risk, liquidity risk and market risk is included at note 23.

Capital management

The Group aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, the level of dividends paid and related dividend policy. Capital consists of share capital, retained losses, share options and the equity portion of convertible notes.

During the financial year ended 30 June 2011, the Group entered into the following transactions that impacted the capital structure of the Group:

(a) The issue of $75 million of convertible notes by the Company, which will result in the issue of fully paid ordinary shares in the capital of the Company on the conversion of the convertible notes. Details of convertible notes are included at note 20.

(b) The grant and issue of 31,250,000 options, each convertible into one fully paid ordinary share in the capital of the Company at an exercise price of AUD 8.00 and exercisable during a period of 8 years following issue. Details regarding the impact of these options on the Group's financial statements are included in notes 19 to 22.

Of the proceeds from the issue of the convertible notes, $65 million was used to pay down the Group's external loan facility.

The Group's net debt to adjusted equity ratio at the end of the reporting date was as follows:

in thousands of USD	2011	2010 Represented
Total liabilities	63,744	114,085
Less: cash and cash equivalents, and investments in term deposits	(44,816)	(28,106)
Net debt	18,928	85,979
Total equity	135,628	75,346
Add: amounts accumulated in equity relating to cash flow hedges	-	1,159
Adjusted equity	135,628	76,505
Net debt to adjusted equity ratio at 30 June	0.14	1.12

The Group's capital management policies are also monitored to ensure that they are within the requirements of the Group's external debt facility, and convertible note terms.

Australian Financial Services Licence Requirements

In accordance with the requirements of the Australian Securities and Investments Commission Australian Financial Services Licence, Certitude must ensure that at all times the value of its net tangible assets are maintained at an amount equal to not less than 0.5% of scheme property, up to a maximum of AUD 5 million. Certitude's position is actively monitored to ensure compliance with this requirement. The requirement was complied with throughout the year.

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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 for Australian based funds, and the Australian service entity Admin Pty Ltd.
- **United States**. Includes the US based Lighthouse Group, which acts as a global absolute return funds manager for US and Cayman Island based funds.
- **Unallocated / Corporate.** Includes the corporate parent entity, HFA Holdings Limited.

Information regarding the results of each reportable segment is included below.

Performance, as reviewed by the Group's CEO and board of directors, is measured on segment results before foreign exchange movements on the intercompany loan balance between HFA Holdings Limited and its wholly owned US Subsidiary (which eliminate on consolidation of the Group).

Segments results have been adjusted for the impact of these foreign exchange movements and are disclosed in the below table as "Adjusted reportable segment profit before income tax".

This intercompany loan balance was converted to equity in October 2009 and no further translation or valuation gains or losses have arisen during the financial year ended 30 June 2011.

Integration between segments

$576 million (2010 Represented: $494 million) of AUMA which is managed by Certitude is invested in funds managed by Lighthouse. This cross investment results in management and performance fee rebates between the Australian and US reportable segments.

Major revenue source

The Group's revenue relates to management and performance fees received for management services provided by Group entities that act as investment manager in relation to various investment products.

50% of the Group's total revenue relates to management fees and performance fees earned on the Lighthouse Diversified Fund, which represents 42% of Group AUMA as at 30 June 2011.

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For the year ended 30 June 2011

6. Operating segments (continued)

in thousands of USD	Reportable Segments						Reconciliation to consolidated totals					
	Australia		United States		Total reportable segments		Unallocated/ Corporate		Elimination		Consolidated	
	2011	2010 Represented	2011	2010 Represented	2011	2010 Represented	2011	2010 Represented	2011	2010 Represented	2011	2010 Represented
External revenue	11,953	15,016	56,016	49,004	67,969	64,020	-	-			67,969	64,020
Inter-segment revenue	-	-	2,497	2,608	2,497	2,608	-	-	(2,497)	(2,608)	-	-
Investment management costs	(3,319)	(3,478)	(11,482)	(9,698)	(14,801)	(13,176)	-	-	2,497	2,608	(12,304)	(10,568)
Net income from operating activities	**8,634**	**11,538**	**47,031**	**41,914**	**55,665**	**53,452**	**-**	**-**	**-**	**-**	**55,665**	**53,452**
Other income	1	1	1	2	2	3	-	-	-		2	3
Operating expenses (excluding depreciation and amortisation)	(8,138)	(7,591)	(23,185)	(21,029)	(31,323)	(28,620)	(2,933)	(1,576)	-		(34,256)	(30,196)
Net finance income / (costs) (excluding interest)	(23)	(7)	(157)	(170)	(180)	(177)	1,272	580	(1,090)	(530)	2	(127)
Foreign currency movements on internal loan	-	-	-	(23,174)	-	(23,174)	-	-	-	23,174	-	-
Earnings before interest, tax, depreciation, amortisation and equity settled transactions	**474**	**3,941**	**23,690**	**(2,457)**	**24,164**	**1,484**	**(1,661)**	**(996)**	**(1,090)**	**22,644**	**21,413**	**23,132**
Equity settled transactions	-	(218)	(747)	(1,743)	(747)	(1,961)	(986)	-	-	-	(1,733)	(1,961)
Depreciation and amortisation	(209)	(167)	(9,845)	(9,735)	(10,054)	(9,902)	-	-	-		(10,054)	(9,902)
Interest revenue	949	423	3	7	952	430	19	51	-	-	971	481
Interest expense - external	-	-	(3,278)	(6,028)	(3,278)	(6,028)	(908)	(217)	-	-	(4,186)	(6,245)
Interest on internal loan	-	-	-	(3,516)	-	(3,516)	-	998	-	2,518	-	-
Reverse impairment of parent entity investment in subsidiary	-	-	-	-	-	-	122,822	-	(122,822)	-	-	-
Reportable segment profit before income tax	**1,214**	**3,979**	**9,823**	**(23,472)**	**11,037**	**(19,493)**	**119,286**	**(164)**	**(123,912)**	**25,162**	**6,411**	**5,505**
Adjusted reportable segment profit before income tax	1,214	3,979	9,823	(298)	11,037	3,681	119,286	(164)	(123,912)	1,988	6,411	5,505
Income tax (expense) / benefit	(836)	(1,264)	22	(9)	(814)	(1,273)	(70)	(27)	-	-	(884)	(1,300)
Reportable segment profit after income tax	**378**	**2,715**	**9,845**	**(23,481)**	**10,223**	**(20,766)**	**119,216**	**(191)**	**(123,912)**	**25,162**	**5,527**	**4,205**
Segment assets	23,765	18,415	170,619	169,306	194,384	187,721	292,188	100,472	(287,200)	(98,762)	199,372	189,431
Segment liabilities	(3,731)	(2,856)	(36,220)	(110,569)	(39,951)	(113,425)	(24,255)	(1,253)	462	593	(63,744)	(114,085)
Net segment assets	**20,034**	**15,559**	**134,399**	**58,737**	**154,433**	**74,296**	**267,933**	**99,219**	**(286,738)**	**(98,169)**	**135,628**	**75,346**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

7. Revenue and expenses

Profit before income tax expense includes the following specific revenues and expenses whose disclosure is relevant in explaining the performance of the Group:

in thousands of USD	2011	2010 Represented
(a) Revenue		
Management fee income	64,130	62,746
Performance fee income	3,681	1,124
Origination fees	158	150
Total revenue	67,969	64,020
(b) Other income		
Sundry income	2	3
Total other income	2	3
(c) Expenses		
Personnel expenses[1]	(25,092)	(21,737)
Professional fees	(1,762)	(1,678)
Occupancy expenses	(1,954)	(2,094)
Marketing and promotion costs	(141)	(75)
Travel costs	(1,103)	(1,055)
Depreciation	(624)	(472)
Amortisation intangible assets	(9,430)	(9,430)
Other expenses	(4,204)	(3,557)
Total expenses	(44,310)	(40,098)
(d) Equity settled transactions		
Equity settled transactions – Personnel expenses	(1,625)	(1,961)
Equity settled transactions – Marketing and promotion costs	(108)	-
Total equity settled transactions	(1,733)	(1,961)

[1] Includes consolidated contributions to defined contribution and pension plans of $888 thousand (2010: $633 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

8. Finance income and costs

(a) Recognised directly in profit or loss

in thousands of USD	2011	2010 Represented
Finance income		
Interest income on bank deposits	971	481
Dividend and distribution income on available-for-sale financial assets	28	-
Net change in fair value of financial assets at fair value through profit or loss	357	-
Net foreign exchange gain	163	101
Total finance income	1,519	582
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(4,186)	(6,245)
Finance costs	(546)	(124)
Net change in fair value of financial assets at fair value through profit or loss	-	(104)
Total finance costs	(4,732)	(6,473)
Net finance costs recognised in profit or loss	(3,213)	(5,891)

(b) Recognised directly in other comprehensive income

in thousands of USD	2011	2010 Represented
Foreign currency translation difference for foreign operations	4,263	557
Effective portion of changes in fair value of cash flow hedges	1,159	1,645
Change in fair value of available-for-sale financial assets transferred to profit or loss	(91)	91
Income tax on income and expense recognised directly in equity	27	(27)
Finance income attributable to equity holders recognised directly in equity, net of tax	5,358	2,266

in thousands of USD	2011	2010 Represented
Recognised in:		
Translation reserve	4,263	557
Hedging reserve	1,159	1,645
Fair value reserve	(64)	64
	5,358	2,266

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For the year ended 30 June 2011

