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SOLUTIONS

HFA holdings

LEADER DIVERSITY FOCUS PRESERVATION ABILITY

ANNUAL REPORT 2008

ANNUAL GENERAL MEETING

THE ANNUAL GENERAL MEETING OF HFA HOLDINGS LIMITED WILL BE HELD AT VENUE: FOUR SEASONS HOTEL, 199 GEORGE STREET, SYDNEY, NSW 2000

DATE: 8 OCTOBER 2008

TIME: 11.00AM

Contents

Corporate governance statement

The Board of Directors of HFA Holdings Limited ("the Company") is committed to implementing and maintaining a strong system of corporate governance over the Company and its subsidiaries ("the Group"). The Board recognises its responsibilities to stakeholders to maximise value whilst maintaining a robust risk and control framework.

The Company refers to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("Governance Principles") when setting and reviewing its corporate governance system. This Corporate Governance Statement (the "Statement") outlines the main corporate governance principles and practices of the Company as at 20 August 2008. The Statement identifies where the Company is in compliance with the Governance Principles, and also explains any departures of the Company's principles and practices from the Governance Principles.

The Company's policies, charters and codes in relation to corporate governance are available on the Company's website.

1 Board of Directors

1.1 Role of the Board

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

To fulfil this role, the Board is responsible for:

- the Company and its governance, risk management and control systems;
- reviewing and approving corporate strategies, budgets, plans and policies developed by management and evaluating performance of the Group against those strategies and business plans in order to:
- monitor the performance of functions delegated to senior management including the progress of major capital expenditure, capital management, acquisitions, divestitures and strategic commitments; and
- assess the suitability of the Company's overall strategies, business plans and resource allocation;
- ensuring that effective audit, risk management and regulatory compliance programs are implemented to protect the Group's assets and shareholder value;
- reviewing and approving governance policies;
- oversight of corporate governance matters pertaining to board management;
- appointing and removing the Chief Executive Officer ("CEO");
- ratifying the appointment of the Chief Financial Officer ("CFO") and the Company Secretary;
- evaluating the performance of the CEO and senior management;
- reviewing board and executive succession planning;
- monitoring financial performance and business results (including the audit process) to understand at all times the financial position of the Group;
- oversight of the Company's continuous disclosure obligations including approving the Group's statutory accounts and directors' reports and the declarations of any dividends;
- reporting to shareholders and other stakeholders;
- capital management, including issues, calls on, forfeiture of shares, declaration of dividend and share buy backs;
- membership and role of board sub-committees;
- reviewing the performance of the Board and board committees; and
- implementing a culture of compliance with the highest legal and ethical standards and business practices.

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

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

Details of the Board's charter are located on the Company's website (www.hfaholdings.com.au).

Corporate governance statement *continued*

1.2 Membership of the Board

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

- a minimum of four directors, with a broad range of expertise;
- a maximum of nine directors;
- a majority of non-executive directors; and
- a non-executive independent director is appointed as Chairperson.

The table below summarises the composition of the Board as at 20 August 2008:

Name	Position	Independent	First appointed
Brett Howard	Chairperson	Yes	March 2006
Robert Fraser	Non-Executive Director	Yes	December 2007
Andy Esteban	Non-Executive Director	Yes	June 2008
Spencer Young	CEO and Executive Director	No	May 2003
Sean McGould	Executive Director	No	January 2008

A majority of the directors are independent as at 20 August 2008. The Company was not in compliance with ASX Corporate Governance Principle 2.1 throughout the entire financial year, due to the resignation of directors during the year, and the appointment of an additional non-independent executive director in January 2008 as a result of the Company's acquisition of the Lighthouse Group. The Board commenced its search for an additional independent director in January 2008, which resulted in the appointment of Andy Esteban in June 2008.

The role of Chairperson and CEO are not exercised by the same person.

1.3 Director independence

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

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

Corporate governance statement *continued*

1.4 Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. A copy of the advice received by the director is to be made available to all other members of the Board.

1.5 Director education

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

1.6 Board processes

To assist in the execution of its responsibilities, the Board has established a number of board committees including a Nomination Committee, a Remuneration Committee, and an Audit and Risk Committee. Committees have a written charter which outlines the duties and responsibilities of each committee and which is reviewed on a regular basis. The Board has also established a framework for management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards and codes of conduct.

The framework includes:

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

The Board meets approximately every two months, with additional meetings held as required to address specific issues. The agenda for meetings is prepared in conjunction with the chairperson, CEO and company secretary to ensure adequate coverage of strategic, financial, governance and compliance matters. Submissions 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 Committees

2.1 Nomination Committee

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

As a result of the resignation of non-executive director Michael King in January 2008, the membership of the nomination committee was not in compliance with the requirements of the nomination committee charter or ASX Corporate Governance Principle 2.4. Accordingly, from this time, the functions of the nomination committee were assumed by the Board. With the appointment of an additional independent non-executive director, Andy Esteban, on 22 July 2008, the nomination committee membership became compliant and resumed responsibility for the duties and responsibilities outlined by the charter.

From 22 July 2008, the nomination committee comprises the following members, all of whom are non-executive directors:

- Brett Howard (Chairperson) - Independent non-executive director and Chairperson of the Board;
- Robert Fraser - Independent non-executive director; and
- Andy Esteban - Independent non-executive director.

The nomination committee is to advise the Board on matters relating to the composition and performance of the Board. Board candidates must stand for election at the next general meeting of shareholders. The nomination committee is also responsible for making recommendations regarding the appointment and removal of directors, having regard to an appropriate mix of skill sets and expertise. The nomination committee also reviews performance of the Board, committees and key executives, reviews board succession plans, as well as overseeing the induction process for new directors and committee members.

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

Given that three of the five directors have been members of the Board for less than six months, a performance evaluation of the Board (including its committees and individual members) did not take place during the year ended 30 June 2008. The nomination committee, led by the Chairperson, will oversee a review of the Board's performance in early 2009. This performance evaluation will be undertaken through self-assessment, utilising evaluation tools such as questionnaires.

Under its charter, the nomination committee meets bi-annually unless otherwise required. As the functions of the nomination committee were undertaken by the Board for the majority of the year ended 30 June 2008, separate meetings of the committee were not held.

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

2.2 Remuneration Committee

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

The remuneration committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and directors of the Company and of other group executives of the Group.

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

Corporate governance statement *continued*

As a result of the resignation of non-executive director Michael King in January 2008, the membership of the remuneration committee was not in compliance with the requirements of the remuneration committee charter or ASX Corporate Governance Principle 9.2. The remuneration committee continued to function with only two members, being Brett Howard and Robert Fraser, until the appointment of an additional independent non-executive director, Andy Esteban, on 22 July 2008. With the appointment of Mr Esteban to the remuneration committee, the remuneration committee membership became compliant with the membership requirements of the remuneration committee charter and ASX Corporate Governance Principle 9.2.

From 22 July 2008, the nomination committee comprises the following members, all of whom are non-executive directors:

- Brett Howard (Chairperson) - Independent non-executive director and Chairperson of the Board;
- Robert Fraser - Independent non-executive director; and
- Andy Esteban - Independent non-executive director.

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

The remuneration committee meets bi-annually and otherwise as required. The frequency of meetings and the attendance record of committee members is disclosed in the Directors Report. A summary of the remuneration committee's charter is available on the Company's website.

2.3 Remuneration policies

Compensation levels for key management personnel and secretaries of the Company and relevant key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures take into account:

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

Compensation packages include a mix of fixed compensation plus performance linked compensation which includes a short term incentive (STI) and a long term incentive (LTI). Details of STI and LTI arrangements are detailed in the Remuneration Report in the Directors' Report.

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. Executive compensation levels are reviewed annually by the remuneration committee through a process that considers individual and overall performance of the Group. A senior executive's compensation is also reviewed on promotion.

2.3.1 Non-executive director remuneration

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

Executive and non-executive directors may be reimbursed for their reasonable expenses properly incurred as directors.

Details of the remuneration of non-executive directors and key personnel are included in the Remuneration Report in the Directors' Report.

2.4 Audit and Risk Committee

The audit and risk committee has a documented charter approved by the Board. The audit and risk committee's charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The committee members' comprise a minimum of three non-executive directors, with a majority being independent. The Chairperson may not be the Chairperson of the Board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the audit and risk committee as at 20 August 2008 are:

- Robert Fraser (Chairperson) – Independent Non-Executive, appointed 14 December 2007;
- Brett Howard – Independent Non-Executive Director, appointed 25 July 2007; and
- Andy Esteban – Independent Non-Executive Director, appointed 22 July 2008.

A summary of Director qualifications and attendance at audit and risk committee meetings is provided in the Director's Report on page 15.

John Morrison and Michael King resigned as directors of the Company in December 2007 and January 2008 respectively. Both of these non-executive directors were members of the audit and risk committee, and consequently upon their resignation the membership of the audit and risk committee was not in compliance with the requirements of the audit and risk committee charter or ASX Corporate Governance Principle 4.3. With the appointment of Robert Fraser in December 2007, the audit and risk committee continued to operate with only two members, both of whom were independent non-executive directors. With the appointment of Andy Esteban to the audit and risk committee on 22 July 2008, the audit and risk committee membership became compliant with the membership requirements of the audit and risk committee charter and ASX Corporate Governance Principle 4.2.

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

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

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

- overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial reports, including;
  - » reviewing the appropriateness of accounting policies adopted in relation to financial reporting;
  - » assessing management's process supporting the financial reporting process;
  - » considering the results of the audit, including recommendations submitted by the external auditor and management's responses; and
  - » making recommendations to the Board regarding same.
- reviewing the effectiveness of internal controls relevant to the financial reporting function;
- reviewing the independence of the external auditors and audit process, including:
  - » making recommendations regarding the appointment / removal of the external auditor and rotation of the external audit partner;
  - » assessing the performance of the external auditor; and
  - » reviewing non-audit services provided by the external auditor and compliance with the Company's External Auditor Policy;

- reviewing the company's process for monitoring compliance with laws and regulations affecting financial reporting; and
- considering and reporting to the Board of any such other matters as the Board may refer to the Committee from time to time.

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

- discuss the audit plans, identifying 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 of the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial reports, and recommend Board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

2.4.1 External auditors

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

The lead audit engagement partner should be rotated after a period of no longer than five years and cannot resume the role until at least two years have elapsed. An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 29 of the financial statements.

3 Risk Management

3.1 Oversight of the risk management system

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented a risk management system for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Group. The CEO and the CFO are required to declare, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments cover the entire financial year and the period up to the signing of the annual financial report for all material operations in the Group.

3.2 Risk profile

The Group's risk management policies and procedures are aimed at ensuring risks are identified, assessed and appropriately managed. The Board reviews the status of the Group's risk profile at least annually. Each business unit is responsible and accountable for implementing and managing the standards required.

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

3.3 Risk management and compliance and controls

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

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

Comprehensive practices have been established to ensure:

- compliance with financial services regulation;
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, foreign exchange rate management and credit risk management are included in note 26 of the financial statements;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- environmental regulation compliance (see below).

Given the size and nature of the Group, the Board does not consider it necessary to establish an internal audit function. The Group has a number of alternative policies in place in relation to independent oversight of compliance with financial services legislation, such as the establishment of an External Compliance Committee for its Australian financial services business.

3.4 Quality and integrity of personnel

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

3.5 Financial reporting

The CEO and the CFO are required to declare, 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 to directors against forecasts throughout the year.

3.6 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.

4 Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the director code of conduct and employee code of conduct at least annually, and processes are in place to promote and communicate these policies.

4.1 Conflict of interest

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

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned may only be present when the item is being considered at the Board's discretion. Details of director related entity transactions with the Company and Group are set out in Note 30 to the financial statements.

4.2 Code of conduct

The Group has advised each director, manager and employee that they must comply with the Code of Conduct and Employee Manual. The Code of Conduct and Employee Manual covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of service, and safety;
- employment practices such as occupational health and safety, employment opportunity, community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Company's assets; and
- reporting of unethical behaviour and breaches of the Code of Conduct.

4.3 Trading in Company securities by directors and employees

The key elements of the Trading Policy are:

- Identification of the designated officers to whom the policy applies, which includes all directors and all staff;
- prohibition of designated officers from trading in Company securities:
  - » except during the four week period commencing the first business day after the announcement of half-yearly and annual results to the Australian Stock Exchange ('ASX'), or the Annual General Meeting;
  - » except during periods outside the above mentioned trading window, where approval has been granted by the Board or the Board's delegate; and
  - » whilst in possession of price sensitive information not yet released to the market
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- requiring details to be provided of intended trading in the Company's shares;
- requiring details to be provided of the subsequent confirmation of the trade; and
- identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

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

5 Communication with shareholders

The Board provides shareholders and the broader public with information in accordance with its both Continuous Disclosure Policy and its Shareholder Communication Policy.

5.1 Continuous disclosure

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

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

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

5.2 Shareholder communication

The Company shareholder communication platform consists of:

- the Companies 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 activities and corporate governance framework;
- participation by shareholder's at the Company's general meetings, to ensure a high level of accountability and identification with the Group's strategy and goals;
- attendance by the Company's auditor at the Company's Annual General Meeting to answer shareholder queries regarding the conduct of the audit and the preparation and content of the auditor's report; and
- the use of electronic technology where appropriate to facilitate greater effectiveness of corporate communication.

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

Copies of the Constitution are available to any shareholder upon request.

Directors' report

The directors present their report together with the financial report of HFA Holdings Limited ("the Company" / "HFA") and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2008 and the auditor's report thereon.

Directors

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

Mr Brett Howard

Mr Spencer Young

Mr Robert Fraser, appointed 14 December 2007

Mr Sean McGould, appointed 3 January 2008

Mr F P (Andy) Esteban, appointed 18 June 2008

Mr Paul Jensen, resigned 18 September 2007

Mr Michael King, resigned 4 January 2008

Mr John Morrison, resigned 14 December 2007

Corporate information

HFA Holdings Limited is a company limited by shares that is incorporated in Australia. A wholly owned subsidiary, HFA Asset Management Limited, acts as the Responsible Entity and Manager of schemes and other products in Australia. Another wholly owned subsidiary, HFA Lighthouse Holdings Corp. is the parent entity of the US based Lighthouse Group ("Lighthouse"), which acts as a global Absolute Return funds manager. Details of the Corporate Group are included at Note 31 to the financial statements.

Principal activities

The principal activities of the Group during the course of the financial year were the provision of Absolute Return fund products to investors globally via HFA Asset Management Limited and Lighthouse Group managed Absolute Return funds.

Consolidated results

	2008 Actual	2007 Actual
Revenue	**98,596,040**	74,643,927
Investment management costs	**(22,323,498)**	(30,624,763)
Net operating income	**76,272,542**	44,019,164
Foreign exchange gain	**8,912,768**	-
Operating expenses, net of other income	**(26,023,661)**	(13,730,767)
Equity settled transaction expense	**(552,901)**	(125,000)
Operating EBITDA	**58,608,748**	30,163,397
Depreciation and amortisation	**(6,925,714)**	(1,010,514)
Net interest income[1]	**(793,686)**	(205,841)
Profit/(loss) before tax	**50,889,348**	28,947,042
Income tax expense	**(15,719,376)**	(8,668,260)
Profit/(loss) after tax	**35,169,972**	20,278,782
Basic EPS (cents)	**10.07**	9.74

[1] includes interest income and expense only

The Company recorded a consolidated profit after tax of $35,169,972 for the financial year ended 30 June 2008 (2007: $20,278,782). Shareholders funds increased from $20,635,073 at 30 June 2007 to $511,199,144 at 30 June 2008. The increase in shareholder funds reflects $248,157,922 (net of costs) of capital raised during the year and $255,866,667 million relating to the issue of 134,666,667 million shares to partially fund the acquisition of the US based Lighthouse Group which settled on 3 January 2008. The result reflects the integration of the Lighthouse Group post acquisition.

Investment for Future Performance

On 3 January 2008 HFA acquired the Lighthouse Group for USD 364,187,413 cash and the issue of 134,666,667 HFA ordinary shares. The acquisition and associated costs were funded from the following sources:

- Rights issue of 92,833,334 shares (AUD 185,666,688);
- Institutional placement of 30,271,650 shares (AUD 72,651,650); and
- Debt (AUD 145,135,242).

The Lighthouse Group is a United States ("US") based fund of Absolute Return fund manager. HFA and Lighthouse have been working closely together since 2000, with Lighthouse managing the majority of HFA's assets under management.

The key financial and strategic benefits from the acquisition are:

- EPS accretion;
- Vertical integration of the HFA business with the highly regarded management team at Lighthouse;
- Diversification of management fee base, resulting in a reduced proportion of total Group income being derived from more volatile performance fees;
- Diversification of sources of assets under management by both geography and distribution channel;
- Broader exposure to expected growth in the alternative assets industry;

Review of Operations

HFA operates a specialist global funds management business providing Absolute Return fund products to investors. Absolute Return funds aim to achieve positive returns across all market conditions and represent one of the fastest growing segments of the global asset management industry.

