

**HFA Holdings Limited and its Controlled Entities**  
**ABN 47 101 585 737**

Annual Financial Report

30 June 2005

*This is Annexure A of 32 pages referred to in Form 388 "Copy of financial statements and reports".*

**HFA Holdings Limited and its Controlled Entities**  
ABN 47 101 585 737

**Statement of financial performance**  
**for the year ended 30 June 2005**

	Note	Consolidated 2005 \$	Consolidated 2004 \$
Revenue from rendering of services	2	13,639,051	5,001,495
Other revenue	2	384,813	302,935
<b>Total revenue</b>		<u>14,023,864</u>	<u>5,304,430</u>
Expenses from ordinary activities:			
Employee expenses		4,206,328	2,791,729
Occupancy expenses		172,927	121,750
Investment management costs		6,324,296	2,263,273
Depreciation and amortisation	3	370,043	82,826
Professional fees		158,495	353,613
Marketing and promotions costs		217,078	234,497
Travel costs		198,293	141,247
Other expenses from ordinary activities		959,228	545,760
		<u>12,606,688</u>	<u>6,534,695</u>
<b>Profit from ordinary activities before related income tax expense</b>		1,417,176	(1,230,265)
Income tax expense relating to ordinary activities		<u>-</u>	<u>-</u>
<b>Profit after related income tax expense</b>		<u>1,417,176</u>	<u>(1,230,265)</u>

*The statement of financial performance is to be read in conjunction with the notes  
to the financial statements.*

**HFA Holdings Limited and its Controlled Entities**  
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**Statement of financial position**  
**as at 30 June 2005**

	Note	Consolidated 2005 \$	Consolidated 2004 \$
<b>Current assets</b>			
Cash assets		947,357	224,366
Receivables		5,847,387	2,278,044
Other		255,644	183,988
<b>Total current assets</b>		<u>7,050,388</u>	<u>2,686,398</u>
<b>Non-current assets</b>			
Plant and equipment		155,550	99,066
Intangible assets	4	3,197,921	2,019,446
Other financial assets	5	2,094,979	810,214
<b>Total non-current assets</b>		<u>5,448,450</u>	<u>2,928,726</u>
<b>TOTAL ASSETS</b>		<u>12,498,838</u>	<u>5,615,124</u>
<b>Current liabilities</b>			
Payables		3,047,577	1,227,050
Provisions		735,442	354,274
Other		25,713	-
<b>Total current liabilities</b>		<u>3,808,732</u>	<u>1,581,324</u>
<b>Non-Current liabilities</b>			
Loans		8,045,520	4,895,520
Provisions		114,948	25,818
<b>Total non-current liabilities</b>		<u>8,160,468</u>	<u>4,921,338</u>
<b>TOTAL LIABILITIES</b>		<u>11,969,200</u>	<u>6,502,662</u>
<b>NET ASSETS</b>		<u>529,638</u>	<u>(887,538)</u>
<b>Equity</b>			
Contributed equity		1	1
Accumulated profits		529,637	(887,539)
<b>TOTAL EQUITY</b>		<u>529,638</u>	<u>(887,538)</u>

*The statement of financial position is to be read in conjunction with the notes to the financial statements.*

**HFA Holdings Limited and its Controlled Entities**  
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**Statement of cashflows**  
**for the year ended 30 June 2005**

	Note	Consolidated 2005 \$	Consolidated 2004 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		11,690,025	5,093,114
Cash payments in the course of operations		(11,321,900)	(6,429,283)
Interest received		39,633	19,482
		<hr/>	<hr/>
<b>Net cash provided by/(used in) operating activities</b>		407,758	(1,316,687)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(126,311)	(109,817)
Proceeds from sale of investments		90,860	225,000
Payments for investments		(1,320,211)	(890,214)
Payments for management rights		(1,477,505)	-
Payments for formation expenses		(1,600)	-
		<hr/>	<hr/>
<b>Net cash provided by/(used in) investing activities</b>		(2,834,767)	(775,031)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from loans		3,150,000	1,600,000
		<hr/>	<hr/>
<b>Net cash provided by financing activities</b>		3,150,000	1,600,000
		<hr/>	<hr/>
Net increase/(decrease) in cash held		722,991	(491,718)
Cash at the beginning of the financial period		224,366	716,084
		<hr/>	<hr/>
<b>Cash at the end of the financial period</b>		947,357	224,366
		<hr/>	<hr/>

*The statement of cashflows is to be read in conjunction with the notes to the financial statements.*

**HFA Holdings Limited and its Controlled Entities**  
ABN 47 101 585 737

**Notes to the financial statements  
for the year ended 30 June 2005**

**1. Statement of significant accounting policies**

The significant accounting policies which have been adopted in the preparation of this financial report are:

**(a) Basis of preparation**

In the opinion of the Directors, the Company is not a reporting entity. The financial report of the Consolidated Entity has been drawn up as a special purpose financial report. This financial report reflects the results of the consolidated entity.

