HFA HOLDINGS LIMITED

ABN 47 101 585 737

Appendix 4E – Preliminary financial report
30 June 2013

Contents

HFA Holdings Limited

Results for announcement to the market

USD M

2.1	Revenues from ordinary activities	down	0.1%	to	66.1
	Earnings before interest, tax, depreciation and amortisation	up	16%	to	17.6
2.2	Profit from ordinary activities after tax attributable to members	up	106%	to	5.6
2.3	Net profit for the period attributable to members	up	106%	to	5.6

2.4 Dividends

The directors have determined to pay a final ordinary dividend out of the parent entity profits reserve of the Company at 30 June 2013 of USD 3 cents per ordinary share (fully franked) to be paid on 6 September 2013.

An interim dividend of USD 3 cents per ordinary share (fully franked) was paid on 28 March 2013.

2.5 Record date for determining entitlements to the dividend: 27 August 2013

2.6 Brief explanation of any of the figures reported above of importance not previously released to the market:

Analysis of the Group's result is included in the operating and financial review on pages 4 to 11 of the attached Annual Financial Report.

HFA Holdings Limited

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8. Details of any dividend or distribution reinvestment plans in operation	N/A	

Requirement	Page reference	Note reference
9. Net tangible assets per security	**As at 30 June 2013: 10.58 cents** As at 30 June 2012: 3.61 cents	
10. Details of entities over which control has been gained or lost during the period		
- **Names of the entities**	N/A	
- **The date of the gain or loss of control**	N/A	
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15. Statement as to whether accounts have been audited	93	
16. Statement as to whether unaudited accounts are likely to be subject to dispute or qualification	N/A	
17. Statement as to whether audited accounts are subject to dispute or qualification	N/A	

N/A – not applicable

HFA Holdings Limited and its controlled entities

Annual Financial Report

30 June 2013

HFA Holdings Limited

ABN: 47 101 585 737

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Shareholder information and inquiries

All inquiries and correspondence regarding shareholdings should be directed to HFA's share registry provider:

Link Market Services Limited

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680 George Street
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Sydney South NSW 1235

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Website
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The numbers in this annual report have been presented in US dollars (USD), unless otherwise indicated as being presented in Australian dollars (AUD).

Chairman's review

Welcome to the HFA Holdings Limited (the 'Company'/'HFA') annual report for the 2013 financial year.

With improved signs seen in global equity markets over the past financial year, we are pleased to report that the Group achieved a 15% growth in Assets Under Management and Advice (AUMA), finishing the year with $7.6 billion of AUMA as at 30 June 2013.

The sales cycle for converting prospects into managed assets continues to be a relatively long one, however the Group is optimistic that the number of opportunities available is increasing. The global push towards transparency to underlying asset positions means that the Lighthouse managed account program creates significant opportunities to assist clients in improving their risk control framework – a significant challenge that we believe many other managers in the alternative asset space are not structured to be able to provide.

The Group is excited about the way in which Lighthouse continues to transform its business, particularly by utilising its managed account program to broaden the solutions it can offer for clients seeking to invest in alternative assets. Lighthouse management believes that a combination of timely, accurate data and skilled judgement provides the best opportunity for sustainable investment performance. The data that Lighthouse is capturing on a daily basis is powerful and is used to actively improve the investment decision making process in its own funds, as well as to provide valuable investment and risk management tools to customised clients. One of the most important concerns of clients is transparency, and the managed account program offers customised client solutions that deliver transparency, control and flexibility.

These benefits are further being marketed here by our Australian business, Certitude Global Investments, which is targeting key institutions, multi-managers and family offices with mounting interest in these investment capabilities. Whilst the latest position by APRA under the Stronger Super Reforms appears to be that superannuation trustees will not need to report on hedge fund investments on a look-through-basis, we consider that pressure from regulators and superannuation trustees to have transparency into underlying asset positions will continue regardless, and that the managed account program offers a tangible solution to these needs.

Both our US and Australian businesses will continue to work hard at positioning the business to provide investment products and solutions that will assist clients in meeting their investment, risk management and reporting needs both now and into the future.

Results

The Group has delivered a net profit of $5.6 million for the 2013 financial year. Earnings before interest, tax, depreciation and amortisation has risen 16% compared to the prior year to $17.6 million. This very pleasing increase complements the Group's growth in AUMA, and demonstrates that the business continues to improve year on year. In addition, both businesses have continued to emphasise strong cost management, resulting in an overall decrease in operating expenditure despite the growth in AUMA and net operating income.

Dividends

The board is pleased that the Company has continued to pay dividends, and has determined to pay a final dividend of 3.0 cents per share, fully franked. Added to the interim dividend of 3.0 cents per share, the Company will pay total dividends of 6.0 cents per share for the 2013 financial year.

The Company's continues to execute on its strategy for growth in the breadth of its operations and client base, and considers itself well placed to benefit from improvements in global investor sentiment.

I would like to take this opportunity to thank our shareholders for their on-going support of the Company. I would also like to thank my fellow board members, as well as the senior management and staff of HFA, Lighthouse and Certitude for their dedication and efforts.

Kind regards,

Spencer Young
Chairman

Business Overview

HFA is the listed Australian holding company for 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.

The Company comprises two business segments:

- United States ('US') based Lighthouse Investment Partners, LLC; and
- the Australian based Certitude Global Investments Limited.

Lighthouse's core expertise is in hedge fund investing, and it continues to look for unique ways to bring investment opportunities to clients.

The Australian Certitude business has continued to focus on providing Australian investors access to global investment opportunities across a variety of asset classes.

The Group employs a team of approximately 100 high calibre employees that are located across the world.

As at 30 June 2013, Assets under Management and Advice (AUMA) for the Group were USD 7.6 billion.

As with any funds management business, the Group's prospects are driven by two key factors: its ability to attract and retain AUMA and talented employees. The Group's future financial performance is therefore impacted by each of these factors:

AUMA	Talented employees
The Group seeks to offer quality investment products with competitive performance and features. Its ability to attract and retain AUMA is also impacted by external factors such as global macroeconomic factors and investor sentiment.	Talented employees are key to providing quality investment products, to innovating to meet changing investor needs and to respond to what has been a significant amount of regulatory change across the globe. The Group seeks to attract, motivate and retain quality employees through offering competitive compensation and incentive packages.

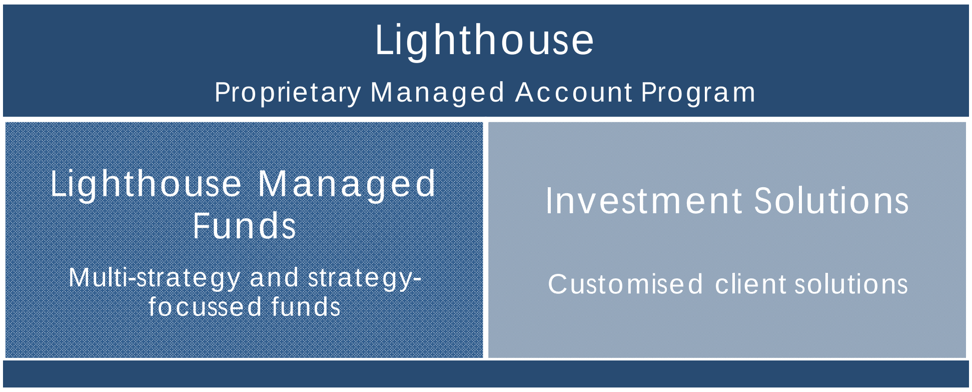
Business Overview (continued)

Lighthouse Investment Partners

Lighthouse Investment Partners, LLC (‘Lighthouse’) is a US based investment manager dedicated to managing multi-manager hedge funds for diversification and absolute return.

Lighthouse has an investor base that spans North America, Europe, and Asia and includes high net worth individuals, family offices, endowments, foundations, trusts, investment banks, benefit plans, pension funds, healthcare and insurance companies.

Lighthouse has developed two business lines, each of which utilise its proprietary managed account program:



Lighthouse Managed Funds

Lighthouse believes the most effective way to achieve diversification from traditional markets is through exposure to intelligently and actively managed portfolios of hedge funds. Lighthouse's overall objective is to create and deliver innovative investment solutions that compound investor capital.

Lighthouse manages a number of multi-strategy and strategy-focused funds. The funds utilise Lighthouse's proprietary managed account program, in which Lighthouse Funds own the assets custodied in a prime brokerage account and authorise external fund managers to trade the assets within predetermined guidelines. Lighthouse believes that the managed account structure provides:

- transparency into asset positions;
- vast amounts of daily data to allow timely risk management and monitoring of external fund managers;
- enhanced control and security of assets;
- investment flexibility;
- administrative cost savings; and
- overall improved liquidity compared to traditional fund-of-fund structures.

All of these benefits significantly improve the investment process and allow Lighthouse to better monitor the investment strategies of their funds.

Whilst many of Lighthouse's competitors are starting to utilise managed account structures through external providers due to increased pressure from investors and regulators for transparency into asset holdings, Lighthouse management made the decision to begin building their proprietary managed account solution in 2005. As a result, the managed account program has been designed to be an integral part of Lighthouse's investment process.

Business Overview (continued)

Lighthouse Investment Partners (continued)

Investment Solutions - Customised client solutions

The development of the managed account program for Lighthouse's own managed funds created a new opportunity for Lighthouse to develop a customised client solutions business. This business offers investors, who are able to commit to a significant investment size, the ability to access the benefits of the managed account structure in their own customised portfolio. Lighthouse is able to work closely with large strategic investors to customise their alternative investment exposure and meet specific needs across middle office, risk monitoring and investment advisory services. Investors can choose some or all of the available services depending on their own requirements, and fees are structured accordingly.

Portfolio construction
Manager selection

Daily risk analysis and reporting

Investment structure and administrative process allows portfolio transparency

Lighthouse has sizable strategic clients on the platform, and believes that customised client solutions will represent a significant area of growth in the future.

Certitude Global Investments

Certitude Global Investments Limited (‘Certitude’) is an Australian-based provider of global investment manager skill. Certitude selects leading active investment managers from around the globe and brings their expertise to Australian investors.

Certitude provides investment products to Australian retail, high net worth and institutional investors via the operation and distribution of Australian domiciled managed funds.

Building on its roots of providing global hedge fund products to Australian investors, Certitude has evolved its business strategy over the past few years to meet the changing needs of Australian investors. This has involved adding new global investment partners, and broadening its product suite to include a wider spectrum of asset class choices.

When selecting its partners and products, Certitude seeks to offer investors active solutions with the aim to deliver outperformance, or ‘alpha’, allowing investors to optimise their portfolios and complement their passive or index-driven strategies.

Certitude's partners

The foundation of the Certitude business is finding strong investment manager partners. The focus is on global partners who demonstrate quality investment processes, depth of experience and resources, and a focus on delivering outperformance through active investment decisions.

Certitude’s investment partners are located across all the major financial markets, are highly regarded in their industries and have a strong track record. Certitude’s current partners are Threadneedle Investments (UK), Columbia Management Investment Advisers, LLC (US), Lighthouse Investment Partners, LLC (US) and Gavekal Capital Limited (Hong Kong).

The expertise of Certitude's combined partners provide it, and therefore its investors, with insight into global investment opportunities, and has allowed Certitude to create a product range which spans a broader range of global asset sectors.

Consolidated Group operating and financial review

Consolidated results

in thousands of USD	2013	2012
Revenue	66,077	66,150
Investment management costs	(8,617)	(11,382)
Net income from operating activities	57,460	54,768
Operating expenses, excluding depreciation and amortisation	(39,479)	(40,180)
Net finance costs, excluding interest income / (expense)	(388)	(103)
Earnings before interest, tax, depreciation, amortisation and equity settled transactions	17,593	14,485
Equity settled transaction expenses	-	725
Earnings before interest, tax, depreciation and amortisation	17,593	15,210
Depreciation and amortisation	(9,756)	(10,024)
Net interest expense	(2,269)	(2,479)
Profit before income tax	5,568	2,707
Income tax expense	(17)	(17)
Net profit after income tax	**5,551**	**2,690**
Basic EPS (cents)	3.97	2.71

The Group generated earnings before interest, tax, depreciation and amortisation of $17.593 million for the financial year ended 30 June 2013, up 16% on the previous period.

The Group recorded a consolidated profit after income tax of $5.551 million (2012: $2.690 million).

Net income from operating activities

Group net income from operating activities increased by 5% on the prior period to $57.460 million (2012: $54.768), driven by a 24% decrease in investment management costs.

Group revenue remained consistent with prior year at $66.077 million (2012: $66.150 million).

Whilst Group AUMA increased over the period from $6.6 billion to $7.6 billion, net management and platform service fees as a percentage of average AUMA has decreased by 13%. This is largely a result of the increase in Assets under Advice as a proportion of total Group AUMA from 24% to 41%. Assets under Advice earn lower fees compared to traditional Assets under Management invested in funds managed by the Group.

Performance fees increased in the current year to $2.828 million (2012: $0.662 million) reflecting the higher investment performance of the funds, particularly those with a global long/short equity strategy.

The 24% decrease in investment management costs from $11.382 million to $8.617 million was driven a reduction in the proportion of AUMA which is subject to third party rebate arrangements.

Operating expenses

Operating expenses (excluding depreciation and amortisation costs) decreased to $39.479 million for the financial year ended 30 June 2013 (2012: $40.180 million). This is predominately due to an overall decrease in personnel expenses, insurance and administrative costs.

Consolidated Group operating and financial review (continued)

Financial position

The Group's cash holdings at reporting date had increased by $6.435 million on prior period to $48.430 million (2012: $41.995 million).

Intangible assets decreased in line with the reduction in the remaining estimated useful lives of those assets (excluding goodwill), offset by a $1.25 million increase in software intangibles relating to an agreement entered into between Lighthouse and an external data solutions provider for the primary purpose of further developing Lighthouse's risk management software (refer to page 9 for further details regarding this agreement).

Since 30 June 2012, the Group has reduced USD denominated debt relating to its secured bank loan from $26.323 million to $24.323 million.

The portion of the face value of the unsecured convertible notes that is recognised as a financial liability in the Group's consolidated statement of financial position has reduced by $0.939 million to $20.836 million as at 30 June 2013. A reconciliation of this movement is provided in note 17 in the notes to the consolidated financial statements.

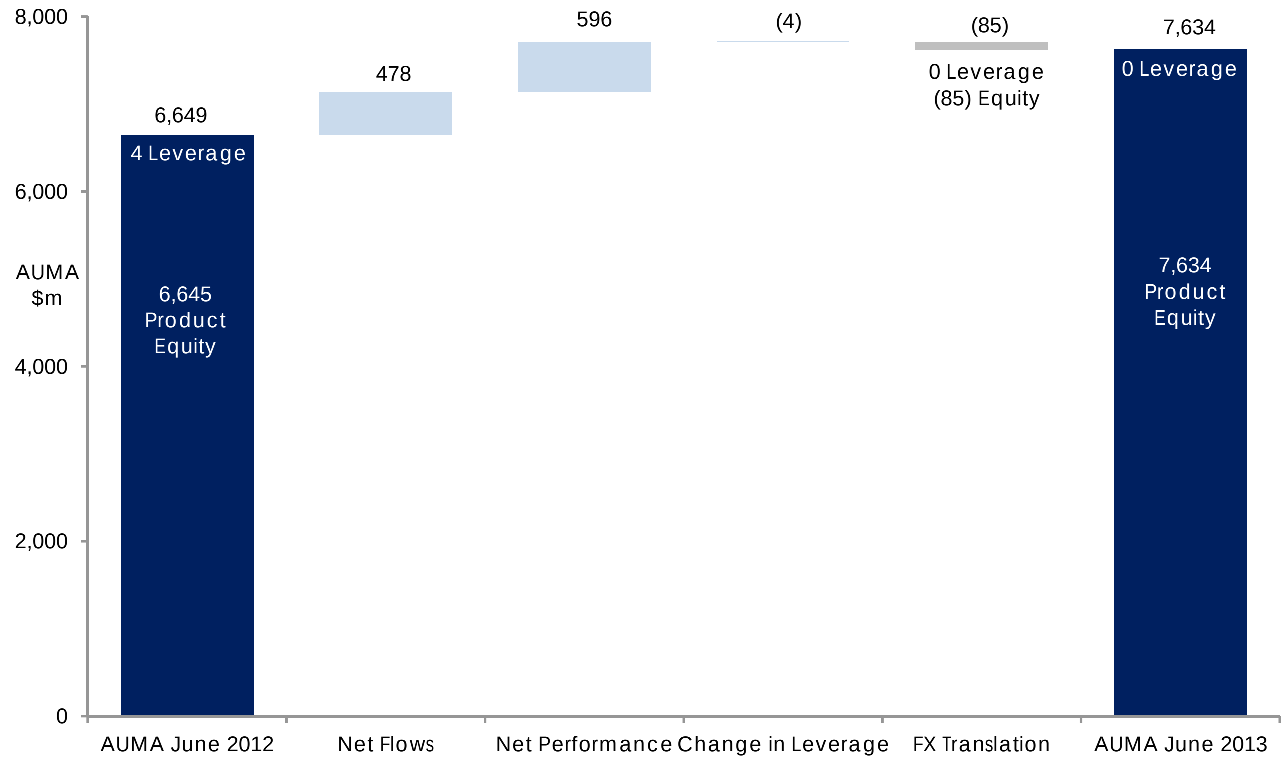
As at 30 June 2013 the Group has $222,921 thousand of unrecognised deferred tax assets which are carried off balance sheet (2012: $234,505 thousand). These tax assets consist of impairment losses recognised in previous financial years, capital losses, carried forward operating tax losses and deductible temporary differences. Additional disclosure in relation to the non-recognition of deferred tax assets is included in notes 8a and 8b.