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

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

Assets under management

As at 30 June 2008, HFA had total funds under management ("FUM") of $7.87 billion (2007: $2.29 billion) and total assets under management ("AUM") of $9.36 billion (2007: $3.88 billion). This represents an increase of 244% in FUM and 141% in AUM since the end of the previous financial year. This growth has resulted from overall positive net inflows into existing HFA products, the launch of a number of new products through-out the financial year and the acquisition of the Lighthouse Group in January 2008.

Fund inflows

Global markets experienced significant turmoil during the financial year. These market conditions and resultant investor sentiment created a challenging environment for generating fund inflows.

Despite these difficult market conditions HFA funds generated net inflows for the year of $535 million. This includes Lighthouse funds net inflows from 3 January 2008. There was no significant increase in redemption activity.

The following new products were launched during the year:

- HFA Retrospective Fund which raised $41 million in December 2007, resulting in an additional $41 million of AUM;
- HFA Partners Fund was re-opened in December 2007 and raised $10 million, resulting in an additional $26 million of AUM including leverage;
- HFA Institutional Diversified Investments Fund which raised $50 million in February 2008; resulting in an additional $50 million of AUM;
- HFA Octane 5 Fund, which raised $62 million in June 2008, resulting in an additional $89 million of AUM including leverage; and
- ANZ Discovery Asia Fund which raised $14 million in June 2008, resulting an additional $19 million of AUM including leverage.

Net income from operating activities

The growth in AUM has resulted in an increase in net income from operating activities to $76,272,542 for the financial year ended 30 June 2008, representing an increase of 73% over the 2007 financial year. Management fees have increased by $53,061,242, resulting from higher HFA Asset Management fees of $14,656,202 (growth in average AUM) and the 6 month contribution from Lighthouse of $38,405,040. Performance fees have decreased by $29,454,380 reflecting product performance in the difficult market conditions experienced in FY08.

Operating expenses

Operating expenses (net of other income) increased to $26,023,661 for the financial year ended 30 June 2008. This represents an increase of 90% ($12,292,894) when compared to the financial year ended 30 June 2007. This is due to the inclusion of 6 months of Lighthouse Group operating expenses from January 2008.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year are:

Declared and paid during the 2008 financial year	Cents per share	Total amount $	Franked / unfranked	Date of payment
Final 2007 ordinary	4.0	8,072,440	Franked	25 September 2007
Interim 2008 ordinary	2.1	6,823,236	Franked	26 March 2008
Total amount		14,895,676		

Declared and paid during the 2007 financial year	Cents per share	Total amount $	Franked / unfranked	Date of payment
Special 2007 ordinary	1.5	3,027,167	Franked	31 October 2006
Interim 2007 ordinary	2.6	5,247,086	Franked	31 March 2007
Total amount		8,274,253		

Franked dividends declared as paid during the year were franked at the rate of 30%.

Declared after end of year

The directors have at the date of this report declared a final 2008 dividend of 3.5 cents per share which will be fully franked and payable in September 2008.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports.

Significant Changes in the state of affairs

In the opinion of the directors, other than the acquisition of the Lighthouse Group, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Events subsequent to reporting date

The directors have at the date of this report declared a final 2008 dividend of 3.5 cents per share which will be fully franked and payable in September 2008.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, 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.

Likely developments

The Group will continue to pursue its policies of increasing profitability, and growing assets under management during the next financial year. This will involve further investment to expand further into the European and Asian markets. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Information on directors

Information on the directors of the Company that served at any time during the financial year including directors serving at the date of this report are as follows:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Brett Howard B.Com (UNSW) *Chairperson* *Independent Non-Executive Director*	Brett has worked in finance, property and funds management. He has had extensive experience in the establishment, marketing and management of unit trusts with authorised investments in property, shares and interest bearing securities. Brett was the founder of the Howard Mortgage Trust which has been one of Australia's largest mortgage trusts and is now managed by Challenger. Brett was a director of Challenger Funds Management Limited and he was the managing director of the listed company, Howard Financial Holdings Limited, prior to it merging with Challenger in 1998. He was also a director of Goldlink Income Plus Limited from April 2006 to November 2007. Brett has also served on the Boards of companies engaged in commercial finance and structured project finance. *Chairperson of Nomination Committee, Chairperson of Remuneration Committee, Member of Audit and Risk Committee* Appointed 15 March 2006.
Mr Robert Fraser B Ec LLB (Hons) (Syd) *Independent Non-Executive Director*	Robert joined HFA in December 2007 with a 20 year career as an investment banker. He was initially with a major merchant bank, Wardley James Capel (Hong Kong Bank of Australia) and subsequently became a director of the boutique advisory firm, Beerworth & Partners Limited. He is presently the Managing Director of TC Corporate Pty Limited which he established in 1997. TC Corporate is the corporate advisory division of Taylor Collison Limited stockbrokers of which he is also a director and principal. Robert has a wide range of corporate advisory experience, specialising in takeovers and mergers, acquisitions and divestments, capital management and investor relations for emerging growth companies. He is also presently and has been since February 2004 and June 2004 respectively a non-executive director of ARB Corporation Limited and Crane Group Limited. He was a non-executive director of Concept Hire Limited from September 2004 until the recommended takeover of that company in October 2007. *Chairperson of Audit and Risk Committee, Member of Remuneration Committee, Member of Nomination Committee* Appointed 14 December 2007.

Information on directors (continued)

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr F P (Andy) Esteban B.Bus ASA MAICD METI *Independent Non-Executive Director*	Andy holds a Bachelor of Business majoring in Accounting. He is an Associate of the Australian Society of CPA's and a member of the Australian Institute of Company Directors. He has 30 years experience in the financial services industry, of which 21 years were with Perpetual Trustees Australia Ltd. In December 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 compliance consulting services to a number of organisations including UBS Global Asset Management for their funds management operations in Australia and South East Asia operations located in Hong Kong, Singapore, Taiwan and China and was appointed an Independent Director of three of their hedge fund companies based in Hong Kong. From July 2005 till June 2008 he was also an independent director of Credit Suisse Asset Management (Australia) Ltd. He is currently a member of compliance committees or risk and audit committees for a range of managed investment schemes, superannuation, insurance and infrastructure products (retail and wholesale) including Credit Suisse Asset Management, Suncorp, Schroder Investment Management and Deutsche Asset Management Australia Ltd. *Member of Audit and Risk Committee, Member of Remuneration Committee, Member of Nomination Committee* Appointed 18 June 2008.
Spencer M Young B.Eng. MBA *Executive Director and Chief Executive Officer*	Spencer founded HFA in 1998. He has over 17 years of alternate asset class investment experience and close relationships with a network of international hedge funds and domestic research and rating agencies. Spencer holds a B.Eng (U.Qld) and an MBA from Harvard. 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. An experienced Company Director, his recent directorships have included Tremblant Capital, a significant New York based hedge fund. He is a former director of HFA Accelerator Plus Limited (July 2004 to February 2007), Octaviar Limited (February 2004 to November 2005) and the Living and Leisure Group (February 2004 to March 2005). Appointed Non-Executive Director 13 April 2007 to 18 September 2007. Appointed Chief Executive Officer and Executive Director 18 September 2007.
Mr Sean McGould BSc. Accounting *Executive Director*	Sean is the co-founder of Lighthouse and serves as President and Co-Chief Investment Officer. He supports the investment team in the manager search, selection and review process and is the Chairperson of the Investment Committee. Sean has been overseeing all aspects of the portfolios since August 1996. Sean joined Asset Management Advisors ("AMA"), a multi-family office as Chief Investment Officer in August 1996. Lighthouse was formally spun out of AMA in 1999. For the past 15 years, Sean has been investing in various alternative investment strategies. Prior to founding Lighthouse, Sean was the Director of the Outside Trader Investment Program at Trout Trading Management Company and was responsible for the allocation of the fund's assets to external alternative asset strategies. Prior to Trout, Sean worked for Price Waterhouse and passed the Certified Public Accountant examination. Appointed 3 January 2008.

Information on directors (continued)

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Michael King LLB *Non-Executive Director*	Michael was appointed to the HFA Board upon listing in May 2006. Prior to his resignation in January 2008, Michael was the Chief Executive Officer of Octaviar Limited, a Director of the ASX Listed Living and Leisure Australia Group and Village Life Limited. Michael was also a non-executive Director of HFA Holdings Limited until his resignation in January 2008. *Member of Nomination Committee, Member of Remuneration Committee, Member of Audit and Risk Committee.* Appointed 5 August 2002, resigned 4 January 2008.
Mr John A Morrison BE(Hons) MBA MAICD *Independent Non-Executive Director*	John is currently an Executive Director of Grant Samuel, a leading independent investment bank in Australia. He has broad experience in the finance industry and since 1990 has been involved in providing advice to corporations in mergers, acquisitions, valuations, restructurings, financing and capital management. Prior to this he worked in engineering and construction in Australia and the UK. John has been a non-executive director of HFA Accelerator Plus Limited since July 2004 and a non-executive Director of Minara Resources Limited since December 1999. *Chairperson of Audit and Risk Committee, Member of Remuneration Committee.* Appointed 15 March 2005, resigned 14 December 2007.
Mr Paul Jensen B.Com MAICD *Executive Director* *Chief Executive Officer*	Paul holds a Bachelor of Commerce and Administration; Accounting and Commercial Law major from the University of Victoria, Wellington, New Zealand among other qualifications and memberships. Paul was the Managing Director and Chief Executive Officer of HFA Asset Management Limited and HFA Holdings Limited (February 2007 to September 2007). He also held a position as an Executive Director of HFA Accelerator Plus Limited (February 2007 to September 2007). Paul has extensive global financial services experience having previously held senior executive positions with leading companies in Australia, New Zealand and the United Kingdom including Travelex, Lend Lease Corporate Services (MLC) and Lloyds TSB Bank. His experience encompasses superannuation, banking and investment markets. Paul is currently a director of WAM Capital Limited. Appointed Chief Executive Officer and Executive Director 23 February 2007, resigned 18 September 2007.

Company secretaries

Ms Amber Stoney BCom (Hons) CA was appointed to the position of company secretary 15 March 2005. Amber previously worked for KPMG specialising in providing assurance and advisory services to the funds management industry, particularly in relation to accounting, operational and regulatory compliance issues. Amber holds the position of Head of Operations.

Mr Robert White BBus was appointed as joint company secretary on 15 February 2007. Robert holds the position of Head of Corporate. Robert is responsible for corporate and special projects and select day to day operations within HFA including foreign exchange hedging, product development and implementation. Robert has over 14 years experience in the financial services industry working within both the institutional and retail market segments in the UK, Europe and Australia. Robert is the joint managing director of HFA Asset Management Limited, and is also the Chief Executive Officer and Executive Director of HFA Accelerator Plus Limited.

Directors' interests

The relevant interest of each director in the ordinary share capital of the company at the date of this report is as follows:

	Number of Ordinary shares
Mr Brett Howard	450,000
Mr Robert Fraser	23,600
Mr Sean McGould[1]	91,476,460
Mr Spencer Young[2]	25,516,951
Mr Andy Esteban	8,354

[1] 85,476,460 shares held indirectly by SGM Holdings, LLC

[2] Shares are held indirectly by Spencer Young Family Trust

Directors' meetings

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

	Board Meetings		Remuneration Committee Meetings		Audit and Risk Committee Meetings		Nomination Committee Meetings	
Director	A	B	A	B	A	B	A	B
B Howard	16	17	3	3	4	4	-	-
R Fraser	6	6	1	1	3	3	-	-
S McGould	3	5	-	-	-	-	-	-
S Young	16	17	-	-	-	-	-	-
M King	12	12	2	2	1	1	-	-
J Morrison	7	10	2	2	1	1	-	-
P Jensen	5	8	-	-	-	-	-	-
A Esteban	-	-	-	-	-	-	-	-

A – Number of meetings attended

B – Number of meetings held during the time the director held office and was eligible to attend during the year

Share options

An offer of rights to issued shares in the Company was made to employees of the HFA Australian business during the year ended 30 June 2008. Refer to the Remuneration Report for details of the "2008 Employee Performance Rights Plan".

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 and legal expenses' 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.

Remuneration report - audited

The directors of the Company present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 for the Company and the Group for the year ended 30 June 2008.

The Company's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced directors and senior executives. Details of the Company's remuneration strategy for the 2008 financial year are set out in this remuneration report. The Remuneration Report forms part of the Directors' Report.

Principles of compensation

Remuneration of directors and executives is referred to as compensation throughout this report, as defined in AASB 124.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the five most highly remunerated Company and Group executives.

Compensation levels for key management personnel and secretaries of the Company and relevant key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. External remuneration benchmarks and surveys are considered when setting compensation levels.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant division / segment's performance;
- the Group's performance and achievement of KPI's; and
- the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed compensation plus performance linked compensation (which includes a short term incentive (STI) and a long term incentive (LTI).

The overall objective of this remuneration strategy is to support the overall business strategy of the Group by attracting, retaining and rewarding quality executive employees and staff, with a view to aligning employee and shareholder goals.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds and retirement plans. Executive compensation levels are reviewed annually by the remuneration committee through a process that considers individual and overall performance of the Group. A senior executive's compensation is also reviewed on promotion.

Remuneration report - audited (continued)

Short Term Incentives (STI)

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

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

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

STI bonuses allocated to senior executives are reviewed and approved by the remuneration committee. The remuneration committee exercises discretion when approving STI bonuses to senior executives, by taking into account qualitative assessments of an individual's performance during the previous year as well as achievement of tangible performance indicators.

Long term incentives (LTI)

The Company has established LTI plans to assist in the attraction, retention and motivation of employees and key management personnel. The plans provide long term incentives for employees and management to contribute to the long term profitability and share price growth of the Group through a direct growth in the value of their shareholdings and future dividend streams.

Incentive Plan – Shares at IPO

An employee offer was made at the time of listing, comprising the issue of new shares by the Company for nil consideration. The grant date of the shares under the employee offer was 1 May 2006. Shares issued under the offer are restricted from being sold or transferred, until the earlier of three years from the admission date and the date on which the employee is no longer employed by the Group. This offer comprised a once-off grant of shares.

2008 Employee Performance Rights Plan

An offer of rights to issued shares in the Company was made to employees of the HFA Australian business on 12 March 2008.

The Board approved the allocation of 3,955,000 performance rights to employees.

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

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

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

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

Lighthouse Investment Partners Incentive Compensation Plan

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

Remuneration report - audited (continued)

The incentive plan grants participants an opportunity to earn a payment of cash or participate in a total offering of 10,275,726 ordinary shares of HFA Holdings Limited. The pre-tax non-cash expense to be recognised by the Group over the vesting period of the plan is estimated to be approximately $7 million in 2009, $2.3 million in 2010 and $0.6 million in 2011.

No consideration is payable by employees in relation to the grant or the shares of HFA Holdings Limited.

The vesting of the cash and shares is in three equal tranches with vesting dates of 1 January 2009, 1 January 2010 and 1 January 2011 provided the employee remains employed at vesting date. There are no other vesting conditions or performance hurdles.

SGM Holdings, LLC has full discretion in relation to the allocation of entitlements and vesting conditions under the plan.

The remuneration committee considers that the performance-linked compensation structure implemented during the year will generate the desired outcome. The performance-linked component of compensation to key management personnel for the 2008 financial year is approximately 52 per cent. In the previous year the performance linked component of compensation to key management personnel was approximately 47 per cent.

During the year ended 30 June 2007 the Board resolved to issue the previous Chief Executive Officer with 100,000 shares in the Company on 1 January 2008, subject to remaining in employment at that date. An expense in relation to these shares was recognised in the 2007 financial year based on period of service.

The Group has a policy that prohibits those that are granted share based payments as part of their remuneration from entering into a transaction or arrangement designed to limit the economic risk of security holdings in the Company over unvested entitlements.

Other benefits

The Group does not currently pay any other benefits, either cash or non-cash to directors or key management personnel of the Company.

Service contracts

The Group has entered into employment contracts with each executive director and key management personnel. The employment contract outlines the components of compensation paid but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed and any changes required to meet the principles of the compensation policy.

Apart from the service agreements outlined directly below, no executive director or key management personnel is entitled, pursuant to an agreement with the consolidated entity, to any payment on the person ceasing to hold the office other than a standard four week notice period which may be reduced by agreement, other than their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Sean McGould, President, Chief Investment Officer Lighthouse Investment Partners entered into a service agreement on 1 January 2006 (amended 2 January 2008). The agreement specifies the duties and obligations to be fulfilled. The service agreement is for a 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 its intention not to extend the agreement.

The Group may terminate the service agreement at any time for gross negligence or wilful misconduct. The employee may terminate the service agreement at any time by giving sixty days notice. In these circumstances there is no entitlement to a termination payment.

The employee may terminate the agreement at any time if the Group fails to comply any material respect with the terms of the agreement, there is a material reduction in the compensation opportunities, there is a material and unconsented change to responsibilities, or the employee involuntarily ceases to be a member of the Board of Directors of HFA Holdings Limited for any reason other than cause. In these circumstances a severance payment of six months salary will be made. In addition a payment of USD1,000,000 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.

Remuneration report - audited (continued)

Service contracts (continued)

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. In this circumstance a severance payment of eight months salary will be made. In addition a payment of USD1,000,000 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.