9a. Income tax expense

(a) Recognised in the income statement

in thousands of USD	2011	2010 Represented
Current tax expense		
Current year (expense) / benefit	860	(1,057)
Under (over) provided in previous periods	(357)	(77)
	503	(1,134)
Deferred tax expense		
Origination and reversal of temporary differences	(3,873)	3,343
Tax losses for which no deferred tax was recognised	(801)	(12,941)
Change in unrecognised temporary differences	3,287	9,432
Income tax expense reported in income statement	(884)	(1,300)

(b) Income tax recognised in other comprehensive income

	2011			2010 Represented		
in thousands of USD	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Foreign currency translation difference for foreign operations	4,263	-	4,263	557	-	557
Effective portion of changes in fair value of cash flow hedges	1,159	-	1,159	1,645	-	1,645
Change in fair value of available-for-sale financial assets	(91)	27	(64)	91	(27)	64
Income tax benefit / (expense) recognised in equity	5,331	27	5,358	2,293	(27)	2,266

(c) Reconciliation of effective tax rate

in thousands of USD	2011	2010 Represented
Accounting profit before tax	6,411	5,505
Income tax using the domestic corporation tax rate of 30% (2010: 30%)	(1,923)	(1,652)
Effect of tax rates in foreign jurisdictions*	(675)	2,896
Non-deductible expenses	(457)	(155)
Tax benefits not included in accounting profit	15	1,195
Tax exempt income	27	-
Tax losses for which no deferred tax is recognised	(801)	(12,941)
Changes in unrecognised temporary differences	3,287	9,434
Under provided in prior periods	(357)	(77)
Income tax expense on pre-tax net profit	(884)	(1,300)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The Group's consolidated effective tax rate for the year ended 30 June 2011 was 13.8% (for the year ended 30 June 2010: 23.6%). The effective tax rate for the year ended 30 June 2011 was impacted by the following factors:

De-recognition of the Lighthouse Group Deferred Tax Assets

A current year movement of $3,587 thousand in deferred tax assets relating to the Lighthouse Group has not been recognised in the profit or loss. This is due to the fact that deferred tax assets relating to the Lighthouse Group have been de-recognised and are carried off balance sheet.

The Lighthouse Group is in a taxable loss position for the year ended 30 June 2011. Despite the Lighthouse Group generating a positive operating result for the year, the significant tax deduction provided by the amortisation of goodwill created on the acquisition of the Lighthouse Group has nonetheless resulted in a taxable loss for the year ended 30 June 2011. Until such time as the Lighthouse Group is in a taxable position, the future benefits associated with the Lighthouse Group's existing tax losses and deductible temporary differences will not be recognised on the balance sheet as a deferred tax asset.

De-recognition of the Australian Group Deferred Tax Assets

$1,101 thousand of current year deferred tax assets relating to the Australian Tax Consolidated Group ("Australian Group") have been derecognised as at 30 June 2011. These assets are a combination of carried forward tax losses, capital losses and deductible temporary differences.

The Australian Group consists of HFA Holdings Limited, Admin Pty Ltd and Certitude Global Investments Limited.

The Australian Group is in a taxable loss position for the year ended 30 June 2011, and is forecast to remain in a tax loss position for the next several years. As a result, as at 30 June 2011, it is not probable that the Australian Group will produce sufficient taxable profits against which these deferred tax assets can be utilised.

The value of unrecognised deferred tax assets is reassessed at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

9b. Tax assets and liabilities

(a) Current tax assets

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Current tax assets	16	426	249

The current tax asset for the Group represents the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority.

(b) Recognised deferred tax assets

Deferred tax assets are attributable to the following:	Net assets / (liabilities)		
in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Deferred tax assets / (liabilities)			
Intangible assets	-	-	-
Amortisation / depreciation	-	44	2
Unrealised foreign currency gains	-	-	-
Available-for-sale financial assets	-	(25)	-
Other receivables	-	(5)	-
Trade creditors	-	57	136
Employee benefits	-	127	190
Loans and borrowings	-	-	-
Share based payments	-	-	-
Provisions	-	52	74
Other items	-	-	-
Carried forward tax losses recognised	-	-	-
Net tax assets / (liabilities)	-	250	402

Net deferred tax assets recognised as at 30 June 2011 relate to the Lighthouse Group. Please refer to section 9a(c) for details regarding the recognition of these balances.

(c) Unrecognised deferred tax assets

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

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Deductible temporary differences	204,757	235,029	237,904
Tax losses	36,811	25,352	12,411
	241,568	260,381	250,315

Unrecognised deferred tax assets for the year ended 30 June 2011 relate to both the Australian Group ($1,101 thousand) and the US Group ($240,467 thousand) and consist of impairment losses recognised in previous financial years, carried forward operating tax losses and deductible temporary differences.

Additional disclosure in relation to de-recognition of deferred tax assets is included in note 9a.

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For the year ended 30 June 2011

10a. Cash and cash equivalents

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Cash at bank	21,793	14,004	22,610
Call deposits	6,663	14,102	1,156
	28,456	28,106	23,766

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 23.

10b. Investments in term deposits

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Investments in term deposits	16,360	-	-

Relates to investments in cash term deposits with a maturity period of greater than 90 days. USD deposits earn interest of 0.2%, while AUD deposits earn interest of between 5.17% and 5.92%.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 23.

10c. Reconciliation of cash flows from operating activities

in thousands of USD	Note	2011	2010 Represented
Cash flows from operating activities			
Net profit/(loss) for the period (after tax)		5,527	4,205
Adjustments for:			
Depreciation expense	7c	624	472
Amortisation of intangible assets	7c	9,430	9,430
Equity settled transactions	7d	1,733	1,961
Interest expense on financial liabilities measured at amortised cost	8a	4,186	6,245
Finance costs	8a	546	124
Net loss on disposal of plant & equipment		4	149
Profit on disposal of investments		(88)	(264)
Fair value gain/(loss) on financial assets at fair value through profit or loss		(269)	104
Unrealised foreign currency gain		(151)	(138)
Income tax expense/(benefit), less income tax paid		926	(61)
Operating cash flow before changes in working capital and provisions		22,468	22,227
(Increase)/decrease in receivables		(215)	5,106
(Increase)/decrease in other assets		(534)	2
Increase/(decrease) in payables		491	(1,161)
Increase/(decrease) in provisions and employee benefits		1,540	(538)
Net cash from operating activities		23,750	25,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. Trade and other receivables

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Current			
Receivables due from Group managed products	10,521	9,707	14,532
Other receivables and prepayments	1,624	1,217	1,202
	12,145	10,924	15,734

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

Other receivables and prepayments relate to items such as prepaid expenses (principally in relation to insurance policies) and interest receivable on cash deposits.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 23.

12. Investments

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Non-current			
Available-for-sale financial assets	-	163	68
Financial assets designated at fair value through profit or loss	3,666	1,859	1,814
	3,666	2,022	1,882

Available-for-sale financial assets consist of investments in ordinary shares. This investment was disposed of during the current financial year.

The financial assets designated at fair value though profit or loss are units held in Group managed products that otherwise would have been classified as available-for-sale.

The Group's exposure to credit, liquidity and market rate risks related to other investments is disclosed in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

13. Plant and equipment

in thousands of USD	Furniture and Equipment	Computer Equipment	Leasehold Improvements	Total
Cost				
Balance at 1 July 2009 (Represented)	1,011	1,097	777	2,885
Additions	177	250	36	463
Disposals	(230)	(33)	(158)	(421)
Effect of movement in exchange rates	5	18	15	38
Balance at 30 June 2010 (Represented)	**963**	**1,332**	**670**	**2,965**
Balance at 1 July 2010 (Represented)	963	1,332	670	2,965
Additions	35	405	-	440
Disposals	-	(87)	-	(87)
Effect of movement in exchange rates	29	117	85	231
Balance at 30 June 2011	1,027	1,767	755	3,549
Depreciation				
Balance at 1 July 2009 (Represented)	(295)	(776)	(278)	(1,349)
Depreciation charge for the year	(134)	(236)	(102)	(472)
Disposals	157	30	62	249
Effect of movement in exchange rate	(2)	(9)	(5)	(16)
Balance at 30 June 2010 (Represented)	**(274)**	**(991)**	**(323)**	**(1,588)**
Balance at 1 July 2010 (Represented)	(274)	(991)	(323)	(1,588)
Depreciation charge for the year	(142)	(355)	(127)	(624)
Disposals	-	83	-	83
Effect of movement in exchange rate	(11)	(84)	(66)	(161)
Balance at 30 June 2011	(427)	(1,347)	(516)	(2,290)
Carrying amounts				
At 1 July 2009 (Represented)	716	321	499	1,536
At 30 June 2010 (Represented)	**689**	**341**	**347**	**1,377**
At 1 July 2010 (Represented)	689	341	347	1,377
At 30 June 2011	600	420	239	1,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

14. Intangible assets

in thousands of USD	Goodwill	Mgmt rights / Customer Relationships	Trademarks	Software	Total
Cost					
Balance at 1 July 2009 (Represented)	501,157	83,069	1,900	800	586,926
Additions	-	-	-	-	-
Written off	-	-	-	-	-
Effect of movement in exchange rates	83	487	-	-	570
Balance at 30 June 2010 (Represented)	**501,240**	**83,556**	**1,900**	**800**	**587,496**
Balance at 1 July 2010 (Represented)	501,240	83,556	1,900	800	587,496
Additions	-	-	-	-	-
Written off[1]	(1,721)	(10,156)	-	-	(11,877)
Effect of movement in exchange rates	-	-	-	-	-
Balance at 30 June 2011	**499,519**	**73,400**	**1,900**	**800**	**575,619**
Amortisation and impairment losses					
Balance at 1 July 2009 (Represented)	(407,356)	(23,431)	(143)	(240)	(431,170)
Amortisation for the year	-	(9,175)	(95)	(160)	(9,430)
Impairment losses	-	-	-	-	-
Effect of movement in exchange rate	(83)	(487)	-	-	(570)
Balance at 30 June 2010 (Represented)	**(407,439)**	**(33,093)**	**(238)**	**(400)**	**(441,170)**
Balance at 1 July 2010 (Represented)	(407,439)	(33,093)	(238)	(400)	(441,170)
Amortisation for the year	-	(9,175)	(95)	(160)	(9,430)
Written off[1]	1,721	10,156	-	-	11,877
Effect of movement in exchange rate	-	-	-	-	-
Balance at 30 June 2011	**(405,718)**	**(32,112)**	**(333)**	**(560)**	**(438,723)**
Carrying amounts					
At 1 July 2009 (Represented)	93,801	59,638	1,757	560	155,756
At 30 June 2010 (Represented)	**93,801**	**50,463**	**1,662**	**400**	**146,326**
At 1 July 2010 (Represented)	93,801	50,463	1,662	400	146,326
At 30 June 2011	**93,801**	**41,288**	**1,567**	**240**	**136,896**

