



February 26, 2007

ASX ANNOUNCEMENT – MEDIA RELEASE

HFA HOLDINGS REPORTS RECORD FIRST HALF EARNINGS

HIGHLIGHTS – SIX MONTHS TO 31 DECEMBER, 2006

- Record first half year Net Profit After Tax (NPAT) of \$8.1 million, up 107 per cent
- Revenue of \$30.1 million, up 81 per cent
- Assets Under Management (AUM) of \$3.02 billion, up 15 per cent
- Funds Under Management (FUM) of \$1.85 billion, up 19 per cent
- Strengthened senior executive team with appointment of Paul Jensen as Chief Executive Officer of HFA Holdings

Leading absolute return fund manager HFA Holdings Limited (ASX: HFA) remains on target to achieve full year Prospectus forecasts with a record profit for the first half to 31 December, 2006.

The company, which completed its initial public offering and listed on the Australian Stock Exchange (ASX) in April last year, today, posted a 19% increase in Funds Under Management to \$1.85 billion and a 15% increase in Assets Under Management to \$3.02 billion for the six months to 31 December 2006.

Revenue was up 81% on the previous corresponding period to \$30.1 million, contributing to a 107% increase in Net Profit After Tax (NPAT) to \$8.1 million. The company's Prospectus forecasts full year NPAT to 30 June, 2007, of \$13.9 million.

The Board of Directors has declared an interim dividend of 2.6 cents per share fully franked. This is in addition to the 1.5 cents per share fully franked special dividend paid in October, delivering 4.1 cents per share fully franked dividend for the period.

During the period the company, in line with its stated expansion strategy, has incurred costs working on a potential acquisition of a US based investment management company. This work is currently ongoing and further details of the acquisition will be made available when it is appropriate.

The company has also announced a management reorganisation which will position the company to continue building on the platform established for future growth.

Under the changes to its board and management structure Paul Jensen will succeed Spencer Young as Chief Executive Officer of HFA Holdings Limited.

Going forward Mr Young will retain executive duties with the company, with the responsibility for driving international growth and expansion. Mr Jensen will join the Board of HFA Holdings Limited as an executive director and Mr Young will continue as an executive director.

Mr Young said the relinquishing of day to day executive duties to Mr Jensen would strengthen the senior management of the company.

"Paul brings vast international experience in the superannuation, banking and investment markets to the company and I am confident he will guide the company as it continues on its growth path," he said.



Concurrent with the management change the company has also announced the resignation of Paul Willis as a director of HFA Holdings Limited. As a board member Mr Willis has played a key role in guiding the company through its listing and the Board wishes him the best for the future.

Commenting on the first half results, Mr Young said the company had established a strong platform for future earnings growth and would retain its focus on growing assets under management through superior product development and distribution networks which will continue to deliver strong earnings growth.

“This result for the first six months has established a strong platform for the remainder of the year and has positioned us well to at least match the forecasts laid out in our Prospectus,” he said.

“We are continuing to develop exciting and innovative new investment products which will ensure we remain at the forefront of the absolute return funds management industry in Australia,” he said.

He said HFA would continue to grow its retail and wholesale distribution network to provide greater capacity for current and future products while diversifying its overall exposure to any particular advisor dealer groups.

“A large part of our success to date has been the development of a diversified distribution network which means our products are recommended or approved for investment by more than 375 financial planner dealer groups,” he said.

Mr Young said HFA would continue to benefit from the growth of the absolute return funds sector which continues to be underpinned by the overall growth of the Australian wealth management industry.

“Allocations of investments into alternative asset classes continue to grow as a proportion of total investments and we are confident this trend will continue for the foreseeable future,” he said.

Paul Jensen moves to the HFA Holdings CEO position after being appointed Chief Executive Officer Designate of HFA Asset Management (HFAAM) in December.

Prior to joining HFA he has held senior executive positions with a number of leading companies both in Australia and overseas, including Travelex, Lend Lease Corporate Services (MLC) and Lloyds TSB Bank.

HFA Asset Management is a wholly-owned subsidiary of HFA Holdings Limited (ASX: HFA) and acts as the Responsible Entity and manager for HFA’s suite of absolute return and hedge fund investment funds.