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.

As at 30 June 2013, HFA had total AUMA of $7.634 billion (2012: $6.649 billion). This represents an increase of 15% 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:

HFA Holdings Limited - Consolidated USD AUMA movements for the year ending 30 June 2013



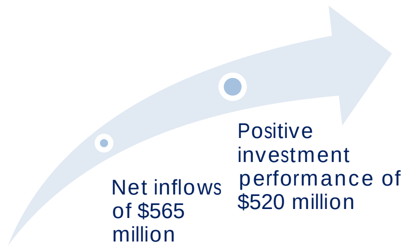
Lighthouse results and operations

2013 saw Lighthouse successfully running both its long-standing managed fund business and its newer client solutions business in parallel. Whilst the proprietary managed account program built by Lighthouse continues to underpin its traditional managed funds business, this year saw Lighthouse add additional large strategic investors to its client base who now directly access the benefits delivered by Lighthouse's managed accounts program.

AUMA

AUMA for Lighthouse has increased from $5.705 billion to $6.790 billion, an increase of 19% for the financial year ended 30 June 2013.

Not surprisingly, the inflows increasing AUMA are mainly for Lighthouse's customised client solutions business. Clients are required to commit to a minimum investment size, and the scale of the client's investment allows Lighthouse to offer tailored fee arrangements.



Lighthouse believes that a combination of timely, accurate data delivered by the managed accounts program, and the skilled judgement of their experienced investment professionals, provides the best opportunity for sustainable investment performance for both its managed funds and its individual customised client solutions investors.

Net income from operating activities

With the growth of Lighthouse's customised solutions business, Lighthouse's average net management fee (after investment management costs) earned on AUMA decreased to 0.77%.

Despite this lower net management fee, the positive AUMA growth for the financial year and the reduction in investment management costs resulted in net income from operating activities for the Lighthouse business of $52.295 million, up 10% from the prior year. Lighthouse has been the major contributor to the Group's result, with the US operations accounting for approximately 87% of consolidated net operating income.

Performance fee revenue is also higher this year at $1.295 million (2012: $0.245 million) reflecting the improved global equity markets and stronger investment performance of the Lighthouse funds this year.

Operating expenses

Lighthouse operating expenses (excluding depreciation and amortisation) have increased by 4%. This increase relates predominately to a $1.2 million increase in personnel expenses of which $0.9 million relates to the enhancement of short term remuneration incentives to retain and motivate Lighthouse staff.

Outlook

Lighthouse will continue to develop both the managed fund and customised client solutions businesses over the coming year.

In August 2012, Lighthouse entered into an agreement with a major global data solutions provider with a view to enhancing its existing proprietary-built risk management system. This development will not only provide enhanced functionality and scope for use by Lighthouse, but may provide broader opportunities for Lighthouse to benefit from the system being adapted to a broader range of global investment management uses by third parties.

Lighthouse is committed to using its intellectual capital and strengths to diversify its business and take advantage of opportunities which are created by the constantly changing investment management environment.

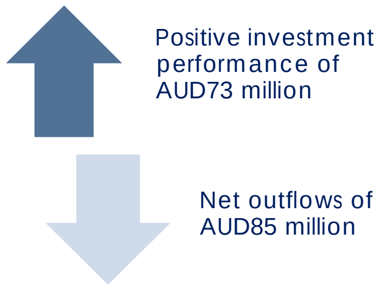
Certitude results and operations

Conditions in the Australian retail funds management industry have improved over the 2013 financial year, although retail investors have been slow to respond to these conditions and exit their large allocations to cash. Over the past few years the Certitude business has used the slow period of industry growth to resolve residual issues resulting from the Global Financial Crisis, and in parallel lay the ground work for growth by pursuing its new strategic direction through the diversification of its investment partners, products and client base.

Certitude made some positive achievements during the 2013 financial year. Of particular note was:

- launch of its first fund with investment partner Columbia Management, being a global credit fund, which was seeded with AUD 10m from a large family office;
- receiving improved product ratings for several of its products, including the LHP Diversified Investments Fund ; and
- receiving the Money Management/ Lonsec award for ‘Global Long/Short Manager of the Year’ for the GaveKal Asian Opportunities Fund in May 2013.

AUMA



AUMA for the Certitude business was relatively steady for the year ended 30 June 2013 at AUD910 million (30 June 2012: AUD926 million).

Investment performance across the products for the period was a positive AUD73 million.

Net outflows for the period were AUD85 million, AUD72 million of which was from the closed-ended structured products.

Inflows of AUD59 million were invested during the year into the LHP Global Long/Short Fund, GaveKal Asian Opportunities Fund, Columbia Management Credit Fund, Threadneedle Global Equity Fund and Threadneedle Global Equity Income Fund.

Inflows into open-ended products rebounded in the second half of the financial year with four months and the last quarter of this period being netflow positive. 45% of the full year inflows were delivered in the last quarter following our inaugural ‘Global Investment Forum’ held in March 2013 hosted in conjunction with PortfolioConstruction. This finish to the end of financial year provides a strong momentum into the new financial year.

The close-ended structured products outflows, which represented 50% of total gross outflows, were mainly due to returning investors capital as a result of the scheduled closure of the HFA Retrospective Fund and HFA Octane Fund in December 2012. A large portion of the funds redeemed from the structured products generated little to zero management fees to the Certitude business, and as such, had only a nominal impact on Certitude's profitability.

Outflows from Certitude's open-ended products were only responsible for an 8% reduction in total AUMA. Of the open ended funds, the LHP Diversified Investments Fund experienced net redemptions of AUD46 million, which was a significant reduction on the prior year (2012: AUD 119 million).

Net income from operating activities

Certitude operations experienced a 27% decrease in net income from operating activities to $5.165 million. This is consistent with a 6% decrease in average AUD AUMA compared to the 2012 financial year, as well as a 33% reduction in the average AUD net management fee (after investment management costs). The significant reduction in the net management fee was primarily as a result of the HFA Octane Global Funds (closed-ended structured products) becoming fully allocated to cash assets in September 2012, which caused the management fee from these funds to reduced from 1.3%pa to 0.1%pa.

Despite difficult markets, Certitude earned $1.533 million of performance fee revenue of the year (2012: $0.417 million), primarily from the LHP Global Long/Short Fund.

Certitude results and operations (continued)

Operating expenses

The Australian business has continued to focus on controlling operating costs.

Personnel costs have decreased by 23% in Australian dollar terms, due to the prior year including once-off termination/redundancy payments and an adjustment to short term incentive remuneration for staff retention. Personnel costs for the Australian business are expected to remain steady over the coming year.

Excluding personnel costs, other operating expenditure has also decreased, with an overall decrease of 6% in Australian dollar terms.

Outlook

The continued execution of Certitude's business strategy, which is 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. Certitude sees a shift by Australian investors to seeking a greater exposure to global assets in investment portfolios. Certitude's relationships with quality global asset managers with expertise in a diverse range of global asset sectors places the Australian business in a good position to offer these investors global solutions.

Board of directors

Our board comprises eight members, and provides HFA Holdings Limited (the 'Company'/'HFA') with the benefit of diverse experience and expertise in the financial services sector.

The directors of the Company at any time during or since the end of the financial year are:

Director	First appointed	Status				Audit & Risk Committee		Remuneration & Nominations Committee	
		Chair	Independent	Non-executive	Executive	Chair	Member	Chair	Member
S Young	15 May 2003	✓		✓					
FP (Andy) Esteban	18 June 2008		✓	✓		✓			✓
J Larum[1]	12 December 2008		✓	✓			✓		
M Shepherd[3]	16 December 2009		✓	✓			✓	✓	✓
A Civale	25 February 2011			✓					✓
G Kelley	25 February 2011			✓			✓		
J Zelter	25 February 2011			✓					
A Bluhm[2]	17 October 2012			✓					
S McGould	3 January 2008				✓				

1 Mr J Larum retired following the Annual General Meeting on 17 October 2012 and did not offer himself for re-election.
2 Mr A Bluhm was elected at the Annual General Meeting on 17 October 2012.
3 Mr M Shepherd was appointed Chair of the Remuneration and Nominations Committee on 2 November 2012.

Spencer Young

Non-Executive Chair

Spencer founded HFA Asset Management in 1998 which later listed on the ASX in April 2006 via an IPO of HFA Holdings Limited. He has over 30 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. On 10 November 2011 Spencer resigned as Chief Executive Officer of HFA Holdings Limited. He continues on the board as non-executive Chair.

Fernando (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 33 years experience in the financial services industry, of which 21 years were with Perpetual Trustees Australia Ltd. In 1999 he established FP Esteban and Associates, a private business specialising in implementing and monitoring risk management and compliance frameworks in the financial services industry. He has provided consulting services to a number of domestic and global organisations in Australia and South East Asia. From July 2005 until June 2008 he was an independent director of Credit Suisse Asset Management (Australia) Ltd. He is currently the Chair of the board of Certitude Global investments Limited, a wholly-owned subsidiary of HFA Holdings Limited.

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. John retired as a director on 17 October 2012.

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 Chairman of ASX Limited, and directorships of several of ASX's subsidiaries including Australian Clearing House Pty Ltd. Currently, Michael is Chairman of the Shepherd 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.

Anthony Civale

Non-Executive Director

Anthony is the Lead Partner and Chief Operating Officer of Apollo Capital Management, LLC, Apollo's credit oriented capital markets business which manages more than $60 billion of assets. Previously, Anthony, served as a Senior Partner in Apollo's private equity business. In addition to HFA, Anthony currently serves on the board of directors of Berry Plastics Group. Anthony has previously served on the board of directors of Goodman Global Inc., Harrah's Entertainment, Prestige Cruises and Covalence Specialty Materials. Anthony is also involved in charitable endeavours including his service on the Board of Trustees of Middlebury College and the Board of Directors of Youth, I.N.C. 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.

Grant Kelley

Non-Executive Director

Grant is co-head of Asia Pacific for Apollo Global Management and also leads their real estate investment activities in the region. He joined Apollo in January 2010 and has over 20 years experience in Asian corporate strategy and private equity, including from 2004-2008, as Chief Executive Officer of Colony Capital Asia, where he received a number of industry awards. 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.

James Zelter

Non-Executive Director

James is the Chief Executive Officer of Apollo Capital Management and Chairman 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.

Andrew Bluhm

Non-Executive Director

Andrew is the founder and principal of Chicago-based DSC Advisors, LP (DSC), which is the investment manager of Delaware Street Capital Master Fund LP. DSC invests in a wide array of companies and industries seeking to identify and acquire undervalued securities and sell-short overvalued securities. Prior to forming DSC, he was a founder and Principal of WSC, and prior thereto worked as a Vice President at JMB and as an Associate at Goldman Sachs. Andrew has a B.S. magna cum laude from the Wharton School at the University of Pennsylvania and an M.B.A. from Harvard Business School. Andrew was elected as a director on 17 October 2012.

Sean McGould

Executive Director

Sean is the co-founder of Lighthouse and has served as its Chief Executive Officer, President and Co-Chief Investment Officer since inception. He supports the investment team in the manager search, selection and review process and is the Chairman of the Investment Committee. Sean has been overseeing all aspects of the portfolios since August 1996. 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 20 years, Sean has been investing in various alternative investment strategies. Prior to founding Lighthouse, Sean was the director of the Outside Trader Investment Program at Trout Trading Management Company and was responsible for the allocation of the fund's assets to external alternative asset strategies. Prior to Trout, Sean worked for Price Waterhouse and passed the Certified Public Accountant examination.

Corporate governance statement

The corporate governance statement is arranged in the following sections:

1. Corporate governance at HFA

HFA Holdings Limited recognises the value of good corporate governance. The board believes that effective governance processes and procedures add to the performance of the Company and its subsidiaries (the 'Group'), the creation of shareholder value and engenders the confidence of the investment community.

1.1. Commitment to governance

This statement sets out the principle features of HFA's corporate governance framework and main governance practices in place throughout the year, which comply with the ASX Corporate Governance Council (ASXCGC) recommendations, unless otherwise stated.

Further information on the Company's corporate governance practices, including copies of charters and policies referred to in this statement, is available from the corporate governance section of the Company's website (www.hfaholdings.com.au). These documents are reviewed regularly for compliance with changes in governance standards or law.

1.2. ASX Corporate Governance Council Recommendations Checklist

The below table cross-references the ASXCGC recommendations to the relevant sections of the corporate governance statement and the remuneration report.

Recommendations		Reference
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2.1, 2.2
1.2	Companies should disclose the process for evaluating the performance of senior executives.	2.2, Directors' report 17.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	2.1, 2.2, Directors' report 17.
Principle 2: Structure the board to add value		
2.1	A majority of the board should be independent directors.	2.3, 2.5
2.2	The chairman should be an independent director.	2.4
2.3	The roles of the chairman and chief executive officer should not be exercised by the same individual.	2.5
2.4	The board should establish a nomination committee.	3.1, 3.3
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2.9
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	2.4, 2.5, 2.3, 2.7, 2.9, 3.3, 4
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code.	6.1
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	3.3.1
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	3.3.1
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	3.3.2
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	3.3.1, 6.1

1. Corporate governance at HFA (continued)

1.2. ASX Corporate Governance Council Recommendations Checklist (continued)

Recommendations		Reference
Principle 4: Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	3.1, 3.2
4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not Chair of the board; and ▪ has at least 3 members	3.2
4.3	The audit committee should have a formal charter.	3.2
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	3.2, 3.2.1, 4
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	5.2
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	5.2
Principle 6: Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	5.1
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	5.1
Principle 7: Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	7.1
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it about the effectiveness of the company's management of its material business risks.	7.2
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) or the chief financial officer (or equivalent) that the declaration given under section 295A Corporations Act (declaration about the listed entity's financial statements) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	7.3
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	7.1, 7.2, 7.3
Principle 8: Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	3.1, 3.3
8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair; and ▪ has at least three members.	3.3
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	3.3 and Directors' report 17.
8.4	Companies should provide the information indicated in the Guide to reporting on Principal 8.	3.3, 4.0, 6.3 and Directors' report 17.

2. Board of directors

2.1. Board roles and responsibilities

The board's primary role is the protection and enhancement of long-term shareholder value. In order to achieve this, the board is responsible for setting the strategic direction of the Group and for monitoring management's implementation of that strategy. The board operates in accordance with the principles set out within the board charter. The charter specifically reserves a number of key matters for consideration and decision by the board. These responsibilities include:

- ensuring the integrity of governance, audit, risk management and regulatory compliance programs and processes;
- reviewing and approving corporate strategies, budgets, plans and policies developed by management and evaluating the performance of the Group against those strategies and business plans;
- appointing, removing and evaluating the performance of key management personnel (refer section 17.1), including Chief Executive Officers (CEOs) and the Chief Financial Officer (CFO);
- reviewing board and management succession planning;
- monitoring financial performance (including the audit process) to understand at all times the financial position of the Company;
- oversight of the Company's continuous disclosure obligations including approving the Company's statutory accounts and Directors' report;
- reporting to shareholders and other stakeholders;
- capital management, including issues, calls on, forfeiture of shares, declaration of dividend and share buy backs;
- establishment, membership and role of board committees; and
- reviewing the performance of the board and board committees.

The board has also established a framework for management of the Group including a system of internal controls, a risk management system 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 processes (risk register, compliance programs for the operation of managed funds operated by the Group, staff trading policies, and employee manuals); and
- ethical standards and codes of conduct (director code of conduct, employee code of conduct, and employee manuals).

2.2. Management

Whilst the board retains responsibility for the overall strategic direction and operational control of the Group, the board has delegated the responsibility for the day to day operation and administration of the Group to the various officers, subsidiary directors, executives and management of the Group. Management must consult with the board on matters that are sensitive, extraordinary, or of a strategic nature or are otherwise outside their delegated authority limits.

The CEOs of the Company's two separate operating subsidiaries, Mr S McGould (CEO of Lighthouse) and Mr C Mowll (CEO of Certitude) report directly to the HFA board. The board believes that as the US and Australian entities operate as distinct business units this provides an appropriate operating structure. The board continues to be assisted in its oversight functions by the joint company secretaries.

Performance appraisals are conducted at least annually for all employees, including management. Mr C Mowll's performance is reviewed by the board of Certitude, led by Mr F Esteban, Chair of the board of directors of Certitude and director of HFA Holdings. During the year, a formal appraisal of Mr S McGould's performance was not undertaken. However, as an executive director, Mr S McGould participates in board meetings and has regular information communications with other directors.

Induction processes for new senior executives and other employees are tailored according to their position and responsibilities.

2. Board of directors (continued)

2.3. Board composition

Details of the directors of the Company in office at the date of this report, including their qualifications, experience, date of appointment and independent status, are set out on pages 12-14.