[1]The carrying values of intangible assets relating to the Australian business were written down to a nil carrying value during the financial year ended 30 June 2009. The value of these assets has been removed from the opening cost and accumulated depreciation balances for the year ended 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

Impairment testing of intangible assets

The recoverable amount of goodwill and intangible assets is calculated as the present value of the estimated future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to those assets. Impairment testing on intangible assets is carried out annually, or when an impairment indicator exists (see note 3(g)).

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

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
US based funds management cash generating unit (US CGU)	Carrying amount	Carrying amount	Carrying amount
Goodwill	93,801	93,801	93,801
Management rights/customer relationships	41,288	50,463	59,638
Trademarks	1,567	1,662	1,757
Software	240	400	560
	136,896	146,326	155,756

30 June 2011 impairment testing

Impairment testing carried out on the US CGU as at 30 June 2011 did not result in the recognition of any additional impairment losses.

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 forecast for the US business approved by the board of directors for the 2012 to 2014 financial years. Forecasts for 2015 and 2016 were based on conservative revenue growth percentage that was in line with the long-term growth rate noted below, and normalised cost percentages.

A long-term growth rate of 5% was used in the terminal value component of the calculation. This rate was based on a 2.4% CPI long-term forecast plus 2.6% for real GDP as sourced from the Economist Intelligence Unit.

These cash flow projections were then discounted using the pre-tax discount rate of 15.3%.

There are no reasonably probable changes in assumptions that would result in an implied impairment.

30 June 2010 impairment testing

Impairment testing carried out on the US CGU as at 30 June 2010 did not result in the recognition of any additional impairment losses.

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 budget for the US business agreed by the executive directors for the 2011 to 2013 financial years. Forecasts for 2014 and 2015 were based on revenue growth that was broadly consistent with the approved growth rates for the 2011 to 2013 period and normalised cost percentages.

A long-term growth rate of 4.4% was used in the terminal value component of the calculation. This rate was based on a 2.4% CPI long-term forecast plus 2.0% for real GDP as sourced from the Economist Intelligence Unit.

These cash flow projections were then discounted using the pre-tax discount rate of 15.3%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

15. Other non-current assets

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Current			
Lease guarantee deposits	574	-	-
Total other non-current assets	574	-	-

Lease guarantee deposits relate to funds that are held in nominated accounts in relation to security deposits for the lease of office premises.

16. Trade and other payables

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Current			
Trade creditors	1,803	1,462	1,509
Other creditors and accruals	5,607	4,719	6,032
Total trade and other payables	7,410	6,181	7,541

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

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

17. Employee benefits

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Current			
Salaries and wages accrued	5,084	3,441	3,817
Liability for annual leave	462	308	486
Total employee benefits – current	5,546	3,749	4,303
Non-current			
Liability for long service leave	245	146	176
Total employee benefits – non-current	245	146	176

18. Derivatives

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Current			
Derivatives used for hedging	-	1,159	-
Total derivatives - current	-	1,159	-
Non-current			
Derivatives used for hedging	-	-	2,804
Total derivatives - non-current	-	-	2,804

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. There were no interest rate swaps outstanding as at 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

19. Share-based payments

The following share-based payment arrangements are reflected in the Group's financial statements for the year ended 30 June 2011.

Short term incentive share grant

During the year ended 30 June 2010, senior Lighthouse executives were granted the following shares as a short-term incentive for the purpose of recognition of staff contribution to the growth of the Lighthouse business during the 2010 year and to provide additional motivation to retain key staff within the business.

December 2009 Lighthouse Share Grant: 8,547,009 shares (pre share consolidation) issued to key management personnel and other senior employees of Lighthouse Investment Partners, LLC (Lighthouse).

Performance Rights

Employee Remuneration

In March 2008, the Company established the HFA Employee Performance Rights Plan. Rights issued under the plan entitle key management personnel and other employees to issued shares in the Company based on the achievement of a number of vesting conditions, including being employed by the Group at relevant vesting dates, and meeting specified performance hurdles.

The following offers to key management personnel and other employees have been made under the terms of this plan:

March 2008 Performance Rights: 3,955,000 (pre share consolidation) performance rights issued to key management personnel and other employees of the Australian Business.

December 2010 Lighthouse Performance Rights: 4,000,000 performance rights issued to key management personnel and other senior employees of Lighthouse Investment Partners, LLC (Lighthouse).

December 2010 CEO Performance Rights: 3,968,935 performance rights issued to Group CEO, Mr Spencer Young.

Marketing Expense

April 2011 Apollo Performance Rights: As part of the consideration for the services provided by the Apollo Group under the terms of the Marketing Agreement entered into between the Apollo Group and Lighthouse Investment Partners, LLC, Apollo were issued with 1,000,000 performance rights under the HFA Employee Performance Rights Plan.

Reconciliation of movements in performance rights

	Number of shares
Outstanding at 1 July 2009	2,100,000*
Forfeited during the period	(1,330,750)*
Issued during the period in relation to March 2008 Performance Rights	(299,250)*
Outstanding at 30 June 2010	**470,000***
Forfeited during the period in relation to March 2008 performance rights	(470,000)*
Issued in relation to December 2010 Lighthouse Performance Rights	4,000,000
Issued in relation to December 2010 CEO Performance Rights	3,968,935
Issued in relation to April 2011 Apollo Performance Rights	1,000,000
Outstanding at 30 June 2011	**8,968,935**

*Pre share consolidation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

19. Share-based payments (continued)

Terms and conditions of share-based payments

Description	Tranche	Total number of rights granted	Grant date	Expiry / Vesting Date	Financial year in which grant vests	Total number of rights outstanding at 30 June 2011	Vesting Conditions
March 2008 Performance Rights	Tranche 1	988,750[1]	12/03/2008	31/12/2008	2009	-	Continued employment; AUMA AUD 5.444 billion; Base Revenue AUD 50.986 million; EBITDA AUD 33.799 million
	Tranche 2	1,384,250[1]	12/03/2008	31/12/2009	2010	-	Continued employment; AUMA AUD 6.954 billion; Base Revenue AUD 72.685 million; EBITDA AUD 50.509 million
	Tranche 3	1,582,000[1]	12/03/2008	31/12/2010	2011	-	Continued employment; AUMA AUD 8.567 billion; Base Revenue AUD 93.563 million; EBITDA AUD 67.329 million
December 2009 Lighthouse Share Grant	Tranche 1	8,547,009[1]	9/02/2009	9/02/2009	2010	-	N/A
December 2010 Lighthouse Performance Rights	Tranche 1	4,000,000	20/01/2011	31/12/2013	2014	4,000,000	Continued employment; Lighthouse Investment Partners, LLC on a stand-alone basis, achieving a minimum EBITDA of $35 million in a trailing twelve month period between 1/01/2011 and 31/12/2013.
April 2011 Apollo Performance Rights	Tranche 1	1,000,000	1/04/2011	31/12/2013	2014	1,000,000	Lighthouse Investment Partners, LLC on a stand-alone basis, achieving a minimum EBITDA of $35 million in a trailing twelve month period between 1/01/2011 and 31/12/2013.

[1]Pre share consolidation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Terms and conditions of share-based payments (continued)

Share based payment	Tranche	Total number of rights granted	Grant date	Expiry / Vesting Date	Financial year in which grant vests	Total number of rights outstanding at 30 June 2011	Vesting Conditions
December 2010 CEO Performance Rights	Tranche 1 - Retention Rights	591,716	30/11/2010	7/10/2011	2012	591,716	Continued employment; Strategic Objectives set by Company board of directors.
	Tranche 2 - Retention Rights	591,716	30/11/2010	7/10/2012	2013	591,716	Continued employment; Strategic Objectives set by Company board of directors.
	Tranche 3 - STI Rights FY11	443,787	30/11/2010	31/12/2011	2012	443,787	Continued employment; FY11 Financial Objectives ($19.1m EBITDA and $7.2b AUMA); Strategic Objectives set by Company board of directors.
	Tranche 4 - STI Rights FY12	375,000	TBA[1]	31/12/2012	2013	375,000	Continued employment; FY12 Financial Objectives (EBITDA and AUMA); Strategic Objectives set by Company board of directors.
	Tranche 5 - STI Rights FY13	375,000	TBA[1]	31/12/2013	2014	375,000	Continued employment; FY13 Financial Objectives (EBITDA and AUMA); Strategic Objectives set by Company board of directors.
	Tranche 6 - EPS Rights FY13	295,858	21/02/2011	31/12/2013	2014	295,858	Continued employment; EPS absolute compound growth target for 1/7/2010 to 30/6/2013 period: 37% growth = 50% vest; 40% growth = 75% vest; 43% growth = 100% vest.
	Tranche 7 - EPS Rights FY14	250,000	21/02/2011	31/12/2014	2015	250,000	
	Tranche 8 - EPS Rights FY15	250,000	21/02/2011	31/12/2015	2016	250,000	
	Tranche 9 - TSR Rights FY13	295,858	30/11/2010	31/12/2013	2014	295,858	Continued employment; TSR performance relative to ASX 200 Accumulation Index for 1/7/2010 to 30/6/2013 period: Top 50th percentile = 50% vest; Top 75th percentile = 75% vest; top 90th percentile = 100% vest.
	Tranche 10 - TSR Rights FY14	250,000	30/11/2010	31/12/2014	2015	250,000	
	Tranche 11 - TSR Rights FY15	250,000	30/11/2010	31/12/2015	2016	250,000	