ENDS

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HFA Holdings Limited

ABN 47 101 585 737

Appendix 4D

Half-Year Ended 31 December 2006

(All comparisons to half-year ended 31 December 2005)

Results for announcement to the market

		% movement		\$'000
Revenues from ordinary activities	up	81%	to	30,061
Profit/(loss) from ordinary activities after tax attributable to members	up	107%	to	8,122
Net profit/(loss) for the period attributable to members	up	107%	to	8,122

Dividend information

	amount per share (cents)	franked amount per share (cents)	tax rate for franking
Interim dividend per share (to be paid)	2.6	2.6	30%
Special dividend per share (paid 31 October 2006)	1.5	1.5	30%
Total dividends per share	4.1	4.1	

Interim dividend dates

Ex dividend date	19 March 2007
Record date	23 March 2007
Payment date	31 March 2007

	31 Dec 2006 (cents)	31 Dec 2005 (cents)
Net tangible assets per security	2.22	(0.52)

Additional Appendix 4D disclosure requirements can be found in the notes to the half-year financial report.

This report is based on the consolidated half-year financial report which has been subject to a review by KPMG.



HFA Holdings Limited

ABN 47 101 585 737

and its controlled entities

Interim Financial Report

31 December 2006

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Directors' Report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2006 and the review report thereon.

Directors

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

Name	Period of directorship
Non-executive	
Brett Howard (Chairman)	Appointed director and chairman 15 March 2006
Paul Manka	Appointed director 1 September 2005
John Morrison	Appointed director 15 March 2005
Paul Willis	Appointed director 15 March 2006
Michael King	Appointed director 5 August 2002
Executive	
Spencer Young	Appointed director 15 May 2003
Paul Jensen	Appointed director 23 February 2007

Principal activities

The principal activities of the consolidated entity during the course of the half-year were the provision of absolute return fund products to retail, wholesale and institutional investors throughout Australia, as a specialist funds management company.

Consolidated results

The consolidated entity recorded a net profit after tax of \$8.1 million for the 6 months ended 31 December 2006. Shareholders funds increased from \$8.4 million at 30 June 2006 to \$13.5 million at 31 December 2006. This increase reflects the net underlying earnings of the consolidated entity over the financial year after the impact of the payment of the special dividend as at 31 October 2006.

	Note	31 Dec 2006	31 Dec 2005
		\$m	\$m
Management fees		17.2	8.2
Performance fees		12.9	7.5
Other revenue		-	0.8
Investment management costs ¹		(12.2)	(8.0)
Net income from operating activities		17.9	8.5
Operating expenses, net of other income		(6.3)	(3.7)
Results from operating activities		11.6	4.8
Net financing income/(costs)		(0.1)	0.8
Profit before tax		11.5	5.6
Income tax expense		(3.4)	(1.7)
Net profit /(loss)		8.1	3.9

1 - the fee arrangement with Lighthouse Partners changed on 1 May 2006

Directors' Report

The consolidated entity recorded earnings before interest tax, depreciation and amortisation (EBITDA) of \$12.1 million for 6 months ending 31 December 2006 (2005: \$5.0 million).

Dividends

The directors have at the date of this report declared an interim dividend of 2.6 cents per share which will be fully franked and payable in March 2007.

Review of operations

HFA operates a specialist funds management business providing absolute return fund products to retail, wholesale and institutional investors throughout Australia. Absolute return funds aim to achieve positive returns across all market conditions and represent one of the fastest growing niche markets of the Australian wealth management industry.

Objective

HFA's objective is to strengthen its position as a profitable and growing provider of absolute return funds to its retail, wholesale and institutional clients. Growth in assets under management is expected to be primarily driven by new investments into existing products and the launch of new products.

Fund flow into the consolidated entity's products is expected to be driven by continuing success in product innovation, further expansion of distribution capabilities, actively targeting institutional investors, and capitalising on the growth of the Australian wealth management industry and in particular the absolute return fund sector.