HFA's Board Charter requires that the board must have a broad range of expertise, and the Constitution requires the board to be comprised of not less than four and no more than nine directors, of which a majority must be non-executives. The Constitution sets out the requirements for a director's re-election which are, in summary, that any director appointed since the last Annual General Meeting (AGM) must stand for election at the next AGM. Of the remaining directors if the number is five or less, then two must retire from office and if the number is five or more, one-third of those must retire from office. If a director wishes to seek re-election they must formally indicate their willingness to do so. The Remuneration and Nominations Committee must approve their candidacy, taking into account the requirements of the Board and the Group. The board considers the current number of eight directors as appropriate given the scope and nature of the Company's operations.

Mr J Larum retired at the October 2012 Annual General Meeting (AGM) and did not offer himself for re-election. Mr A Bluhm, principal of Delaware Street Capital Master Fund L.P. who is a significant shareholder of the Company, notified the board of his willingness to be appointed as a director. The Remuneration and Nominations Committee, with the support of the rest of the board, considered the requirements of the Group and the gaps in the skills and experience represented on the board confirmed that Mr A Bluhm was a candidate who was likely to bring benefit to the board and Group. Accordingly, Mr Bluhm was elected by shareholders to the board at the October AGM.

2.4. Chair of the board

Mr S Young is a non-executive director and Chair of the board. Due to his previous position as CEO of the Group and the substantial shareholding of his family trust, Mr Young is not an independent director. However, the board believes that Mr Young has the appropriate knowledge, experience and skills to continue to undertake the role of Chair of the board.

The Company was not in compliance with ASX Corporate Governance Recommendation 2.2 during the financial year.

2.5. Director independence

The board's charter details the definition of independence which has been adopted by the board. Those directors identified as independent are required to advise the board and the joint company secretaries where circumstances arise where they no longer satisfy the requirements to be identified as independent. Regardless of whether they satisfy the board's definition of independence, all directors should bring an independent judgement to bear on board decisions.

Under the terms of the convertible note, the convertible note holders may nominate three directors to the board of HFA Holdings Limited, as their representatives. The nominated directors, Messrs Civale, Kelley and Zelter who hold positions with Apollo Global Management, LLC or its affiliates (the Apollo Group), were elected by shareholders at the Company's Extraordinary General Meeting held on 25 February 2011. 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, the Apollo Group is a related party of the HFA Holdings Limited Group. Messrs Civale, Kelley and Zelter are therefore not considered to be independent.

Mr A Bluhm was elected to the board at the AGM held in October 2012. Mr Bluhm is the principal of Delaware Street Capital Master Fund L.P., a substantial shareholder of the Company, and as such is not considered to be an independent director.

In addition, as noted in section 2.4 above, the Chair of the board is not an independent director.

Accordingly, the board does not have a majority of independent directors. 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.

2. Board of directors (continued)

2.5. Director independence (continued)

These include:

- directors are entitled to seek independent professional advice at the Company's expense, subject to prior consultation with the Chair;
- directors should have a clear understanding of obligations arising out of any perceived or actual conflicts of interest as these are clearly stated in the directors' Code of Conduct. Directors who have a conflict of interest in relation to a particular item of business must declare this, and if judged appropriate, absent themselves from the board or committee meeting before commencement of discussion on the topic;
- non-executive directors may confer on a needs basis without management in attendance; and
- the Remuneration and Nominations Committee and the Audit and Risk Committee are each chaired by an independent director, and each must be comprised of a majority of independent directors.

The Company was not in compliance with ASX Corporate Governance Recommendation 2.1 during the financial year.

2.6. Director appointment

At the time of their appointment, directors receive a formal letter which sets out the key terms and conditions of their appointment, including expectations in regard to attendance and preparation for 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 subsidiary CEOs and CFO are formally outlined.

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.

2.7. Independent professional advice and access to Company information

The board and each of the committees and individual directors have the authority to seek any information they require from any employee or external party. 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 Chair, may seek independent professional advice from a suitably qualified adviser at the Company's expense. 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.

2.8. Board meetings

The board meets approximately every two months, with additional meetings held to address specific issues as required. Meeting frequency and attendance for the financial year are set out in section 4 of this statement.

The agenda for meetings is prepared in conjunction with the Chair, subsidiary CEOs, CFO and joint company secretaries 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.

2.9. Board performance review

During the financial year ended 30June 2012, the board undertook its first independently facilitated review of the performance of the board and Chair. The data gathered through the review, which was in the form of an online questionnaire, was collated and analysed to identify key issues.

Due to the comprehensive nature of this review and the time taken for completion, the board judged it unnecessary to undertake another such evaluation during the financial year ended 30 June 2013.

3. Committees of the board

3.1. Overview

To assist in the execution of its responsibilities, the board has established two standing committees, the Audit and Risk Committee and the Remuneration and Nominations Committee.

Each Committee has a charter, available on the Company's website, which sets out their respective duties and responsibilities. Committee charters are reviewed on a regular basis, most recently in the current financial year.

3.2. Audit and Risk Committee

The Audit and Risk Committee assists the board in discharging its oversight responsibilities in relation to audit and financial reporting matters and the Company's risk management systems. The committee charter requires that the committee be comprised of at least three non-executive directors, the majority of which must be independent. The committee Chair may not be the Chair of the board.

The members of the committee during the year and their qualifications are set out on pages 12-14. Committee meeting frequency and attendance for the financial year are set out in section 4 of this statement.

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

The primary responsibilities of the committee, as set out in its charter, are as follows:

- overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial reports, including:
  - reviewing the appropriateness of accounting policies adopted in relation to financial reporting;
  - assessing management's process surrounding financial reporting;
  - considering the results of the audit, including recommendations submitted by the external auditor and management's responses; and
  - making recommendations to the board regarding those matters;
- recommending the interim and annual financial reports to the board;
- reviewing the effectiveness of internal controls;
- overseeing the Company's risk management systems and strategies;
- reviewing the Company's process for monitoring compliance with laws and regulations; and
- considering and reporting to the board on any other matters that the board may refer to the committee from time to time.

Further information on the Company's risk management system and compliance controls is included in section 7 of this statement.

The committee also reviews the independence of the external auditor and audit process, including:

- making recommendations to the board 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 providing recommendations to the board in relation to auditor independence.

3. Committees of the board (continued)

3.2. Audit and Risk Committee (continued)

The committee meets with the external auditor during the year in order 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 draft annual and half-year financial reports 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; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations.

3.2.1. External auditor

The role of the external auditor is to provide an independent opinion that the Company's financial reports are true and fair and comply with the applicable regulations. KPMG is the Company's external auditor. 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.

The lead audit engagement partner should be rotated after a period of no longer than five years and may not resume the role until at least two years have elapsed. Mr S Board, the current lead audit engagement partner was first appointed for the financial year ended 30 June 2011.

Restrictions are placed on non-audit work performed by the auditor and projects outside the scope of the audit require the approval of the Audit and Risk Committee. An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in note 24 of the financial statements.

3.3. Remuneration and Nominations Committee

The role of the Remuneration and Nominations Committee is to advise the board on matters relating to the remuneration of the directors, the subsidiary CEOs and other senior executives of the Company and on matters relating to the composition and performance of the board.

The committee charter requires that the committee be comprised of at least three non-executive directors, the majority of which must be independent.

The members of the committee during the year and their qualifications are set out on pages 12-14. Committee meeting frequency and attendance for the financial year are set out in section 4 of this statement.

At the discretion of the committee, other members of the board and management may be invited to attend committee meetings.

The primary responsibilities of the committee in regard to its remuneration duties, as set out in its charter are:

- reviewing the remuneration framework of directors and making recommendations to the board regarding same;
- ensuring the board has sufficient information to make informed decisions in relation to the performance reviews and remuneration of directors, the subsidiary CEOs and other senior executives;

3. Committees of the board (continued)

3.3. Remuneration and Nominations Committee (continued)

- reviewing the remuneration framework for senior executives (including superannuation and incentive policies / schemes) and making recommendations to the board on same. In fulfilling this role, the committee will have regard to the Company's remuneration policy to ensure that senior executive remuneration packages:
  - motivate management to pursue long term growth and success of the Company within an appropriate control framework;
  - demonstrate a clear relationship between senior executive performance and remuneration; and
  - are consistent with accepted industry practice and governance guidelines;
- reviewing and making recommendations to the board on the Company's recruitment, retention and termination policies and procedures for senior executives;
- reviewing the senior executive performance assessment processes and results as they reflect the capability of management to realise the business strategy;
- reviewing, and making recommendations to the board in regard to employee incentive schemes, including short term incentive strategy, performance targets and bonus payments and the administration and operation of any employee share plan(s) and other incentive plans provided by the Company;
- reviewing and recommending to the board major amendments to the long term incentive plan/s and related allocation(s) of equities;
- reviewing and making recommendations to the board on matters of remuneration by gender and strategies to address any gender pay gap; and
- considering and reporting to the board on any such other matters as the board may refer to the committee from time to time.

In carrying out its nominations functions, the primary responsibilities of the committee, as set out in its charter are:

- overseeing the appointment, re-election and induction process for new directors;
- reviewing the size and composition of the board, including the assessment of the necessary and desirable competencies of board members and making recommendations regarding the appointment/re-appointment and removal of directors having regard to the skills and expertise required, as well as directors' past performance and contribution to the Company;
- evaluating the performance of the board, board committees and individual directors and nominating the Chair of the board for consideration and approval by the board;
- reviewing executive and director succession plans;
- development of plans for identifying, assessing and enhancing director competencies;
- reviewing, and making recommendations to the board in relation to, the Company's achievement of its diversity objectives; and,
- considering and reporting to the board on any other matters that the board may refer to the committee from time to time.

3. Committees of the board (continued)

3.3. Remuneration and Nominations Committee (continued)

3.3.1. Diversity

HFA recognises the organisational strength, ability and opportunity that diversity brings. The Group 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. HFA values and respects the contributions of people with diverse backgrounds and experiences. The Group seeks to harness the opportunities and business benefits that a range of ideas and perspectives brings to the organisation. The Group continues to work on growing diversity at all levels of the business. This practice is facilitated by making decisions based on merit in regard to recruitment, internal promotions and leadership development.

The Remuneration and Nominations Committee is responsible for overseeing the Company's strategies on diversity, including monitoring the Company's achievements against diversity objectives. Through the financial year, the Group has continued to provide employees with equitable learning and development opportunities. In 2014 the Group will expand on this by supporting employees in establishing individual development plans which will align and be trackable against the Group's strategic goals.

The Group's US subsidiaries are required to comply with US employment law. Where possible and practicable, Lighthouse Partners has sought to achieve the objectives and operate in accordance with the spirit of the Group's diversity policy.

Diversity objectives for the financial year ended 30 June 2013

Objective	Measure	Progress towards achievement
Use of recruitment guidelines to ensure recruitment processes are carried out in a manner which will encourage the growth of diversity within the Group.	Employees involved in recruiting to annually report on use of guidelines.	The guidelines were referred to by individuals responsible for recruitment where relevant and appropriate.
Provision of equitable learning and development opportunities for all employees.	Analysis of time and money spent on learning and development on each individual to be completed annually.	An analysis of time and money spent on learning and development for individual Certitude employees was completed. An average amount of money spent on learning and development for each Lighthouse employee was reported.

3.3.2. Gender diversity within the Group

	Male	Female	Total	% Female
Total Employees*	73	28	101	28%
Senior Executive*	6	1	7	14%
Board	8	-	8	0%

* Total includes S McGould as an executive director but excludes Certitude and HFA non-executive directors.

4. Directors' meetings

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2013, and number of meetings attended by each director were:

Director	Board Meetings		Audit and Risk Committee		Remuneration and Nominations Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
S Young	11	11	-	-	-	-
FP(Andy) Esteban	11	11	2	2	3	3
J Larum[1]	4	4	1	1	1	1
M Shepherd	11	11	2	2	3	3
A Civale	11	10	-	-	3	2
G Kelley	11	10	2	2	-	-
J Zelter	11	-	-	-	-	-
A Bluhm[2]	7	7	-	-	-	-
S McGould	11	11	-	-	-	-

[1] Mr J Larum retired following the Annual General Meeting on 17 October 2012 and did not offer himself for re-election.
[2] Mr A Bluhm was elected at the Annual General Meeting on 17 October 2012.

5. Shareholders

The board believes that effective shareholder communications and continuous disclosure policies enhance the Company's strong culture of disclosure and its commitment to keeping shareholders and the relevant markets informed. A summary of each policy is available on the Company's website.

5.1. Shareholder communications

The board believes that shareholders should have access to the latest information about the Company, utilising, where practicable, electronic communications together with more traditional means of communication. Shareholder communications and market disclosures issued by the Company are approved by the board, the Chair or the relevant subsidiary CEO. The Company facilitates communication with shareholders through the following:

- 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;
- the Company's annual report;
- 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; and
- attendance by the Company's auditor at the Company's AGM to answer shareholder queries regarding the conduct of the audit and the preparation and content of the auditor's report.

The Company places all market announcements, relevant news releases and any other information that is an official market release on its website as soon as reasonably practicable after such information is released to the ASX. 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 Company's Constitution is available to any shareholder upon request.

5. Shareholders (continued)

5.2. Continuous disclosure

The Company's continuous disclosure policy outlines the procedures to be adopted to ensure compliance with continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules. On 1 May 2013, the ASX released updated guidance on how companies might best comply with these continuous disclosure obligations. Accordingly a detailed review of the Group's continuous disclosure policy was carried out with a number of amendments made in order that employees might achieve a better understanding of their obligations.

The policy sets out the procedures for:

- identifying material price sensitive information;
- reporting such information to the Company Secretary for review;
- achieving best practice in complying with continuous disclosure obligations under the Corporations Act and ASX Listing Rules, such that:
  - all shareholders have equal and timely access to material information concerning HFA, including its financial position, performance and governance; and
  - company announcements are factual and presented in a clear and balanced manner.

The joint company secretaries are responsible for ensuring HFA complies with continuous disclosure requirements in relation to the disclosure of those matters which are deemed to be administrative in nature. The board is responsible for disclosure of other matters including company transforming events and matters of strategic or reputational significance.

6. Ethical and responsible behaviour

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.

6.1. Codes of conduct

The board is committed to ensuring that the highest standards of honesty, integrity, ethics and legality are upheld and enforced. Accordingly, the board has adopted both a Directors' and Employees' Code of Conduct. The Group has advised each director and employee that they must comply with the Directors' or Employees' Codes of Conduct, as applicable, and the relevant subsidiary Employee Manual. The Codes and Employee Manuals aim to:

- communicate the expected standards of behaviour;
- communicate directors' and employees' responsibilities to shareholders, fellow employees, the broader community and other relevant stakeholders; and
- protect the interests of shareholders, employees and other relevant stakeholders.

Any breach of the Codes is considered a serious matter which may result in disciplinary action, including termination of employment.

Copies of the Codes are available on the Company's website.

6.2. Conflicts of interest

Directors have a duty to avoid conflicts of interest between the best interests of the Company and their own personal or commercial interests. Every Director must be aware of both actual and potential conflicts of interest. Directors are required to disclose conflicts of interest, potential or actual, to the full Board immediately. All positions and external Directorships must be disclosed to the full Board. If a conflict arises, common law requires that a Director with a conflict of interest should refrain from voting, entering into any discussion or even being present during relevant Board discussions. Details of director related entity transactions with the Group are set out in note 26 to the financial statements.

6.3. Trading

The Company's trading policy highlights the Corporations Act 2001 restrictions in relation to insider trading, and prohibits its directors and employees from dealing in HFA securities at any time if that person is in possession of price sensitive information that has not been made public. The policy complies with the ASX listing rule requirements on trading policies. Under the policy:

- employees may not deal in HFA securities except during the six week period commencing the first business day after the announcement of half-yearly and annual results to the ASX, or the AGM, or any additional period as determined by the board, unless authorisation has been granted by the board in accordance with the procedure outlined in the policy;
- directors or key management personnel (refer section 17.1) are prohibited from engaging in short-term, speculative or derivative trading in relation to HFA Securities; and
- employees may not engage in transactions or arrangements designed to limit the economic risk of security holdings in the Company over unvested entitlements.

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

6.4. Quality and integrity of personnel

Directors and employees are required to comply with all Group policies and any breaches are considered serious matters which may result in disciplinary action. Training and development, appropriate remuneration and incentives, and annual performance reviews for all employees create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions in the event of unexpected departures.

7. Risk Management

7.1. Approach to risk management

The board is committed to the establishment and maintenance of adequate risk management systems. A risk management policy has been adopted by the board and presents the framework upon which the Company will meet its risk management obligations. The board has delegated responsibilities under this policy to the Audit and Risk Committee.

The policy deals with the risks specific to HFA in its capacity as an ASX listed entity and parent entity to two funds management business units, Lighthouse and Certitude. Each business unit is responsible for ensuring that it has in place appropriate risk management policies and procedures to meet its business, regulatory and operational requirements. During the financial year the Audit and Risk Committee reviewed the Group's risk register and agreed it was satisfied with the management of the risks contained therein and the effectiveness of the risk management policy.

It is the responsibility of every employee to appropriately manage risk within their area of responsibility. To this end HFA places strong emphasis on maintaining a risk-aware culture in its decision making and operational processes.