[1]Final performance hurdles are set for each of these tranches at the start of the financial period to which they relate. As such, the final grant date has not yet been determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

19. Share-based payments (continued)

Inputs for measurement of grant date fair values

The grant-date fair value of the share-based payments outlined above have been measured using the Black Scholes option-pricing model or Monte Carlo simulation technique as appropriate. The fair value, and inputs used in the measurement of the fair values are the following:

Share based payment	Tranche	Fair value per right at grant date $	Share price at grant date $	AUD / USD exchange rate at grant date	Expected vesting Period (years)	Expected dividend yield	Expected volatility (weighted average volatility)	Risk-Fee interest rate (based on government bonds)
	Tranche 1	AUD 1.00[1]	AUD 1.09[1]	N/A	0.5	8%	N/A	6.95%
March 2008 Performance Rights	Tranche 2	AUD 0.92[1]	AUD 1.09[1]	N/A	1.5	8%	N/A	6.85%
	Tranche 3	AUD 0.85[1]	AUD 1.09[1]	N/A	2.5	8%	N/A	6.75%
December 2009 Lighthouse Share Grant	Tranche 1	0.20[1]	AUD 0.24[1]	0.8678	N/A	N/A	N/A	N/A
December 2010 Lighthouse Performance Rights	Tranche 1	0.97	AUD 1.10	0.9966	3.0	4%	N/A	5.15%
	Tranche 1 - Retention Rights	0.65	AUD 0.70	0.9618	0.85	4%	N/A	4.634% - 5.401%
	Tranche 2 - Retention Rights	0.63	AUD 0.70	0.9618	1.85	4%	N/A	4.634% - 5.401%
	Tranche 3 - STI Rights FY11	0.65	AUD 0.70	0.9618	1.08	4%	60%	4.634% - 5.401%
	Tranche 4 - STI Rights FY12	0.81[2]	AUD 1.16	1.0739	1.51	4%	60%	4.862% - 5.326%
	Tranche 5 - STI Rights FY13	0.65[2]	AUD 1.16	1.0739	2.51	4%	60%	4.862% - 5.326%
December 2010 CEO Performance Rights	Tranche 6 - EPS Rights FY13	1.09	AUD 1.20	1.0117	2.86	4%	60%	4.862% - 5.326%
	Tranche 7 - EPS Rights FY14	0.66	AUD 1.20	1.0117	3.86	4%	60%	4.862% - 5.326%
	Tranche 8 - EPS Rights FY15	0.54	AUD 1.20	1.0117	4.86	4%	60%	4.862% - 5.326%
	Tranche 9 - TSR Rights FY13	0.40	AUD 0.70	0.9618	3.09	4%	60%	4.634% - 5.401%
	Tranche 10 - TSR Rights FY14	0.24	AUD 0.70	0.9618	4.09	4%	60%	4.634% - 5.401%
	Tranche 11 - TSR Rights FY15	0.21	AUD 0.70	0.9618	5.09	4%	60%	4.634% - 5.401%
April 2011 Apollo Performance Rights	Tranche 1	1.21	AUD 1.30	1.0345	2.75	4%	N/A	5.03%

[1] Pre share consolidation.

[2] This is the estimated fair value for these two tranches as at 30 June 2011. Final performance hurdles are set for each of these tranches at the start of the financial period to which they relate. As such, the final grant date has not yet been determined. An estimate of the fair value of each tranche is calculated at each balance date based on inputs current as at that date. The final fair value will be determined on grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Share-based payments expense has been recognised in the profit or loss as follows:

in thousands of USD	2011	2010 Represented
March 2008 Performance Rights	-	218
December 2009 Lighthouse Share Grant	-	1,743
December 2010 Lighthouse Performance Rights	639	-
December 2010 CEO Performance Rights	986	-
April 2011 Apollo Performance Rights	108	-
Total share-based payment expense	1,733	1,961

Share Options

March 2011 Apollo Share Options

On 7 March 2011, in connection with the convertible note transaction, the Apollo Group were issued with 31,250,000 share options, each convertible into one fully paid ordinary share in the capital of the Company at an exercise price of AUD 8.00 and exercisable during a period of eight years following issue.

The fair value of the share options has been measured at the date of issue using the Black Scholes option-pricing model or Monte Carlo simulation technique as appropriate. The fair value and inputs used in the measurement of the fair value are as follows:

Share based payment	Fair value per right at grant date $	Share price at grant date $	Exercise price $	AUD / USD exchange rate	Expected vesting period (years)	Expected dividend yield	Expected volatility (weighted average volatility)	Risk-Fee interest rate (based on government bonds
March 2011 Apollo Share Options	0.123	AUD 1.40	AUD 8.00	1.0127	8	4%	45%	5.47%

The fair value of the options is deemed to represent an additional borrowing cost of the convertible note issue and is reflected in the financial statements for the year ended 30 June 2011 as follows:

in thousands of USD	Note	2011
Share based payments reserve – equity	21	3,842
Share capital – equity	20	(2,528)
Unsecured convertible notes – non-current liability	20	(1,314)

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For the year ended 30 June 2011

20. Loans and borrowings

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Current			
Secured Bank Loan (USD Facility A)	2,000	8,797	4,775
Secured Bank Loan (AUD Facility B)	-	-	1,618
Unsecured Convertible Notes	1,903	-	-
	3,903	8,797	6,393
Non-current			
Secured Bank Loan (USD Facility A)	26,323	93,151	106,004
Secured Bank Loan (AUD Facility B)	-	902	5,190
Unsecured Convertible Notes	20,317	-	-
	46,640	94,053	111,194
Total loans and borrowings	50,543	102,850	117,587

Current Secured Bank Loan amounts relate to the portion of bank loans required to be paid within one year.

Terms and debt repayment schedule

The terms and conditions of the outstanding loans as at 30 June 2011 were as follows:

			2011		2010 Represented	
in thousands of USD	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured Bank Loan (USD Facility A)	LIBOR + 3%	2016	28,323	28,323	102,375	101,948
Secured Bank Loan (AUD Facility B)	BBSY + 2.25%	Matured	-	-	926	902
Unsecured Convertible Notes	6%	2019	75,000	22,220	-	-
Total loans and borrowings			103,323	50,543	103,301	102,850

Convertible notes

in thousands of USD	2011
Proceeds from the issue of convertible notes (75 notes x $1,000,000 par value)	75,000
Transaction costs	(4,557)
Share option expense	(3,842)
Net proceeds	66,601
Amount classified as equity	(43,822)
Accretive interest (calculated using the effective interest rate method)	858
Interest payable on face value	(1,417)
Carrying amount of liability at 30 June 2011	22,220

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For the year ended 30 June 2011

The amount of the convertible notes classified as equity of $43,822 thousand is net of attributable transaction costs of $2,998 thousand and share option expense of $2,528 thousand.

Interest of 6% per annum is payable on the convertible notes, which will be capitalised by way of an increase in the principal amount of the convertible notes for the first four years. After the first four years, interest may continue to be capitalised, or paid in cash at the Company's discretion. The notes may be subject to additional interest which represents the note holders' participation on an as converted basis in any dividends exceeding $6 million that are paid by the Company in a 12 month period.

The convertible notes mandatorily convert on maturity, being 7 March 2019. However, a noteholder may elect to convert some or all of the convertible notes at any time before they mature. The convertible notes may also be converted by the Company at semi-annual intervals commencing on the fourth anniversary of their issue, provided the volume weighted average sale price of the Shares for the 30 trading days period prior is in excess of 20% greater than the conversion price, or if a change of control event occurs in respect of the majority noteholder. Any default under the terms of the convertible notes does not result in a repayment obligation by the Company.

The conversion price is USD 0.9766. The number of shares to be issued is calculated as the principal amount of the convertible notes divided by the conversion price.

Secured bank loan

Secured bank loans as at 30 June 2011 comprise of the following facilities available under a Cash Advance Facilities Agreement (CAFA) with Westpac Banking Corporation:

- Facility A (USD Lighthouse Group Acquisition Facility)

The terms of this facility were amended on 3 December 2010, resulting in the termination of Facility B (AUD Working Capital Facility).

Financial undertakings include that HFA and its related entities will ensure that:

- EBITDA for each preceding twelve month period ending on the date of calculation is always:
  - (i) (where the date of calculation occurs on or before 31 December 2011) at least 2.5 times; and
  - (ii) (where the date of calculation occurs after 31 December 2011) at least 3.5 times,

  greater than the interest expense for the same period (excluding interest expense recognised on convertible notes)
- Assets under management of the Consolidated Group are not less than $2.6 billion.

The financial undertakings are tested quarterly, based on the preceding 12 months.

The Group's exposure to interest rate risk related to loans and borrowings is disclosed in note 23.