Over the past several years, HFA has continually demonstrated strong growth in the assets it has under management through the funds it manages. HFA attributes its growth profile to its core strengths, namely its diversified and highly rated product range, its distribution capabilities and its experienced research, investment and management team.

Products

HFA manages products which fall into two main categories: open-ended products and structured products.

Open-ended products

These products are open-ended managed investment schemes which generally accept subscriptions and redemptions on a monthly basis. AUM in these products as at 31 December 2006 was \$930 million, a 21% increase over the half-year driven by net fund inflows of \$162 million and strong product performance, particularly for HFA's flagship HFA Diversified Investments Fund which had performance of 7.17% for the six months to 31 December 2006, and the continued strong distribution by HFA via the financial planning industry.

FUM within HFA's open-ended products is sourced primarily from retail investors, either directly or via investor directed portfolio services, with only 13% of these funds in these products held by institutional investors.

Structured products

In recent years, HFA has established a number of products which have been specifically structured as closed-end products to meet their stated investment objectives. These products utilise leverage as part of their objective to provide potential for enhanced returns.

For the half-year ended 31 December 2006, HFA's FUM and AUM increased through the launch of the HFA Partners Fund which raised \$53 million in December 2006, equating to an additional \$129 million of AUM.

Directors' Report

Assets under management

As at 31 December 2006, HFA had total funds under management ("FUM") of \$1.85 billion and total assets under management ("AUM") of \$3.02 billion. This represents an increase of 19% in FUM and 15% in AUM since the end of the previous financial year. This impressive growth has resulted from solid returns of the HFA investment products, overall positive net inflows into existing HFA products, and the launch of the HFA Partners Fund during the half-year.

Net income from operating activities

The growth in AUM and solid product performance has resulted in an increase in net income from operating activities to \$17.9 million for the half year ending 31 December 2006. This represents an increase of 108% over the December 2005 half year.

Operating expenses

Operating expenses increased to \$6.3 million for the half year ending 31 December 2006. This represents an increase of 70% (\$2.6 million) when compared to the half year ending 31 December 2005.

This increase is largely due to the significant growth in the business and increased administration costs associated. Significant areas of increased expenses were:

- Employee expenses (\$1.5 million). This increase is due to;
 - Average number of employees and directors increasing by 38% to 36 FTE's
 - Sales incentive bonuses paid to HFA's distribution team increasing due to the successful capital raising of the HFA Octane Asia Fund
 - An increase in discretionary bonuses paid to executives (excluding the CEO, Spencer Young) after a review conducted by HFA's Remuneration Committee. The Remuneration Committee approved the bonuses on the basis that they recognised the key role the executives have in contributing to HFA's current and future success. In addition, the Remuneration Committee believes that the quantum of the bonuses is consistent with industry standards, and hence an important part of retaining key HFA executives.

HFA continues its process of reviewing its remuneration structures, to ensure its employees are appropriately rewarded and incentivised to strive for the company's on-going growth and success.

- Administration expenses (\$0.4 million). This increase is due to significant business growth, the impact of listing on the ASX in April 2006, increased platform fees and the write-off of fund establishment costs.
- Amortisation of intangibles (\$0.2 million). This results from the amortisation of management rights recognised on the Octane Asia capital raising in June 2006.

Other assets

During the half-year HFA actively pursued an opportunity for expansion through a transaction with a US-based investment management company. Negotiations have progressed to an advanced state and the directors expect a transaction to likely be finalised by the end of June 2007. As at 31 December 2006, significant legal and advisory costs have been incurred to date which are recognised as an asset on the balance sheet. These costs are expected to be accounted for as part of the transaction, if it proceeds, and are not expected to be recognised in the income statement at the date of the transaction.

Directors' Report

Strategy and future performance

HFA's future performance is primarily dependent on its ability to grow its assets under management. HFA's strategy for achieving this is through:

- on-going development of innovative new absolute return products;
- increasing HFA's penetration of financial planner networks and dealer groups to maintain and grow HFA's retail and wholesale client base;
- increasing HFA's focus on institutional and high net worth investors; and
- leveraging the underlying growth of the Australian wealth management industry and greater investor interest in absolute return funds.