It has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or fair values of assets.

These accounting policies have been consistently applied.

The financial report has been prepared in accordance with requirements of the recognition and measurement aspects of all applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board that have material effect. The financial report does not include the disclosure requirements of the following pronouncements having a material effect:

- AASB 1005 Segment Reporting
- AASB 1017 Related Party Disclosure
- AASB 1033 Presentation and Disclosure of Financial Instruments
- AASB 1024 Consolidated Accounts
- AASB 1047 Disclosing the impacts of Adopting Australian Equivalents to International Financial Reporting Standards

**(b) Principles of consolidation**

*Controlled entities*

The financial statements of controlled entities are included in the consolidated financial statement from the date control commences until the date control ceases.

*Transactions eliminated on consolidation*

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

**(c) Income tax**

The Company is a wholly-owned subsidiary in a tax consolidation group and does not separately account for income tax. The head entity recognises all of the income tax balances of the Tax Consolidated Group (after elimination of inter-group transactions).

**HFA Holdings Limited and its Controlled Entities**  
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**Notes to the financial statements  
for the year ended 30 June 2005**

**1. Statement of significant accounting policies (cont'd)**

**(d) Receivables**

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

**(e) Acquisition of assets**

All assets acquired, including plant and equipment, leasehold improvements and intangibles, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

**(f) Revenue recognition**

*Rendering of services*

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST), payable to the ATO. Exchange of goods or services of the same nature without any cash consideration are not recognised as revenues.

Revenue from commissions and management fees is recognised in the period the service is rendered.

*Interest income*

Interest income is recognised as it accrues.

*Investment Income*

Investment income is recognised as it accrues.

*Proceeds on sale of non-current assets*

The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

**(g) Foreign currency**

*Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currency are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

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**Notes to the financial statements**  
**for the year ended 30 June 2005**

**1. Statement of significant accounting policies (cont'd)**

**(h) Depreciation and amortisation**

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the diminishing value method over their estimated useful lives, with the exception of intangibles which is amortised using the straight line method.

Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

Depreciation and amortisation are expensed.

The depreciation/amortisation rates or useful life used for each class of asset are as follows:

	<b>2005</b>	<b>2004</b>
<i>Property, plant and equipment</i>		
Plant and equipment	30-50%	30-50%
Leasehold improvements	5-8%	5-8%
<i>Intangibles</i>		
Management rights	5 years	-
Goodwill	20 years	20 years

**(i) Investments**

Investments are recognised at the lower of cost or recoverable amount.

**(j) Recoverable amount of non-current assets valued on cost basis**

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

**(k) Intangibles**

*Goodwill*

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

**HFA Holdings Limited and its Controlled Entities**  
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**Notes to the financial statements**  
**for the year ended 30 June 2005**

**1. Statement of significant accounting policies (cont'd)**

**(k) Intangibles (continued)**

*Management rights*

Other intangible assets consisting of management rights that are acquired by the consolidated entity are stated at cost less accumulated amortisation.

**(l) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(m) Accounts payable**

Liabilities are recognised for amounts to be paid in the future for goods or services rendered, whether or not billed to the Consolidated entity at the reporting date.

**(n) Employee Benefits**

*Wages, salaries, annual leave, sick leave and non-monetary benefits*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

*Long Service Leave*

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history.

*Bonus Plans*

A liability is recognised for bonus plans. The benefit calculations have been formally documented in employment contracts and past practice supports the calculations.