Scott Perkins, Director of Investor Relations, Lighthouse Investment Partners entered into a service agreement on 1 January 2006 (amended 2 January 2008). The agreement specifies the duties and obligations to be fulfilled. The service agreement is for a 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 its intention not to extend the agreement.

The Group may terminate the service agreement at any time for gross negligence or wilful misconduct. The employee may terminate the service agreement at any time by giving sixty days notice. In these circumstances there is no entitlement to a termination payment.

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, there is a material and unconsented change to responsibilities, or Sean McGould involuntarily ceases to be a member of the Board of Directors of HFA Holdings Limited for any reason other than cause. In these circumstances a severance payment of six months salary will be made. In addition the employee is entitled to a pro-rata portion of the semi-annual discretionary bonus, as determined by Sean McGould or such other person so delegated by Sean McGould or his successor.

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. In this circumstance a severance payment of eight months salary will be made. In addition the employee is entitled to a pro-rata portion of the semi-annual discretionary bonus, as determined by Sean McGould or such other person so delegated by Sean McGould or his successor.

Kelly Perkins Co-Chief Investment Officer, Lighthouse Investment Partners entered into a service agreement on 1 January 2008. The agreement specifies the duties and obligations to be fulfilled. The service agreement is for a non-fixed term.

The employee or the Group may terminate the service agreement at any time and for any reason or no reason, with or without cause. The employee must give sixty days notice of termination. Upon termination the employee is entitled to a pro-rata portion of the semi-annual compensation. The semi-annual compensation is calculated as 1.25% of the gross revenue of Lighthouse Investment Partners, LLC.

Robert Swan, Chief Operating Officer, Lighthouse Investment Partners entered into a service agreement on 1 January 2008. The agreement specifies the duties and obligations to be fulfilled. The service agreement is for a non-fixed term.

The employee or the Group may terminate the service agreement at any time and for any reason or no reason, with or without cause. The employee must give sixty days notice of termination. Upon termination the employee is entitled to a pro-rata portion of the semi-annual compensation. The semi-annual compensation is calculated as 1.0% of the gross revenue of Lighthouse Investment Partners, LLC.

Rodney Hughes, Chief Financial Officer, entered into a service agreement with the Group on 14 January 2007. The agreement specifies the duties and obligations to be fulfilled by the CFO.

The Group or the employee may terminate employment by giving six months notice in writing. The Group may, at its discretion, pay to the employee an amount in lieu of notice of termination calculated on total employment cost.

The Group may terminate employment immediately for an act of serious or persistent misconduct or willful neglect in discharge of duties. There is no entitlement to a termination payment in these circumstances.

The Company is currently negotiating a service agreement with Spencer Young (Chief Executive Officer).

Remuneration report - audited (continued)

Non-executive directors

The aggregate compensation for all non-executive directors, last voted upon by shareholders, is not to exceed $750,000 per annum and is determined with reference to external benchmarks, surveys and fees paid to other non-executive directors of comparable companies.

The Chairperson's compensation is $107,000 plus superannuation. Non-executive director's compensation is $80,000 plus superannuation, with the Chairperson of the Audit and Risk Committee being entitled to an additional $7,000 fee.

Directors' fees cover all main Board activities and membership of any committee. Non-executive directors do not receive any performance related remuneration.

Directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including general meetings.

Non-executive directors are not entitled to any benefits or payments on retirement from office.

Consequences of performance on shareholders wealth

In considering the Group's performance and benefits for shareholders wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the two previous financial years.

	2008 **$**	2007 $	2006 $
Net profit attributable to equity holders of the parent	**35,169,972**	20,278,782	(10,812,551)
Dividends paid	**14,895,676**	8,274,253	-
Dividends per share	**6.1**	4.1	-
Change in share price	**(0.55)**	0.86	0.59[1]

[1] represents movement from IPO date to 30 June 2006

Net profit is considered as one of the financial performance targets in setting the STI. The overall level of key management personnel's compensation takes into account the performance of the Group over a number of years. Over the last year the Group's profit from ordinary activity after income tax has grown at a rate per annum of 73%. Average key management personnel compensation for 2008 has fallen by approximately 18% per annum compared to the previous financial year.

Remuneration report - audited (continued)

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

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the eight named Company executives and relevant Group executives who receive the highest remuneration are:

Directors		Short-term Salary & fees $	Short-term STI cash bonus $	Short-term Total $	Post-employment Superannuation and retirement plan contributions $	Share-based payments Shares and performance rights $	Total $	S300A (1)(e)(vi) Proportion of remuneration performance based
Non-executive								
Mr Brett Howard *(Chairperson)*	**2008**	**107,000**	**-**	**107,000**	**9,630**	**-**	**116,630**	**-**
	2007	107,000	-	107,000	9,630	-	116,630	-
Mr Spencer Young[1] *(non-executive director 13 April 2007 - 18 September 2007)*	**2008**	**56,251**	**-**	**56,251**	**3,277**	**-**	**59,528**	**-**
	2007	47,831	-	47,831	2,713	-	50,544	-
Mr Robert Fraser *(appointed 14 December 2007)*	**2008**	**46,987**	**-**	**46,987**	**4,229**	**-**	**51,216**	
	2007	-	-	-	-	-	-	-
Mr Michael King[2] *(resigned 4 January 2008)*	**2008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2007	-	-	-	-	-	-	-
Mr Paul Manka *(resigned 18 June 2007)*	**2008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2007	80,000	-	80,000	7,200	-	87,200	-
Mr John Morrison *(resigned 14 December 2007)*	**2008**	**40,000**	**-**	**40,000**	**3,600**	**-**	**43,600**	
	2007	80,000	-	80,000	7,200	-	87,200	-
Mr Paul Willis *(resigned 28 February 2007)*	**2008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2007	53,333	-	53,333	4,800	-	58,133	-
Mr Andy Esteban *(appointed 18 June 2007)*	**2008**	**3,000**	**-**	**3,000**	**270**	**-**	**3,270**	**-**
	2007	-	-	-	-	-	-	-
Executive								
Mr Spencer Young[1] *Chief Executive Officer*	**2008**	**249,429**	**250,000**	**499,429**	**9,852**	**-**	**509,281**	**49%**
	2007	343,558	-	343,558	9,973	-	353,531	-
Mr Sean McGould *(appointed 3 January 2008)*	**2008**	**135,131**	**-**	**135,131**	**8,108**	**-**	**143,239**	**-**
	2007	-	-	-	-	-	-	-
Mr Paul Jensen *Chief Executive Officer (appointed 23 February 2007, resigned 18 September 2007)*	**2008**	**143,573**	**-**	**143,573**	**3,282**	**-**	**146,855**	**-**
	2007	238,061	300,000	538,061	7,400	125,000	670,461	63%

[1] Spencer Young became a non-executive director on 13 April 2007 and received fees during the period 13 April 2007 to 18 September 2007 in excess of standard non-executive director fees per agreement. Spencer was reappointed an executive director on 18 September 2007.

[2] Michael King elected not to receive non-executive director fees due to being a nominee of a shareholder

Insurance premiums in relation to directors and officeholders have not been allocated to individual directors and do not appear in the above.

Directors' report *continued*

Remuneration report - audited (continued)

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

Executives		Short-term Salary & fees $	Short-term STI cash bonus $	Short-term Total $	Post-employment Superannuation and retirement plan contributions $	Share-based payments Shares and performance rights $	Total $	S300A (1)(e)(vi) Proportion of remuneration performance based
Mr Oscar Martinis *Joint Managing Director, HFA Asset Management*	**2008**	**300,000**	**265,000**	**565,000**	**13,129**	**62,186**	**640,315**	**51%**
	2007	250,000	400,000	650,000	12,686	-	662,686	60%
Mr Robert White *Joint Managing Director, HFA Asset Management*	**2008**	**225,000**	**165,000**	**390,000**	**13,129**	**62,186**	**465,315**	**49%**
	2007	177,499	350,000	527,499	12,193	-	539,692	65%
Mr Rodney Hughes Chief Financial Officer *(Appointed 14 January 2007)*	**2008**	**242,314**	**30,000**	**272,314**	**13,129**	**27,638**	**313,081**	**18%**
	2007	113,080	125,000	238,080	6,343	-	244,423	51%
Ms Amber Stoney *Head of Operations*	**2008**	**150,218**	**80,000**	**230,218**	**13,417**	**27,638**	**271,273**	**40%**
	2007	106,368	210,000	316,368	8,750	-	325,118	65%
Mr Jonathan Pain *Chief Investment Strategist*	**2008**	**350,000**	**195,000**	**545,000**	**13,129**	**34,548**	**592,677**	**39%**
	2007	297,500	275,000	572,500	12,686	-	585,186	47%
Mr Peter Coates *Senior Investment Manager (Resigned 30 June 2007)*	**2008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2007	240,235	200,000	440,235	12,686	-	452,921	44%
Mr Scott Perkins *Director, Investor Relations, Lighthouse (3 January 2008 – 30 June 2008)*	**2008**	**135,131**	**478,369**	**613,500**	**8,108**	**-**	**621,608**	**77%**
	2007	-	-	-	-	-	-	-
Mr Kelly Perkins *Co-Chief Investment Officer, Lighthouse (3 January 2008 – 30 June 2008)*	**2008**	**135,131**	**597,961**	**733,092**	**6,757**	**-**	**739,849**	**81%**
	2007	-	-	-	-	-	-	-
Mr Robert Swan *Chief Operating Officer, Lighthouse (3 January 2008 – 30 June 2008)*	**2008**	**135,131**	**478,369**	**613,500**	**8,108**	**-**	**621,608**	**77%**
	2007	-	-	-	-	-	-	-

Remuneration report - audited (continued)

Directors' and executive officers' remuneration (Company and Consolidated) (continued):

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

The short-term incentive bonus is for performance during the respective financial year using the criteria set out on page 20. The amount has been determined and approved by the remuneration committee. Total short-term incentive bonuses pertaining to executives of the US based Lighthouse Group are based on a December year end and as such, bonuses relating to the 2008 year had not been finally determined at the date of the financial report. A component of the short-term incentives for the Lighthouse executives, excluding executive directors, is calculated on a semi-annual basis as a % of the gross revenue of Lighthouse Investment Partners, LLC. This semi-annual bonus forms part of the STI bonus pool which is determined as up to 20% of EBITDA of the Lighthouse entities. The 30 June 2008 semi-annual bonus has been approved by the remuneration committee and is reflected in the Lighthouse executive's remuneration.

The fair value of the performance rights issued during the year has been calculated using the Black-Scholes option pricing model adjusted for dividends and is expensed evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the performance rights recognised in the current reporting period. These performance rights have not vested as at 30 June 2008.

The following factors and assumptions were used in determining the fair value of the rights at grant date:

	Grant date	Life of right granted	Exercise Price $	Share price at grant date $	Risk free interest rate	Dividend yield	Fair value per right at grant date $
Tranche 1	12/03/08	1.8 years	-	1.06	6.63%	8.2%	1.00
Tranche 2	12/03/08	2.8 years	-	1.06	6.33%	8.2%	0.92
Tranche 3	12/03/08	3.8 years	-	1.06	6.19%	8.2%	0.85

Details of performance related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed at page 19.

Remuneration report - audited (continued)

Analysis of performance rights granted over equity instruments granted as compensation:

Details of the performance rights granted as remuneration to each key management person of the group and each of the five named Company executives and Group executives are detailed below.

Executives	Total number of rights granted	Grant date	Fair value at grant date $	Expiry date	Financial year in which grant vests
Mr Oscar Martinis	112,500	12/03/08	1.00	31/12/09	2009
	157,500	12/03/08	0.92	31/12/10	2010
	180,000	12/03/08	0.85	31/12/11	2011
Mr Robert White	112,500	12/03/08	1.00	31/12/09	2009
	157,500	12/03/08	0.92	31/12/10	2010
	180,000	12/03/08	0.85	31/12/11	2011
Mr Rodney Hughes	50,000	12/03/08	1.00	31/12/09	2009
	70,000	12/03/08	0.92	31/12/10	2010
	80,000	12/03/08	0.85	31/12/11	2011
Ms Amber Stoney	50,000	12/03/08	1.00	31/12/09	2009
	70,000	12/03/08	0.92	31/12/10	2010
	80,000	12/03/08	0.85	31/12/11	2011
Mr Jonathan Pain	62,500	12/03/08	1.00	31/12/09	2009
	87,500	12/03/08	0.92	31/12/10	2010
	100,000	12/03/08	0.85	31/12/11	2011

Under the rules of the 2008 employee performance rights plan the performance rights did not qualify for vesting during the financial year, therefore no rights vested and no rights were forfeited.

No terms of performance rights granted have been altered or modified by the issuing entity during the reporting period or prior period. The rights were provided at no cost to the participants.

In addition to a continuing service condition, the right to receive shares is conditional on the Australian based operations achieving certain performance hurdles. Details of performance criteria are set out on page 20.

Directors' report *continued*

Auditor

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

Non Audit Services

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

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

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

Details of the amounts paid or payable to KPMG for audit and non audit services are provided in Note 29 of the financial statements.

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

The lead auditor's independence declaration required under section 307C of the Corporations Act 2001 is set out on page 29 and forms part of the directors' report for the financial year ended 30 June 2008.

Signed in accordance with a resolution of directors:

Brett Howard	**Spencer Young**
Chairperson	Executive Director / Chief Executive Officer

Dated at Sydney this 20th day of August 2008

Lead auditor's independence declaration

KPMG

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 2008 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

Robert S Jones
Partner

Brisbane
20 August 2008

Income statements

For the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Revenue	8	**98,596,040**	74,643,927	**-**	-
Investment management & distribution costs		**(22,323,498)**	(30,624,763)	**-**	-
Net income from operating activities		**76,272,542**	44,019,164	**-**	-
Other income	8	**52,503**	3,937	**-**	-
Expenses	8	**(32,786,989)**	(14,630,991)	**(1,213,244)**	(405,716)
Equity settled transactions	8	**(552,901)**	(125,000)	**-**	-
Results from operating activities		**42,985,155**	29,267,110	**(1,213,244)**	(405,716)
Financial income	9	**12,359,255**	655,039	**41,595,192**	18,276,059
Financial expenses	9	**(4,455,062)**	(975,107)	**(1,139,916)**	(818,352)
Net financing income/(costs)		**7,904,193**	(320,068)	**40,455,276**	17,457,707
Profit before tax		**50,889,348**	28,947,042	**39,242,032**	17,051,991
Income tax (expense)/benefit	10	**(15,719,376)**	(8,668,260)	**(6,166,949)**	643,554
Net profit		**35,169,972**	20,278,782	**33,075,083**	17,695,545

Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)	12	**10.07**	9.74
Diluted earnings per share (cents per share)	12	**10.07**	9.74

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 34 to 82.

Statements of recognised income and expense

For the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Foreign currency translation difference in foreign operations		**(44,397,156)**	-	**-**	-
Effective portion of changes in fair value of cash flow hedges		**2,751,022**	-	**-**	-
Net change in fair value of available-for-sale financial assets	**24**	**(137,614)**	129,669	**(137,614)**	129,669
Income tax on income and expense recognised directly in equity		**7,496,033**	-	**-**	-
Income and expense recognised directly in equity	**9(b)**	**(34,287,715)**	129,669	**(137,614)**	129,669
Net profit for the year		**35,169,972**	20,278,782	**33,075,083**	17,695,545
Total recognised income and expense for the year	**24**	**882,257**	20,408,451	**32,937,469**	17,825,214
Attributable to: Members of HFA Holdings Limited		**882,257**	20,408,451	**32,937,469**	17,825,214
Total recognised income and expense for the year		**882,257**	20,408,451	**32,937,469**	17,825,214

Other movements in equity arising from transactions with owners as owners are set out in note 24.

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 34 to 82.

Balance sheets

As at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Assets					
Current					
Cash and cash equivalents	**13**	**38,828,479**	17,942,040	**13,562,370**	5,477,724
Trade and other receivables	**14**	**25,341,452**	30,761,973	**2,466,610**	9,003,044
Other current assets	**15**	**3,469**	2,931,624	**-**	2,788,240
Total current assets		**64,173,400**	51,635,637	**16,028,980**	17,269,008
Non-current					
Trade and other receivables	**14**	**-**	756,475	**241,648,658**	-
Investments, including derivatives	**16**	**5,326,838**	724,583	**289,778,412**	11,170,812
Plant and equipment	**17**	**2,358,044**	631,693	**-**	-
Deferred tax assets	**11**	**3,968,200**	-	**124,425**	277,416
Intangible assets	**18**	**604,285,699**	11,704,493	**-**	-
Total non-current assets		**615,938,781**	13,817,244	**531,551,495**	11,448,228
Total assets		**680,112,181**	65,452,881	**547,580,475**	28,717,236
Liabilities					
Current					
Trade and other payables	**19**	**12,036,542**	21,751,809	**441,658**	76,080
Current tax liability		**5,534,918**	4,517,960	**4,422,187**	4,517,960
Interest bearing loans and borrowings	**20**	**-**	9,958,056	**-**	9,958,056
Employee benefits	**21**	**7,981,410**	2,605,096	**-**	-
Total current liabilities		**25,552,870**	38,832,921	**4,863,845**	14,552,096
Non-current					
Interest bearing loans and borrowings	**20**	**141,728,956**	3,968,812	**9,802,014**	3,968,812
Employee benefits	**21**	**164,028**	75,840	**-**	-
Deferred income	**23**	**1,467,183**	-	**651,903**	-
Deferred tax liabilities	**11**	**-**	1,940,235	**-**	-
Total non-current liabilities		**143,360,167**	5,984,887	**10,453,917**	3,968,812
Total liabilities		**168,913,037**	44,817,808	**15,317,762**	18,520,908
Net assets		**511,199,144**	20,635,073	**532,262,713**	10,196,328
Equity					
Issued capital	**24**	**504,730,310**	705,721	**504,730,310**	705,721
Reserves	**24**	**(34,154,860)**	132,855	**(4,759)**	132,855
Retained earnings	**24**	**40,623,694**	19,796,497	**27,537,162**	9,357,752
Total equity		**511,199,144**	20,635,073	**532,262,713**	10,196,328

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 34 to 82.