HFA will also look at opportunities to expand its business through acquisition of other businesses, both within Australia and internationally. This may include:

- competitor businesses and/or products;
- investment managers; and
- new distribution channels;

HFA will continue to actively pursue opportunities for expansion.

Events after balance sheet date

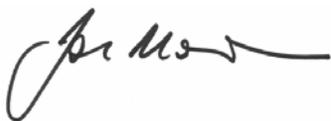
The directors have at the date of this report declared an interim dividend of 2.6 cents per share which will be fully franked and payable in March 2006.

There has not arisen in the interval between the end of the financial period 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.

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 5 and forms part of the directors' report for the financial period ended 31 December 2006.

Signed in accordance with a resolution of directors:



John Morrison
Director



Spencer Young
Managing Director

Dated at Sydney this 23 day of February 2007

Lead auditor's independence declaration

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

To the directors of HFA Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2006 there have been:

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



KPMG



Robert S Jones
Partner

Brisbane
23 February 2007

Consolidated interim income statement

For the six months ended 31 December 2006

	Note	31 Dec 2006	31 Dec 2005
		\$	\$
Revenue		30,060,629	16,595,962
Investment management costs		(12,144,285)	(8,020,272)
Net income from operating activities		17,916,344	8,575,690
Other income		2,348	1,251
Expenses		(6,343,395)	(3,740,040)
Results from operating activities		11,575,297	4,836,901
Financial income		275,972	821,730
Financial expenses		(314,390)	-
Net financing income/(costs)		(38,418)	821,730
Profit/(loss) before tax		11,536,879	5,658,631
Income tax expense		(3,414,599)	(1,726,547)
Net profit/(loss)		8,122,280	3,932,084
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)	8	4.025	2.122
Diluted earnings per share (cents per share)	8	4.025	2.122

The income statement is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 14.

Consolidated interim statement of changes in equity

As at 31 December 2006

	Note	31 Dec 2006 \$	31 Dec 2005 \$
Total equity at 1 July		8,375,876	410,936
Total recognised income and expenses for the year:			
Change in fair value of available-for-sale financial assets, net of tax	10	7,782	38,838
Net income/(expense) recognised directly in equity		7,782	38,838
Profit/(loss) for the period		8,122,280	3,932,084
Total recognised income and expense for the period		8,130,062	3,970,922
Total recognised income and expense for the year is attributable to:			
Members of HFA Holdings Limited		8,130,062	3,970,922
Transactions with equity holders in their capacity as equity holders:			
Capital contribution for income tax	10	-	503,385
Dividends paid	9	(3,027,167)	-
Total transactions with equity holders in their capacity as equity holders		(3,027,167)	503,385
Total equity at 31 December		13,478,771	4,885,243

The statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 14.

Consolidated interim balance sheet

As at 31 December 2006

	Note	31 Dec 2006 \$	30 June 2006 \$
Assets			
Current			
Cash and cash equivalents		10,562,615	8,093,328
Trade and other receivables		18,398,515	7,606,049
Other current assets	6	2,655,054	-
Total current assets		31,616,184	15,699,377
Non-current			
Trade and other receivables		961,985	751,739
Investments		550,458	525,179
Property, plant and equipment	7	626,457	242,722
Intangible assets		9,001,734	9,420,137
Total non-current assets		11,140,634	10,939,777
Total assets		42,756,818	26,639,154
Liabilities			
Current			
Trade and other payables		11,780,557	8,320,563
Current tax liability		3,616,716	-
Interest bearing loans and borrowings		2,497,005	2,492,637
Employee benefits		2,572,699	965,351
Total current liabilities		20,466,977	11,778,551
Non-current			
Interest bearing loans and borrowings		7,484,567	4,974,567
Employee benefits		79,891	64,767
Deferred tax liabilities		1,246,612	1,445,393
Total non-current liabilities		8,811,070	6,484,727
Total liabilities		29,278,047	18,263,278
Net assets		13,478,771	8,375,876
Equity			
Issued capital		705,721	705,721
Reserves		10,967	3,186
Retained earnings		12,762,083	7,666,969
Total equity		13,478,771	8,375,876

The balance sheet is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 14.