**HFA Holdings Limited and its Controlled Entities**  
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**Notes to the financial statements**  
**for the year ended 30 June 2005**

<b>2. Revenue from ordinary activities</b>	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<i>Rendering of services revenue from operating activities</i>		
Manager's base fee income	7,938,080	2,981,372
Performance fee	4,797,802	1,843,120
Entry commissions	125,344	129,432
Marketing Allowance	777,825	-
Recoupment of administrative expenses	-	47,571
	<u>13,639,051</u>	<u>5,001,495</u>
<i>Other revenues</i>		
Interest	39,633	19,482
Investment income	236,171	46,762
Gross Proceeds on sale of investment assets	90,069	225,000
Gross Proceeds on sale of plant and equipment	791	-
Sundry income	18,149	11,691
	<u>384,813</u>	<u>302,935</u>
<b>Total revenue from ordinary activities</b>	<b>14,023,864</b>	<b>5,304,430</b>
<b>3. Profit/(Loss) from ordinary activities before income tax expense has been arrived at after charging/ (crediting) the following items</b>	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<i>Depreciation</i>		
Plant & equipment	55,576	31,601
Leasehold improvements	13,742	788
	<u>69,318</u>	<u>32,389</u>
<i>Amortisation</i>		
Management rights	197,001	-
Goodwill	103,591	50,437
Formation Costs	133	-
	<u>300,725</u>	<u>50,437</u>
<b>Total depreciation and amortisation</b>	<b>370,043</b>	<b>82,826</b>
<i>Other</i>		
Movement in provision for employee benefits	(380,092)	277,632
Profit on sale of investments	(54,999)	(145,000)
Net foreign exchange loss	2,235	-
	<u>(432,856)</u>	<u>132,632</u>

**HFA Holdings Limited and its Controlled Entities**  
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**Notes to the financial statements**  
**for the year ended 30 June 2005**

**4. Intangible assets**

Goodwill		
<i>At cost</i>	2,069,883	2,069,883
<i>Accumulated amortisation</i>	(153,934)	(50,437)
Formation Costs		
<i>At cost</i>	1,600	-
<i>Accumulated amortisation</i>	(133)	
Management rights		
<i>At cost</i>	1,477,505	-
<i>Accumulated amortisation</i>	(197,001)	-
	<u>3,197,921</u>	<u>2,019,446</u>

**5. Other financial assets**

<i>Non-current</i>		
Investments in a related managed investment scheme		
<i>At cost</i>	2,094,979	775,143
Investments in non-related managed investment scheme		
<i>At cost</i>	-	35,071
	<u>2,094,979</u>	<u>810,214</u>

**6. Impact of adopting Australian equivalents to International Financial Reporting Standards**

For the reporting periods beginning on or after 1 January 2005, the Consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

**HFA Holdings Limited and its Controlled Entities**  
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**Notes to the financial statements  
for the year ended 30 June 2005**

**Summary of transitional adjustments**

The following table sets out the expected adjustments to the statements of financial position of the Consolidated entity and the consolidated entity at transition to AIFRS as at 1 Jul 2004 and for the AIFRS comparative period balance sheet as at 30 June 2005.

*Reconciliation of equity*

	Note	Consolidated		Consolidated	
		1 July 2004	30 June 2005	1 July 2004	30 June 2005
		AGAAP	AIFRS	AGAAP	AIFRS
		\$	\$	\$	\$
				Transition Impact	Transition Impact
				\$	\$
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and cash equivalents		224,366	224,366	947,357	-
Trade receivables		2,278,044	2,278,044	5,847,388	-
Other current assets		183,988	183,988	255,644	-
<b>Total current assets</b>		<b>2,686,398</b>	<b>2,686,398</b>	<b>7,050,389</b>	<b>-</b>
<i>Non-current assets</i>					
Available for sale investments		810,214	788,100	2,094,979	(96,526)
Deferred tax assets		-	6,634	-	-
Property, plant and equipment		99,066	99,066	155,550	-
Other intangible assets		2,019,446	2,019,446	3,197,921	103,497
<b>Total non-current assets</b>		<b>2,928,726</b>	<b>2,913,246</b>	<b>5,448,450</b>	<b>6,971</b>
<b>Total assets</b>		<b>5,615,124</b>	<b>5,599,644</b>	<b>12,498,839</b>	<b>6,971</b>
					<b>12,505,810</b>



**HFA Holdings Limited and its Controlled Entities**  
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**Notes to the financial statements**  
**for the year ended 30 June 2005**

*Reconciliation of profit for the financial year ended 30 June 2005*

The following table sets out the expected adjustments to the statements of financial performance of the Consolidated entity for the year ended 30 June 2005.