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

7.2. Risk management process

Through the risk management process, risk issues are identified, analysed and treated in a consistent manner. The risk management system is designed to:

- provide a framework for identifying, assessing, monitoring and managing risk;
- communicate the roles and accountabilities of participants in the risk management system; and
- highlight the status of risks to which the Company is exposed and ensure they are appropriately managed and monitored.

The Audit and Risk Committee, in conjunction with the joint company secretaries, reviews the status of the Group's risk profile at least annually and reports any changes to the board.

Management identifies risks, which may arise from any internal or external event, by grouping them in a number of categories including: strategic; market; regulatory, compliance and governance; reputation; information technology; financial management; shareholder satisfaction and retention; people; fraud; ethics; insurance; outsourcing; product and business continuity. Risks are managed through the effective implementation of various controls which include:

- the corporate governance framework;
- the risk management framework;
- documented policies and procedures;
- maintenance of a risk register;
- implementation of risk based systems and processes;
- ongoing monitoring of regulatory obligations;
- ongoing supervision of employees;
- checklists to guide activities and project plans to record actions; and
- internal and external reporting.

7.3. Financial reporting

The subsidiary CEOs and the Group 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.

7.4. 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

The directors' report is arranged in the following sections:

The directors present their report together with the financial statements of the Group, comprising of HFA Holdings Limited and its subsidiaries, for the financial year ended 30 June 2013.

8. Directors

The directors of HFA Holdings Limited at any time during or since the end of the financial year are set out on page 12. Additional information on the directors (including qualifications and experience and directorships of listed companies held by the directors at any time in the last three years) is set out on pages 12-14.

The number of directors' meetings held (including meetings of committees of the board) and the number of meetings attended by each of the directors of HFA Holdings Limited during the financial year are included in section 4 of the corporate governance statement.

9. Company secretaries

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.

Ms Kate O'Donohue BA MSc Corp. Gov. ACSA, ACIS was appointed to the position of joint company secretary on 7 March 2012. Kate has over ten years experience working within company secretariat departments of listed and unlisted companies in both Australia and the United Kingdom.

10. Dividends

The directors have determined to pay a final dividend of United States (US) of 3.0 cents per share (fully franked). The dividend will be paid on 6 September 2013.

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2013.

A fully franked final dividend of USD 3 cents per share was paid to shareholders on 19 September 2012 in respect of the year ended 30 June 2012. Together with the fully franked interim dividend of USD 3 cents per share paid to shareholders on 28 March 2013, the total dividend paid during the year ended 30 June 2013 was USD 6 cents per share.

As the total dividends paid to ordinary shareholders for the 2013 financial year will exceed $6.0 million, under the terms of the convertible notes, the Company will also pay an Additional Interest Payment to the convertible noteholders. This Additional Interest Payment represents the participation of the convertible noteholders on an "as-converted" basis in the dividend amount in excess of $6.0 million.

11. 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'), through which 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, distributes and acts as the responsible entity of managed investment schemes in Australia.

Details of the Consolidated Group are included at note 27 to the financial statements.

12. Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is included on pages 4-11 of this annual report.

13. Significant changes in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year.

14. Likely developments and expected results

Information on likely developments and the expected results of certain operations of the Group are included on pages 4-11 of this annual report.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

15. Events subsequent to end of financial year

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

16. 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:

Director	Ordinary shares
S Young[1]	7,034,564
FP (Andy) Esteban[2]	27,000
M Shepherd[3]	125,000
A Civale	-
G Kelley	-
J Zelter	-
A Bluhm[4]	26,101,982
S McGould[5]	19,438,084

[1] 7,034,564 shares are held indirectly by Mr S Young as Trustee for the Spencer Young Family Trust.
[2] 27,000 shares are held indirectly by FJE Superannuation Fund.
[3] 125,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund.
[4] 26,101,982 shares are held indirectly by Delaware Street Capital Master Fund, LP (DSC). Mr Bluhm is the founder and principal of DSC Advisors, LP, which is the investment manager of DSC.
[5] 19,436,084 shares are held indirectly by SGM Holdings, LLC.

17. Remuneration report (audited)

17.1. Overview

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 of the Group.

Name	Position held
Non-Executive Directors	
S Young	Chair and Non-Executive Director
F P (Andy) Esteban	Non-Executive Director
J Larum[1]	Non-Executive Director
M Shepherd	Non-Executive Director
A Civale	Non-Executive Director
G Kelley	Non-Executive Director
J Zelter	Non-Executive Director
A Bluhm[2]	Non-Executive Director
Executive Directors	
S McGould	Chief Executive Officer, President and Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
Executives	
C Mowll	Chief Executive Officer, Certitude Global Investments Limited
A Stoney	Chief Financial Officer, HFA Holdings Limited
S Perkins	Executive Managing Director, Lighthouse Investment Partners, LLC
K Perkins	Co-Chief Investment Officer, Lighthouse Investment Partners, LLC
R Swan	Chief Operating Officer, Lighthouse Investment Partners, LLC

[1] Mr J Larum retired following the Annual General Meeting on 17 October 2012 and did not offer himself for re-election.
[2] Mr A Bluhm was elected at the Annual General Meeting on 17 October 2012.

17.2. 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 where available when setting remuneration levels. The directors did not utilise the services of any remuneration consultants during the year.

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 and business unit's performance; and
- the amount of incentives within each key management person's remuneration package.

Remuneration packages include a mix of fixed and variable remuneration, including short and long-term performance linked incentives.

17.3. Fixed remuneration

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

Lighthouse employees are entitled to non-cash benefits that include educational assistance, adoption assistance and health care benefits.

Fixed remuneration is reviewed at least annually, or on promotion, to ensure that it is competitive and reasonable. There are no guaranteed increases to the fixed remuneration amount. The amount of fixed remuneration is not dependent on the satisfaction of a performance condition, or the performance of the Group or business unit, the Company's share price, or dividends paid by the Company.

17. Remuneration report (audited)(continued)

17.4. Performance linked remuneration

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward personnel for meeting or exceeding their financial and personal objectives.

17.4.1. Short-term incentives (STI)

The board believes that short-term incentive arrangements should motivate key management personnel and other staff to create wealth for both the Company's shareholders and the investors in the Group's funds and managed accounts. The Group seeks to recognise the contributions and achievements of individuals towards these goals.

Individual performance appraisals are conducted at least annually for all employees, including senior executives, as part of the annual remuneration review process. These performance appraisals assist the board and management to make appropriate remuneration decisions, particularly in relation to short-term incentives.

The short-term incentives are tailored for each business unit. The arrangements in place within the Group are:

HFA Holdings Limited (parent company)	
Group CEO STI	In his capacity as Group CEO, Mr S Young was entitled to receive a cash bonus payable in relation to the achievement of certain strategic and financial objectives. Mr Young received a pro rata cash payment upon his resignation from this position on 10 November 2011. Additionally, Mr Young was issued with short-term share based incentives in accordance with the arrangements approved at the Company's AGM on 30 November 2010. These performance rights were subject to the achievement of certain strategic and financial objectives as determined by the board. Upon his resignation as Group CEO on 10 November 2011, Mr Young forfeited the 2012 and 2013 tranches of these rights. Further detail regarding Mr Young's remuneration is outlined in section 17.5 below.
Holdings STI general bonus pool	This discretionary bonus pool is for staff who directly contribute to the operation of the listed parent company, namely staff involved in finance and company secretarial functions. The total amount of the Holdings STI general bonus pool is approved by the board. The Remuneration and Nominations Committee recommends an STI amount for the CFO, allocated from the total pool.
Lighthouse	
Lighthouse STI general bonus pool	The total amount of the Lighthouse STI general bonus pool is approved by the board in order to appropriately motivate and retain Lighthouse staff. Allocation of the Lighthouse STI general bonus pool to staff other than those noted below is determined by the Lighthouse CEO. In accordance with their service agreements, Mr K Perkins and Mr R 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 general bonus pool. Performance based STIs are generally paid to Lighthouse employees in the form of cash, however they may be satisfied by the issue of shares.
Lighthouse sales bonus pool	Lighthouse distribution staff are eligible to participate in an additional discretionary sales bonus pool. Allocation of this bonus pool is determined by the Lighthouse CEO.
Lighthouse CEO bonus	During the period that Lighthouse has been part of the HFA Group, the Lighthouse CEO, while eligible for a bonus, has foregone any STI remuneration. The Company will be recommending to shareholders an entitlement to be paid to the Lighthouse CEO based on his performance and contribution for the 2012 calendar year.

17. Remuneration report (audited)(continued)

17.4. Performance linked remuneration (continued)

17.4.1 Short-term incentives (STI) (continued)

Certitude	
Certitude STI general bonus pool	The total amount of the Certitude STI general bonus pool is approved by the board. Allocation of the Certitude STI bonus pool to staff other than key management personnel is determined by the Certitude CEO. The Certitude board reviews the performance of the Certitude CEO and makes a recommendation to the Remuneration and Nominations Committee regarding his STI bonus. This is then reviewed and recommended to the board by the Remuneration and Nominations Committee.
Certitude sales bonus pool	Australian distribution staff are also 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 target.

17.4.2. Long-term incentives (LTI)

HFA has a history of providing employees with the opportunity to participate in ownership of shares in the Company. In March 2008, the Company established the HFA Employee Performance Rights Plan. Rights issued under this plan provide long-term incentives for key management personnel and other employees 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 exercise of the performance rights. Vesting conditions, including being employed by the Group at relevant vesting dates, and meeting specified performance hurdles must be satisfied for the performance rights to be exercised.

The long-term incentives are tailored for each business unit. Allocations under the performance rights plan are based on considerations such as seniority in the organisation and potential to contribute to the future success of the Group. The following offers made under the terms of the plan are reflected in the Group's financial statements for the year ended 30 June 2013:

HFA Holdings Limited (parent company)	
Group CEO LTI	In his capacity as Group CEO and in accordance with the arrangements approved by shareholders at the Company's AGM on 30 November 2010, Mr S Young was issued with long-term performance rights. The long-term share based incentives were performance rights subject to the achievement of Total Shareholder Return (TSR) and Earnings per Share (EPS) targets over a 3 year period, with vesting over a 5 year period. These rights were forfeited as at 30 June 2012 due to non-achievement of both the employment and performance hurdles.
2012 HFA Holdings Performance Rights Plan	On 5 March 2012, employees of HFA Holdings Limited were granted 100,000 performance rights. The vesting of the performance rights is conditional on continued employment and on the Group achieving a minimum EBITDA of USD 35 million for the twelve months to June 2014. The HFA board retains the right to exercise its discretion where hurdle thresholds are not met.
Lighthouse	
2011 Lighthouse Performance Rights Plan	On 20 January 2011, employees of Lighthouse were granted 4,000,000 performance rights. The vesting of the performance rights is conditional on continued employment and on Lighthouse, on a stand-alone basis, achieving a minimum EBITDA of USD 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 performance rights will vest prior to the satisfaction of the vesting conditions upon a takeover bid or change of control event.
Certitude	
2012 Certitude Performance Rights Plan	On 5 March 2012, employees of Certitude were granted 880,000 performance rights. The vesting of the performance rights is conditional on continued employment and on Certitude achieving a minimum EBITDA of AUD Nil for the twelve months to June 2014. The HFA board retains the right to exercise its discretion where hurdle thresholds are not met.

17. Remuneration report (audited)(continued)

17.5. Former Group CEO Mr S Young

The former Group CEO, Mr S Young, ceased to be employed in this position on 10 November 2011. Mr Young has remained as a non-executive director and Chair of the board.

In accordance with his employment contract, Mr Young received 11 months' salary in lieu of notice, accrued statutory entitlements, and a pro rata cash STI allocation (paid entirely in cash in November 2011).

The following shares were also issued to Mr Young in accordance with his 2010 CEO Performance Rights Plan:

Retention incentives

100% (1,183,432) of the shares available under the retention incentive tranches were issued in November 2011 in relation to the achievement of strategic hurdles, including the recapitalisation of the Group, during the 2011 financial year.

Short-term share based incentives

50% (221,894) of the shares available under the 2011 tranche were issued in November 2011 based on the achievement of defined strategic objectives and the following financial objectives: EBITDA of $18.9 million, and AUMA of $7.2 billion relating to the 2011 financial year. These financial objectives were selected as they are key indicators of the Group's performance.

Tranches relating to the 2012 and 2013 financial years were forfeited.

Long-term share based incentives

All long-term performance rights available under the plan were forfeited as at 30 June 2012 due to non-achievement of both the employment and performance hurdles.

17.6. Relationship between remuneration policy and company performance

The Group's performance is impacted by both internal and external factors, including the ability to motivate and retain key management personnel. In considering the overall level of key management personnel's remuneration, the Remuneration and Nominations Committee have regard to the following indicators:

	2013	2012	2011	2010	2009
Net profit / (loss) after tax (USD 000's)	5,551	2,690	5,527	4,205[1]	(398,117)[1]
Earnings before interest, tax, depreciation, amortisation, impairment and equity settled transactions	17,593	14,485	21,413	23,132[1]	39,452[1]
Dividends paid[2] (USD 000's)	7,297	7,876	-	-	13,368[3]
Dividends per share (US cents) paid	6.0	7.0	-	-	11.64[3]
Closing share price (dollars)[4]	AUD 0.90	AUD 0.68	AUD 1.23	AUD 0.68	AUD 0.70
Change in share price (dollars)[4]	AUD 0.22	AUD (0.55)	AUD 0.55	AUD (0.02)	AUD (3.94)

[1] Translated to USD using monthly average exchange rates.
[2] Represents dividends paid in the relevant financial year.
[3] Translated to USD using the spot rate on payment date.
[4] 2009 – 2010 numbers adjusted to provide reasonable comparative amounts in light of HFA's 1 March 2011 4 to 1 share consolidation.

17. Remuneration report (audited)(continued)

17.7. Service agreements

The Group has entered into service agreements with each member of key management personnel, excluding non-executive directors. These agreements specify the duties and obligations to be fulfilled.

Refer to sections 2.6 of the corporate governance statement, and 17.8 of the remuneration report for details regarding the appointment and remuneration of non-executive directors.

Lighthouse senior executives

Messrs S McGould, S Perkins, K Perkins and R Swan entered into service agreements commencing on 7 March 2011. 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 ('Good Cause Termination'). In these circumstances there is no entitlement to a termination payment.

The Group may terminate the agreement for any reason other than gross negligence or 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 anytime for any reason other than those noted above by giving not less than sixty days notice.

After such termination other than for Good Cause Termination, a payment of $1,000,000 multiplied by the number of days since the fiscal year ending before termination divided by 365 will be made in lieu of any unpaid bonus.

S McGould and S Perkins are entitled to participate in incentive plans, including equity based plans.

Messrs K Perkins and R Swan, in addition to their base salary, are entitled to semi-annual compensation calculated as 1.25% and 1.00% respectively of the gross revenue of Lighthouse Investment Partners, LLC for the relevant six month period and are entitled to participate in equity based plans.

HFA Holdings and Certitude senior executives

Mr C Mowll and Ms A Stoney are engaged pursuant to executive services agreements.

The Group may terminate the agreements 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 a termination payment. The employee may terminate the agreement at any time by giving 6 months notice and the Group may terminate the agreement at any time by giving 6 months notice or payment in lieu.

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

17. Remuneration report (audited)(continued)

17.8. 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 (including superannuation), as approved by shareholders at the AGM held on 14 December 2007.

Directors' base fees are presently AUD 80,000 plus superannuation per annum, with the Chair receiving AUD 125,000 per annum. These fees have been determined by reference to external benchmarks, surveys and fees paid to other non-executive directors of comparable companies, however the base fees of AUD 80,000 have not been increased since 2008. Messrs Civale, Kelley, Zelter and Bluhm 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 reasonable expenses properly incurred in their role as a director.

Non-executive directors are not entitled to participate in executive remuneration schemes, may not receive 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 2013 was $412,731 (2012: $426,902).

17.9. Reporting in United States dollars

In this report the remuneration and benefits reported have been presented in US dollars ('USD'). This is consistent with the functional and reporting currency of the Group.

Compensation for Australian-based employees is paid in Australian dollars, and for reporting purposes, converted to USD based on the average exchange rate for the payment period. The Australian dollar compensation paid during the year ended 30 June 2013 was converted to USD at the average exchange rate of AUD/USD 1.0268 (2012: AUD/USD 1.0319).

The value of performance rights is converted at the spot rate applicable when the rights are granted.