21. Capital and reserves

Movement in ordinary shares on issue

in thousands of shares	2011	2010
Balance at beginning of financial year	469,330	460,484
Shares issued under the Lighthouse Investment Partners Short-Term Incentive Plan - 9 February 2010	-	8,547
Exercise of performance rights - 11 February 2010	-	299
1 for 4 share consolidation – 1 March 2011	(351,997)	
Balance at end of financial year	117,333	469,330

Ordinary shares

The Company does not have authorised capital or par value in respect of issued shares.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up HFA, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of HFA.

Share consolidation

In February 2011 the general meeting of shareholders authorised that 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 to take effect on 1 March 2011.

Performance rights

In 2010, 8,547,009 and 299,250 shares respectively were issued as remuneration to employees of the US and Australian businesses. Please refer to note 19 for additional details regarding the performance rights plans under which these shares were issued.

The Company also has outstanding options on issue as at 30 June 2011 (refer note 19).

Nature and purpose of reserves

in thousands of USD	2011	2010 Represented	1 July 2009 Represented
Fair value reserve	-	64	-
Translation reserve	(5,402)	(9,665)	(10,222)
Hedging reserve	-	(1,159)	(2,804)
Share based payments reserve	17,893	12,318	10,357
	12,491	1,558	(2,669)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Fair value reserve: Used to record the cumulative net change in the fair value of available-for-sale financial assets.

Translation reserve: Used to record foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging reserve: Used to record the effective portion of the cumulative net change in the fair value of interest rate swaps that have been designated as cash flow hedges. All outstanding interest rate swaps matured during the current financial year.

Share based payments reserve: Used to record share based payments associated with performance rights and the fair value of share options.

Dividends

Declared and paid during the year 2011

No dividends have been paid or declared by the Company to members since the end of the previous financial year.

Dividends paid after year end

As at the date of this report, the directors have not declared a final dividend for the financial year ended 30 June 2011.

Dividend franking account	The Company	
in thousands of USD	2011	2010 Represented
30% franking credits available to shareholders of HFA Holdings Limited for subsequent financial years.	11,972	9,557

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for franking credits that will arise from the payment of current tax liabilities.

In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $11,972 thousand (2010: $9,557 thousand) franking credits.

22. Earnings per share

in USD	2011	2010 Represented
Basic earnings per share	4.51	3.62[1]
Diluted earnings per share	4.49	3.62[1]

[1]Prior year earnings per share has been restated to reflect the following two factors:

- The Group has made a voluntary change in accounting policy that, as outlined in Note 2(c), resulted in a restatement of profit attributable to equity holders of the parent and earnings per share. The change in accounting policy relates to the change in Group presentation currency from Australian dollars to US dollars.
- Effected 1 March 2011, the issued capital of the Company was consolidated on the basis that every four shares on issue were consolidated into one share.

Reconciliation of earnings used in calculating earnings per share

in thousands of USD	2011	2010 Represented
Profit attributable to ordinary equity holder of the Company	5,527	4,205
Adjustment for interest on mandatory convertible notes	858	-
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	6,385	4,205

For the purposes of calculating earnings per share, the mandatory convertible notes are treated as being converted. Net profit is therefore adjusted for interest costs recognised on the convertible notes, as on conversion, the convertible notes would no longer have an impact on profit.

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

The calculation of basic earnings per share is based on the time weighted total number of ordinary shares outstanding. This includes shares which have vested and been issued under the Group's employee performance rights plan, as well as the total number of shares that would be issued on the conversion of mandatory convertible notes issued on 7 March 2011.

The prior year weighted average has been adjusted for the impact of the 1 March 2011 share consolidation.

in thousands of shares	Note	2011	2010
Weighted average number of shares issued			
Issued ordinary shares at 1 July	21	469,330	460,484
4 to 1 share consolidation effective 1 March 2011		(351,997)	-
Vested employee performance rights		-	3,416
Mandatory convertible notes issued 1 March 2011		24,196	-
Weighted average number of ordinary shares used in calculating basic earnings per share		141,529	463,900
Weighted average number of ordinary shares used in calculating basic earnings per share – adjusted for share consolidation		141,529	115,975

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

The calculation of diluted earnings per share is based on the time weighted total number of ordinary shares outstanding as calculated above, with the addition of the time weighted average of potential ordinary shares outstanding in relation to employee performance rights plans. Performance rights issued under employee performance rights plans are only considered to be outstanding if all vesting criteria other than service periods have been met as at reporting date.

The prior year weighted average has been adjusted for the impact of the 1 March 2011 share consolidation.

in thousands of shares	Note	2011	2010
Weighted average number of shares issued			
Issued ordinary shares at 1 July	21	469,330	460,484
4 to 1 share consolidation effective 1 March 2011		(351,997)	-
Vested employee performance rights		-	3,416
Mandatory convertible notes issued 7 March 2011		24,196	-
Outstanding employee performance rights		697	185
Weighted average number of ordinary shares used in calculating diluted earnings per share		142,226	464,085
Weighted average number of ordinary shares used in calculating diluted earnings per share – adjusted for share consolidation		142,226	116,021

Other information

31,250,000 Apollo Share Options have been excluded from the calculation of diluted earnings per share because they are not currently considered to be dilutive (i.e. the exercise price is higher than the average share price since issue). These options have not been included in the determination of basic earnings per share. Details relating to the options are included in note 19.

7,341,716 performance rights granted to employees and Apollo have not been included in the calculation of diluted earnings per share unless they would have been considered issuable as at reporting date based on the achievement of vesting criteria other than service periods. Refer to note 19 for details regarding outstanding performance rights granted to employees.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

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For the year ended 30 June 2011

23. Financial instruments

Exposure to credit, liquidity, currency, equity price and interest rate risk arises in the normal course of the Group's business.

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets at reporting date represents the maximum credit exposure:

		Carrying amount	
in thousands of USD	Note	2011	2010 Represented
Cash and cash equivalents	10a	28,456	28,106
Investments in term deposits	10b	16,360	-
Trade and other receivables	11	12,145	10,924
Available-for-sale financial assets	12	-	163
Financial assets at fair value through profit or loss	12	3,666	1,859
Other non-current assets	15	574	-
Total financial assets		61,201	41,052

The Group's exposure to credit risk for trade and other receivables predominantly relates to management fees, performance fees and other related fees from products managed by the Group. At reporting date, 87% of the Group's loans and receivables related to management fees, performance fees and other related fees owing from products managed by the Group (2010: 89%); 44% of receivables relate to the Lighthouse Diversified Fund (2010: 44%).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, investments in term deposits, available-for-sale financial assets, financial assets at fair value through profit or loss and interest rate swaps used for hedging, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash and cash equivalents and investments in term deposits held in Australia are held with bank and financial institution counterparties, which are rated BBB to AA for long-term deposits and A2 to A1+ for short term deposits (Standard & Poor's).

Cash and cash equivalents held in the United States are held with SunTrust Banks Inc. in deposit accounts which are rated BBB for long-term deposits, and A-2 for short term deposits (Standard & Poor's).

Impairment losses

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables. 100% of the trade receivables balance is not past due (2010: 96%). Payment for the 4% of trade receivables past due as at 30 June 2010 was received on 9 July 2010.

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For the year ended 30 June 2011

Liquidity risk

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

in thousands of USD	Note	Carrying value	Con-tractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
30 June 2011 Non derivative financial liabilities:								
Secured bank loans*	20	28,323	(32,650)	(1,472)	(1,447)	(2,849)	(26,882)	-
Trade and other payables	16	7,410	(7,410)	(7,410)	-	-	-	-
Employee benefits	17	5,791	(5,790)	(2,694)	(2,988)	-	(87)	(21)
		41,524	(45,850)	(11,576)	(4,435)	(2,849)	(26,969)	(21)
30 June 2010 (Represented) Non derivative financial liabilities:								
Secured bank loans*	20	103,301	(108,481)	(7,605)	(3,832)	(97,044)	-	-
Trade and other payables	16	6,181	(6,181)	(6,181)	-	-	-	-
Employee benefits	17	3,895	(3,895)	(1,461)	(2,350)	-	(68)	(16)
		113,377	(118,557)	(15,247)	(6,182)	(97,044)	(68)	(16)

*The terms of the Group's secured bank loan were renegotiated during the financial year ended 30 June 2011. As a result, the maturity date of the facility has been extended from November 2011 until March 2016.

The following table indicates the period in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and when they are expected to impact profit or loss:

in thousands of USD	Note	Carrying value	Con-tractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
30 June 2011 Interest rate swap liabilities	18	-	-	-	-	-	-	-
30 June 2010 (Represented) Interest rate swap liabilities	18	1,159	(1,207)	(1,207)	-	-	-	-

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For the year ended 30 June 2011

Currency risk

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2011	2010	2011	2010
USD:AUD	0.9891	0.8830	1.0739	0.8523

The Group's exposure to risk at balance date arises from AUD denominated assets and liabilities that are held by Group entities with a USD functional currency as follows:

in thousands of USD	2011	2010 Represented
HFA Holdings Limited		
Cash and cash equivalents	1,390	-
Investments in term deposits	1,074	
Trade and other receivables	474	-
Trade and other payables	(250)	-
Employee Benefits	(376)	-
Lighthouse Investment Partners, LLC		
Trade and other receivables	462	593

Prior to 1 March 2011, the functional currency of HFA Holdings Limited was AUD, and therefore no exposure to the AUD denominated balances held by this entity existed. On 1 March 2011, HFA Holdings Limited elected to adopt USD as its functional currency, and as the presentation currency of the Group.

As at 30 June 2011, the majority of HFA Holdings Limited's financial assets and liabilities are denominated in USD. However due to its position as the parent entity of the Australian listed group, it retains a number of working capital balances that are denominated in AUD, as shown above.