Statements of cash flows

For the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Cash flows from operating activities					
Fees received		**139,346,697**	58,956,333	**27,500**	27,500
Payments to suppliers & employees		**(67,749,491)**	(40,376,601)	**(7,528,969)**	(5,969,066)
Cash generated from/(used in) operations		**71,597,206**	18,579,732	**(7,501,469)**	(5,941,566)
Interest received		**3,305,325**	628,639	**6,736,421**	93,558
Dividends and distributions received		**33,702**	26,400	**18,529,443**	18,182,502
Income taxes paid		**(13,206,036)**	(3,711,031)	**(13,206,036)**	(3,711,031)
Interest paid		**(2,753,942)**	(834,480)	**(774,689)**	(688,122)
Net cash from operating activities	**25**	**58,976,255**	14,689,260	**3,783,670**	7,935,341
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(1,175,181)**	(564,963)	**-**	-
Acquisition of investments		**-**	(253,188)	**-**	(2,653,188)
Acquisition of controlled entities[1]		**(409,990,011)**	-	**(246,799,893)**	-
Acquisition of intangibles		**(738,434)**	(2,078,035)	**-**	-
Net cash used in investing activities		**(411,903,626)**	(2,896,186)	**(246,799,893)**	(2,653,188)
Cash flows from financing activities					
Proceeds from borrowings		**159,135,242**	7,459,664	**14,000,000**	7,459,664
Repayment of borrowings		**(17,926,868)**	(1,000,000)	**(17,926,868)**	(1,000,000)
Proceeds from share issues		**258,318,650**	-	**258,318,648**	-
Payment of transaction costs		**(10,694,690)**	-	**(9,846,436)**	-
Loans to subsidiaries		**-**	-	**23,499,407**	-
Loans from subsidiaries		**-**	-	**(2,000,000)**	1,813,333
Dividends paid		**(14,895,676)**	(8,274,253)	**(14,895,676)**	(8,274,253)
Borrowing costs		**(122,848)**	(129,773)	**(48,206)**	(129,773)
Net cash from/(used in) financing activities		**373,813,810**	(1,944,362)	**251,100,869**	(131,029)
Net increase in cash and cash equivalents		**20,886,439**	9,848,712	**8,084,646**	5,151,124
Cash and cash equivalents at 1 July		**17,942,040**	8,093,328	**5,477,724**	326,600
Cash and cash equivalents at 30 June	**13**	**38,828,479**	17,942,040	**13,562,370**	5,477,724

[1] Net of cash acquired

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 34 to 82.

Notes to the financial statements

For the year ended 30 June 2008

1 Reporting entity

HFA Holdings Limited (the "Company" / "HFA") is domiciled in Australia. The HFA Holdings Limited Group ("Group") consists of HFA and its subsidiaries (together referred to as the "consolidated entity"). HFA is a company limited by shares, incorporated in Australia whose shares are publicly listed on the Australian Securities Exchange. HFA has three Australian domiciled wholly owned subsidiaries, HFA Asset Management Limited ("HFAAM"), HFA Admin Pty Ltd ("HFA Admin") and ACN 122 776 550 Pty Ltd ("ACN 122 776 550"). HFAAM is the responsible entity for the Australian based HFA investment schemes and is the investment manager of HFA Accelerator Plus Limited. HFA Admin is a service entity to HFAAM and provides administrative services including staff, premises and other resources to HFAAM and the Company. ACN 122 776 550 is a dormant entity. During the year, HFA established two additional foreign subsidiaries – HFA Lighthouse Holdings Corp. and HFA Lighthouse Corp. Both foreign subsidiaries were incorporated in the United States and were established to facilitate the acquisition of US based Lighthouse Group. The Lighthouse Group comprises five foreign entities being LHP Investments, LLC, Lighthouse Investment Partners, LLC, Lighthouse Partners NY, LLC, Lighthouse Partners UK, LLC (collectively incorporated in the United States) and Lighthouse Partners Limited (HK) (incorporated in Hong Kong).

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

2 Basis of preparation

(a) Statement of compliance

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

The financial report of HFA Holdings Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 20 August 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

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

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

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

(d) Use of estimates and judgments

The preparation of financial statements 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. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Impairment of goodwill

The consolidated entity assesses whether goodwill is impaired at least annually in accordance with the accounting policy in note 3 (g). These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

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 consolidated entity, comprising HFA Holdings Limited (the parent company) and all entities that HFA Holdings Limited controlled from time to time during the period and at the reporting date.

Subsidiaries are entities controlled by HFA. Control exists when HFA has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where subsidiaries are acquired during the financial year which have a different reporting period to the parent company, the subsidiary entity is required to align their reporting period with the parent entity at the earliest opportunity.

All intercompany balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for the monetary item is fixed in the contract) are translated using the spot rate at the end of the financial period. Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operations, or qualifying cash flow hedges, which are recognised directly in equity (see (c)(i) below).

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars using exchange rates approximating the dates of the relevant transaction.

Foreign currency differences are recognised directly in the foreign currency translation reserve (FCTR) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(c) Financial instruments

(i) Derivative financial instruments

The Group has held derivative financial instruments to hedge certain foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition derivatives are measured at fair value and changes therein are accounted for as described below.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(ii) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. These assets are stated at nominal values.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables
Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (h)).

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

Financial assets at fair value through profit or loss
An instrument 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 instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchases and sale decisions based on the fair value in accordance with the Group's investment strategy or risk management strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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-day terms.

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Notes to the financial statements *continued*

For the year ended 30 June 2008

3 Significant accounting policies (continued)

(d) Plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and Fixtures	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 are reviewed for impairment (see accounting policy (h)) when events or changes in circumstances indicate the carrying value may not be recoverable.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "expenses" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(e) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(f) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(g) Intangible assets

(i) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Where the excess is negative, it is recognised immediately in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

As at the acquisition date, any goodwill is allocated to the acquired cash-generating units that gave rise to the recognition of the goodwill.

Goodwill is not amortised but reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(ii) Management Rights / Customer Relationships

Where acquired separately, the management rights / customer relationship assets are capitalised at cost. Subsequent to acquisition the assets are measured at cost less accumulated amortisation and accumulated impairment losses.

3 Significant accounting policies (continued)

(g) Intangible assets (continued)

Other Intangible Assets

Other intangible assets acquired by the Group, which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment loss.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Amortisation

Amortisation is charged on assets with finite lives. The expense is recognised on a straight line basis in the income statement and included in the 'expenses' line item.

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The estimated useful lives for the current and comparative periods are as follows:

Management rights / Customer relationships	5 - 10 years
Trademarks	20 years
Capitalised software development costs	5 years

(h) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the acquired cash generating unit that gave rise to the recognition of the goodwill.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

3 Significant accounting policies (continued)

(h) Impairment (continued)

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

(i) Provisions

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(j) Employee benefits

Employee commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date, in accordance with local statutory requirements. These benefits include wages and salaries, annual leave, long service leave, bonuses and share based payments.

Wages and salaries, annual leave and long service leave
Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled, including related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits,

are recognised against profits on a net basis in their respective categories.

Bonuses
A liability for employee benefits in the form of bonus plans is recognised when it is probable that the liability will be settled and there are formal terms in place to determine the amount of the benefit, or the amount of the benefit has been determined before the time of completion of the annual report. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

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

Share-based payments include the shares granted to employees under the HFA Employee Share Plans.

The cost of these shares is measured by reference to the fair value at the date granted.

Notes to the financial statements *continued*

For the year ended 30 June 2008

3 Significant accounting policies (continued)

(j) Employee benefits (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects: (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date.

Where the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investment in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

Defined contribution plan

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 a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Issued capital

Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by HFA. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(l) Revenue recognition

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

Management fees and performance fees

Periodic management fees are received for management services provided by group entities that act as an 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 an investment manager of various investment products when the performance of the product exceeds a previous high-water mark. These fees are recognised as revenues when it is established that performance of the investment product has exceeded the high-water mark.

Interest

Interest income from interest bearing assets is brought to account using an effective interest rate method.

Dividends and distributions

Dividend and distribution revenue is recognised when the Group controls the right to receive the dividend or distribution payment.

(m) Investment management costs

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

(n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Notes to the financial statements *continued*

For the year ended 30 June 2008

3 Significant accounting policies (continued)

(n) Leases (continued)

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

The cost of improvements to or on leasehold property is capitalised and depreciated over the shorter of the estimated useful life or the lease term.

(o) Financial income and expenses

Financial income comprises interest income on funds invested, dividend income, and gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets held at fair value through the profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised 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.

Financial expenses comprise borrowing costs and interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss for the year using the effective interest method.

Foreign currency gains and losses are recognised on a net basis.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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.

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.

(q) Tax consolidation

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

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

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

3 Significant accounting policies (continued)

(q) Tax consolidation (continued)

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable the future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(r) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheets.

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

(s) Earnings per share (EPS)

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter segment pricing is determined on an arm's length basis.

(u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statement. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6). Under the management approach, it is not expected that there will be any change to the presentation of the Group's operating segments.

3 Significant accounting policies (continued)

(u) New standards and interpretations not yet adopted (continued)

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard* - Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

Notes to the financial statements *continued*

For the year ended 30 June 2008

4 Determination of fair values

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

Plant and equipment

The fair value of plant and equipment recognised as a result of a business combination is based on market values. The market value of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of intangibles is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Investments in equity securities

The fair value of equity securities is determined by reference to their quoted bid price at the reporting date.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If the listed market prices is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes.

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.

Share-based payment transactions

The fair value of employee performance rights is measured using the Black-Sholes option pricing model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on historical share price volatility), life of the instrument, expected dividends, and the risk free interest rate (based on government bonds). Service and non-market conditions are not taken into account in determining fair value.

5 Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

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

The Board of Directors has responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and 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 Company's and Group's activities.

5 Financial risk management (continued)

Overview (continued)

The Company and Group, through training, employee manuals and procedures, seek to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. 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.

Credit Risk

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

Trade and other receivables

The Company's and Group's exposure to credit risk is predominantly related to management fees, performance fees and other related fees from products managed by the Group (approximately 75% of the Group's AUM is invested in the Lighthouse Diversified Fund and Lighthouse Global Long Short Fund). Receivables are actively monitored to minimise the Group's exposure to bad debts.

Investments

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

Liquidity Risk

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

The Group actively monitors cash flow and funding requirements and seeks to optimise its cash return on investments. Generally the Group ensures that it has sufficient cash on demand to meet operational requirements, including the servicing of financial obligations. This approach excludes the potential impact of extreme circumstances which cannot be predicted.

As at 30 June 2008, the Group had the following unused cash advance facilities available:

- AUD 20 million – interest would be payable at the rate of the Bank Bill Swap Rate (BBSY) plus 80 basis points;
- USD 2.2 million – interest would be payable at the rate of the London Interbank Offered Rate (LIBOR) plus 80 basis points.

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 return.

The Group enters into derivatives, and also incurs financial liabilities in order to manage market risk. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk on sales, receivables and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. This relates primarily to Australian dollar (AUD) denominated balances held by the US Lighthouse Group, which has a functional currency of US dollars (USD).

The Group is also exposed to currency risk in respect of financial assets and liabilities denominated in foreign currencies and the foreign currency risk of net assets relating to the Group's foreign operations. HFA is also exposed to currency risk in respect of the translation of its US dollar (USD) earnings.

Notes to the financial statements *continued*

For the year ended 30 June 2008

5 Financial risk management (continued)

Market Risk (continued)

Currency risk (continued)

The Group is also exposed to foreign currency risk on revenue earned from Australian dollar (AUD) denominated managed investment products invested in markets denominated in a currency other than AUD. The currency giving rise to this risk is primarily USD. This risk is primarily hedged by the managed investment product directly, thereby reducing the foreign currency risk on revenues earned by the Group.

Wherever appropriate, the Group seeks to ensure borrowings and related payments are structured to provide an economic hedge, thereby minimising currency risk arising.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's secured bank loans. Interest rates on borrowings are on a variable rate basis. The Group manages interest rate risk by entering into interest rate swaps to convert a portion of its exposure to changes in interest rate borrowings to a fixed rate basis.

Equity risk

Equity price risk arises from available-for-sale assets and financial assets designated at fair value through profit or loss. Available-for-sale financial assets consist of investments in ordinary shares. Financial assets designated at fair value through profit or loss are units in investment vehicles that would otherwise be classified as available-for-sale.

Further information on credit risk, liquidity risk and market risk is included at note 26.

Capital management

The Board's policy is 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. The Board seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

In accordance with the requirements of the Australian Securities and Investment Commission Australian Financial Services Licence, HFA Asset Management Limited (HFAAM) must ensure that at all times the value of its' net tangible assets are maintained at a minimum of $5,000,000 or, where the value of scheme property of registered schemes operated by it is greater than $10,000,000, an amount equal to not less than 0.5% of that scheme property, up to a maximum of $5,000,000. HFAAM's position is actively monitored to ensure compliance with this requirement. The requirement was complied with throughout the year.

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

Other than discussed above, neither the Company nor any of its subsidiaries are subject to any other externally imposed capital requirements.

6 Segment reporting

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

Business segments

Primary Segment - Geographic Information

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

Secondary Segment - Business Information

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

Notes to the financial statements *continued*

For the year ended 30 June 2008

6 Segment reporting (continued)

Geographical Segments:

2008	Australia $	United States $	Elimination $	Consolidated $
External revenue	**59,744,005**	**38,852,035**	**-**	**98,596,040**
Inter-segment revenue	**-**	**8,493,800**	**(8,493,800)**	**-**
Investment management costs	**(22,725,814)**	**(8,091,484)**	**8,493,800**	**(22,323,498)**
Net income from operations	**37,018,191**	**39,254,351**	**-**	**76,272,542**
Other income	**52,503**	**-**	**-**	**52,503**
Expenses	**(14,179,615)**	**(18,607,508)**	**-**	**(32,787,123)**
Equity settled transactions	**(552,767)**	**-**	**-**	**(552,767)**
Results from operating activities	**22,338,312**	**20,646,843**	**-**	**42,985,155**
Financial income	**23,961,601**	**254,881**	**(11,857,227)**	**12,359,255**
Financial expenses	**(1,154,482)**	**(37,510,596)**	**34,210,016**	**(4,455,062)**
Net financial income / (expenses)	**22,807,119**	**(37,255,715)**	**22,352,789**	**7,904,193**
Profit / (loss) before tax	**45,145,431**	**(16,608,872)**	**22,352,789**	**50,889,348**
Income tax (expense)/benefit	**(13,486,691)**	**6,400,784**	**(8,633,469)**	**(15,719,376)**
Net profit / (loss)	**31,658,740**	**(10,208,088)**	**13,719,320**	**35,169,972**
Segment assets	**570,218,050**	**633,610,078**	**(523,715,947)**	**680,112,181**
Segment liabilities	**28,380,038**	**385,467,916**	**(244,934,917)**	**168,913,037**
Capital expenditure	**337,725**	**790,763**	**-**	**1,128,488**
Depreciation	**169,909**	**191,142**	**-**	**361,051**
Amortisation of intangible assets	**1,242,356**	**5,106,414**	**-**	**6,348,770**

2007				
External revenue	74,643,927	-	-	74,643,927
Inter-segment revenue	-	-	-	-
Investment management costs	(30,624,763)	-	-	(30,624,763)
Net income from operations	**44,019,164**	**-**	**-**	**44,019,164**
Other income	3,937	-	-	3,937
Expenses	(14,630,991)	-	-	(14,630,991)
Equity settled transactions	(125,000)	-	-	(125,000)
Results from operating activities	**29,267,110**	**-**	**-**	**29,267,110**
Financial income	655,039	-	-	655,039
Financial expenses	(975,107)	-	-	(975,107)
Net financial income / (expenses)	**(320,068)**	**-**	**-**	**(320,068)**
Profit / (loss) before tax	**28,947,042**	**-**	**-**	**28,947,042**
Income tax (expense)/benefit	(8,668,260)	-	-	(8,668,260)
Net profit / (loss)	**20,278,782**	**-**	**-**	**20,278,782**
Segment assets	65,452,881	-	-	65,452,881
Segment liabilities	44,817,808	-	-	44,817,808
Capital expenditure	564,963	-	-	564,963
Depreciation	175,991	-	-	175,991
Amortisation of intangible assets	834,523	-	-	834,523

7 Acquisition of subsidiaries

On 3 January 2008, the Company completed the acquisition of the US based Lighthouse Group under the purchase agreement dated 31 October 2007. The Company acquired all the issued shares in the Lighthouse Group for consideration of USD 364,187,413 in cash and 134,666,667 Company shares. The fair value of the 134,666,667 issued shares as at 3 January 2008 was AUD 255,866,667.