17. Remuneration report (audited)(continued)

17.10. Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the consolidated entity are:

		Short-term					Post-employment	Other long-term		Share-based payments			
		Salary & fees $	[D] STI cash bonus $	Annual leave $	Health care benefits $	Total $	Super-annuation/ retirement plan contributions $	Long service leave $	Termin-ation benefits $	[E] Shares and performance rights $	Total $	S300A (1)(e)(i) Proportion of remuneration performance based	S300A (1)(e)(vi) Value of shares as a % of remuner-ation
Non-Executive Directors													
S Young	2013	128,350	-	-	-	128,350	11,552	-	-	-	139,902	-	-
	2012[A]	82,083	-	-	-	82,083	7,387	-	-	-	89,470	-	-
F P (Andy) Esteban	2013[B]	143,752	-	-	-	143,752	12,938	-	-	-	156,690	-	-
	2012[B]	144,466	-	-	-	144,466	13,002	-	-	-	157,468	-	-
J Larum	2013[C]	24,405	-	-	-	24,405	2,197	-	-	-	26,602	-	-
	2012	82,552	-	-	-	82,552	7,430	-	-	-	89,982	-	-
M Shepherd	2013	82,144	-	-	-	82,144	7,393	-	-	-	89,537	-	-
	2012	82,552	-	-	-	82,552	7,430	-	-	-	89,982	-	-
Executive Directors													
S Young	2013	-	-	-	-	-	-	-	-	-	-	-	-
	2012[A]	186,496	103,190	(91,219)	-	198,467	8,140	(131,058)	505,003	22,768	603,320	21%	4%
S McGould	2013	250,000	-	-	14,540	264,540	15,000	-	-	-	279,540	-	-
	2012	250,000	-	-	13,603	263,603	15,000	-	-	-	278,603	-	-
Executives													
C Mowll	2013	390,184	256,700	7,038	-	653,922	16,911	17,326	-	-	688,159	37%	-
	2012	374,342	278,613	(4,350)	-	648,605	16,278	2,058	-	-	666,941	42%	-
A Stoney	2013	308,040	154,020	(8,146)	-	453,914	16,911	15,185	-	-	486,010	32%	-
	2012	232,174	154,785	10,258	-	397,217	16,279	13,467	-	-	426,963	36%	-
S Perkins	2013	250,000	605,000	-	14,540	869,540	7,500	-	-	-	877,040	69%	-
	2012	250,000	294,420	-	13,603	558,023	19,926	-	-	(99,933)	478,016	41%	(21%)
K Perkins	2013	250,000	755,000	-	14,540	1,019,540	6,250	-	-	-	1,025,790	74%	-
	2012	250,000	733,025	-	13,603	996,628	22,236	-	-	(99,933)	918,931	69%	(11%)
R Swan	2013	250,000	605,000	-	14,540	869,540	7,500	-	-	-	877,040	69%	-
	2012	250,000	594,420	-	13,603	858,023	19,926	-	-	(99,933)	778,016	64%	(13%)
Total	2013	2,076,875	2,375,720	(1,108)	58,160	4,509,647	104,152	32,511	-	-	4,646,310	51%	-
	2012	2,184,665	2,158,453	(85,311)	54,412	4,312,219	153,034	(115,533)	505,003	(277,031)	4,577,692	41%	(6%)

17. Remuneration report (audited)(continued)

17.10. Directors' and executive officers' remuneration (continued)

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

A Mr S Young stepped down from the position of Group CEO and executive director during the 2012 financial year (on 10 November 2011), retaining his position as a non-executive director and Chair of the board. The termination benefit shown in the above table relates to the 11 months salary in lieu of notice Mr Young received in accordance with his employment contract, and accrued statutory entitlements. The negative amounts shown for Mr Young in the annual leave and long service leave columns above represent the movement in accrued employee benefits relating to the payout of Mr Young's entitlements.

B In addition to the $89,537 (2012: $89,982) received by Mr F P (Andy) Esteban for his role as non-executive director of HFA Holdings Limited, he received $67,153 (2012: $67,486) for his role as non-executive director of Certitude Global Investments Limited.

C Mr J Larum retired following the Annual General Meeting on 17 October 2012 and did not offer himself for re-election.

D Except for Mr S Perkins, the STI cash bonus shown is for performance during the respective financial year and is based on the criteria set out in section 17.4.1. Mr Perkins' STI cash bonus, previously paid on a semi-annual basis, is now paid on an annual calendar year basis. The 2013 bonus included above relates to the 12 months ended 31 December 2012 (2012: relates to the six months ended 31 December 2011 only). His discretionary bonus for the six months ended 30 June 2013 will be paid in January 2014, and has not yet been determined.

E The amounts shown as share-based payments represent 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, adjusted for expected vesting probability at each reporting date. It does not represent the cash value of the performance rights to the executive. The values shown for 2012 reflect a forfeiture of rights (Mr S Young), or a reduction in the expected vesting probability of the rights as at 30 June 2012 (Messrs S Perkins, K Perkins and R Swan), which resulted in a full or partial reversal of the accounting expense recognised in the 2011 financial year. Refer to sections 17.4.2 and 17.5 for additional details regarding the relevant performance rights plans.

17.11. Analysis of cash bonuses included in remuneration

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

	Included in remuneration	% Vested in year	% Forfeited in year
C Mowll	256,700	100% [A]	0%
A Stoney	154,020	100% [A]	0%
S Perkins	605,000	100% [A]	0%
K Perkins	755,000	100% [B]	0%
R Swan	605,000	100% [B]	0%

A Short-term incentive plans relating to these senior executives are discretionary and no amounts vest in future financial years in respect of the financial year ended 30 June 2013.

B As per their service agreements, Mr K Perkins and Mr R Swan are entitled to semi-annual compensation calculated as 1.25% and 1.00% respectively of the gross revenue of Lighthouse Investment Partners, LLC. No amounts vest in future financial years in respect of the financial year ended 30 June 2013.

17. Remuneration report (audited)(continued)

17.12. Analysis of performance rights over equity instruments granted as remuneration

The vesting profiles of performance rights granted in prior reporting periods to each key management person of the Group are detailed in the below table.

No performance rights were granted as compensation to key management personnel during the current reporting period.

No performance rights granted to key management personnel during prior reporting periods vested or were forfeited during the current reporting period.

No terms of performance rights granted to key management personnel during prior reporting periods have been altered or modified by the issuing entity during the current reporting period.

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 17.4.2 and 17.5.

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.

Executives	Number of rights granted	Grant date	[A] Fair value per right at grant date $	[A] Fair value per grant at grant date $	Vesting date	Financial year in which grant vests
S Perkins	625,000	20/01/11	0.97	607,925	31/12/13	2014
K Perkins	625,000	20/01/11	0.97	607,925	31/12/13	2014
R Swan	625,000	20/01/11	0.97	607,925	31/12/13	2014
C Mowll	190,000	05/03/12	0.74	140,505	15/08/14	2015
A Stoney	150,000	05/03/12	0.74	110,925	15/08/14	2015

A Fair value has been calculated at grant date using the Black Scholes option-pricing model. The total value per grant is allocated to remuneration over the relevant vesting / service period for each grant, after adjustment for estimated vesting probabilities and forfeiture / lapse of rights where appropriate.

18. 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.

19. 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 Group'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 Group 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 Group, acting as an advocate for the Group 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 24 of the financial statements.

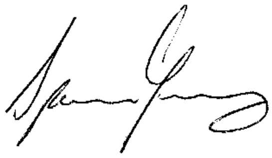
20. Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 43 and forms part of the directors' report for the financial year ended 30 June 2013.

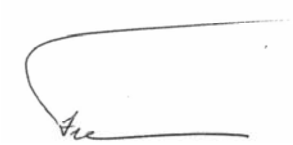
21. Rounding off

The Group 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.

This report is made in accordance with a resolution of directors:



Spencer Young
Chair and Non-Executive Director



F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 14th day of August 2013

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 2013 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 14th day of August 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

The financial statements for HFA Holdings Limited and its controlled entities for the year ended 30 June 2013 are arranged in the following sections:

Consolidated statement of financial position

As at 30 June 2013

in thousands of USD	Note	2013	2012
Assets			
Cash and cash equivalents	9a	46,078	32,736
Investments in term deposits	9b	2,352	9,259
Trade and other receivables	10	14,362	15,821
Current tax assets	8b	142	51
Total current assets		**62,934**	**57,867**
Investments	11	7,046	6,518
Plant and equipment	13	857	874
Intangible assets	14	119,366	127,466
Other non-current assets	12	697	697
Total non-current assets		**127,966**	**135,555**
Total assets		**190,900**	**193,422**
Liabilities			
Trade and other payables	15	6,770	7,373
Employee benefits	16	6,905	6,092
Loans and borrowings	17	4,794	4,311
Total current liabilities		**18,469**	**17,776**
Employee benefits	16	142	109
Loans and borrowings	17	40,365	43,787
Total non-current liabilities		**40,507**	**43,896**
Total liabilities		**58,976**	**61,672**
Net assets		**131,924**	**131,750**
Equity			
Share capital	19	267,148	263,785
Reserves	19	14,429	10,772
Accumulated losses		(149,653)	(142,807)
Total equity attributable to equity holders of the Company		**131,924**	**131,750**

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

Consolidated statement of profit or loss

For the year ended 30 June 2013

in thousands of USD	Note	2013	2012
Revenue	6a	66,077	66,150
Investment management costs		(8,617)	(11,382)
Net income from operating activities		**57,460**	**54,768**
Operating expenses	6b	(49,235)	(50,204)
Equity settled transactions	6c	-	725
Results from operating activities		**8,225**	**5,289**
Finance income	7a	1,768	1,280
Finance costs	7a	(4,425)	(3,862)
Net finance costs		**(2,657)**	**(2,582)**
Profit before income tax		**5,568**	**2,707**
Income tax expense	8a	(17)	(17)
Profit for the year		**5,551**	**2,690**
Attributable to:			
Owners of the Company		5,551	2,690
Profit for the year		**5,551**	**2,690**
Earnings per share			
Basic earnings per share (US cents)	20	3.97	2.71
Diluted earnings per share (US cents)	20	3.97	2.70

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

Consolidated statement of comprehensive income
For the year ended 30 June 2013

in thousands of USD	Note	2013	2012
Profit for the year		**5,551**	**2,690**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	7b	(1,443)	(994)
Total items that may be reclassified subsequently to profit or loss		**(1,443)**	**(994)**
Other comprehensive income for the year		**(1,443)**	**(994)**
Total comprehensive income for the year		**4,108**	**1,696**
Attributable to:			
Owners of the Company		4,108	1,696
Total comprehensive income for the year		**4,108**	**1,696**

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

Consolidated statement of changes in equity

For the year ended 30 June 2013

in thousands of USD	Note	Share Capital	Share Based Payments Reserve	Translation Reserve	Accumulated Losses	Total Equity
		Attributable to equity holders of the Company				
Balance at 1 July 2011		491,392	17,893	(5,402)	(368,255)	135,628
Total comprehensive income for the year						
Profit for the year		-	-	-	2,690	2,690
Other comprehensive income						
Foreign currency translation differences	7b	-	-	(994)	-	(994)
Total other comprehensive income		-	-	(994)	-	(994)
Total comprehensive income for the year		-	-	(994)	2,690	1,696
Transactions with owners, recorded directly in equity						
Equity component of capitalised convertible note interest	17	3,027	-	-	-	3,027
Equity settled transactions	18	-	(725)	-	-	(725)
Dividends to equity holders	19	-	-	-	(7,876)	(7,876)
Total transactions with owners		3,027	(725)	-	(7,876)	(5,574)
Section 256B reduction in capital	19	(230,634)	-	-	230,634	-
Balance at 30 June 2012		**263,785**	**17,168**	**(6,396)**	**(142,807)**	**131,750**

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

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2013

in thousands of USD	Note	Share Capital	Share Based Payments Reserve	Translation Reserve	Parent Entity Profits Reserve	Accumulated Losses	Total Equity
		Attributable to equity holders of the Company					
Balance at 1 July 2012		263,785	17,168	(6,396)	-	(142,807)	131,750
Total comprehensive income for the year							
Profit for the year		-	-	-	-	5,551	5,551
Transfer to parent entity profits reserve[1]		-	-	-	12,397	(12,397)	-
Other comprehensive income							
Foreign currency translation differences	7b	-	-	(1,443)	-	-	(1,443)
Total other comprehensive income		-	-	(1,443)	-	-	(1,443)
Total comprehensive income for the year		-	-	(1,443)	12,397	(6,846)	4,108
Transactions with owners, recorded directly in equity							
Equity component of capitalised convertible note interest	17	3,363	-	-	-	-	3,363
Dividends to equity holders	19	-	-	-	(7,297)	-	(7,297)
Total transactions with owners		3,363	-	-	(7,297)	-	(3,934)
Balance at 30 June 2013		**267,148**	**17,168**	**(7,839)**	**5,100**	**(149,653)**	**131,924**

[1] Relates to the opening retained earnings and current year profit of the parent entity (HFA Holdings Limited).

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

Consolidated statement of cash flows

For the year ended 30 June 2013

In thousands of USD	Note	2013	2012
Cash flows from operating activities			
Cash receipts from customers		67,677	63,810
Cash paid to suppliers and employees		(48,635)	(52,616)
Cash generated from operations		19,042	11,194
Interest received		1,153	1,054
Income taxes paid		(138)	(46)
Net cash from operating activities	9c	**20,057**	**12,202**
Cash flows from investing activities			
Acquisition of plant and equipment		(398)	(222)
Acquisition of software intangibles		(1,250)	-
Acquisition of investments		(271)	(3,096)
Proceeds from disposal of investments		332	387
Acquisition of other non-current assets		(31)	(135)
Transfers from investments in cash deposits		6,075	6,383
Net cash from investing activities		**4,457**	**3,317**
Cash flows from financing activities			
Interest paid		(878)	(948)
Repayment of borrowings		(2,000)	(2,000)
Dividends paid to equity holders		(7,297)	(7,876)
Net cash used in financing activities		**(10,175)**	**(10,824)**
Net increase in cash and cash equivalents		**14,339**	**4,695**
Cash and cash equivalents at 1 July		32,736	28,456
Effect of exchange rate fluctuations on cash balances held in foreign currencies		(997)	(415)
Cash and cash equivalents at 30 June	9a	**46,078**	**32,736**

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

1. Reporting entity

HFA Holdings Limited (the 'Company' / 'HFA') is a for-profit entity 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 2013 comprise the Company and its subsidiaries (the 'Group').

HFA has two Australian domiciled wholly owned subsidiaries, Certitude Global Investments Limited ('Certitude') and 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 (AASB) 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 (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the board of directors on the 14th day of August 2013.

(b) Basis of measurement

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

- financial instruments at fair value through the profit or loss are measured at fair value; and
- 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 consolidated financial statements are presented in US dollars ('USD'), which is the Company's functional currency.

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

2. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS 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 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 8 - utilisation of tax losses
- note 11 – fair value measurement of investments
- note 14 - measurement of the recoverable amounts of cash-generating units containing goodwill
- note 18 – vesting probabilities of share based payments
- note 21 - valuation of financial instruments

(e) Changes in accounting policies

From 1 July 2012 the Group applied amendments to AASB 101 Presentation of Financial Statements. The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the statement of comprehensive income.

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.

(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 during the period and at the reporting date.

(i) Business combinations – pre 1 July 2009

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 incurs in connection with a business combination were capitalised as part of the cost of acquisition.

No acquisitions have been carried out post 1 July 2009.

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) 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.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (continued)

(b) Foreign currency

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to equity.

Transactions in foreign currencies are translated to the respective functional currency of Group entities at rates of exchange ruling on the date of those transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss.

(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: Comprises of cash balances and deposits at call with a maturity period of less than 3 months.

Investments in term deposits: Comprises of investments in term deposits with a maturity period of greater than 3 months.

Trade and other receivables: Comprises of 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 measured at amortised cost using the effective interest rate method, less impairment losses (see accounting policy (g)).

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets: Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy (g)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Available-for-sale financial assets represent a non-controlling membership interest in a US based limited liability company, over which the Group does not have significant influence.

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. Attributable transaction costs are recognised in profit or loss as incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets at fair value through profit or loss comprise of investments in unquoted securities. At reporting date, 97% of the balance relates to investment entities that are managed by the Group (2012: 100%). 3% relates to an investment in the 361º Capital Long/Short Equity Fund (2012: Nil), a fund managed by 361º Capital, LLC, in whom the Group has a 10% equity interest.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are 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 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) 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.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Compound financial instruments

Compound financial instruments issued by the Group comprise mandatorily convertible notes. The number of shares to be issued on conversion is determined by reference to the face value of the convertible notes, and does not vary with changes in their fair value.

The liability component of the convertible notes 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 the convertible notes 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. Interest relating to the liability component of the notes is recognised in profit or loss.

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

On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(d) Leased assets

The Group is not a party to any finance leases. Any leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(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. Ongoing repairs and maintenance is expensed as incurred.

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.

3. Significant accounting policies (continued)

(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)).

(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

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

Management rights and customer relationships	8 years
Trademarks	20 years
Capitalised software development costs	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss 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 that can be estimated reliably.

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.

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. Losses are recognised in profit or loss and reflected in an allowance account against the financial asset. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

For available-for-sale equity financial assets, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity financial asset is recognised in other comprehensive income.

3. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy (o)), 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. Goodwill and intangible assets are tested annually for impairment.

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 or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. 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, 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. The unwinding of the discount is recognised as a finance cost.

(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 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.

3. Significant accounting policies (continued)

(j) Employee benefits (continued)

(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 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. For share-based payment awards with market based vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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 services as consideration for its own equity instruments are also accounted for as equity settled share-based payment transactions.

(k) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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.

Platform service fees

Periodic platform service fees are received from clients where Group entities provide platform oriented services. Platform services can incorporate some or all of the following functions - fund structuring, corporate governance, investment advice, middle and back office operations, investment and back office due diligence, investment monitoring and any other mutually agreed upon service. These fees are recognised as revenues as the platform services are provided.