Sensitivity analysis

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date to movement in the AUD : USD exchange rate, with all other variables held constant.

	Post tax profits (decrease) / increase	
in thousands of USD	2011	2010 Represented
USD: AUD + 10%	190	36
USD: AUD -10%	(190)	(36)

The lower sensitivity on post tax profits as at 30 June 2010 is due to the lower value of AUD denominated assets held by Group entities with a USD functional currency as at that date.

Equity price risk

An analysis of financial assets which are exposed to equity price risk fluctuations in fair value includes the following:

		Carrying amount	
in thousands of USD	Note	2011	2010 Represented
Available-for-sale financial assets	12	-	163
Financial assets designated as fair value through profit or loss	12	3,666	1,859
		3,666	2,022

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Sensitivity analysis

Financial assets designated at fair value through profit or loss

Financial assets designated at fair value though profit or loss are units held in Group managed products. A 10% increase in the fair value of these investments at reporting date would have increased the Group's profit by $229 thousand (2010 Represented: $114 thousand). A 10% decrease would have decreased the Group's profit by $229 thousand (2010 Represented: $114 thousand).

Available-for-sale financial assets

Available-for-sale financial assets consist of investments in ordinary shares. This investment was disposed of during the current financial year. A 10% increase (decrease) in equity prices would have increased (decreased) the fair value of available-for-sale financial assets by $Nil (2010 Represented: $11 thousand). The equity value of the Group would have been affected by a corresponding amount.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash balances, secured bank loans, and interest rate swaps.

The interest rate profile of financial liabilities is detailed in note 20.

At reporting date the Group's interest bearing financial instruments were:

		Carrying Amount	
in thousands of USD	Note	2011	2010 Represented
Fixed rate instruments			
Convertible notes	20	(22,220)	-
Interest rate swap liabilities	18	-	(1,159)
Variable rate instruments			
Cash and cash equivalents	10a	28,456	28,106
Investments in term deposits	10b	16,360	-
Lease guarantee deposits	15	574	-
Secured bank loans	20	(28,323)	(102,850)

Fair value sensitivity analysis for fixed rate instruments

Convertible notes

The fair value of the convertible notes has been calculated at inception by discounting estimated future cash flows using a market rate of interest, and then subsequently measured at amortised costs using the effective interest method. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Interest rate swap liabilities

Interest rate swaps are designated as effective cash flow hedges, with movements in fair value being accounted for through equity. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased (decreased) the Group's equity by $Nil thousand (2010 Represented: $159 thousand).

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at reporting date would not have impacted the carrying value of the Group's variable rate instruments, and would therefore have had no impact on the Group's equity or profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

Fair values

The carrying values of financial assets and liabilities approximate their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In thousands of USD	Note	Level 1	Level 2	Level 3	Total
30 June 2011					
Financial assets at fair value through profit or loss	12	-	3,666		3,666
Convertible notes	20	-	(22,220)	-	(22,220)
		-	(18,554)	-	(18,554)
30 June 2010 (Represented)					
Available-for-sale financial assets	12	163	-	-	163
Financial assets at fair value through profit or loss	12	-	1,859	-	1,859
Interest rate swap liabilities	18	-	(1,159)	-	(1,159)
		163	700	-	863

24. Commitments

Operating lease commitments

The Group has entered into commercial leases on office equipment and premises where it is not in the best interest of the Group to purchase these assets.

These leases have a remaining life of between 6 months and 8 years. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

in thousands of USD	2011	2010 Represented
Within one year	1,658	1,342
After one year but not more than five years	4,299	3,560
More than five years	1,615	2,041
	7,572	6,943

25. Contingent liabilities

Scheme and investment fund related obligations

The Company's subsidiary Certitude Global Investments Limited acts as the Responsible Entity for certain schemes under the Corporations Act 2001. Due to its role as Responsible Entity the subsidiary may be subject to contingent liabilities as a result of its obligations to the schemes. The directors of the subsidiary consider that all obligations of the subsidiary have been met to 30 June 2011.

The Company's subsidiary Lighthouse Investment Partners, LLC acts as the Investment Manager for certain private investment funds under Delaware Law, Cayman Islands Law and Irish Law. Due to its role as Investment Manager the subsidiary may be subject to contingent liabilities as a result of its obligations to the funds. The directors of Lighthouse Investment Partners, LLC consider that all obligations have been met to 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

26. Auditor's remuneration

in USD	2011	2010 Represented
Audit services:		
KPMG Australia:		
Audit and review of financial reports	207,213	108,785
Overseas KPMG Firm: Audit and review of financial reports	120,400	120,000
	327,613	228,785
Services other than statutory audit:		
KPMG Australia:		
Other assurance services	10,494	11,391
Taxation services	188,330	121,776
Other advisory services	40,905	7,947
	239,729	141,114

27. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2011, the parent company of the Group was HFA Holdings Limited.

	Company	
in thousands of USD	2011	2010 Represented
Result of the parent entity		
Profit / (loss) for the period	119,216	(197)
Other comprehensive income	2,000	64
Total comprehensive income for the period	121,216	(133)
Financial position of the parent at year end		
Current assets	5,449	2,127
Total assets	303,961	110,346
Current liabilities	(3,938)	(350)
Total liabilities	(24,255)	(1,253)
Total equity of the parent comprising of:		
Share capital	491,392	447,570
Fair value reserve	-	64
Translation reserve	5,070	3,006
Share based payments reserve	8,374	2,799
Retained losses	(225,130)	(344,346)
Total equity	279,706	109,093

Parent entity contingent liabilities: GST and current tax liabilities of other entities within the Australian GST group are transferred to the parent entity and are included in the current liabilities disclosed above.

Parent entity guarantees in respect of debts of its subsidiaries: The parent entity has entered into a deed of cross guarantee with the effect that the Company guarantees the bank loan facility held by subsidiary HFA Lighthouse Holdings Corp under the Cash Advance Facilities Agreement with Westpac Banking Corporation. For further details of the secured bank loan, refer to note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

28. Related Parties

Key management personnel remuneration

The key management personnel remuneration included in "personnel expenses" and "equity settled transactions" (see note 7) is as follows:

in USD	2011	2010 Represented
Short-term employee benefits	4,091,416	2,593,230
Long-term employee benefits	55,750	17,453
Post employment benefits	146,057	84,704
Share-based payments	1,285,696	622,751
	5,578,919	3,318,138

Individual directors and executives remuneration disclosures

Information regarding individual directors and executives' remuneration and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Key management personnel and director transactions

Messrs Civale, Kelley and Zelter are directors of HFA Holdings Limited and hold positions with Apollo Global Management, LLC or its affiliates (the "Apollo Group").

The Apollo Group, as holder of convertible notes and share options issued by the Company (refer note 19) and as party to a Marketing Agreement with HFA's US Subsidiary Lighthouse Investment Partners, LLC, is a related party of the HFA Holdings Limited Group.

Messrs Civale, Kelley and Zelter were appointed to the HFA Holdings Limited board in accordance with the terms of the above transactions.

The Marketing Agreement is a four year agreement under which Lighthouse Investment Partners, LLC retains and appoints the Apollo Group as its non-exclusive placement agent. Under the agreement, Apollo will assist Lighthouse in the marketing of its funds, in exchange for which Lighthouse will rebate an agreed percentage of management fees earned on funds invested for a period of 3 years after the investment date.

During the financial year the following related party transactions occurred:

HFA Holdings Limited recognised convertible note interest expense of $858,292 (interest expense recognised in the profit and loss relates to the debt component of the convertible note). Total amount payable on the notes as at 30 June 2011 was $1,417,808 (calculated as 6% per annum on the full face value of the notes).

Terms and conditions of transactions with related parties

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

For the year ended 30 June 2011, the Group has not raised a provision for doubtful debts relating to amounts owed by related parties. An assessment is undertaken each financial year of the financial position of the related party and the market in which the related party operates in, and when required, the Group raises such a provision.

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For the year ended 30 June 2011

Options and rights over equity instruments

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2011	Balance 1 July 2010	Granted as remuneration	Vested during the year	Forfeited during the year	Balance 30 June 2011
Directors					
Mr Spencer Young	-	3,968,935	-	-	3,968,935
Mr Sean McGould	-	-	-	-	-
Mr F P (Andy) Esteban	-	-	-	-	-
Mr John Larum	-	-	-	-	-
Mr Michael Shepherd	-	-	-	-	-
Mr Anthony Civale[1]	N/A	-	-	-	-
Mr Grant Kelley[1]	N/A	-	-	-	-
Mr James Zelter[1]	N/A	-	-	-	-
Executives					
Mr Craig Mowll	-	-	-	-	-
Ms Amber Stoney	80,000[2]	-	-	(80,000)[2]	-
Mr Scott Perkins	-	625,000	-	-	625,000
Mr Kelly Perkins	-	625,000	-	-	625,000
Mr Robert Swan	-	625,000	-	-	625,000

2010	Balance 1 July 2009	Granted as remuneration	Vested during the year	Forfeited during the year	Balance 30 June 2010
Directors					
Mr Spencer Young	-	-	-	-	-
Mr Sean McGould	-	-	-	-	-
Mr F P (Andy) Esteban	-	-	-	-	-
Mr John Larum	-	-	-	-	-
Mr Michael Shepherd	-	-	-	-	-
Executives					
Mr Craig Mowll	-	-	-	-	-
Ms Amber Stoney	150,000[2]	-	(21,000)[2]	(49,000)[2]	80,000[2]
Mr Scott Perkins	-	-	-	-	-
Mr Kelly Perkins	-	-	-	-	-
Mr Robert Swan	-	-	-	-	-

[1] Appointed to the board on 25 February 2011. [2] Pre 1 March 2011 4 to 1 share consolidation.