In the six months to 30 June 2008, the Lighthouse Group contributed profit of $10,997,833. If the acquisition had occurred on 1 July 2007, management estimates that the consolidated revenue of the Group would have been $141,900,000 and consolidated net profit after tax would have been $48,150,000.

	Pre-acquisition carrying amount $	Fair value adjustment $	Recognised value on acquisition $
Cash and cash equivalents	6,565,257	-	6,565,257
Trade and other receivables	22,416,384	-	22,416,384
Other current assets	313,681	-	313,681
Plant and equipment (net)	1,081,791	-	1,081,791
Financial assets at fair value through profit and loss	2,124,186	-	2,124,186
Intangible assets	-	86,447,802	86,447,802
Trade and other payables	(10,531,841)	-	(10,531,841)
Net identifiable assets and liabilities	21,969,458	86,447,802	108,417,260
Goodwill on acquisition			567,506,163
Foreign currency variance on deferred consideration now paid			(1,439,791)
Total consideration, including acquisition costs			674,483,632

Consideration paid, satisfied in cash[1]	418,616,965
Cash acquired	6,565,257
Net cash outflow[2]	412,051,708

[1] includes acquisition costs of $6,328,193.

[2] includes $2,061,697 of acquisition costs incurred and paid prior to 1 July 2007.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values). In determining the fair value of intangible assets acquired, an external valuation was undertaken. The goodwill recognised on the acquisition is attributable to the skills and technical talent of the acquired business' work force and the anticipated growth and diversification expected to be achieved from integration of the Lighthouse Group into the Group's existing funds management activities.

Notes to the financial statements *continued*

For the year ended 30 June 2008

8 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 entity:

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
(a) Revenue				
Management fee income	**89,076,850**	36,015,608	**-**	-
Performance fee income	**9,175,439**	38,629,819	**-**	-
Entry commissions	**-**	(1,500)	**-**	-
Origination fees	**343,751**	-	**-**	-
Total revenue	**98,596,040**	**74,643,927**	**-**	**-**
(b) Other income				
Sundry income	**52,503**	3,937	**-**	-
Total other income	**52,503**	**3,937**	**-**	**-**
(c) Expenses				
Personnel expenses[1]	**19,859,283**	9,693,095	**274,244**	-
Professional fees	**954,801**	1,319,307	**463,866**	258,701
Depreciation	**361,051**	175,991	**-**	-
Amortisation intangible assets	**6,348,770**	834,525	**-**	-
Occupancy expenses	**968,439**	304,819	**-**	-
Marketing and promotion costs	**310,077**	438,882	**-**	-
Travel costs	**1,020,971**	496,238	**4,920**	-
Other expenses	**2,963,597**	1,368,134	**470,214**	147,015
Total expenses	**32,786,989**	**14,630,991**	**1,213,244**	**405,716**
(d) Equity settled transactions				
Equity settled transactions	**552,901**	125,000	**-**	-
Total equity settled transactions	**552,901**	**125,000**	**-**	**-**

[1] includes consolidated contributions to defined contribution plans of $612,199 (2007: $323,955), and Company contributions of $21,006 (2007: $Nil).

Notes to the financial statements *continued*

For the year ended 30 June 2008

9 Financial income and expenses

(a) Recognised directly in profit or loss

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Financial income				
Interest income	**3,305,325**	628,639	**13,967,271**	93,557
Dividend and distribution income on available-for-sale financial assets	**33,702**	26,400	**18,529,443**	18,182,502
Net change in fair value of financial assets at fair value through profit or loss	**107,460**	-	**-**	-
Fee income on loans to subsidiaries	**-**	-	**93,005**	-
Net foreign exchange gain	**8,912,768**	-	**9,005,473**	-
Total financial income	**12,359,255**	**655,039**	**41,595,192**	**18,276,059**
Financial expenses				
Interest expense on financial liabilities measured at amortised cost	**4,099,012**	834,480	**983,840**	688,122
Amortisation of debt establishment costs	**215,893**	-	**41,547**	-
Borrowing costs	**140,157**	140,627	**114,529**	130,230
Total financial expenses	**4,455,062**	**975,107**	**1,139,916**	**818,352**

During the twelve months ended 30 June 2008, HFA Holdings Limited entered into a forward exchange contract (FEC) to hedge the foreign currency exposure on the cash portion of the purchase price for the Lighthouse Group (for details of the acquisition see note 7). The FEC was entered into on 1 November 2007 for USD 220,000,000 at a rate of AUD / USD 0.91. The FEC was due to settle on 31 March 2008, being the original settlement date for the acquisition of the Lighthouse Group.

On entering into the FEC it was recognised at fair value and it was determined to be an effective cash flow hedge in accordance with AASB 129 *Financial Instruments: Recognition and Measurement*. Subsequent to entering into the FEC, the settlement date of the acquisition was brought forward to 3 January 2008. A reassessment of the FEC determined that it was no longer effective and hedge accounting discontinued. As a result, on settlement of the hedge on 3 January 2008, a fair value gain of $9,003,720 was realised and recognised in the profit or loss of HFA Holdings Ltd.

(b) Recognised directly in equity

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Foreign currency translation difference for foreign operations	**(44,397,156)**	-	**-**	-
Effective portion of changes in fair value of cash flow hedges	**2,751,022**	-	**-**	-
Change in fair value of available-for-sale financial assets transferred to profit or loss	**(137,614)**	129,669	**(137,614)**	129,669
Income tax on income and expense recognised directly in equity	**7,496,033**	-	**-**	-
Finance (expense)/income attributable to equity holders of the Company recognised directly in equity, net of tax	**(34,287,715)**	**129,669**	**(137,614)**	**129,669**

9 Financial income and expenses (continued)

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Recognised in:				
Fair value reserve	**(137,614)**	129,669	**(137,614)**	129,669
Hedging reserve	**1,613,586**	-	**-**	-
Translation reserve	**(35,763,687)**	-	**-**	-
	(34,287,715)	**129,669**	**(137,614)**	**129,669**

10 Income tax expense

Recognised in the income statement

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Current tax expense				
Current year	**14,360,244**	8,228,990	**6,334,228**	(771,992)
Deferred tax expense				
Origination and reversal of temporary differences	**1,359,132**	439,270	**(167,279)**	128,438
Income tax expense/(benefit) reported in income statement	**15,719,376**	**8,668,260**	**6,166,949**	**(643,554)**

Numerical reconciliation between tax-expense and pre-tax net profit

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Accounting profit before tax	**50,889,348**	28,947,042	**39,242,032**	17,051,991
Income tax using the domestic corporation tax rate of 30% (2007: 30%)	**15,266,805**	8,684,113	**11,772,610**	5,115,597
Effect of tax rates in foreign jurisdictions*	**452,571**	-	**-**	-
Non-deductible expenses	**-**	-	**-**	459,492
Tax exempt income	**-**	(15,853)	**(5,605,661)**	(6,218,643)
Income tax expense/(benefit) on pre-tax net profit	**15,719,376**	**8,668,260**	**6,166,949**	**(643,554)**

* The subsidiary group acquired on 3 January 2008 (refer note 7) operates in a tax jurisdiction with higher tax rates.

Income tax recognised directly in equity

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Equity securities available-for-sale	**2,040**	(55,573)	**2,040**	(55,573)
Derivatives	**7,496,033**	-	**-**	-
Income tax benefit / (expense) reported in equity	**7,498,073**	(55,573)	**2,040**	(55,573)

Notes to the financial statements *continued*

For the year ended 30 June 2008

11 Deferred tax assets and liabilities

	Assets 2008 $	Assets 2007 $	Liabilities 2008 $	Liabilities 2007 $	Net 2008 $	Net 2007 $
Consolidated						
Financial assets at fair value through profit or loss	**-**	-	**(36,838)**	-	**(36,838)**	-
Intangible assets	**-**	-	**(8,073,350)**	(2,905,515)	**(8,073,350)**	(2,905,515)
Amortisation / depreciation	**22,037**	-	**-**	-	**22,037**	-
Available-for-sale financial assets	**2,040**	-	**-**	(56,938)	**2,040**	(56,938)
Foreign currency gains / (losses)	**7,463,325**	-	**-**	-	**7,463,325**	
Derivatives	**-**	-	**(962,858)**	-	**(962,858)**	-
Other receivables	**2,806,353**	61,123	**-**	-	**2,806,353**	61,123
Trade creditors	**-**	156,814	**-**	-	**-**	156,814
Employee benefits	**279,410**	804,281	**-**	-	**279,410**	804,281
Deferred revenue	**440,155**	-	**-**	-	**440,155**	-
Other provisions	**743,526**	-	**-**	-	**743,526**	-
Tax value of loss carry-forwards recognised	**1,284,400**	-	**-**	-	**1,284,400**	-
Net tax assets/(liabilities)	**13,041,246**	1,022,218	**(9,073,046)**	(2,962,453)	**3,968,200**	(1,940,235)
The Company						
Available-for-sale financial assets	**2,040**	-	**-**	(56,938)	**2,040**	(56,938)
Other receivables	**-**	-	**-**	-	**-**	-
Other items	**122,385**	12,044	**-**	-	**122,385**	12,044
Tax value of loss carry-forwards recognised	**-**	322,310	**-**	-	**-**	322,310
Net tax assets/(liabilities)	**124,425**	334,354	**-**	(56,938)	**124,425**	277,416

Notes to the financial statements *continued*

For the year ended 30 June 2008

12 Earnings per share

The calculation of basic earnings per share and diluted earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $35,169,972 (2007: $20,278,782) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 349,255,193 (2007: 208,205,672), calculated as follows:

	Consolidated 2008 $	Consolidated 2007 $
Earnings from operations used in calculating basic earnings per share	**35,169,972**	20,278,782
Earnings from operations used in calculating diluted earnings per share	**35,169,972**	20,278,782

	Note	Consolidated 2008 No. of Shares	Consolidated 2007 No. of Shares
Number of shares issued			
Issued ordinary shares at 1 July	**24**	**201,811,000**	201,811,000
Effect of institutional placement on 1 November 2007 (2007: Adjustment as per below)		**21,664,826**	1,594,307
Effect of shares issued 27 November 2007 (2007: Adjustment as per below)		**59,737,358**	4,800,365
Effect of shares issued 3 January 2008		**66,042,009**	-
Weighted average number of ordinary shares used in calculating basic earnings per share		**349,255,193**	208,205,672
Effect of performance rights issued 12 March 2008		**89,394**	-
Weighted average number of ordinary shares used in calculating diluted earnings per share		**349,344,587**	208,205,672

On 1 November 2007, the Company completed an equity raising via an institutional placement of 30,271,650 shares. The placement raised $72,651,650 at an issue price of $2.40 per share.

On 27 November 2007, HFA completed a fully underwritten equity raising of 92,833,344 shares via a 2 for 5 renounceable rights issue. The rights raised $185,666,688 at an issue price of $2.00 per share.

On 3 January 2008, the Company issued 134,666,667 million shares in relation to the acquisition of the Lighthouse Group.

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.

2007 Adjustment

Due to the completion of the Placement and Offer, EPS calculations for the prior period were adjusted to reflect the bonus element of the Rights Issue, as required by AASB 133 “Earnings per Share”. The number of ordinary shares used in calculating EPS for all periods before the Placement and Rights Issue is the number of shares outstanding before the issue multiplied by the adjustment factor which is calculated based on the fair vale of the shares divided by the theoretical ex-rights fair value per share (“TERP”). The 2007 EPS has been adjusted on this basis.

Notes to the financial statements *continued*

For the year ended 30 June 2008

13 Cash and cash equivalents

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Cash at bank	**37,509,734**	16,708,524	**13,562,370**	5,477,724
Call deposits	**1,318,745**	1,233,516	**-**	-
	38,828,479	**17,942,040**	**13,562,370**	**5,477,724**

Cash at bank earns interest at floating rates based on daily bank deposit rates and overnight Euro dollar deposits.

The fair value of cash and cash equivalents is $38,828,479 (2007: $17,942,040).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 26.

14 Trade and other receivables

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Current				
Receivables due from Group managed products	**24,120,578**	30,298,741	**-**	-
Receivables from controlled entities	**-**	-	**2,262,982**	8,834,648
Other receivables and prepayments	**1,220,874**	463,232	**203,628**	168,396
	25,341,452	**30,761,973**	**2,466,610**	**9,003,044**
Non-current				
Receivables due from Group managed products	**-**	756,475	**-**	-
Investment loan due from subsidiary	**-**	-	**241,648,658**	-
	-	**756,475**	**241,648,658**	**-**

Fees receivable comprise management fees, performance fees, and recoverable costs from Group managed products and are non-interest bearing and generally on 30 day terms, however, certain receivables are on deferred terms and have been adjusted to reflect their fair value at year end.

Non-current receivables in relation to recovery of product costs are receivable over three years and have been discounted to their present value using a discount rate of 7.5%.

The investment loan relates to an intercompany facility used to facilitate the acquisition of the Lighthouse Group.

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 26.

Notes to the financial statements *continued*

For the year ended 30 June 2008

15 Other current assets

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Current				
Prepaid merger transaction costs	**-**	2,788,240	**-**	2,788,240
Other current assets	**3,469**	143,384	**-**	-
	3,469	**2,931,624**	**-**	**2,788,240**

Prepaid merger transaction costs relate to legal and advisory fees incurred as at 30 June 2007 in relation to the proposed merger with Lighthouse. The merger was completed on 3 January 2008.

16 Investments, including derivatives

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Non-current				
Available-for-sale financial assets	**527,991**	724,583	**527,991**	724,583
Financial assets designated at fair value through profit or loss	**2,047,825**	-	**-**	-
Investments in controlled entities – at cost	**-**	-	**289,250,421**	10,446,229
Derivatives used for hedging	**2,751,022**	-	**-**	-
	5,326,838	**724,583**	**289,778,412**	**11,170,812**

The Company increased its investment in HFA Asset Management Limited, a subsidiary, by $Nil (2007: $2,400,000) through redeemable preference shares issued by the subsidiary.

Available-for-sale financial assets consist of investments in ordinary shares (refer to note 30(d) for transactions with related parties).