3. Significant accounting policies (continued)

(l) Investment management costs

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

(m) 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.

(n) Finance income and finance costs

Finance income comprises interest income on cash invested, dividend 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 in profit or loss as it accrues, using the effective interest method. Dividend 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 and convertible notes, bank charges, losses on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss.

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.

(o) 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 or receivable 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

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. 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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities, and such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

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.

3. Significant accounting policies (continued)

(p) Segment reporting

Segment results that are reported to the operating subsidiaries' CEOs and the 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, corporate expenses and balances that are eliminated on consolidation of the Group.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for the Group's annual reporting periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. ASSB 9 (2010) introduces additional requirements relating to the classification and measurement of financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interest in Other Entities (2011)

AASB 10 introduces a single control model to determine whether an investee should be consolidated. The impact of this standard on the Group's financial statements is currently being assessed.

AASB 11 relates to joint arrangements. The Group is currently not a party to any joint arrangements and therefore this standard will not impact the Group's financial statements.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The Group is currently assessing the disclosure requirements for interests in subsidiaries and unconsolidated structured entities in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values, however it is not expected that the adoption of this standard will have a significant impact on the Group's financial statements. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iv) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of 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 note 21.

Investments in financial assets at fair value through profit or loss: The fair value of these investments is determined by reference to their exit price at the reporting date as determined by the investment manager.

Investment in available-for-sale financial assets: The fair value of this unquoted investment at 30 June 2013 has been determined using a discounted cash flow analysis using expected future cash flows and a market-related discount rate.

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 performance rights plans is measured using either the Monte Carlo simulation technique, 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 based conditions attached to the rights. Service and non-market conditions are not taken into account in determining fair value.

5. 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 board of directors reviews 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.

Corporate includes the corporate parent entity, HFA Holdings Limited.

Integration between segments

$333 million (2012: $387 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 predominantly to management fees, platform service fees and performance fees received for services provided by Group entities that act as investment manager or platform service provider in relation to various investment products.

39% (2012: 48%) of the Group's total revenue relates to management fees earned on the Lighthouse Diversified Fund, which represents 20% of Group AUMA as at 30 June 2013 (2012: 32%).

17% (2012: 12%) of the Group's total revenue relates to management fees and performance fees earned on the Lighthouse Global Long/Short Fund, which represents 13% of Group AUMA as at 30 June 2013 (2012: 13%).

Revenue from both these major revenue sources is included in revenue for the United States segment.

5. Operating segments (continued)

In thousands of USD	Reportable Segments						Reconciliation to consolidated totals					
	Australia		United States		Total reportable segments		Corporate		Elimination		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
External revenue	8,083	9,951	57,994	56,199	66,077	66,150	-	-	-	-	66,077	66,150
Inter-segment revenue	-	-	2,281	2,209	2,281	2,209	-	-	(2,281)	(2,209)	-	-
Investment management costs	(2,918)	(2,913)	(7,980)	(10,678)	(10,898)	(13,591)	-	-	2,281	2,209	(8,617)	(11,382)
Net income from operating activities	**5,165**	**7,038**	**52,295**	**47,730**	**57,460**	**54,768**	**-**	**-**	**-**	**-**	**57,460**	**54,768**
Operating expenses (excluding depreciation and amortisation)	(7,746)	(8,867)	(29,939)	(28,686)	(37,685)	(37,553)	(1,794)	(2,627)	-	-	(39,479)	(40,180)
Net finance income / (costs) (excluding interest)	198	23	332	32	530	55	11,628	12,377	(12,546)	(12,535)	(388)	(103)
Earnings before interest, tax, depreciation, amortisation and equity settled transactions	**(2,383)**	**(1,806)**	**22,688**	**19,076**	**20,305**	**17,270**	**9,834**	**9,750**	**(12,546)**	**(12,535)**	**17,593**	**14,485**
Equity settled transactions	-	-	-	748	-	748	-	(23)	-	-	-	725
Earnings before interest, tax, depreciation and amortisation	**(2,383)**	**(1,806)**	**22,688**	**19,824**	**20,305**	**18,018**	**9,834**	**9,727**	**(12,546)**	**(12,535)**	**17,593**	**15,210**
Depreciation and amortisation	(46)	(132)	(9,710)	(9,892)	(9,756)	(10,024)	-	-	-	-	(9,756)	(10,024)
Interest revenue	793	1,045	2	4	795	1,049	310	83	-	-	1,105	1,132
Interest expense (secured debt)	-	-	(858)	(943)	(858)	(943)	-	-	-	-	(858)	(943)
Interest expense (convertible notes)	-	-	-	-	-	-	(2,516)	(2,668)	-	-	(2,516)	(2,668)
Reportable segment profit / (loss) before income tax	**(1,636)**	**(893)**	**12,122**	**8,993**	**10,486**	**8,100**	**7,628**	**7,142**	**(12,546)**	**(12,535)**	**5,568**	**2,707**
Income tax (expense) / benefit	-	-	(17)	(17)	(17)	(17)	-	-	-	-	(17)	(17)
Reportable segment profit / (loss) after income tax	**(1,636)**	**(893)**	**12,105**	**8,976**	**10,469**	**8,083**	**7,628**	**7,142**	**(12,546)**	**(12,535)**	**5,551**	**2,690**
Segment assets	17,988	21,473	163,691	165,174	181,679	186,647	307,722	304,901	(298,501)	(298,126)	190,900	193,422
Segment liabilities	(2,919)	(3,326)	(34,039)	(35,081)	(36,958)	(38,407)	(22,754)	(23,627)	736	362	(58,976)	(61,672)
Net segment assets	**15,069**	**18,147**	**129,652**	**130,093**	**144,721**	**148,240**	**284,968**	**281,274**	**(297,765)**	**(297,764)**	**131,924**	**131,750**

6. 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	2013	2012
(a) Revenue		
Management and platform fee income	63,153	65,379
Performance fee income	2,828	662
Origination fees income	96	109
Total revenue	**66,077**	**66,150**
(b) Expenses		
Personnel expenses[1]	(28,978)	(29,412)
Professional fees	(2,456)	(2,474)
Occupancy expenses	(2,011)	(2,056)
Marketing and promotion costs	(196)	(194)
Travel costs	(1,193)	(1,099)
Depreciation	(406)	(594)
Amortisation of intangible assets	(9,350)	(9,430)
Other expenses	(4,645)	(4,945)
Total expenses	**(49,235)**	**(50,204)**
(c) Equity settled transactions		
Equity settled transactions – Personnel expenses	-	617
Equity settled transactions – Marketing and promotion costs	-	108
Total equity settled transactions	**-**	**725**

[1] Includes consolidated contributions to defined contribution and pension plans of $743 thousand (2012: $927 thousand).

7. Finance income and costs

(a) Recognised directly in profit or loss

in thousands of USD	2013	2012
Finance income		
Interest income on bank deposits	1,105	1,132
Dividend and distribution income on available-for-sale financial assets	-	4
Net change in fair value of financial assets at fair value through profit or loss	663	144
Total finance income	**1,768**	**1,280**
Finance costs		
Interest expense (secured debt)	(858)	(943)
Interest expense (convertible notes)	(2,516)	(2,668)
Bank charges	(60)	(55)
Net realised foreign exchange loss	(58)	(93)
Net unrealised foreign exchange loss	(933)	(103)
Total finance costs	**(4,425)**	**(3,862)**
Net finance costs recognised in profit or loss	**(2,657)**	**(2,582)**

(b) Recognised directly in other comprehensive income

in thousands of USD	2013	2012
Foreign currency translation differences	(1,443)	(994)
Finance income attributable to equity holders recognised directly in equity	**(1,443)**	**(994)**
Recognised in:		
Translation reserve	(1,443)	(994)
	(1,443)	**(994)**

8a. Income tax expense

(a) Recognised in the statement of profit or loss

in thousands of USD	2013	2012
Current tax expense		
Current year (expense) / benefit	(17)	(24)
Under / (over) provided in previous periods	-	7
	(17)	(17)
Deferred tax expense		
Change in unrecognised temporary differences	-	-
Income tax expense reported in statement of profit or loss	**(17)**	**(17)**

(b) Reconciliation of effective tax rate

in thousands of USD	2013	2012
Profit before income tax	5,568	2,707
Income tax using the Company's domestic tax rate of 30% (2012: 30%)	(1,671)	(812)
Effect of tax rates in foreign jurisdictions*	(898)	(657)
Non-deductible expenses	(1,047)	(853)
Changes in unrecognised temporary differences	9,414	6,445
Current year tax losses for which no deferred tax asset is recognised	(5,815)	(4,147)
Under / (over) provided in previous periods	-	7
Income tax expense reported in statement of profit or loss	**(17)**	**(17)**

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

Non recognition of the Lighthouse Group Deferred Tax Assets

A current year movement of $(4,556) thousand (2012: $(3,367) thousand) in deferred tax assets relating to the Lighthouse Group has not been recognised in the statement of profit or loss. This is due to the fact that deferred tax assets relating to the Lighthouse Group are being carried off balance sheet.

The Lighthouse Group is in a taxable loss position for the year ended 30 June 2013. 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 2013. 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.

Non recognition of the Australian Group Deferred Tax Assets

Excluding the impact of foreign currency movements, a current year movement of $957 thousand (2012: $1,069 thousand) in deferred tax assets relating to the Australian Tax Consolidated Group ('Australian Group') has not been recognised in the statement of profit or loss. This is due to the fact that deferred tax assets relating to the Australian Group are being carried off balance sheet.

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 2013, and is forecast to remain in a tax loss position for the next several years. As a result, as at 30 June 2013, 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.

8b. Tax assets and liabilities

(a) Current tax assets

in thousands of USD	2013	2012
Current tax assets	**142**	**51**

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

(b) Unrecognised deferred tax assets

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

in thousands of USD	2013	2012
Deductible temporary differences	179,949	197,018
Tax losses	42,972	37,487
	222,921	**234,505**

Unrecognised deferred tax assets for the year ended 30 June 2013 relate to both the Australian Group $81,143 thousand (2012: $88,170 thousand) and the Lighthouse Group $141,778 thousand (2012: $146,335 thousand) and consist of impairment losses recognised in previous financial years, capital losses, carried forward operating tax losses and deductible temporary differences.

Tax losses relating to the Lighthouse Group (2013: $40,527 tax effected; 2012: $35,767 tax effected) have a life of 20 years, and will expire during the period from 2028 to 2033. Tax losses relating to the Australian Group and deductible temporary differences do not expire under current tax legislation.

Additional disclosure in relation to the non-recognition of deferred tax assets is included in note 8a.

9a. Cash and cash equivalents

in thousands of USD	2013	2012
Cash at bank	27,878	23,117
Deposits at call	18,200	9,619
	46,078	**32,736**

At balance date, AUD deposits earn interest of between 0.05% and 4.35% (2012: 2% and 5.56%). Minimal interest is received on USD deposits.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 21.

9b. Investments in term deposits

in thousands of USD	2013	2012
Investments in term deposits	**2,352**	**9,259**

Relates to investments in cash term deposits with a maturity period of greater than 3 months at inception. At balance date, investments in term deposits earn interest of 4.2% (2012: between 5.6% and 5.75%).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 21.

9c. Reconciliation of cash flows from operating activities

in thousands of USD	Note	2013	2012
Cash flows from operating activities			
Profit for the year		**5,551**	**2,690**
Adjustments for:			
Depreciation expense	6b	406	594
Amortisation of intangible assets	6b	9,350	9,430
Equity settled transactions	6c	-	(725)
Interest expense (secured debt)	7a	858	943
Interest expense (convertible notes)	7a	2,516	2,668
Fair value gain on financial assets at fair value through profit or loss	7a	(663)	(144)
Unrealised foreign exchange loss	7a	933	103
Income tax expense, less income tax paid		(122)	(29)
Operating cash flow before changes in working capital and provisions		**18,829**	**15,530**
(Increase)/decrease in receivables		592	(3,581)
(Increase)/decrease in other assets		117	(120)
Increase/(decrease) in payables		(461)	(132)
Increase/(decrease) in employee benefits		980	505
Net cash from operating activities		**20,057**	**12,202**

10. Trade and other receivables

in thousands of USD	2013	2012
Receivables due from Group managed products	12,925	14,160
Other receivables and prepayments	1,437	1,661
	14,362	**15,821**

Receivables comprise management fees, platform service fees, performance fees, and recoverable costs from Group managed products. These receivables are non-interest bearing and are 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 21.

11. Investments

in thousands of USD	2013	2012
Available-for-sale financial assets	1,396	1,396
Financial assets designated at fair value through profit or loss	5,650	5,122
	7,046	**6,518**

Available-for-sale financial assets

Available-for-sale financial assets comprise of a 10% equity holding in the unquoted securities of 361º Capital, LLC, a US based company which distributes alternative investment funds.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of investments in unquoted securities. At reporting date, 97% of the balance relates to investment entities that are managed by the Group (2012: 100%). 3% relates to an investment in the 361º Capital Long/Short Equity Fund (2012: Nil), a fund managed by 361º Capital, LLC (refer above).

The Group's exposure to credit, liquidity and market rate risks related to other investments is disclosed in note 21.

12. Other non-current assets

in thousands of USD	2013	2012
Lease guarantee deposits	697	697
	697	**697**

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

13. Plant and equipment

in thousands of USD	Furniture and Equipment	Computer Equipment	Leasehold Improvements	Total
Cost				
Balance at 1 July 2011	1,027	1,767	755	3,549
Additions	4	218	-	222
Disposals	-	-	-	-
Effect of movement in exchange rate	(8)	(30)	(21)	(59)
Balance at 30 June 2012	**1,023**	**1,955**	**734**	**3,712**
Balance at 1 July 2012	1,023	1,955	734	3,712
Additions	4	394	-	398
Disposals	-	-	-	-
Effect of movement in exchange rate	(14)	(50)	(35)	(99)
Balance at 30 June 2013	**1,013**	**2,299**	**699**	**4,011**
Depreciation				
Balance at 1 July 2011	(427)	(1,347)	(516)	(2,290)
Depreciation charge for the year	(127)	(370)	(97)	(594)
Disposals	-	-	-	-
Effect of movement in exchange rate	3	23	20	46
Balance at 30 June 2012	**(551)**	**(1,694)**	**(593)**	**(2,838)**
Balance at 1 July 2012	(551)	(1,694)	(593)	(2,838)
Depreciation charge for the year	(118)	(235)	(53)	(406)
Disposals	-	-	-	-
Effect of movement in exchange rate	8	47	35	90
Balance at 30 June 2013	**(661)**	**(1,882)**	**(611)**	**(3,154)**
Carrying amounts				
At 1 July 2011	600	420	239	1,259
At 30 June 2012	**472**	**261**	**141**	**874**
At 1 July 2012	472	261	141	874
At 30 June 2013	**352**	**417**	**88**	**857**

14. Intangible assets

in thousands of USD	Goodwill	Mgmt rights / Customer Relationships	Trademarks	Software	Total
Cost					
Balance at 1 July 2011	499,519	73,400	1,900	800	575,619
Balance at 30 June 2012	**499,519**	**73,400**	**1,900**	**800**	**575,619**
Balance at 1 July 2012	499,519	73,400	1,900	800	575,619
Additions	-	-	-	1,250	1,250
Balance at 30 June 2013	**499,519**	**73,400**	**1,900**	**2,050**	**576,869**
Amortisation and impairment losses					
Balance at 1 July 2011	(405,718)	(32,112)	(333)	(560)	(438,723)
Amortisation for the year	-	(9,175)	(95)	(160)	(9,430)
Balance at 30 June 2012	**(405,718)**	**(41,287)**	**(428)**	**(720)**	**(448,153)**
Balance at 1 July 2012	(405,718)	(41,287)	(428)	(720)	(448,153)
Amortisation for the year	-	(9,175)	(95)	(80)	(9,350)
Balance at 30 June 2013	**(405,718)**	**(50,462)**	**(523)**	**(800)**	**(457,503)**
Carrying amounts					
At 1 July 2011	93,801	41,288	1,567	240	136,896
At 30 June 2012	**93,801**	**32,113**	**1,472**	**80**	**127,466**
At 1 July 2012	93,801	32,113	1,472	80	127,466
At 30 June 2013	**93,801**	**22,938**	**1,377**	**1,250**	**119,366**

14. Intangible assets (continued)

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:

US based funds management cash generating unit (US CGU)	Carrying amount	
in thousands of USD	2013	2012
Goodwill	93,801	93,801
Management rights/customer relationships	22,938	32,113
Trademarks	1,377	1,472
Software	1,250	80
	119,366	**127,466**

Impairment testing carried out on the US CGU as at 30 June 2013 and 30 June 2012 did not result in the recognition of any impairment losses.

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

This calculation utilises five years of cash flow projections. The first three years of these projections are based on financial forecasts approved by the board of directors, which are then extrapolated over an additional two years.

Revenue for the additional two years is extrapolated using a long term growth rate based on the CPI long term forecast plus the real GDP forecast for the United States. Investment management costs and operating expenses are extrapolated based on ratios consistent with the third year of the approved financial forecasts.