No performance rights held by key management personnel are vested and exercisable, or vested but not exercisable at 30 June 2011 or 30 June 2010.

Further details of performance rights and shares provided as remuneration to each key management person of the Group, together with the terms and conditions of the rights, can be found in sections 12.5.3 to 12.5.5 and 12.5.11 of the remuneration report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Movements in shares

The movement during the reporting period in the number of shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2011	Balance 1 July 2010	Purchases	Sales	Share consolidation	Balance 30 June 2011
Directors					
Mr Spencer Young[1]	22,516,951	-	-	(16,887,713)	5,629,238
Mr Sean McGould[2]	77,752,335	-	-	(58,314,251)	19,438,084
Mr FP (Andy) Esteban[3]	8,354	-	-	(6,265)	2,089
Mr John Larum	36,400	-	-	(27,300)	9,100
Mr Michael Shepherd[4]	100,000	-	-	(75,000)	25,000
Mr Anthony Civale[5]	N/A	-	-	-	-
Mr Grant Kelley[5]	N/A	-	-	-	-
Mr James Zelter[5]	N/A	-	-	-	-
Executives					
Mr Craig Mowll	-	-	-	-	-
Ms Amber Stoney[6]	721,491	-	-	(541,117)	180,374
Mr Scott Perkins	11,746,048	-	-	(8,809,536)	2,936,512
Mr Kelly Perkins	19,106,889	-	-	(14,330,167)	4,776,722
Mr Robert Swan	11,746,048	-	-	(8,809,536)	2,936,512

[1] 5,629,238 shares are held indirectly by Spencer Young as Trustee for the Spencer Young Family Trust. [2] 19,436,084 shares are held indirectly by SGM Holdings, LLC. [3] 2,089 shares are held indirectly by FJE Superannuation Fund. [4] 25,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund. [5] Appointed to the board on 25 February 2011. [6] 162,396 shares are held indirectly by AJ Stoney Family Trust.

2010	Balance 1 July 2009	Purchases	Sales	Net Change Other	Balance 30 June 2010
Directors					
Mr Spencer Young[1]	25,516,951	-	(3,000,000)	-	22,516,951
Mr Sean McGould[2]	77,752,335	-	-	-	77,752,335
Mr FP (Andy) Esteban[3]	8,354	-	-	-	8,354
Mr John Larum	-	36,400	-	-	36,400
Mr Michael Shepherd[4]	-	100,000	-	-	100,000
Executives					
Mr Craig Mowll	-	-	-	-	-
Ms Amber Stoney[5]	700,491	-	-	21,000[6]	721,491
Mr Scott Perkins	10,848,612	-	-	897,436[7]	11,746,048
Mr Kelly Perkins	17,931,675	-	-	1,175,214[7]	19,106,889
Mr Robert Swan	10,848,612	-	-	897,436[7]	11,746,048

[1] 25,516,951 shares are held indirectly by Spencer Young as Trustee for the Spencer Young Family Trust. [2] 77,744,335 shares are held indirectly by SGM Holdings, LLC. [3] 8,354 shares are held indirectly by FJE Superannuation Fund. [4] 100,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund. [5] 649,582 shares are held indirectly by AJ Stoney Family Trust. [6] Being shares issued under the 2008 HFA Performance Rights Plan. [7] Being shares issued under HFA Employee Performance Rights plan in relation to the December 2009 Lighthouse Share Grant.

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Other related party transactions

Certitude Global Investments Limited

Certitude is a wholly owned subsidiary of the Group and responsible entity of a number of managed investment schemes.

During the financial year the following related party transactions occurred:

(i) During the financial year Certitude recognised management and performance fees paid or payable of $11,794,620 (2010 Represented: $14,865,926) from managed investment schemes for which it acts as the responsible entity. Amounts receivable from schemes for which Certitude acts as the Responsible Entity as at 30 June 2011 were $2,621,466 (2010 Represented: $2,572,997).

Lighthouse Investment Partners, LLC

Lighthouse Investment Partners, LLC (LIP) is a wholly owned subsidiary of the Group and is a registered investment advisor under the Investment Advisors Act of 1940 and operates as general partner and investment manager for the Lighthouse investment products.

During the financial year the following related party transactions occurred:

(i) LIP recognised management and performance fees paid or payable of $56,016,167 (2010: $49,003,953) from investment products for which LIP acts as general partner and investment manager. Amounts receivable from these products at 30 June 2011 were $7,779,536 (2010: $6,727,388).

Investment in products

The Group holds the following investments in products for which they act as investment manager:

in USD Product	Fair Value 30 June 2011	Fair Value 30 June 2010
Lighthouse Managed Futures - Composite Series	205,413	185,910
Lighthouse Managed Futures - Trend Series	204,226	181,237
Lighthouse Managed Futures - Global Series	190,677	176,190
Lighthouse Low Volatility Fund QP II, L.P.	6,137	9,747
Lighthouse Aggressive Growth Fund LP	155,383	129,086
Lighthouse Strategies Fund LLC - Healthcare Series	192,080	158,292
Lighthouse Strategies Master Fund SPC - Enhanced Global Master	81,061	84,308
Lighthouse Credit Opportunities Fund LP	614,804	504,030
Lighthouse Enhanced Global Series	44,303	42,054
Lighthouse Navigator Fund LP	270,626	229,971
LLVF SLV LLC	6,404	8,780
Lighthouse Strategies Fund LLC - Credit Compass Series	58,603	50,919
Lighthouse Strategies Fund LLC - Prime Series	53,066	49,100
Lighthouse Global L/S Short LP Series B	55,005	50,000
Lighthouse Palmetto Strategic Partnership, LP	1,000,000	-
Certitude Asian Opportunities Fund	527,769	-
	3,665,557	1,859,624

The above investments are classified as financial assets designated at fair value through profit or loss (refer note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

29. Group entities

The Group's financial statements include the financial statements of HFA Holdings Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	% Equity interest 2011	% Equity interest 2010
Certitude Global Investments Limited[1]	Australia	100	100
Admin Pty Ltd[2]	Australia	100	100
A.C.N 122 776 550 Pty Ltd[3]	Australia	-	100
A.C.N 143 806 651 Limited[4]	Australia	-	100
HFA Lighthouse Holdings Corp	United States	100	100
HFA Lighthouse Corp	United States	100	100
LHP Investments, LLC	United States	100	100
Lighthouse Investment Partners, LLC	United States	100	100
Lighthouse Partners NY, LLC	United States	100	100
Lighthouse Partners UK, LLC	United States	100	100
Lighthouse Partners Limited (HK)	Hong Kong	100	100
LHP Ireland Fund Management Limited[5]	Ireland	100	-

[1] Formerly HFA Asset Management Limited. [2] Formerly HFA Admin Pty Limited. [3] Deregistered 23 September 2010. [4] Incorporated 21 May 2010, deregistered 27 August 2010. [5] Incorporated 16 November 2010

30. Events after balance sheet date

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. Change in presentation currency – impact on comparative figures

With effect from 1 March 2011, the directors of HFA Holdings Limited determined that the functional currency of the Company is US dollars. Consistent with the change in functional currency, HFA Holdings Limited has elected to change its presentation currency from Australian dollars to US dollars. As such, in accordance with AASB 108.29, the impact of this change on the comparative information included in the financial statements is presented in this note.

Consolidated statement of financial position as at:

		30 June 2010		1 July 2009	
	Note	USD 000's Represented	AUD 000's	USD 000's Represented	AUD 000's
Assets					
Cash and cash equivalents	10a	28,106	32,977	23,766	29,290
Trade and other receivables	11	10,924	12,817	15,734	19,391
Current tax assets	9b	426	500	249	307
Total current assets		39,456	46,294	39,749	48,988
Investments	12	2,022	2,373	1,882	2,319
Plant and equipment	13	1,377	1,615	1,536	1,893
Deferred tax assets	9b	250	293	402	496
Intangible assets	14	146,326	171,683	155,756	191,959
Total non-current assets		149,975	175,964	159,576	196,667
Total assets		189,431	222,258	199,325	245,655
Liabilities					
Trade and other payables	16	6,181	7,252	7,541	9,294
Employee benefits	17	3,749	4,399	4,303	5,303
Derivatives	18	1,159	1,359	-	-
Loans and borrowings	20	8,797	10,322	6,393	7,879
Total current liabilities		19,886	23,332	18,237	22,476
Employee benefits	17	146	172	176	217
Derivatives	18	-	-	2,804	3,455
Loans and borrowings	20	94,053	110,351	111,194	137,039
Total non-current liabilities		94,199	110,523	114,174	140,711
Total liabilities		114,085	133,855	132,411	163,187
Net assets		75,346	88,403	66,914	82,468
Equity					
Share capital		447,570	504,730	447,570	504,730
Reserves	21	1,558	128,296	(2,669)	127,061
Accumulated losses		(373,782)	(544,623)	(377,987)	(549,323)
Total equity attributable to equity holders of the Company		75,346	88,403	66,914	82,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Consolidated income statement for the year ended:

	Note	30 June 2010 USD 000's Represented	30 June 2010 AUD 000's
Revenue	7a	64,020	72,576
Investment management costs		(10,568)	(11,956)
Net income from operating activities		**53,452**	**60,620**
Other income	7b	3	4
Expenses	7c	(40,098)	(45,391)
Equity settled transactions	7d	(1,961)	(2,250)
Results from operating activities		**11,396**	**12,983**
Finance income	8a	582	660
Finance costs	8a	(6,473)	(7,338)
Net finance costs		**(5,891)**	**(6,678)**
Profit before income tax		**5,505**	**6,305**
Income tax expense	9a	(1,300)	(1,604)
Net profit for the year		**4,205**	**4,701**
Attributable to:			
Owners of the Company		4,205	4,701
Profit for the period		**4,205**	**4,701**
Earnings per share			
Basic earnings per share (cents)	22	3.62	4.05
Diluted earnings per share (cents)	22	3.62	4.05