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

The Group’s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

Notes to the financial statements *continued*

For the year ended 30 June 2008

17 Plant and equipment

Consolidated	Furniture and Equipment $	Computer Equipment $	Leasehold Improvements $	Under Construction $	Total $
Cost					
Balance at 1 July 2006	41,421	277,532	127,523	-	446,476
Acquisitions	88,128	111,681	365,154	-	564,963
Disposals	-	-	-	-	-
Balance at 30 June 2007	**129,549**	**389,213**	**492,677**	**-**	**1,011,439**
Balance at 1 July 2007	129,549	389,213	492,677	-	1,011,439
Acquisitions through business combinations	301,383	677,388	181,177	315,038	1,474,986
Other additions	737,144	294,361	396,788	-	1,428,293
Disposals	(9,924)	-	-	-	(9,924)
Transfer on completion	-	-	-	(299,805)	(299,805)
Write-off fully written down assets	(8,623)	(115,099)	(81,635)	-	(205,357)
Effect of movement in exchange rates	(52,941)	(61,311)	(27,487)	(15,233)	(156,972)
Balance at 30 June 2008	**1,096,588**	**1,184,552**	**961,520**	**-**	**3,242,660**

The Company	Furniture and Equipment $	Computer Equipment $	Leasehold Improvements $	Under Construction $	Total $
Cost					
Balance at 1 July 2006	-	-	-	-	-
Acquisitions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2007	**-**	**-**	**-**	**-**	**-**
Balance at 1 July 2007	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-
Other additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer on completion	-	-	-	-	-
Write-off fully written down assets	-	-	-	-	-
Effect of movement in exchange rates	-	-	-	-	-
Balance at 30 June 2008	**-**	**-**	**-**	**-**	**-**

Notes to the financial statements *continued*

For the year ended 30 June 2008

17 Plant and equipment (continued)

Consolidated	Furniture and Equipment $	Computer Equipment $	Leasehold Improvements $	Under Construction $	Total $
Depreciation and impairment losses					
Balance at 1 July 2006	(11,245)	(158,339)	(34,171)	-	(203,755)
Depreciation charge for the year	(13,161)	(73,958)	(88,872)	-	(175,991)
Balance at 30 June 2007	**(24,406)**	**(232,297)**	**(123,043)**	**-**	**(379,746)**
Balance at 1 July 2007	(24,406)	(232,297)	(123,043)	-	(379,746)
Acquisition through business combinations	(67,493)	(298,528)	(27,176)	-	(393,197)
Depreciation charge for the year	(69,429)	(187,013)	(104,609)	-	(361,051)
Disposals	3,700	-	-	-	3,700
Write-off fully written down assets	8,623	115,099	81,635	-	205,357
Effect of movement in exchange rate	7,642	29,420	3,259	-	40,321
Balance at 30 June 2008	**(141,363)**	**(573,319)**	**(169,934)**	**-**	**(884,616)**
Carrying amounts					
At 1 July 2006	30,176	119,193	93,353	-	242,722
At 30 June 2007	**105,143**	**156,916**	**369,634**	**-**	**631,693**
At 1 July 2007	105,143	156,916	369,634	-	631,693
At 30 June 2008	**955,225**	**611,233**	**791,586**	**-**	**2,358,044**

The Company	Furniture and Equipment $	Computer Equipment $	Leasehold Improvements $	Under Construction $	Total $
Depreciation and impairment losses					
Balance at 1 July 2006	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-
Balance at 30 June 2007	-	-	-	**-**	-
Balance at 1 July 2007	-	-	-	-	-
Acquisition through business combinations	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Write-off fully written down assets	-	-	-	-	-
Effect of movement in exchange rate	-	-	-	-	-
Balance at 30 June 2008	-	-	-	**-**	-
Carrying amounts					
At 1 July 2006	-	-	-	-	-
At 30 June 2007	-	-	-	**-**	-
At 1 July 2007	-	-	-	-	-
At 30 June 2008	-	-	-	**-**	-

Notes to the financial statements *continued*

For the year ended 30 June 2008

18 Intangible assets

Consolidated	Goodwill $	Mgmt rights / Customer Relationships $	Trademarks $	Software $	Total $
Cost					
Balance at 1 July 2006	2,019,446	8,093,562	-	-	10,113,008
Additions	-	3,118,880	-	-	3,118,880
Balance at 30 June 2007	**2,019,446**	**11,212,442**	**-**	**-**	**13,231,888**
Balance at 1 July 2007	2,019,446	11,212,442	-	-	13,231,888
Acquisitions through business combinations	567,506,163	83,380,666	2,158,355	908,781	653,953,965
Additions	-	738,434	-	-	738,434
Effect of movement in exchange rates	(48,579,565)	(7,128,848)	(184,534)	(77,699)	(55,970,646)
Balance at 30 June 2008	**520,946,044**	**88,202,694**	**1,973,821**	**831,082**	**611,953,641**
Amortisation and impairment losses					
Balance at 1 July 2006	-	(692,870)	-	-	(692,870)
Amortisation for the year	-	(834,525)	-	-	(834,525)
Balance at 30 June 2007	**-**	**(1,527,395)**	**-**	**-**	**(1,527,395)**
Balance at 1 July 2007	-	(1,527,395)	-	-	(1,527,395)
Amortisation for the year	-	(6,210,685)	(51,444)	(86,641)	(6,348,770)
Effect of movement in exchange rate	-	202,592	2,098	3,533	208,223
Balance at 30 June 2008	**-**	**(7,535,488)**	**(49,346)**	**(83,108)**	**(7,667,942)**

The Company	Goodwill $	Mgmt rights / Customer Relationships $	Trademarks $	Software $	Total $
Cost					
Balance at 1 July 2006	-	-	-	-	-
Additions	-	-	-	-	-
Balance at 30 June 2007	-	-	-	-	-
Balance at 1 July 2007	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-
Additions	-	-	-	-	-
Effect of movement in exchange rates	-	-	-	-	-
Balance at 30 June 2008	-	-	-	-	-
Amortisation and impairment losses					
Balance at 1 July 2006	-	-	-	-	-
Amortisation for the year	-	-	-	-	-
Balance at 30 June 2007	-	-	-	-	-
Balance at 1 July 2007	-	-	-	-	-
Amortisation for the year	-	-	-	-	-
Effect of movement in exchange rate	-	-	-	-	-
Balance at 30 June 2008	-	-	-	-	-

18 Intangible assets (continued)

Consolidated	Goodwill $	Mgmt rights / Customer Relationships $	Trademarks $	Software $	Total $
Carrying amounts					
At 1 July 2006	2,019,446	7,400,692	-	-	9,420,138
At 30 June 2007	**2,019,446**	**9,685,047**	**-**	**-**	**11,704,493**
At 1 July 2007	2,019,446	9,685,047	-	-	11,704,493
At 30 June 2008	**520,946,044**	**80,667,206**	**1,924,475**	**747,974**	**604,285,699**

The Company	Goodwill $	Mgmt rights / Customer Relationships $	Trademarks $	Software $	Total $
Carrying amounts					
At 1 July 2006	-	-	-	-	-
At 30 June 2007	-	-	-	-	-
At 1 July 2007	-	-	-	-	-
At 30 June 2008	-	-	-	-	-

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.

For goodwill and intangible assets with an indefinite life, an impairment test is carried out annually. Other intangible assets are tested for impairment when an impairment indicator exists (see note 3(h)).

18 Intangible assets (continued)

Impairment testing of intangible assets

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

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Australian based funds management				
Goodwill	**2,019,446**	2,019,446	**-**	-
Management rights	**9,181,125**	9,685,047	**-**	-
US based funds management				
Goodwill	**518,926,598**	-	**-**	-
Management rights	**71,486,081**	-	**-**	-
Trademarks	**1,924,475**	-	**-**	-
Software	**747,974**	-	**-**	-
	604,285,699	11,704,493	**-**	-

Australian based funds management cash generating unit (AUS CGU)

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

To calculate this, cash flow projections are based on the financial budget for the Australian business approved by the Board of Directors for the 2009 financial year. Cash flows are then extrapolated for a further 24 years. Due to the relatively small size of the intangible assets in the Australian based funds management business, no growth rate has been applied. These cash flow projections are then discounted using the pre-tax discount rate of 17.9% (2007: 17.1%).

Based on these inputs, there is no impairment of the intangible assets within the AUS CGU.

US based funds management cash generating unit (US CGU)

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

To calculate this, cash flow projections are based on the financial budget for the US business approved by the Board of Directors for the 2009 financial year. Cash flows for a further 24 year period were extrapolated using a constant growth rate of 7.5%, which does not exceed the long term average growth rate for the global hedge fund industry. Management believes this forecast period is justified due to the long term nature of the funds management industry.

A pre-tax discount rate of 13.2% has then been applied to the cash flow projections (2007: N/A). This discount rate is consistent with the weighted average cost of capital for comparable US listed companies.

The values assigned to the key assumptions represent management's assessment of future trends in the funds management industry and are based on both external sources and internal sources (historical data).

Based on these inputs, there is no impairment of the intangible assets within the US CGU.

Management have also applied a sensitivity analysis to the calculations, and estimates are particularly sensitive in the following areas:

- Pre-tax discount rate: a two percentage point increase in this rate would not result in an impairment of these assets;
- Growth rate: a two percentage point decrease in this rate would not result in an impairment of these assets.

Notes to the financial statements *continued*

For the year ended 30 June 2008

19 Trade and other payables

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Current				
Trade creditors	**3,349,031**	18,109,487	**368,768**	44,129
Other creditors and accruals	**8,687,511**	3,642,322	**72,890**	31,951
Total trade and other payables	**12,036,542**	**21,751,809**	**441,658**	**76,080**

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

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

20 Interest bearing loans and borrowings

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Current				
Bank loans – secured	**-**	9,958,056	**-**	9,958,056
Non-current				
Bank loans – secured	**141,728,956**	3,968,812	**9,802,014**	3,968,812

Financing arrangements

Bank loans are denominated in both Australian dollars and US dollars. The bank loans amount in current liabilities comprises the portion of the consolidated entity's bank loan payable and the expected amount to be paid within one year (2008: Nil) (2007: $9,958,056).

As at 30 June 2007, the bank loans were secured by registered first mortgages over the assets of HFA Admin Pty Ltd and guarantees from HFA Admin Pty Ltd and HFA Asset Management Limited. These facilitates were fully repaid and closed in January 2008.

As at 30 June 2008, bank loans comprise of the following facilities available under a Cash Advance Facilities Agreement with Westpac Banking Corporation ("CAFA"):

- Facility A (Lighthouse Group Acquisition Facility): USD 130 million
- Facility B (Working Capital Facility): AUD 30 million

Both facilities are secured by first ranking fixed and floating charges and mortgages over all the assets and undertakings of HFA Holdings Limited and HFA Admin Pty Ltd in favour of Westpac, with USA Charges granted by HFA Lighthouse Holdings Corp, HFA Lighthouse Corp, LHP Investments, LLC and Lighthouse Investment Partners, LLC in favour of Westpac and Deposit Account Control Agreements granted by LHP Investment, LLC and Lighthouse Investment Partners, LLC in favour of Westpac.

Notes to the financial statements *continued*

For the year ended 30 June 2008

20 Interest bearing loans and borrowings (continued)

HFA Holdings Limited, HFA Admin Pty Ltd, HFA Asset Management Limited, HFA Lighthouse Holdings Corp and HFA Lighthouse Corp guarantee the obligations of HFA Holdings Limited and HFA Lighthouse Holdings Corp ("the Borrowers"). The Borrowers and guarantors also provide a cross guarantee in relation to these obligations and any new or acquired HFA subsidiary must also provide a guaranteed and first ranking security over its assets. The CAFA contains representations, warranties, undertakings and events of default of a type usual for a debt facility of this kind and having regard to the nature of HFA's business. Undertakings include obligations to comply with applicable laws, carry on business in a proper and efficient manner, ensure that no event of default occurs and insure all secured property.

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

- Total indebtedness from financing (including leasing and exposures under interest rate, commodity, securities, index or currency, exchange, option, hedge, swap or other similar arrangements) for each period does not exceed 3.5 times EBITDA; and
- EBITDA for each period is always at least 3.5 times greater than the interest expense for the same period.

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

The Group's exposure to currency and interest rate risk related to interest bearing loans and borrowings is disclosed in note 26.

Terms and debt repayment schedule

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

Consolidated	Nominal Interest Rate	Year of Maturity	2008 Face Value $	2008 Carrying Amount $	2007 Face Value $	2007 Carrying Amount $
Secured bank loan – Facility 1	BBR + 1.25%	2012	-	-	4,973,881	4,973,881
Secured bank loan – Facility 2	BBR + 1.45%	Not fixed	-	-	3,979,106	3,979,106
Secured bank loan – Facility 3	BBR + 1.09%	Not fixed	-	-	4,973,881	4,973,881
Facility A – USD 130,000,000	LIBOR + 0.80%	2010	**132,726,526**	**131,926,942**	-	-
Facility B – AUD 30,000,000	BBSY + 0.80%	2010	**10,000,000**	**9,802,014**	-	-
Total Interest bearing liabilities			**142,726,526**	**141,728,956**	**13,926,868**	**13,926,868**

The Company	Nominal Interest Rate	Year of Maturity	2008 Face Value $	2008 Carrying Amount $	2007 Face Value $	2007 Carrying Amount $
Secured bank loan – Facility 1	BBR + 1.25%	2012	-	-	4,973,881	4,973,881
Secured bank loan – Facility 2	BBR + 1.45%	Not fixed	-	-	3,979,106	3,979,106
Secured bank loan – Facility 3	BBR + 1.09%	Not fixed	-	-	4,973,881	4,973,881
Facility B – AUD 30,000,000	BBSY + 0.80%	2010	**10,000,000**	**9,802,014**	-	-
Total Interest bearing liabilities			**10,000,000**	**9,802,014**	**13,926,868**	**13,926,868**

21 Employee benefits

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Current				
Salaries and wages accrued	**7,218,692**	2,068,968	**-**	-
Liability for annual leave	**762,718**	536,128	**-**	-
Total employee benefits – current	**7,981,410**	**2,605,096**	**-**	**-**
Non-current			**-**	-
Liability for long service leave	**164,028**	75,840	**-**	-
Total employee benefits – non-current	**164,028**	**75,840**	**-**	**-**

22 Share-based payments

An offer of rights to issued shares in the Company was made to employees of the HFA's Australian business on 12 March 2008.

The Board approved the allocation of 3,955,000 performance rights to employees.

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

Vesting of the performance rights is in tranches of 25%, 35% and 40% with respective vesting dates of 31 December 2008, 31 December 2009 and 31 December 2010. Vesting conditions include being employed by the Group at the relevant vesting date and meeting of performance hurdles for HFA's Australian business relating to assets under management, base revenue (excluding performance fees) and EBITDA.

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

Details of the performance rights granted are as follows:

	Total Number of rights granted	Grant date	Fair value at grant date $	Expiry date	Financial year in which grant vests
Tranche 1	988,750	12/03/2008	1.00	31/12/2009	2009
Tranche 2	1,384,250	12/03/2008	0.92	31/12/2010	2010
Tranche 3	1,582,000	12/03/2008	0.85	31/12/2011	2011

The performance rights have not vested as at 30 June 2008.

The fair value of performance rights is calculated using the Black-Scholes option pricing model adjusted for dividends and is allocated to reporting periods evenly over the period from grant date to vesting date after estimating probabilities of vesting. An expense of $552,901 relating to the performance rights has been recognised in the current reporting period.

In the year ended 30 June 2007 the Board resolved to issue the previous Chief Executive Officer with 100,000 shares in the Company on 1 January 2008, subject to remaining in employment at that date. An expense of $125,000 was recognised in the 2007 financial year based on period of service and a share price of $2.50.

Notes to the financial statements *continued*

For the year ended 30 June 2008

23 Deferred income

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Non-current				
Deferred income	**1,467,183**	-	**651,903**	-
	1,467,183	-	**651,903**	-

Deferred income consists of the following balances:

Consolidated

- *Establishment Fee – HFA Retrospective Fund:*
  An establishment fee of $1,628,716 was received by HFA Asset Management Limited from its leverage counterparty on the launch of the HFA Retrospective Fund in December 2007. This fee is being recognised on a straight line basis over the 5 year life of the product.

The Company

- *Establishment Fee – Investment Loan:*
  An establishment fee of $675,000 was paid on the establishment of the investment loan between HFA Holdings Limited and HFA Lighthouse Holdings Corp. This fee is being recognised over the 10 year life of the loan using the effective interest method. This balance is eliminated on consolidation.

24 Issued capital and reserves

Consolidated	Share Capital $	Fair Value Reserve $	Hedging Reserve $	Translation Reserve $	Retained Earnings $	Total Equity $
Balance at 1 July 2006	705,721	3,186	-	-	7,666,969	8,375,876
Total recognised income and expense	-	129,669	-	-	20,278,782	20,408,451
Dividend to equity holders	-	-	-	-	(8,274,254)	(8,274,254)
Equity settled transactions	-	-	-	-	125,000	125,000
Balance at 30 June 2007	**705,721**	**132,855**	**-**	**-**	**19,796,497**	**20,635,073**
Balance at 1 July 2007	705,721	132,855	-	-	19,796,497	20,635,073
Total recognised income and expense	-	(137,614)	1,613,586	(35,763,687)	35,169,972	882,257
Issue of ordinary shares	504,024,589	-	-	-	-	504,024,589
Dividend to equity holders	-	-	-	-	(14,895,676)	(14,895,676)
Equity settled transactions	-	-	-	-	552,901	552,901
Balance at 30 June 2008	**504,730,310**	**(4,759)**	**1,613,586**	**(35,763,687)**	**40,623,694**	**511,199,144**

Equity settled transactions relates to the recognition of the future issue of shares to employees under the Company's long term incentive scheme, subject to vesting conditions. In the prior year, equity settled transactions related to the recognition of the future issue of shares to the Chief Executive Officer, subject to vesting conditions. These amounts are recognised in retained earnings.

Notes to the financial statements *continued*

For the year ended 30 June 2008

24 Issued capital and reserves (continued)

The Company	Share Capital $	Fair Value Reserve $	Hedging Reserve $	Translation Reserve $	Retained Earnings $	Total Equity $
Balance at 1 July 2006	705,721	3,186	-	-	(63,539)	645,368
Total recognised income and expense	-	129,669	-	-	17,695,545	17,825,214
Dividend to equity holders	-	-	-	-	(8,274,254)	(8,274,254)
Balance at 30 June 2007	**705,721**	**132,855**	**-**	**-**	**9,357,752**	**10,196,328**
Balance at 1 July 2007	705,721	132,855	-	-	9,357,752	10,196,328
Total recognised income and expense	-	(137,614)	-	-	33,075,083	32,937,469
Issue of ordinary shares	504,024,589	-	-	-	-	504,024,589
Dividend to equity holders	-	-	-	-	(14,895,673)	(14,895,673)
Balance at 30 June 2008	**504,730,310**	**(4,759)**	**-**	**-**	**27,537,162**	**532,262,713**

Movement in ordinary shares on issue

	Consolidated 2008 Number	Consolidated 2007 Number	The Company 2008 Number	The Company 2007 Number
Balance at beginning of financial year	**201,811,000**	201,811,000	**201,811,000**	201,811,000
Institutional placement on 1 November 2007	**92,833,344**	-	**92,833,344**	-
Rights issue on 27 November 2007	**30,271,650**	-	**30,271,650**	-
Issued on 3 January 2008 as part of Lighthouse Group acquisition	**134,666,667**	-	**134,666,667**	-
Balance at end of financial year	**459,582,661**	**201,811,000**	**459,582,661**	**201,811,000**

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.