Key assumptions used in the calculation are discount rates, terminal value growth rates, and the EBITDA growth rate:

Key assumption	2013	2012
Post tax discount rate	16.45%	14.23%
Terminal value growth rate	4.5%	4.5%
Forecast EBITDA growth rate (average next 5 years)	15%	17%

The average forecast EBITDA growth rate for the next 5 years of 15% is consistent with the EBITDA growth rate (before equity settled transactions) achieved by the US CGU over the 2013 financial year of 19%.

A reasonably possible change in these assumptions would not result in an implied impairment of this CGU.

15. Trade and other payables

in thousands of USD	2013	2012
Trade creditors	69	291
Other creditors and accruals	6,701	7,082
	6,770	**7,373**

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

Other creditors and accruals relate to items such as GST payable, accrued operating expenses, interest on the secured bank loan and convertible notes, investment management costs and product expenses.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 21.

16. Employee benefits

in thousands of USD	2013	2012
Current		
Salaries and wages accrued	6,660	5,857
Liability for annual leave	245	235
	6,905	**6,092**
Non-current		
Liability for long service leave	142	109
	142	**109**
	7,047	**6,201**

17. Loans and borrowings

in thousands of USD	2013	2012
Current		
Secured Bank Loan (USD Facility)	2,000	2,000
Unsecured Convertible Notes	2,794	2,311
	4,794	**4,311**
Non-current		
Secured Bank Loan (USD Facility)	22,323	24,323
Unsecured Convertible Notes	18,042	19,464
	40,365	**43,787**
	45,159	**48,098**

Current Secured Bank Loan relates to the portion of the bank loan required to be paid within one year.

Current Unsecured Convertible Notes relates to the expected movement in the portion of the outstanding convertible notes classified as debt, over a 12 month period from balance date.

Terms and debt repayment schedule

The terms and conditions of the outstanding loan and borrowings as at 30 June 2013 were as follows:

in thousands of USD			2013		2012	
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured Bank Loan (USD Facility)	LIBOR + 3%	2016	24,323	24,323	26,323	26,323
Unsecured Convertible Notes	6%	2019	84,427	20,836	79,580	21,775
Total loans and borrowings			**108,750**	**45,159**	**105,903**	**48,098**

17. Loans and borrowings (continued)

Convertible notes

in thousands of USD	2013	2012
Carrying amount of liability at 1 July	21,775	22,220
Increase in face value due to the capitalisation of accrued interest	4,846	4,580
Amount of interest capitalised classified as equity	(3,363)	(3,027)
Interest on face value at 6% per annum	(4,938)	(4,666)
Accretive interest (calculated using the effective interest rate method)	2,516	2,668
Carrying amount of liability at 30 June	**20,836**	**21,775**

Interest of 6% per annum is payable on the face value of 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 (ending 7 March 2015). 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 an Additional Interest Payment which represents the note holders' participation on an as converted basis in any dividends exceeding $6 million that are paid by the Company in relation to each financial year. As the total dividends paid to ordinary shareholders for the 2013 financial year will exceed $6 million, the Company will pay an Additional Interest Payment to the note holders representing their participation, on an as converted basis, in the dividend amount in excess of $6 million. This Additional Interest Payment will be classified as a dividend payment in the financial statements and will therefore not impact the profit or loss of the Group.

The convertible notes mandatorily convert on maturity, being 7 March 2019. However, a note holder 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 (being 7 March 2015), 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 note holder. Any default under the terms of the convertible notes does not result in a repayment obligation by the Company.

The conversion price is fixed at 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 2013 comprise of a USD facility available under a Cash Advance Facilities Agreement with Westpac Banking Corporation.

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

- EBITDA for each preceding 12 month period ending on the date of calculation is always at least 3.5 times greater than the interest expense for the same period (excluding interest expense recognised on convertible notes); and
- Assets Under Management of the Consolidated Group are not less than $2.6 billion.

The Group's exposure to interest rate risk related to loans and borrowings is disclosed in note 21.

18. Share-based payments

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 made under the terms of this plan are reflected in the Group's financial statements for the year ended 30 June 2013.

2010 CEO Performance Rights: 3,968,935 rights issued to former Group CEO, Mr S Young. No rights were outstanding under this plan as at 30 June 2013 or 30 June 2012.

2011 Lighthouse Performance Rights: 4,000,000 rights issued to key management personnel and other senior employees of Lighthouse.

2012 HFA Holdings Performance Rights: 100,000 rights issued to employees of HFA.

2012 Certitude Performance Rights: 880,000 rights issued to employees of Certitude.

Marketing Expense

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
Outstanding at 1 July 2011	**8,968,935**
Vested - 2010 CEO Performance Rights (shares issued)	(1,405,326)
Forfeited - 2010 CEO Performance Rights	(2,563,609)
Issued - 2012 Holdings Performance Rights	100,000
Issued - 2012 Certitude Performance Rights	880,000
Outstanding at 30 June 2012	**5,980,000**
Forfeited - 2012 Certitude Performance Rights[A]	(47,500)
Forfeited – 2011 Lighthouse Performance Rights[A]	(125,000)
Outstanding at 30 June 2013	**5,807,500**

A Rights forfeited during the year represents rights that have lapsed due to failure to meet the continued employment condition.

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

in thousands of USD	2013	2012
2010 CEO Performance Rights	-	23
2011 Lighthouse Performance Rights	-	(640)
2011 Apollo Performance Rights	-	(108)
Total share-based payment expense	**-**	**(725)**

The negative share-based payment expense recognised for the 2012 financial year is due to a reversal of accounting expense recognised in the 2011 financial year due to the following factors:

- Forfeiture of rights under the 2010 CEO Performance Rights Plan due to the failure to meet service and performance conditions under the plan.
- A reduction in the expected vesting probabilities applied to both the 2011 Lighthouse and 2011 Apollo Performance Rights Plans.

18. Share-based payments (continued)

Terms and conditions of share-based payments

The terms and conditions of the share-based payment arrangements in place as at 30 June 2013 are:

Description	Number of rights granted	Grant date	Vesting date	Financial year in which grant vests	Number of rights vested during 2013	[A] Number of rights forfeited during 2013	Rights outstanding at 30 June 2013	Vesting Conditions
2011 Lighthouse Performance Rights	4,000,000	20/01/11	31/12/13	2014	-	(125,000)	3,875,000	Continued employment; Lighthouse Investment Partners, LLC on a stand-alone basis, achieving a minimum EBITDA of USD 35 million in a trailing twelve month period between 1/01/2011 and 31/12/2013.
2011 Apollo Performance Rights	1,000,000	01/04/11	31/12/13	2014	-	-	1,000,000	Lighthouse Investment Partners, LLC on a stand-alone basis, achieving a minimum EBITDA of USD 35 million in a trailing twelve month period between 1/01/2011 and 31/12/2013.
2012 Holdings Performance Rights	100,000	05/03/12	15/08/14	2015	-	-	100,000	Continued employment; HFA Holdings Limited on a consolidated basis, achieving a minimum EBITDA of USD 35 million for the twelve month period ending 30 June 2014.
2012 Certitude Performance Rights	880,000	05/03/12	15/08/14	2015		(47,500)	832,500	Continued employment; Certitude Global Investments Limited on a stand-alone basis, achieving a minimum EBITDA of AUD Nil for the twelve month period ending 30 June 2014.

A Rights forfeited during the year represents rights that have lapsed due to failure to meet the continued employment condition.

Inputs for measurement of grant date fair values

The grant-date fair values of the share-based payments outlined above have been measured using the Black Scholes option-pricing. The fair values, and inputs used in the measurement of the fair values, are as follows:

Share based payment	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	Risk-Fee interest rate (based on government bonds)
2011 Lighthouse Performance Rights	0.97	AUD 1.10	0.9966	3.00	4%	5.147%
2011 Apollo Performance Rights	1.21	AUD 1.30	1.0345	2.75	4%	5.034%
2012 Holdings Performance Rights	0.74	AUD 0.78	1.0717	2.45	5%	3.707%
2012 Certitude Performance Rights	0.74	AUD 0.78	1.0717	2.45	5%	3.707%

19. Capital and reserves

Movement in ordinary shares on issue

in thousands of shares	2013	2012
Balance at beginning of financial year	118,738	117,333
Exercise of performance rights – 15 November 2011	-	1,405
Balance at end of financial year	**118,738**	**118,738**

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.

Performance rights

On 15 November 2011, 1,405,326 ordinary shares were issued to the former Group CEO Mr S Young under the CEO Performance Rights Plan. No rights were outstanding under this plan as at 30 June 2013 or 30 June 2012.

As at 30 June 2013, 5,807,500 performance rights were outstanding (2012: 5,980,000) under four separate offers.

Please refer to note 18 for additional details regarding performance rights plans.

Share options

On 7 March 2011, in connection with the convertible note transaction, 31,250,000 share options were issued to the convertible note holders, with each share option 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.

Reduction in share capital

The following resolution was approved by shareholders of HFA Holdings Limited at the annual general meeting held on 10 November 2011:

"That pursuant to section 256B of the Corporations Act 2001 (Cth) for all other purposes, and with effect from 30 November 2011 the capital of the Company be reduced by applying an amount of up to US$240 million, being a portion of the accumulated losses of the Company against the Company's share capital."

In accordance with this resolution, the share capital of the Company was reduced by $230,634 thousand on 30 November 2011.

This reduction represents the sum of the Company's accumulated losses as at 30 June 2011 plus the final dividend paid in relation to the 2011 financial year. The reduction in capital did not result in a return of capital to shareholders or the cancellation of any shares.

Nature and purpose of reserves

in thousands of USD	2013	2012
Parent entity profits reserve	5,100	-
Translation reserve	(7,839)	(6,396)
Share based payments reserve	17,168	17,168
	14,429	**10,772**

The parent entity profits reserve represents accumulated profit for the Company, less dividends paid during the financial year ended 30 June 2013. The purpose of this reserve is to identify profits which are available for distribution to shareholders as dividends.

The translation reserve is used to record foreign currency differences arising from the translation of the financial statements of operations which have a functional currency that is different to the functional currency of the Company.

The share based payments reserve is used to record share based payments associated with performance rights and share options.

19. Capital and reserves (continued)

Dividends

The following dividends were paid by the Company:

in thousands of USD	2013	2012
Final ordinary dividend for the year ended 30 June 2011 of USD 5 cents (AUD 4.7 cents) per fully paid share paid on 25 November 2011	-	5,503
Interim ordinary dividend for the year ended 30 June 2012 of USD 2 cents (AUD 1.9 cents) per fully paid share paid on 30 March 2012	-	2,373
Final ordinary dividend for the year ended 30 June 2012 of USD 3 cents (AUD 2.9 cents) per fully paid share paid on 19 September 2012	3,627	-
Interim ordinary dividend for the year ended 30 June 2013 of USD 3 cents (AUD 2.963 cents) per fully paid share paid on 28 March 2013	3,670	-
	7,297	**7,876**

The directors have determined a final dividend of United States (US) of 3.0 cents per share (fully franked). The dividend will be paid on 6 September 2013.

The aggregate amount of the proposed dividend will be paid out of the balance of the parent entity profits reserve as at 30 June 2013.

The dividends have not been provided for as at 30 June 2013, and there are no income tax consequences.

Dividend franking account

Dividend franking account	The Company	
in thousands of USD	2013	2012
Amount of franking credits available to shareholders of HFA Holdings Limited for subsequent financial years	888	6,074

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has assumed the benefit of $888 thousand (2012: $6,074 thousand) franking credits.

The Company has submitted a request to the Australian Taxation Office for a private binding ruling (‘PBR’) in relation to treatment of the interest payments on the Company’s convertible notes.

In the event of a positive PBR outcome from the ATO, the Company will reinstate franking credits to its dividend franking account which had been attached to convertible note interest capitalised into the face value of the convertible notes. Should this be the case, the above franking account balance as at 30 June 2013 would be $4,994 thousand (2012: $7,967 thousand).

20. Earnings per share

in thousands of USD	2013	2012
Basic earnings per share	3.97	2.71
Diluted earnings per share	3.97	2.70

Reconciliation of earnings used in calculating earnings per share

in thousands of USD	2013	2012
Profit attributable to ordinary equity holders of the Company	5,551	2,690
Adjustment for interest on mandatorily convertible notes	2,516	2,668
Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**8,067**	**5,358**

For the purposes of calculating earnings per share, the mandatorily 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.

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 mandatorily convertible notes issued on 7 March 2011.

in thousands of shares	Note	2013	2012
Weighted average number of shares issued			
Issued ordinary shares at 1 July	19	118,738	117,333
Vested employee performance rights		-	878
Mandatorily convertible notes		84,273	79,433
Weighted average number of ordinary shares used in calculating basic earnings per share		**203,011**	**197,644**

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.

in thousands of shares	Note	2013	2012
Weighted average number of shares issued			
Issued ordinary shares at 1 July	19	118,738	117,333
Vested employee performance rights		-	1,405
Mandatorily convertible notes		84,273	79,433
Weighted average number of ordinary shares used in calculating diluted earnings per share		**203,011**	**198,171**

Other information

31,250,000 (2012: 31,250,000) 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). Details relating to the options are included in note 19.

5,807,500 (2012: 5,980,000) performance rights 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 and when their conversion to ordinary shares would decrease earnings per share, or increase loss per share. Details regarding outstanding performance rights are included in note 18.

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.

21. Financial instruments

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk and equity price 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.

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. The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework.

The Group holds the following financial instruments:

in thousands of USD	Note	2013	2012
Financial assets			
Cash and cash equivalents	9a	46,078	32,736
Investments in term deposits	9b	2,352	9,259
Trade and other receivables	10	14,362	15,821
Available-for-sale financial assets	11	1,396	1,396
Financial assets at fair value through profit or loss	11	5,650	5,122
Other non-current assets – lease guarantee deposits	12	697	697
		70,535	**65,031**
Financial liabilities			
Trade and other payables	15	6,770	7,373
Employee benefits	16	7,047	6,201
Secure bank loans	17	24,323	26,323
Convertible notes	17	20,836	21,775
		58,976	**61,672**

Credit risk

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

Cash and cash equivalents, investments in term deposits and lease guarantee deposits

Cash and cash equivalents, investments in term deposits and lease guarantee deposits held in Australia are held with bank and financial institution counterparties, which are rated A2 to A1+ (Standard & Poor's).

Cash and cash equivalents and lease guarantee deposits held in the United States are held in deposit accounts which are rated A2 (Standard & Poor's).

21. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables

Trade and other receivables are predominantly comprised of management fees, platform service fees, performance fees and other related fees from products managed by the Group.

At reporting date, 90% of the Group's trade and other receivables related to amounts owing in relation to products managed by the Group (2012: 89%); 27% of receivables relate to management fees receivable from the Lighthouse Diversified Fund, the largest fund managed by the Group (2012: 36%).

100% (2012: 100%) of the trade receivables balance is not past due.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables.

Liquidity risk

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

The Group maintains 12 month rolling forecasts, which assist it in monitoring cash flow requirements 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 obligations relating to loans and borrowings. This approach excludes the potential impact of extreme circumstances which cannot be predicted.

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments:

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 2013								
Secured bank loans	17	24,323	(26,382)	(1,403)	(1,380)	(2,716)	(20,883)	-
Convertible notes	17	20,836	(25,368)	-	-	-	(18,457)	(6,911)
Trade and other payables	15	6,770	(6,770)	(6,770)	-	-	-	-
Employee benefits	16	7,047	(7,047)	(1,806)	(5,173)	-	(46)	(22)
		58,976	**(65,567)**	**(9,979)**	**(6,553)**	**(2,716)**	**(39,386)**	**(6,933)**
30 June 2012								
Secured bank loans	17	26,323	(29,401)	(1,462)	(1,437)	(2,828)	(23,674)	-
Convertible notes	17	21,775	(25,368)	-	-	-	(11,943)	(13,425)
Trade and other payables	15	7,373	(7,373)	(7,373)	-	-	-	-
Employee benefits	16	6,201	(6,201)	(2,098)	(3,993)	(63)	(24)	(23)
		61,672	**(68,343)**	**(10,933)**	**(5,430)**	**(2,891)**	**(35,641)**	**(13,448)**

There are no contractual cash flows associated with the convertible notes. The notes mandatorily convert on maturity, and interest of 6% per annum payable on the face value of the convertible notes is capitalised by way of an increase in the principal amount of the convertible notes for the first four years, after which it may continue to be capitalised, or paid in cash at the Company's discretion. The cash flows included in the above table assume that interest will be paid in cash after the first four years.

As disclosed in note 17, the Group has a secured bank loan which contains a number of debt covenants. A breach of covenant may require the Group to repay the loan earlier than indicated in the above table. However, as at 30 June 2013, the Group has significant headroom in relation to each of its financial covenants.

The secured bank loan is a variable interest rate loan. The interest payments contained in the above table reflect the relevant rate at period end and may change as market interest rates change.

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

21. Financial instruments (continued)

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 revenue, expenses, receivables and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities.

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2013	2012	2013	2012
AUD/USD	1.0268	1.0319	0.9275	1.0191

At reporting date, the Group's exposure to currency risk arises from AUD denominated assets and liabilities that are held by Group entities with a USD functional currency.