Note	Consolidated For the year ended 30 June 2005		
	AGAAP \$	Transition Impact \$	AIFRS \$
Revenue	13,639,051	-	13,639,051
Other Income	384,813	(54,000)	330,813
Employee benefits expense	787,434	-	787,434
Depreciation and amortisation expense	370,043	(103,497)	266,546
Impairment of property, plant and equipment	-	-	-
Other expenses	11,449,211	(35,071)	11,414,140
<b>Profit before income tax expense</b>	<b>1,417,176</b>	<b>84,568</b>	<b>1,501,744</b>
Income tax expense	-	356,967	356,967
Profit from continuing operations	-	-	-
Profit/(loss) from discounted operations	-	-	-
<b>Profit for the period</b>	<b>1,417,176</b>	<b>(272,399)</b>	<b>1,144,777</b>
Attributable to:			
Equity holders of the parent	-	-	-
	<b>1,417,176</b>	<b>(272,399)</b>	<b>1,144,777</b>

*Summary of impact of transition to AIFRS on retained earnings*

The impact of the transition to AIFRS on retained earnings as at 1 July 2004 is summarised below:

	Consolidated Entity \$
Retained earnings as at 1 July 2004 under AGAAP	(887,538)
AIFRS reconciliation:	
- transfer from asset revaluation reserve	(15,480)
Retained earnings as at 1 July 2004 under AIFRS	<u>(903,018)</u>

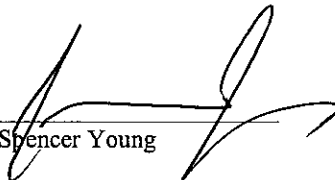
**HFA Holdings Limited and its Controlled Entities**  
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**Directors' Declaration**

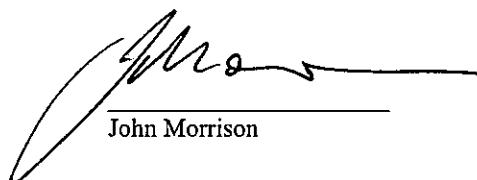
In the opinion of the Directors of HFA Holdings Limited ("the Company"):

- (a) the consolidated entity is not a reporting entity;
- (b) the special purpose consolidated financial statements and accompanying notes set out on pages 2 to 13 have been prepared for the sole purpose of meeting the reporting requirements of the proposed initial public offering of the Company; and
- (c) the special purpose financial report is drawn up in accordance with the basis of accounting described in Note 1, so as to present fairly the financial position of the consolidated entity as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date.

Signed in accordance with a resolution of the Directors.

  
\_\_\_\_\_  
Spencer Young

27/2/06  
Date

  
\_\_\_\_\_  
John Morrison

27/2/06  
Date

**Independent audit report to the members of  
HFA Holdings Limited and its controlled entities.**

***Scope***

*The financial report and Directors responsibility*

The financial report, being a special purpose financial report and director' declaration, comprises the Statement of financial performance, Statement of financial position and statement of cash flows and accompanying notes for HFA Holdings Limited and its controlled entities ("consolidated entity") for the year ended 30 June 2005.

The directors are responsible for the preparation and true and fair presentation of the financial report in accordance with the accounting policies set out in Note 1 of the financial statements. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent to the financial report.

The directors have determined that the accounting policies used and described in Note 1 to the financial statements, including the basis of accounting, which form part of the special purpose financial report, are appropriate to meeting the requirements of the proposed initial public offering.

*Audit Approach*

We conducted an independent audit in order to express an opinion on it to the members. No opinion is expressed whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members or for any purpose other than that for which they were prepared.

Our audit has been conducted in accordance with the Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence.

We performed procedures to assess whether in all material respect the financial report presents fairly, a view in accordance with the basis of accounting set out in Note 1 to the financial statements, a view which is consistent with our understanding of the consolidated entity's financial position. The accounting policies do not require the application of all Accounting Standards nor other mandatory professional reporting requirements in Australia.

**Independent audit report to the members of  
HFA Holdings Limited and its controlled entities.**

We formed our audit opinion on the basis of these procedures, which include:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of the management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

***Audit opinion***

In our opinion, the financial report of HFA Holdings Limited and its controlled entities presents fairly the financial position of the consolidated entity as at 30 June 2005 and the information contained therein for the financial year then ended in accordance with the basis of accounting set out in Note 1 to the financial statements, and is presented in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia to the extent described in Note 1 to the financial statements.

*KpmG*

KPMG  
Brisbane

*R.S. Jones*  
\_\_\_\_\_  
Robert Jones

*27/2/2006*  
\_\_\_\_\_  
Date