In addition, an offer of rights to issued shares in the Company was made to employees of the HFA's Australian business as disclosed in note 22.

Nature and purpose of reserves

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Fair value reserve	**(4,759)**	132,855	**(4,759)**	132,855
Translation reserve	**(35,763,687)**	-	**-**	-
Hedging reserve	**1,613,586**	-	**-**	-
	(34,154,860)	**132,855**	**(4,959)**	**132,855**

24 Issued capital and reserves (continued)

Nature and purpose of reserves (continued)

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

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

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

Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount $	Franked / unfranked	Date of payment
Final 2007 ordinary	4.0	8,072,440	Franked	25 September 2007
Interim 2008 ordinary	2.1	6,823,236	Franked	26 March 2008
Total amount		14,895,676		

Franked dividends declared as paid during the year were fully franked and franked at the rate of 30%.

After the balance sheet date the following fully franked dividend was declared by the directors. The declaration and subsequent payment of the dividend has no income tax consequences. The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2008 and will be recognised in subsequent financial reports.

	Cents per share	Total amount $	Franked / unfranked	Date of payment
Final 2008 ordinary	3.5	16,085,393	Franked	26 September 2008
Total amount		16,085,393		

Dividend franking account	The Company 2008 $	The Company 2007 $
30 percent franking credits available to shareholders of HFA Holdings Limited for subsequent financial years.	**10,879,761**	4,419,450

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

The ability to utlise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after balance sheet date but not recognised as a liability is to reduce it by $6,893,740 (2007: $3,459,617). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $10,879,761 (2007: $4,419,450) franking credits.

Notes to the financial statements *continued*

For the year ended 30 June 2008

25 Reconciliation of cash flows from operating activities

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Cash flows from operating activities					
Net profit after tax		**35,169,972**	20,278,782	**33,075,083**	17,695,545
Adjustments for:					
Depreciation expense	**8(c)**	**361,051**	175,991	**-**	-
Amortisation of intangible assets	**8(c)**	**6,348,770**	834,523	**-**	-
Amortisation of debt establishment costs	**9(a)**	**215,893**	-	**41,547**	-
Borrowing costs		**140,157**	129,773	**21,524**	129,773
Equity-settled transactions	**8(d)**	**552,901**	125,000	**-**	-
Income tax expense/(benefit)		**2,513,341**	4,957,229	**(7,039,087)**	2,477,108
Fair value gain on financial assets at fair value through profit or loss	**9(a)**	**(107,460)**	-	**-**	-
Intercompany interest converted to investment in controlled entities		**-**	-	**(6,063,698)**	-
Foreign currency (gain) / loss	**9(a)**	**(8,912,768)**	-	**(9,005,473)**	-
Operating cash flow before changes in working capital and provisions		**36,281,857**	**26,501,298**	**11,029,896**	**20,302,426**
(Increase)/decrease in receivables		**31,135,441**	(23,160,660)	**27,500**	(110,282)
(Increase)/decrease in other assets		**(176,927)**	(2,931,624)	**(1,510,046)**	(2,788,240)
(Increase)/decrease to loans to controlled entities		**-**	-	**(6,330,828)**	(9,501,247)
Increase/(decrease) in payables		**(17,184,149)**	12,629,428	**567,148**	32,684
Increase/(decrease) in provisions and employee benefits		**7,452,850**	1,650,818	**-**	-
Increase/(decrease) in deferred income		**1,467,183**	-	**-**	-
Net cash flow from operating activities		**58,976,255**	**14,689,260**	**3,783,670**	**7,935,341**

26 Financial instruments

Exposure to credit, liquidity and market risk arises in the normal course of the Company's and Group's business.

Credit risk

The carrying amount of the Company's and Group's financial assets represents the maximum credit exposure.

The Company's and Group's maximum exposure to credit risk at reporting date was:

	Note	Consolidated Carrying amount 2008 $	Consolidated Carrying amount 2007 $	The Company Carrying amount 2008 $	The Company Carrying amount 2007 $
Cash and cash equivalents	**13**	**38,828,479**	17,942,040	**13,562,370**	5,477,724
Receivables	**14**	**25,341,452**	31,518,448	**244,115,268**	9,003,044
Available-for-sale financial assets	**16**	**527,991**	724,583	**527,991**	724,583
Financial assets at fair value through profit or loss	**16**	**2,047,825**	-	**-**	-
Interest rate swaps used for hedging	**16**	**2,751,022**	-	**-**	-
		69,496,769	**50,185,071**	**258,205,629**	**15,205,351**

Receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

The Group's maximum exposure to credit risk for trade receivables at reporting date by geographic region was:

	Consolidated Carrying amount 2008 $	Consolidated Carrying amount 2007 $
Australia	**14,209,904**	31,518,448
United States	**11,131,548**	-
	25,341,452	**31,518,448**

Three subsidiary entities account for $241,648,65, $1,596,465 and $665,517 (2007: $0, $8,663,801 and $170,847) of the Company's receivable carrying amount.

None of the Company's or Group's receivables were past due (2007: $Nil).

Based on historical evidence, no allowance for impairment has been raised (2007: $Nil) with regard to trade receivables.

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

Of the Group's receivable balance, 95% relates to management fees, performance fees and other related fees owing from products managed by the Group (2007: 98%).

Notes to the financial statements *continued*

For the year ended 30 June 2008

26 Financial instruments (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. None of the Group's debt will mature in less than 1 year at 30 June 2008 (2007: 72%).

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

2008	Fair value $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Consolidated						
Non derivative financial liabilities:						
Secured bank loans	142,726,526	(2,867,629)	(2,820,874)	(5,688,503)	(144,565,549)	-
Trade and other payables	12,036,542	(12,036,542)	-	-	-	-
	154,763,068	**(14,904,171)**	**(2,820,874)**	**(5,688,503)**	**(144,565,549)**	**-**
The Company						
Non derivative financial liabilities:						
Secured bank loans	10,000,000	(435,636)	(428,534)	(864,170)	(10,279,376)	-
Trade and other payables	441,658	(441,658)	-	-	-	-
	10,441,658	**(877,294)**	**(428,534)**	**(864,170)**	**(10,279,376)**	**-**

2007	Fair value $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Consolidated						
Non derivative financial liabilities:						
Secured bank loans	13,926,868	-	(9,958,056)	(1,000,000)	(2,968,812)	-
Trade and other payables	21,751,809	(21,751,809)	-	-	-	-
	35,678,677	**(21,751,809)**	**(9,958,056)**	**(1,000,000)**	**(2,968,812)**	**-**
The Company						
Non derivative financial liabilities:						
Secured bank loans	13,926,868	-	(9,958,056)	(1,000,000)	(2,968,812)	-
Trade and other payables	76,080	(76,080)	-	-	-	-
	14,002,948	**(76,080)**	**(9,958,056)**	**(1,000,000)**	**(2,968,812)**	**-**

26 Financial instruments (continued)

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

2008	Fair value $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Consolidated						
Interest rate swaps:						
Assets	2,751,022	(56,747)	(55,822)	(112,569)	(36,392)	-
	2,751,022	**(56,747)**	**(55,822)**	**(112,569)**	**(36,392)**	**-**

2007	Fair value $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Consolidated						
Interest rate swaps:						
Assets	-	-	-	-	-	-
	-	-	-	-	-	-

The Company does not hold any derivatives that are cash flow hedges.

Currency risk

The Group is exposed to currency risk as at reporting date in respect of AUD receivables held by the Lighthouse Group, which has a functional currency of USD. The value of receivables held at balance date was $3,263,097.

The Company's exposure to foreign currency risk at balance date was $Nil (2007: $Nil).

The following significant exchange rates applied during the year:

	Average Rate 2008	Average Rate 2007	Reporting date spot rate 2008	Reporting date spot rate 2007
AUD: USD	**0.9250***	-	**0.9626**	-

* For the period January 2008 to June 2008

Equity price risk

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

	Note	Consolidated Carrying amount 2008 $	Consolidated Carrying amount 2007 $	The Company Carrying amount 2008 $	The Company Carrying amount 2007 $
Available-for-sale financial assets	16	**527,991**	724,583	**527,991**	724,583
Financial assets designated as fair value through profit and loss	16	**2,047,825**	-	**-**	-
		2,575,816	**724,583**	**527,991**	**724,583**

26 Financial instruments (continued)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured bank loans and fixed rate interest rate swaps. All interest rates on borrowings are on a variable rate basis. At reporting date the Company and the Group's interest bearing financial instruments were:

	Consolidated Carrying Amount 2008 $	Consolidated Carrying Amount 2007 $	The Company Carrying Amount 2008 $	The Company Carrying Amount 2007 $
Fixed rate instruments				
Financial assets	**2,751,022**			
Variable rate instruments				
Financial assets	**38,828,479**	17,942,040	**13,562,370**	5,477,724
Financial liabilities	**(141,728,956)**	(13,926,968)	**(9,802,014)**	(13,926,968)

The interest rate profile of financial liabilities is detailed in note 20. The Group has managed interest rate risk on its USD denominated borrowing by entering into a fixed rate interest rate swap.

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. However, over the longer-term, permanent changes in interest rates would have an impact on consolidated earnings.

Sensitivity analysis

The Group has quantified the impact of specific changes in its significant market risk variables. This analysis measures the change in fair value and cash flows of the Group's financial instruments. The sensitivity analysis has been prepared based on the impact a percentage increase or decrease in market conditions would have on the profit or loss and on total equity.

The sensitivity analysis is prepared based on financial instruments that are recognised on the balance sheet at reporting date. The sensitivity assumes changes in certain market conditions. The method used is for illustrative purposes only and may be unrepresentative of actual changes in market conditions. Often market conditions are inter-dependent and the actual impact of a percentage change in market conditions may have other impacts on profit or loss or equity. The methods and assumptions used are the same for both reporting periods.

Changes in market interest rates assume an increase or decrease of 100 basis points (bps) in the rate. The sensitivity shown below relates to the fair value of interest rate swaps at reporting date, interest on borrowings, and interest on cash deposits.

The estimated changes in fair values of investments assume a 10.0% increase or decrease in the fair values of the investments at the reporting date.

Changes in exchange rates assume an instantaneous increase or decrease of 10.0% for Australian dollar to US dollar rates at the reporting date, with all other variables remaining constant.

Notes to the financial statements *continued*

For the year ended 30 June 2008

26 Financial instruments (continued)

Sensitivity analysis (continued)

Consolidated	Profit or loss sensitivity $ *Benefit*	Profit or loss sensitivity $ *(Expense)*	Equity sensitivity $ *Benefit*	Equity sensitivity $ *(Expense)*
As at 30 June 2008				
Fair value movement	**+10%**	**-10%**	**+10%**	**-10%**
Investments:				
Listed equities	-	-	36,959	(36,959)
Managed funds	109,078	(126,996)	-	-
Exchange rate movement	+10%	-10%	+10%	-10%
Australian dollar/US dollar exchange rate	(202,362)	202,362	-	-
Interest rate movement	+100 bps	-100 bps	+100 bps	-100 bps
London Interbank Offered Rate (LIBOR)	-	-	1,726,253	(1,726,253)
Bank Bill Swap Rate (BBSY)	(70,000)	70,000	-	-
Cash Deposit Rate	259,602	(259,602)	-	-
As at 30 June 2007				
Fair value movement	**+10%**	**-10%**	**+10%**	**-10%**
Investments:				
Listed equities	-		50,721	(50,721)
Managed funds	-	-	-	-
Exchange rate movement	**+10%**	**-10%**	**+10%**	**-10%**
Australian dollar/US dollar exchange rate	-	-	-	-
Interest rate movement	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
London Interbank Offered Rate (LIBOR)	-	-	-	-
Bank Bill Swap Rate (BBSY)	(97,488)	97,488	-	-
Cash Deposit Rate	125,282	(125,282)	-	-

Notes to the financial statements *continued*

For the year ended 30 June 2008

26 Financial instruments (continued)

Sensitivity analysis (continued)

The Company	Profit or loss sensitivity $ *Benefit*	Profit or loss sensitivity $ *(Expense)*	Equity sensitivity $ *Benefit*	Equity sensitivity $ *(Expense)*
As at 30 June 2008				
Fair value movement	**+10%**	**-10%**	**+10%**	**-10%**
Investments:				
Listed equities	-	-	36,959	(36,959)
Managed funds	-	-	-	-
Exchange rate movement	**+10%**	**-10%**	**+10%**	**-10%**
Australian dollar/US dollar exchange rate	-	-	-	-
Interest rate movement	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
London Interbank Offered Rate (LIBOR)	-	-	-	-
Bank Bill Swap Rate (BBSY)	(70,000)	70,000	-	-
Cash Deposit Rate	259,602	(259,602)	-	-
As at 30 June 2007				
Fair value movement	**+10%**	**-10%**	**+10%**	**-10%**
Investments:				
Listed equities	-	-	-	(50,721)
Managed funds	-	-	-	-
Exchange rate movement	**+10%**	**-10%**	**+10%**	**-10%**
Australian dollar/US dollar exchange rate	-	-	-	-
Interest rate movement	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
London Interbank Offered Rate (LIBOR)	-	-	-	-
Bank Bill Swap Rate (BBSY)	(97,488)	97,488	-	-
Cash Deposit Rate	125,282	(125,282)	-	-

26 Financial instruments (continued)

Fair values

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

Estimation of fair values

The following summarises the key methods and assumptions used in estimating the fair values of financial instruments.

Securities
Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Trade and other receivables/payables
For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Interest-bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows.

27 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 an average life of between 1 and 8 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease.

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

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Within one year	**1,437,481**	217,326	**-**	-
After one year but not more than five years	**3,616,875**	816,740	**-**	-
More than five years	**777,625**	-	**-**	-
	5,831,981	1,034,066	**-**	-

28 Contingent liabilities

Litigation

The Group is defending an action bought against it by its former Chief Executive Officer arising from the termination of his employment.

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

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

29 Auditor's remuneration

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Audit services				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	**136,202**	65,600	**115,202**	48,900
Overseas KPMG Firm:				
Audit and review of financial reports	**158,919**	-	**-**	-
	295,121	65,600	**115,202**	48,900
Services other than statutory audit:				
Auditors of the Company				
KPMG Australia:				
Other assurance services	**22,120**	12,000	**-**	67,040
Taxation services	**12,940**	173,500	**7,000**	7,000
Other advisory services	**87,105**	60,500	**-**	-
Due diligence services	**1,308,045**	790,000	**1,308,045**	-
	1,430,210	1,036,000	**1,315,045**	74,040

The costs identified as due diligence services were incurred in relation to the acquisition of the Lighthouse Group that was completed on 3 January 2008 and associated capital raising. These costs are considered to be one-off costs incurred due to the nature of the transaction.

30 Related Parties

(a) Details of Key Management Personnel

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

(i) Specified directors

Brett Howard	Chairperson (non-executive, independent)
Spencer Young	Chief Executive Officer (executive; non-executive for period 13 April 2007 – 18 September 2007)
Robert Fraser	Director (non-executive, independent) appointed 14 December 2007
Sean McGould	Director, President and Chief Investment Officer of Lighthouse Investment Partners, LLC (executive) appointed 3 January 2008
FP (Andy) Esteban	Director (non-executive, independent) appointed 18 June 2008
Paul Jensen	Chief Executive Officer (executive) resigned 18 September 2007
Michael King	Director (non-executive) resigned 4 January 2008
John Morrison	Director (non-executive) resigned 14 December 2007

30 Related Parties (continued)

(a) Details of Key Management Personnel (continued)

(ii) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during or since the end of the financial year:

Name	Position	Employer
Oscar Martinis	Joint Managing Director, HFA Asset Management Limited	HFA Admin Pty Ltd
Robert White	Joint Managing Director, HFA Asset Management Limited	HFA Admin Pty Ltd
Rodney Hughes	Chief Financial Officer	HFA Admin Pty Ltd
Amber Stoney	Head of Operations and Company Secretary	HFA Admin Pty Ltd
Jonathan Pain	Chief Investment Strategist	HFA Admin Pty Ltd
Scott Perkins	Director of Investor Relations *(3 January 2008 – 30 June 2008)*	Lighthouse Investment Partners, LLC
Kelly Perkins	Chief Investment Officer *(3 January 2008 – 30 June 2008)*	Lighthouse Investment Partners, LLC
Robert Swan	Chief Operating Officer *(3 January 2008 – 30 June 2008)*	Lighthouse Investment Partners, LLC

(b) Remuneration of Key Management Personnel

(i) Key management personnel compensation:

The key management personnel compensation included in "personnel expenses" (see note 8) is as follows:

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Short-term employee benefits	**4,993,996**	3,994,465	**253,237**	368,164
Post Employment benefits	**131,154**	114,260	**21,007**	31,543
Share-based payments	**214,197**	125,000	**-**	-
	5,339,347	**4,233,725**	**274,244**	**399,707**

(ii) Individual directors and executives compensation disclosures

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

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

Notes to the financial statements *continued*

For the year ended 30 June 2008

30 Related Parties (continued)

(c) Equity instrument disclosures relating to key management personnel

(i) Performance 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:

2008	Balance 1 July 2007	Granted as compensation	Balance 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors					
Brett Howard	-	-	-	-	-
Spencer Young	-	-	-	-	-
Sean McGould	-	-	-	-	-
Robert Fraser	-	-	-	-	-
Andy Esteban	-	-	-	-	-
Executives					
Rodney Hughes	-	200,000	200,000	-	-
Amber Stoney	-	200,000	200,000	-	-
Jonathan Pain	-	250,000	250,000	-	-
Oscar Martinis	-	450,000	450,000	-	-
Robert White	-	450,000	450,000	-	-
Scott Perkins	-	-	-	-	-
Kelly Perkins	-	-	-	-	-
Robert Swan	-	-	-	-	-

No performance rights were held or issued to key management personnel in 2007.