Consolidated interim statement of cash flows

For the six months ended 31 December 2006

	Note	31 Dec 2006 \$	31 Dec 2005 \$
Cash flows from operating activities			
Fees received		19,661,356	14,026,450
Payments to suppliers and employees		(13,815,217)	(9,813,330)
Cash generated from operations		5,846,139	4,213,120
Interest received		249,573	54,166
Dividends and distributions received		26,400	-
Interest paid		(314,390)	-
Net cash from/(used in) operating activities		5,807,722	4,267,286
Cash flows from investing activities			
Proceeds from sale of investments		-	2,799,193
Acquisition of property, plant and equipment		(480,045)	(75,772)
Acquisition of investments		(253,188)	(1,000,000)
Acquisition of intangibles		(2,078,035)	(830,237)
Net cash from/(used in) investing activities		(2,811,268)	893,184
Cash flows from financing activities			
Proceeds from borrowings		2,500,000	1,000,000
Repayments of borrowings		-	(900,000)
Dividends paid	9	(3,027,167)	-
Net cash from/(used in) financing activities		(527,167)	100,000
Net increase in cash and cash equivalents		2,469,287	5,260,470
Cash and cash equivalents at 1 July		8,093,328	947,357
Cash and cash equivalents at 31 December		10,562,615	6,207,827

The statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 10 to 14.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2006

1. Reporting entity

HFA Holdings Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available upon request from the Company’s registered office at Level 5, 151 Macquarie Street, Sydney NSW 2000 or at www.hfaholdings.com.au.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

This consolidated interim financial report was approved by the Board of Directors on 23 February 2007.

3. Significant accounting policies

Except as described below, the accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

The consolidated entity adopted AASB 2005-9 *Amendments to Australian Accounting Standards (2005)* as at 1 January 2006. There is no impact on the financial results of the consolidated entity as there are no financial guarantee contracts that have been provided by the consolidated entity.

4. Estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgments made by management in applying the consolidated entity’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial report as at and for the year ended 30 June 2006.

5. Segment reporting

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

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2006

5. Segment reporting (continued)

Primary Segment - Business Information

The primary business activity engaged in by HFA Holdings 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 consolidated entity.

Secondary Segment - Geographic Information

The geographic segmentation of revenue is based on the location of the customers, while segmentation of the assets is based on the location of the asset. HFA Holdings operates in only one principal geographical location, being Australia.

6. Other current assets

During the half-year HFA actively pursued an opportunity for expansion through a transaction with a US-based investment management company. Negotiations have progressed to an advanced state and the directors expect a transaction to likely be finalised by the end of June 2007. As at 31 December 2006, \$2,655,054 in legal and advisory costs have been incurred to date which are recognised as an asset on the balance sheet. These costs are expected to be accounted for as part of the transaction, if it proceeds, and are not expected to be recognised in the income statement at the date of the transaction.

7. Property, plant and equipment

During the six months ended 31 December 2006 the consolidated entity acquired assets with a cost of \$480,045 (six months ended 31 December 2005: \$75,772). No assets were disposed of during the six months ended 31 December 2006 (six months ended 31 December 2005: \$nil).

8. Earnings per share

The calculation of basic earnings per share and diluted earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders of \$8,122,280 (2005: profit of \$3,932,084) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2006 of 201,811,000 (2005: 185,262,498), calculated as follows:

	2006	2005
	\$	\$
Earnings from operations used in calculating Basic earnings per share	8,122,280	3,932,084
Earnings from operations used in calculating Diluted earnings per share	8,122,280	3,932,084
	2006	2005
	No. of Shares	No. of Shares
Weighted average number of shares issued		
Issued ordinary shares at 1 July	201,811,000	185,262,498
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	201,811,000	185,262,498

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2006

8. Earnings per share (continued)

On 15 March 2006, a share split resulted in the conversion of 1 ordinary share to 185,262,498 shares, whilst on 1 May 2006, 16,548,502 shares were issued under the Employee Share Plan.

There have been no other issues of ordinary shares, options or other securities to the period ended 31 December 2006.