Consolidated statement of comprehensive income for the year ended:

	Note	30 June 2010 USD 000's Represented	30 June 2010 AUD 000's
Profit for the year		**4,205**	**4,701**
Other comprehensive income			
Foreign currency translation differences for foreign operations	8b	557	(3,187)
Effective portion of changes in fair value of cash flow hedges	8b	1,645	2,096
Net change in fair value of available-for-sale financial assets	8b	91	107
Income tax on other comprehensive income	8b/9a	(27)	(32)
Other comprehensive income for the year, net of income tax		**2,266**	**(1,016)**
Total comprehensive income for the year		**6,471**	**3,685**
Attributable to:			
Owners of the Company		6,471	3,685
Total comprehensive income for the year		**6,471**	**3,685**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

Consolidated statement of cash flows for the year ended:

	Note	30 June 2010	
		USD 000's Represented	AUD 000's
Cash flows from operating activities			
Cash receipts from customers		71,791	79,995
Cash paid to suppliers and employees		(45,215)	(49,610)
Cash generated from operations		26,576	30,385
Interest received		480	541
Income taxes paid / (refunded)		(1,420)	(1,528)
Net cash from operating activities	10c	25,636	29,398
Cash flows from investing activities			
Acquisition of plant and equipment		(464)	(525)
Acquisition of investments		(150)	(167)
Proceeds from disposal of investment		264	310
Net used in investing activities		(350)	(382)
Cash flows from financing activities			
Repayment of borrowings		(15,821)	(17,660)
Borrowing costs		(124)	(135)
Interest paid		(5,684)	(6,930)
Net cash used in financing activities		(21,629)	(24,725)
Net increase/(decrease) in cash and cash equivalents		3,657	4,291
Cash and cash equivalents at 1 July		23,766	29,290
Effect of exchange rate fluctuations on cash balances held in foreign currencies		683	(604)
Cash and cash equivalents at 30 June	10a	28,106	32,977

DIRECTORS' DECLARATION

For the year ended 30 June 2011

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

    (a) the consolidated financial statements and notes, and the remuneration report in the directors' report, set out on pages 18 to 25, are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.

3. The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 18th day of August 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 REPORT TO THE MEMBERS OF HFA HOLDINGS LIMITED

Report on the financial report

We have audited the accompanying financial report of HFA Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the 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 a 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. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of HFA Holdings Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the remuneration report set out on pages 18 to 25 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of HFA Holdings Limited for the year ended 30 June 2011, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

J Board

Stephen Board
Partner

Dated at Brisbane this 18th day of August 2011

ASX ADDITIONAL INFORMATION

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

Shareholdings (as at 7 September 2011)

Substantial Shareholdings (not less than 5%)

Delaware Street Capital Master Fund, LP advised that, as at 22 July 2011, it and its associates had a relevant interest in 22,699,609 shares, which represented 19.34% of HFA's total issued capital.

Sean McGould, his controlled entities and associates had a relevant interest in 19,438,084 shares as at 7 September 2011, which represented 16.56% of HFA's total issued capital.

UBS AG and its related bodies corporate advised that, as at 22 July 2011, it and its associates had a relevant interest in 13,522,931 shares, which represented 11.52% of HFA's total issued capital.

Securities subject to voluntary escrow

There are 31,091,245 ordinary shares subject to voluntary escrow. The voluntary escrow period ends on 31 December 2012.

Distribution of Equity Security Holders

Category	Number of equity security holders ordinary shares
1-1,000	558
1,001-5,000	903
5,001-10,000	277
10,001-100,000	359
100,001 and over	47
Total	2,144

The number of shareholders holding less than a marketable parcel of ordinary shares is 332.

On-Market Buy-Back

There is no current on-market buy-back.

ASX ADDITIONAL INFORMATION

Twenty Largest Shareholders

Name	Number of ordinary shares held	Percentage of capital held
HSBC Custody Nominees (Australia) Limited	34,837,702	29.69%
Citicorp Nominees Pty Limited	22,407,584	19.10%
National Nominees Limited	12,179,616	10.38%
Mr Spencer Young	5,629,238	4.80%
J P Morgan Nominees Australia Limited	5,187,484	4.42%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	4,127,183	3.52%
Merrill Lynch (Australia) Nominees Pty Limited	2,513,589	2.14%
Cogent Nominees Pty Limited	2,103,321	1.79%
Carrington Land Pty Ltd	1,497,099	1.28%
Mr Shay Shimon Hazan-Shaked	1,350,000	1.15%
Sandhurst Trustees Ltd	1,296,990	1.11%
ABN Amro Clearing Sydney Nominees Pty Ltd	1,131,677	0.96%
Mr He Zhao	800,000	0.68%
Woodmont Trust Company Ltd	742,719	0.63%
BPC Custody Pty Ltd	408,225	0.35%
Pan Australian Nominees Pty Limited	380,069	0.32%
UBS Wealth Management Australia Nominees Pty Ltd	376,697	0.32%
Mr Richard James Williams & Ms Jane Clare Dunlop	363,750	0.31%
Traders Macquarie Pty Ltd	350,000	0.30%
Crofton Park Development Pty Ltd	347,897	0.30%

Unquoted Equity Securities

There are no unquoted equity securities.

Voting Rights

Ordinary Shares

Refer to note 21 of the financial statements.

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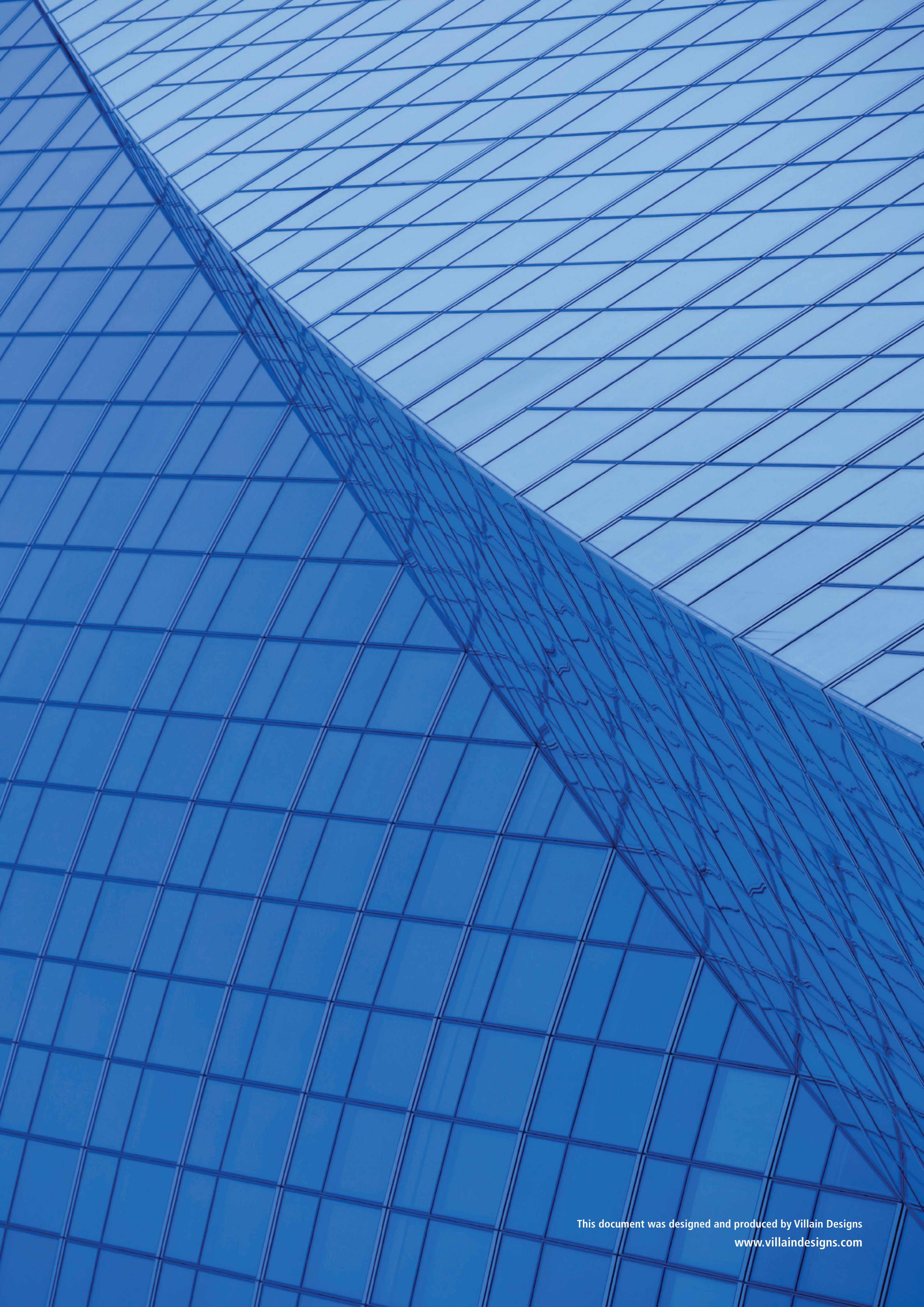

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holdings

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+61 (7) 3218 6200

Company Secretary
Ms Amber Stoney

Auditors of the Company
KPMG

Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

ASX Listing
The Company is listed on the Australian Stock Exchange
ASX Code Listing: HFA
Home Exchange: Melbourne

Other information
HFA Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.