This relates primarily to the AUD denominated transactions and balances recognised by HFA Holdings Limited which has a functional currency of USD. Due to HFA Holdings Limited's position as the parent entity of the Australian listed group, it retains a number of working capital balances that are denominated in AUD, as shown below.

in thousands of USD	2013	2012
HFA Holdings Limited		
Cash and cash equivalents	9,721	2,978
Trade and other receivables	24	308
Trade and other payables	(183)	(195)
Employee benefits	(139)	(153)
Lighthouse Investment Partners, LLC		
Trade and other receivables	737	362

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

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.

	Profit or loss (decrease) / increase	
in thousands of USD	2013	2012
AUD/USD: appreciation of 10%	1,016	330
AUD/USD: depreciation of 10%	(1,016)	(330)

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 variable rate secured bank loans which expose the Group to interest rate risk.

The Group does not currently have any interest rate swaps in place in relation to its variable rate borrowings. Reviews of interest rate structures are performed to monitor potential exposure. The interest rate profile of financial liabilities is detailed in note 17.

21. Financial instruments (continued)

Market Risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The fair value of the fixed rate 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.

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 not have impacted the Group's equity or profit or loss.

Price risk

The Group is exposed to risk in relation to movements in the fair value of its:

- financial assets at fair value through profit or loss, which are comprised of investments in the unquoted securities of investment funds; and
- available-for-sale financial assets which are comprised of an investment in the unquoted securities of a US based limited liability company.

Sensitivity analysis

The following table summarises the sensitivity of the balance of financial assets at fair value through the profit or loss and available-for-sale equity financial assets held at reporting date to movements exit price.

	Profit or loss(decrease) / increase		Equity (decrease) / increase	
in thousands of USD	2013	2012	2013	2012
Fair value + 10%	570	511	140	140
Fair value - 10%	(570)	(511)	(140)	(140)

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

in thousands of USD	Note	Level 1	Level 2	Level 3	Total
30 June 2013					
Available-for-sale financial assets	11	-	-	1,396	1,396
Financial assets at fair value through profit or loss	11	-	5,650	-	5,650
		-	**5,650**	**1,396**	**7,046**
30 June 2012					
Available-for-sale financial assets	11	-	-	1,396	1,396
Financial assets at fair value through profit or loss	11	-	5,122	-	5,122
		-	**5,122**	**1,396**	**6,518**

21. Financial instruments (continued)

Fair values (continued)

Fair value hierarchy (continued)

The fair value of financial assets at fair value through profit or loss is determined by reference to their exit price at the reporting date.

The available-for-sale financial asset is an investment in the unquoted securities of a US based limited liability company, and as such a quoted market price is not available. The fair value of this investment at 30 June 2013 has been determined using a discounted cash flow analysis using expected future cash flows and a market-related discount rate.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

in thousands of USD	2013	2012
Balance at 1 July	1,396	-
Purchases	-	1,396
Balance at 30 June	**1,396**	**1,396**

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 the convertible notes.

There were no changes to the Group's approach to capital management during the year.

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

in thousands of USD	2013	2012
Total liabilities	58,976	61,672
Less: cash and cash equivalents, and investments in term deposits	(48,430)	(41,995)
Net debt	**10,546**	**19,677**
Total equity	**131,924**	**131,750**
Net debt to adjusted equity ratio at 30 June	**0.08**	**0.15**

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.

<u>Australian Financial Services License Requirements</u>

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 $5 million. Certitude's position is actively monitored to ensure compliance with this requirement. The requirement was complied with throughout the year.

22. 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 1 month and 10 years.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

in thousands of USD	2013	2012
Within one year	1,466	1,549
After one year but not more than five years	2,584	2,813
More than five years	840	1,617
	4,890	**5,979**

Software licensing commitments

In August 2012, Lighthouse Investment Partner's, LLC (Lighthouse) entered into an agreement with a data solutions provider for the primary purpose of further developing risk management software that Lighthouse had previously been developing internally.

Under the terms of the agreement, Lighthouse will incur annual costs to further develop and use the new system. As an offset to these costs, Lighthouse may receive additional revenues derived from the distribution of the software to third parties. Lighthouse has broad rights to terminate this agreement after the first year upon 30 days prior notice.

In thousands of USD	2013	2012
Within one year	2,500	-
After one year but not more than five years	10,000	-
	12,500	**-**

23. 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 2013.

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 2013.

24. Auditor's remuneration

in USD	2013	2012
Audit and review services:		
KPMG		
Audit and review of financial reports	275,820	290,635
Other regulatory services	28,467	35,698
Other auditors		
Audit and review of financial reports	14,142	29,253
	318,429	**355,586**
Services other than statutory audit:		
KPMG		
In relation to other taxation and advisory services	3,676	185,880
Other auditors		
In relation to other taxation and advisory services	205,865	116,007
	209,541	**301,887**

A significant portion of the taxation and advisory services expense incurred for both the 2012 and 2013 financial years relates to the Company seeking expert advice, and the lodgement of a Private Binding Ruling with the Australian Taxation Office, in relation to the ability of the Company to apply franking credits to dividends distributed to shareholders.

25. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2013, the parent company of the Group was HFA Holdings Limited.

	Company	
in thousands of USD	2013	2012
Result of the parent entity		
Profit for the year	7,628	7,142
Other comprehensive income	-	-
Total comprehensive income for the year	**7,628**	**7,142**
Financial position of the parent at year end		
Current assets	9,958	7,137
Total assets	307,722	304,901
Current liabilities	(1,918)	(1,852)
Total liabilities	(22,754)	(23,627)
Total equity of the parent comprising of:		
Share capital	267,148	263,785
Translation reserve	5,070	5,070
Share based payments reserve	7,650	7,650
Parent entity profits reserve	5,100	-
Retained earnings	-	4,769
Total equity	**284,968**	**281,274**

Parent entity contingent liabilities

The parent entity is responsible for the payment of GST liabilities relating to other entities within the Australian GST group.

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. Further details of the secured bank loan, refer to note 17.

26. Related parties

Key management personnel remuneration

The key management personnel remuneration included in 'personnel expenses' and 'equity settled transactions' (see note 6) is as follows:

in USD	2013	2012
Short-term employee benefits	4,509,647	4,312,219
Long-term employee benefits	32,511	(115,533)
Post employment benefits	104,152	153,034
Termination benefits	-	505,003
Share-based payments	-	(277,031)
	4,646,310	**4,577,692**

The former Group CEO, Mr S Young, ceased to be employed in this position on 10 November 2011. In accordance with his employment contract, Mr Young received 11 months' salary in lieu, accrued statutory entitlements, and a pro rata cash STI allocation. The termination benefit shown in the above table in the 2012 financial year relates to the salary in lieu and statutory entitlement components of Mr Young's termination payment.

In addition, Mr Young was issued with 1,405,326 ordinary shares pursuant to the HFA Employee Performance Rights Plan (refer to section 17.5 of the directors' report).

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 in section 17 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

A Civale, G Kelley and J 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 notes 17 and 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 4 year agreement under which Lighthouse Investment Partners, LLC retains and appoints the Apollo Group as its non-exclusive placement agent.

During the financial year the following related party transactions occurred:

(i) HFA Holdings Limited recognised convertible note interest expense of $2,515,538 (2012: $2,668,433) (interest expense recognised in the profit or loss relates to the debt component of the convertible note, recognised on an effective interest rate basis). Total amount payable on the notes as at 30 June 2013 was $1,596,010 (2012: $1,504,393), and relates to the period from 7 March to 30 June, calculated as 6% per annum on the full face value of the notes.

(ii) The total face value of the convertible notes as at 30 June 2013 was $84,426,626 (2012: $79,580,197). The carrying value of the debt component of the convertible notes at 30 June 2013 was $20,836,007 (2012: $21,775,230).

Refer to note 17 for a summary of the terms and conditions of the convertible notes.

26. Related parties (continued)

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:

2013	Balance 1 July 2012	Granted as remuneration	Vested during the year	Forfeited during the year	Balance 30 June 2013
Directors					
S Young	-	-	-	-	-
S McGould	-	-	-	-	-
F P (Andy) Esteban	-	-	-	-	-
J Larum[1]	-	-	-	-	-
M Shepherd	-	-	-	-	-
A Civale	-	-	-	-	-
G Kelley	-	-	-	-	-
J Zelter	-	-	-	-	-
A Bluhm[2]	-	-	-	-	-
Executives					
C Mowll	190,000	-	-	-	190,000
A Stoney	150,000	-	-	-	150,000
S Perkins	625,000	-	-	-	625,000
K Perkins	625,000	-	-	-	625,000
R Swan	625,000	-	-	-	625,000

[1] Mr J Larum retired following the Annual General Meeting on 17 October 2012 and did not offer himself for re-election.
[2] Mr A Bluhm was elected at the Annual General Meeting on 17 October 2012.

2012	Balance 1 July 2011	Granted as remuneration	Vested during the year	Forfeited during the year	Balance 30 June 2012
Directors					
S Young	3,968,935	-	(1,405,326)	(2,563,609)	-
S McGould	-	-	-	-	-
F P (Andy) Esteban	-	-	-	-	-
J Larum	-	-	-	-	-
M Shepherd	-	-	-	-	-
A Civale	-	-	-	-	-
G Kelley	-	-	-	-	-
J Zelter	-	-	-	-	-
Executives					
C Mowll	-	190,000	-	-	190,000
A Stoney	-	150,000	-	-	150,000
S Perkins	625,000	-	-	-	625,000
K Perkins	625,000	-	-	-	625,000
R Swan	625,000	-	-	-	625,000

No performance rights held by key management personnel were vested and exercisable, or vested but not exercisable at 30 June 2013 or 30 June 2012.

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 17.4.2 and 17.5 of the remuneration report.

26. Related parties (continued)

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:

2013	Balance 1 July 2012	Purchases	Sales	Net change other	Balance 30 June 2013
Directors					
S Young[1]	7,034,564	-	-	-	7,034,564
S McGould[2]	19,438,084	-	-	-	19,438,084
FP (Andy) Esteban[3]	27,000	-	-	-	27,000
J Larum[4]	35,526	-	-	(35,526)	-
M Shepherd[5]	125,000	-	-	-	125,000
A Civale	-	-	-	-	-
G Kelley	-	-	-	-	-
J Zelter	-	-	-	-	-
A Bluhm[6]	-	-	-	26,101,982	26,101,982
Executives					
C Mowll	-	-	-	-	-
A Stoney[7]	180,374	-	-	-	180,374
S Perkins	2,936,512	-	-	-	2,936,512
K Perkins	4,776,722	-	-	-	4,776,722
R Swan	2,936,512	-	-	-	2,936,512

1 7,034,564 shares are held indirectly by Mr S Young as Trustee for the Spencer Young Family Trust.
2 19,436,084 shares are held indirectly by SGM Holdings, LLC.
3 27,000 shares are held indirectly by FJE Superannuation Fund.
4 26,426 shares are held indirectly by the Larum Family Super Fund. Mr J Larum retired following the Annual General Meeting on 17 October 2012 and did not offer himself for re-election.
5 125,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund.
6 26,101,982 shares are held indirectly by Delaware Street Capital Master Fund, LP (DSC). Mr Bluhm is the founder and principal of DSC Advisors, LP, which is the investment manager of DSC. Mr A Bluhm was elected at the Annual General Meeting on 17 October 2012.
7 162,396 shares are held indirectly by AJ Stoney Family Trust.

2012	Balance 1 July 2011	Purchases	Sales	Net change other	Balance 30 June 2012
Directors					
S Young[1]	5,629,238	-	-	1,405,326[7]	7,034,564
S McGould[2]	19,438,084	-	-	-	19,438,084
FP (Andy) Esteban[3]	2,089	24,911	-	-	27,000
J Larum[4]	9,100	26,426	-	-	35,526
M Shepherd[5]	25,000	100,000	-	-	125,000
A Civale	-	-	-	-	-
G Kelley	-	-	-	-	-
J Zelter	-	-	-	-	-
Executives					
C Mowll	-	-	-	-	-
A Stoney[6]	180,374	-	-	-	180,374
S Perkins	2,936,512	-	-	-	2,936,512
K Perkins	4,776,722	-	-	-	4,776,722
R Swan	2,936,512	-	-	-	2,936,512

1 7,034,564 shares are held indirectly by Mr S Young as Trustee for the Spencer Young Family Trust.
2 19,436,084 shares are held indirectly by SGM Holdings, LLC.
3 27,000 shares are held indirectly by FJE Superannuation Fund.
4 26,426 shares are held indirectly by the Larum Family Super Fund.
5 125,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund.
6 162,396 shares are held indirectly by AJ Stoney Family Trust.
7 Being shares issued under the 2010 CEO Performance Rights Plan.

26. Related parties (continued)

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 Certitude recognised management and performance fees received or receivable of $7,965,794 (2012: $9,841,985) 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 2013 were $2,044,220 (2012: $2,016,347).

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 LIP recognised management, platform service fees and performance fees received or receivable of $57,994,545 (2012: $56,198,894) from investment products for which LIP acts as general partner and investment manager or platform service provider. Amounts receivable from these products at 30 June 2013 were $10,879,901(2012: $11,939,049).

Investment in products (refer note 11)

As at 30 June 2013, Group entities hold $ 5,494,960 of investments in products for which they act as investment manager or platform service provider (2012: $5,121,502).

During the financial year, the Group recognised distributions from its investments in these products of $320 (2012: $3,506).

Other

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

For the year ended 30 June 2013, the Group has not raised a provision for doubtful debts relating to amounts owed by related parties (2012: Nil). Additional information regarding the Group's assessment of credit risk in relation to related party receivables and investments is disclosed in note 21.

27. 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 2013	% Equity interest 2012
Certitude Global Investments Limited	*Australia*	100	100
Admin Pty Ltd	*Australia*	100	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	*Ireland*	100	100

28. 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.

1. In the opinion of the directors of HFA Holdings Limited (the 'Company'):
   (a) the consolidated financial statements and notes that are set out on pages 45 to 91, and the remuneration report in section 17 of the directors' report, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2013 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 officers and chief financial officer for the financial year ended 30 June 2013.
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.

Signed in accordance with a resolution of the directors.

Spencer Young
Chair and Non-Executive Director

F P (Andy) Esteban
Non-Executive Director

Dated at Sydney this 14th day of August 2013

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 2013, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors determine necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair 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 the Group 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 2013 and of its performance for the year ended on that date; and

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

(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 included in section 17 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Stephen Board
Partner

Dated at Brisbane this 14th day of August 2013

ASX additional information

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

Shareholdings (as at 9 August 2013)

Substantial Shareholdings (not less than 5%)

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

Category	Number of ordinary shares	%
Delaware Street Capital Master Fund, LP	26,054,100	21.94
Sean McGould, his controlled entities and associates	19,438,084	16.37
Spencer Young and his associates	7,034,564	5.92

Securities subject to voluntary escrow

The voluntary escrow period for 31,091,245 ordinary shares that were subject to voluntary escrow ended on 31 December 2012.

Distribution of Equity Security Holders

Category	Number of equity security holders ordinary shares
1-1,000	432
1,001-5,000	641
5,001-10,000	199
10,001-100,000	247
100,001 and over	34
Total	**1,800**

The number of shareholders holding less than a marketable parcel of ordinary shares is 262.

On-Market Buy-Back

There is no current on-market buy-back.

Twenty Largest Shareholders

Name	Number of ordinary shares held	Percentage of capital held
HSBC Custody Nominees (Australia) Limited	33,003,900	27.80%
Citicorp Nominees Pty Limited	30,864,248	25.99%
Merrill Lynch (Australia) Nominees Pty Limited	9,930,127	8.36%
Mr Spencer Young	7,034,564	5.92%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	4,890,974	4.12%
UBS Nominees Pty Ltd	3,040,625	2.56%
J P Morgan Nominees Australia Limited	2,849,158	2.40%
National Nominees Ltd	2,525,277	2.13%
JP Morgan Nominees Australia Ltd <Cash Income A/C>	2,154,295	1.81%
MLEQ Nominees Pty Ltd	1,928,000	1.62%
Brispot Nominees Ltd	1,698,805	1.43%
Carrington Land Pty Ltd	1,497,099	1.26%
Mr Shay Shimon Hazan-Shaked	1,300,000	1.09%
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,126,158	0.95%
Woodmont Trust Company Ltd	742,719	0.63%
Mr Richard James Williams & Ms Jane Clare Dunlop	365,000	0.31%
HSBC Custody Nominees (Australia) Limited – A/C 2	283,750	0.24%
Ms Guozhen Lu	275,500	0.23%
Sandhurst Trustees Ltd	236,226	0.20%
UOB Kay Hian Private Ltd	235,110	0.20%

Unquoted Equity Securities

There are no unquoted equity securities.

Voting Rights

Ordinary Shares

Refer to note 19 of the financial statements.

Notes

Corporate directory

Registered Office

Level 5, 151 Macquarie St
Sydney NSW 2000
+61 (2) 8302 3333

Principal Administrative Office

Mezzanine Level 1
88 Creek Street
Brisbane Qld 4000
+61 (7) 3218 6200

Company Secretaries

Ms Amber Stoney
Ms Kate O'Donohue

Auditors of the Company

KPMG

Share Registry

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

Other information

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