Further details of performance rights provided as remuneration to each key management person of the group, together with the terms and conditions of the rights, can be found in the remuneration report on pages 19-20 and 27.

30 Related Parties (continued)

(c) Equity instrument disclosures relating to key management personnel (continued)

(ii) 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:

2008	Balance 1 July 2007	Purchases	Sales	Net Change Other[5]	Balance 30 June 2008
Directors					
Brett Howard	250,000	200,000	-	-	450,000
Spencer Young[1]	25,366,951	150,000	-	-	25,516,951
Sean McGould[2]	-	-	-	91,476,460	91,476,460
Robert Fraser	-	23,600	-	-	23,600
Andy Esteban	-	8,354	-	-	8,354
Executives					
Rodney Hughes	-	93,000	-	-	93,000
Amber Stoney[3]	650,491	-	-	-	650,491
Jonathan Pain	1,135,321	-	(120,997)	-	1,014,324
Oscar Martinis	4,999,091	502,818	-	-	5,501,909
Robert White[4]	985,602	124,398	-	-	1,110,000
Scott Perkins	-	-	-	10,848,612	10,848,612
Kelly Perkins	-	-	-	17,931,675	17,931,675
Robert Swan	-	-	-	10,848,612	10,848,612

[1] These shares are held indirectly by Spencer Young Family Trust

[2] 85,476,460 shares are held indirectly by SGM Holdings, LLC

[3] 77,764 shares are held indirectly by AJ Stoney Family Trust

[4] 191,511 shares are held indirectly by White Family Trust

[5] Being shares issued by HFA Holdings Ltd on acquisition of the Lighthouse Group on 3 January 2008.

30 Related Parties (continued)

(c) Equity instrument disclosures relating to key management personnel (continued)

(ii) Movements in shares (continued)

2007	Balance 1 July 2006	Purchases	Sales	Net Change Other	Balance 30 June 2007
Directors					
Brett Howard	250,000	-	-	-	250,000
Spencer Young[1]	25,366,951	-	-	-	25,366,951
Michael King[2]	78,076,173	-	(39,038,107)	-	39,038,066
John Morrison	19,719	-	-	-	19,719
Paul Jensen	-	-	-	-	-
Executives					
Rodney Hughes	-	-	-	-	-
Amber Stoney[3]	850,491	-	(200,000)	-	650,491
Jonathan Pain	1,472,321	-	(337,000)	-	1,135,321
Oscar Martinis	5,801,503	-	(802,412)	-	4,999,091
Robert White[4]	900,602	85,000	-	-	985,602

[1] These shares are held indirectly by Spencer Young Family Trust

[2] These shares are held indirectly by MFS Alternative Asset Limited

[3] 77,764 shares are held indirectly by AJ Stoney Family Trust

[4] 191,511 shares are held indirectly by White Family Trust

(d) Other transactions with key management personnel

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

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

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

HFA Accelerator Plus Limited

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

John Morrison and Paul Manka are former directors of the Company and HFA Asset Management Limited, and are current directors of HFA Accelerator Plus Limited. Paul Jensen is a former director of the Company, HFA Asset Management Limited and HFA Accelerator Plus Limited. Jonathan Pain is a director of HFA Asset Management Limited and HFA Accelerator Plus Limited. Spencer Young is a director of the Company and former director of HFA Accelerator Plus Limited and HFA Asset Management Limited. Robert White is a secretary of the Company and a director of HFA Asset Management Limited, and is Chief Executive Officer and Executive Director of HFA Accelerator Plus Limited.

30 Related Parties (continued)

(d) Other transactions with key management personnel (continued)

HFA Accelerator Plus Limited (continued)
During the financial year the following related party transactions occurred:

(i) The Company purchased no additional shares (2007: 14,631) in HFA Accelerator Plus Limited. The fair value of the holding of 561,692 shares as at 30 June 2008 is $527,990
(ii) The Company received dividends of $33,702 fully franked (2007: $26,400) from its shareholding in HFA Accelerator Plus Limited.
(iii) HFA Asset Management Limited recognised management and performance fees paid or payable of $12,146,014 (2007: $17,271,833) from HFA Accelerator Plus Limited. Amounts receivable from HFA Accelerator Plus Limited at 30 June 2008 were $1,950,894 (2007 $306,446)

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

Robert White, Oscar Martinis and Jonathan Pain are directors of HFA Asset Management Limited. John Morrison, Paul Manka, Paul Jensen and Spencer Young are former directors of HFA Asset Management Limited.

During the financial year HFA Asset Management Limited recognised management and performance fees paid or payable of $47,254,240 (2007: $55,910,327) from managed investment schemes for which it acts as the Responsible Entity.

Amounts receivable from schemes for which HFA Asset Management acts as the Responsible Entity and HFA Accelerator Plus Limited were $12,680,403 (2007: $28,294,223).

Lighthouse Investment Partners, LLC
Lighthouse Investment Partners, LLC (LIP) became a wholly owned subsidiary and related party of the Company on 3 January 2008. LIP is a registered investment advisor under the Investment Advisors Act of 1940 and operates as general partner and investment manager for the Lighthouse investment products.

Sean McGould is a director of the Company and president of LIP. Robert Swan, Scott Perkins and Robert White are vice-presidents of LIP.

During the financial year the following related party transactions occurred:

(i) LIP recognised management and performance fees paid or payable of $38,852,036 (2007: Nil) from investment products for which LIP acts as general partner and investment manager. Amounts receivable from these products at 30 June 2008 were $10,687,043 (2007: Nil).
(ii) LIP holds the following investments in products in which they act as general partner and investment manager:

30 Related Parties (continued)

(d) Other transactions with key management personnel (continued)

Lighthouse Investment Partners, LLC (continued)

Product	Fair Value 30 June 2008 $
Lighthouse Composite Series	180,512
Lighthouse Global Series	176,329
Lighthouse Trend Series	177,274
Lighthouse Healthcare Series	121,323
Lighthouse Low Volatility Fund QP II, LP	196,692
Lighthouse Aggressive Growth Fund	159,043
Lighthouse Enhanced Global Series	77,979
Lighthouse Credit Opportunities Fund, LP	614,995
LH Strategies Master Fund SPC LH Enhanced Global Master Segregated Portfolio	54,744
Lighthouse Enhanced Yield Fund LP	288,934
	2,047,825

All of the above investments held by LIP are in products that they act as general partner and investments manager for, and are classified as at fair value through profit and loss.

(iii) LIP acts as investment manager for the majority of the HFA Asset Management Limited products under an investment advisory agreement. Under the agreement HFA Asset Management Limited pays LIP a rebate on funds invested in Lighthouse products. During the financial year rebates recognised were $8,493,800 (2007: Nil). Amounts payable by HFA Asset Management Limited to LIP at 30 June 2008 were $3,263,097 (2007: Nil).

Subsidiaries
HFA Holdings Limited made a loan to HFA Lighthouse Holdings Corp to facilitate the acquisition of the Lighthouse Group. The loan has an initial term of 10 years, and bears interest at BBSY plus a margin of 1.80%. The balance of this loan at 30 June 2008 is $241,648,658. Both the loan balance and interest paid are eliminated on consolidation.

HFA Holdings Limited also contributed capital of $278,804,192 to HFA Lighthouse Holdings Corp during the year ended 30 June 2008. This contribution was satisfied through cash transfers, and through the repayment and satisfaction of certain intercompany payables due from HFA Lighthouse Holdings Corp. to HFA Holdings Limited.

Loans are also made by HFA Holdings Limited to wholly owned subsidiaries for operational purposes. Loans outstanding between HFA Holdings Limited and its controlled entities have no fixed date of repayment and are non-interest bearing. As at 30 June 2008, such loans to subsidiaries totalled $2,262,982 (2007: $8,834,648).

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made in arms length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

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

For the year ended 30 June 2008, the Group has not raised a provision for doubtful debts relating to amounts owed by related parties as their financial position is considered to be sound and their payment history has been excellent (2007: $nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates in. When assessed as required the Group raises such a provision.

Notes to the financial statements *continued*

For the year ended 30 June 2008

31 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 2008	% Equity interest 2007	Investment ($) Year ended 2008	Investment ($) Year ended 2007
HFA Asset Management Ltd	Australia	100	100	10,446,228	10,446,228
HFA Admin Pty Ltd	Australia	100	100	1	1
ACN 122 776 550 Pty Ltd	Australia	100	100	1	1
HFA Lighthouse Holdings Corp	United States	100	-	278,804,191	-
HFA Lighthouse Corp	United States	100	-	-	-
LHP Investments, LLC	United States	100	-	-	-
Lighthouse Investment Partners, LLC	United States	100	-	-	-
Lighthouse Partners NY, LLC	United States	100	-	-	-
Lighthouse Partners UK, LLC	United States	100	-	-	-
Lighthouse Partners Limited (HK)	Hong Kong	100	-	-	-
				289,250,421	10,446,230

32 Events after balance sheet date

The directors have at the date of this report declared a final dividend of 3.5 cents per share which will be fully franked and payable in September 2008.

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, in the opinion of the consolidated entity, to affect significantly the operations of the Company or consolidated entity, the results of those operations, or the state of affairs of the Company or consolidated entity, in future financial years.

Directors' declaration

For the year ended 30 June 2008

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

   (a) the financial statements and notes set out on pages 30 to 82 and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 19 to 27, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

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

   (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a); and

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

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2008.

Dated at Sydney this 20th day of August 2008

Signed in accordance with a resolution of the directors.

Brett Howard	**Spencer Young**
Chairperson	Executive Director / Chief Executive Officer

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

For the year ended 30 June 2008

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

Report on the financial report

We have audited the accompanying financial report of HFA Holdings Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 32 and the Directors' declaration set out on pages 30 to 83 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

For the year ended 30 June 2008

Independent auditor's report to the members of HFA Holdings Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

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

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the remuneration report set out on pages 19 to 27 of the directors' report for the year ended 30 June 2008. 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 2008, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Robert S Jones

Robert S Jones

Partner

Brisbane

20 August 2008

ASX additional information

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

Shareholdings (as at 28 August 2008)

Substantial shareholders

Sean McGould, his controlled entities and associates had a relevant interest in 91,476,460 shares as at 28 August 2008 which represented 19.90% of HFA's total issued capital.

FMR LLC and FIL advised that, as at 11 August 2008, it and its associates had a relevant interest in 38,096,038 shares, which represented 8.47% of HFA's total issued capital.

Spencer Young as trustee for Spencer Young Family Trust and its associates had a relevant interest in 25,516,951 shares as at 28 August 2008, which represented 5.55% of HFA's total issued capital.

Securities subject to voluntary escrow

SGM Holdings LLC has entered into a voluntary escrow deed over 30,483,820 ordinary shares that are subject to an escrow period of 1 year that ends on 31 December 2008, and a voluntary escrow deed over 30,483,820 ordinary shares that are subject to an escrow period of 18 months that ends on 30 June 2009.

Kelly Ross Perkins has entered into a voluntary escrow deed over 5,977,225 ordinary shares that are subject to an escrow period of 1 year that ends on 31 December 2008, and a voluntary escrow deed over 5,997,225 ordinary shares that are subject to an escrow period of 18 months that ends on 30 June 2009.

Jon Scott Perkins has entered into a voluntary escrow deed over 3,616,204 ordinary shares that are subject to an escrow period of 1 year that ends on 31 December 2008, and a voluntary escrow deed over 3,616,204 ordinary shares that are subject to an escrow period of 18 months that ends on 30 June 2009.

Robert Patterson Swan III has entered into a voluntary escrow deed over 3,616,204 ordinary shares that are subject to an escrow period of 1 year that ends on 31 December 2008, and a voluntary escrow deed over 3,616,204 ordinary shares that are subject to an escrow period of 18 months that ends on 30 June 2009.

Jack William Swan has entered into a voluntary escrow deed over 1,195,436 ordinary shares that are subject to an escrow period of 1 year that ends on 31 December 2008, and a voluntary escrow deed over 1,195,436 ordinary shares that are subject to an escrow period of 18 months that ends on 30 June 2009.

Other HFA employees have entered into voluntary escrow deeds over 10,981,025 ordinary shares that are subject to an escrow period of three years that ends on 28 April 2009.

Distribution of equity security holders

	Number of equity security holders
Category	**Ordinary shares**
1 – 1,000	196
1,001 – 5,000	776
5,001 – 10,000	531
10,001 – 100,000	857
100,001 and over	132
	2,492

The number of shareholders holding less than a marketable parcel of ordinary shares is 38.

ASX additional information *(continued)*

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	70,921,798	15.43%
SGM Holdings LLC	60,967,640	13.27%
J P Morgan Nominees Australia Limited	42,905,730	9.34%
National Nominees Limited	37,535,321	8.17%
ANZ Nominees Limited <Cash Income A/C>	34,627,829	7.53%
Spencer Martin Young	25,516,951	5.55%
Citicorp Nominees Pty Limited	19,582,292	4.26%
Kelly Ross Perkins	11,954,450	2.60%
Queensland Investment Corporation	11,129,115	2.42%
Cogent Nominees Pty Limited	9,676,291	2.11%
Cogent Nominees Pty Limited <SMP Accounts>	9,811,512	2.13%
UBS Nominees Pty Ltd	7,282,624	1.58%
Jon Scott Perkins	7,232,408	1.57%
Robert Patterson Swan III	7,232,408	1.57%
Oscar Martinis	5,501,000	1.20%
AMP Life Limited	4,941,331	1.08%
UBS Wealth Management Australia Nominees Pty Ltd	4,870,366	1.06%
Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	4,398,453	0.96%
HSBC Custody Nominees (Australia) Limited - A/C 2	4,110,880	0.89%
Invia Custodian Pty Limited <WAM Capital Limited A/C>	2,635,740	0.57%

Unquoted equity securities

There are no unquoted equity securities.

Voting rights

Ordinary shares

Refer to Note 24 of the financial statements.

Corporate Directory

HFA HOLDINGS LTD

ABN: 47 101 585 737

Registered Office and Principal Place of Business

Level 5
151 Macquarie Street
Sydney NSW 2000
Ph: (02) 8302 3333

Principal Administrative Office

Level 14 AMP Place
10 Eagle Street
Brisbane Qld 4000
Ph: (07) 3218 6200

Company secretaries

Ms Amber Stoney
Mr Robert White

Auditors of the Company

KPMG

Share Registry

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

ASX Listing

The Company is listed on the Australian Securities Exchange
ASX Code Listing: HFA

Stock Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Melbourne.

Other information

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

LEADER in
ABSOLUTE
RETURN
SOLUTIONS

HFA holdings

AUSTRALIA
SYDNEY
MELBOURNE
BRISBANE

UNITED STATES
NEW YORK
CHICAGO
FLORIDA

EUROPE
LONDON

ASIA
HONG KONG

FOR INFORMATION ON HFA'S INVESTMENT PRODUCTS CONTACT HFA ASSET MANAGEMENT:

OFFICE: LEVEL 5, 151 MACQUARIE STREET, SYDNEY NSW 2000
MAILING ADDRESS: GPO BOX 1616, BRISBANE QLD 4001
INVESTOR SERVICES: 1300 30 90 92
ADVISER SERVICES: 1300 30 90 93
FACSIMILIE: (07) 3229 7580
WEBSITE: www.hfainvestments.com.au
E-MAIL: contact@hfainvestments.com.au

HFA HOLDINGS LIMITED ABN: 47 101 585 737

OFFICE: LEVEL 5, 151 MACQUARIE STREET, SYDNEY NSW 2000
TELEPHONE: (02) 8302 3333
FACSIMILIE: (02) 9357 2633
WEBSITE: www.hfaholdings.com.au
E-MAIL: info@hfaholdings.com.au

SHAREHOLDER INFORMATION AND INQUIRIES

ALL INQUIRIES AND CORRESPONDENCE REGARDING SHAREHOLDINGS SHOULD BE DIRECTED TO HFA'S SHARE REGISTRY PROVIDER:

LINK MARKET SERVICES LIMITED
ADDRESS: LEVEL 12, 680 GEORGE STREET, SYDNEY NSW 2000
MAILING ADDRESS: LOCKED BAG A14, SYDNEY SOUTH NSW 1235
TELEPHONE: 1300 554 474 OR (OVERSEAS) +61 (0)2 8280 7111
FACSIMILIE: (02) 9287 0303
WEBSITE: www.linkmarketservices.com.au