9. Dividends

The following dividends were declared and paid by the consolidated entity:

For the six months ended	Note	31 Dec 2006	31 Dec 2005
		\$	\$
31 October 2006: \$0.015 per qualifying ordinary share fully franked (31 October 2005: \$Nil)		3,027,167	-
		3,027,167	-

10. Issued capital and reserves

	Note	31 Dec 2006	31 Dec 2005
		\$	\$
<i>Ordinary Shares</i>			
Issued and fully paid		705,721	705,721
<i>Movement in ordinary shares on issue</i>		No.	\$
Balance at 1 July 2005		1	202,336
Capital contribution for income tax		-	503,385
Balance at 31 December 2005		1	705,721
Balance at 1 July 2006		201,811,000	705,721
Balance at 31 December 2006		201,811,000	705,721

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, 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 the Company. The ordinary shares have no par value.

	Note	31 Dec 2006	31 Dec 2005
		\$	\$
Retained earnings		12,762,083	4,208,252
Available-for-sale financial assets reserve		10,967	(28,730)

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2006

10. Issued capital and reserves (continued)

<i>Movements:</i>	31 Dec 2006	31 Dec 2005
(a) <i>Retained earnings</i>	\$	\$
Balance at 1 July	7,666,970	276,168
Net profit attributable to members of HFA Holdings Limited	8,122,280	3,932,084
Capital contribution for income tax	-	-
Dividends paid	(3,027,167)	-
Balance at 31 Dec	12,762,083	4,208,252
(b) <i>Available-for-financial assets reserve</i>	\$	\$
Balance at 1 July	3,185	(67,568)
Unrealised gain/(loss)	7,782	38,838
Balance at 31 Dec	10,967	(28,730)

Nature and purpose of reserves

Available-for-sale financial asset reserve

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

11. Related parties

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 six months relating to key management personnel and other related parties were as follows:

HFA Accelerator Plus Limited

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

John Morrison, Paul Manka and Spencer Young are directors 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.

During the six months the following related party transactions occurred:

- (i) The company purchased an additional 14,631 shares (2005: Nil) in HFA Accelerator Plus Limited. The fair value of the holding of 561,692 shares as at 31 December 2006 is \$550,458.

Condensed notes to the consolidated interim financial statements

For the six months ended 31 December 2006

- (ii) The company received a dividend of \$26,400 fully franked (2005: Nil) from its shareholding in HFA Accelerator Plus Limited.
- (iii) HFA Asset Management Limited recognised management and performance fees paid or payable of \$6,879,351 (2005: \$3,870,353) from HFA Accelerator Plus Limited.

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.

John Morrison, Paul Manka, Spencer Young and Jonathan Pain are directors of HFA Asset Management Limited.

During the six months HFA Asset Management Limited recognised management and performance fees paid or payable of \$23,181,278 (2005: \$11,852,308) 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 \$17,078,892 (2005: \$8,834,599). There are no arrangements that continue to be in place with MFS Limited or any of its controlled entities for the six months ended 31 December 2006.

12. Events after balance sheet date

The directors have at the date of this report declared an interim dividend of 2.6 cents per share which will be fully franked and payable in March 2006.

There has not arisen in the interval between the end of the financial period 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

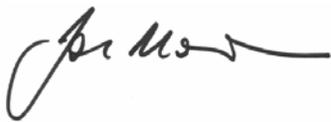
For the six months ended 31 December 2006

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

1. the financial statements and notes set out on pages 6 to 14, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 23rd day of February 2007.

Signed in accordance with a resolution of the directors:



John Morrison
Director



Spencer Young
Managing Director

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

For the six months ended 31 December 2006

Report on the Financial Report

We have reviewed the accompanying interim financial report of HFA Holdings Limited, which comprises the consolidated interim balance sheet as at 31 December 2006, and the consolidated interim income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of significant accounting policies, other explanatory notes 1 to 12 and the directors' declaration set out on page 15 of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of HFA Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

For the six months ended 31 December 2006

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.



KPMG



Robert S Jones
Partner

Brisbane
23 February 2007