HFA Holdings Limited and its controlled entities

Interim financial report for the six months ended 31 December 2005

ACN 101 585 737

Contents

HFA Holdings Limited and its controlled entities Condensed consolidated interim income statement

For the six months ended 31 December 2005

	Note	31 December 2005 $
Fee and other revenue		16,710,838
Other operating income		708,105
Total Income		17,418,943
Investment management costs		8,020,272
Net operating income		9,398,671
Employee expenses		2,534,731
Occupancy expenses		101,762
Depreciation and amortisation		226,169
Professional fees		95,004
Marketing and promotion costs		157,394
Travel costs		159,787
Other operating expenses		465,193
Operating profit before tax		5,658,631
Income tax expense	3	1,726,547
Profit for the period		3,932,084
Basic earnings per share attributable to ordinary equity holders	6	3,932,084

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 6 to 45.

HFA Holdings Limited and its controlled entities
Condensed consolidated interim statement of recognised income and expense

For the six months ended 31 December 2005

	31 December 2005
Change in fair value of financial assets available for sale	38,838
Net income recognised directly in equity	38,838
Profit for the period	3,932,084
Total recognised income and expense for the period	3,970,922

The statement of recognised income and expense is to be read in conjunction with the notes to the interim financial statements set out on pages 6 to 45.

HFA Holdings Limited and its controlled entities
Condensed consolidated interim balance sheet
As at 31 December 2005

	Note	31 Dec 2005	30 June 2005
Current Assets			
Cash and cash equivalents		6,207,827	947,357
Trade and other receivables		10,083,975	5,847,388
Other assets		178,151	95,952
Total current assets		16,469,953	6,890,697
Non-current assets			
Investments		1,000,000	1,998,453
Property, plant and equipment	4	202,906	155,550
Intangible assets		7,598,057	3,301,418
Other receivables		163,791	159,692
Total non-current assets		8,964,754	5,615,113
Total assets		25,434,707	12,505,810
Current Liabilities			
Trade and other payables		9,829,306	3,073,290
Loans at call – unsecured		8,145,520	8,045,520
Employee benefits		1,177,731	735,442
Total current liabilities		19,152,557	11,854,252
Non-current Liabilities			
Deferred tax liabilities	3	1,348,836	125,674
Employee benefits		48,071	114,948
Total non-current liabilities		1,396,907	240,622
Total liabilities		20,549,464	12,094,874
Net assets		4,885,243	410,936
Equity			
Issued capital	5	705,721	202,336
Reserves	5	-	(38,838)
Retained earnings		4,179,522	247,438
Total equity		4,885,243	410,936

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 6 to 45.

HFA Holdings Limited and its controlled entities Condensed consolidated interim statement of cash flows

For the six months ended 31 December 2005

In thousands of AUD	*Note*	**31 Dec 2005**
Cash flows from operating activities		
Cash receipts from customers		14,026,450
Cash paid to suppliers and employees		(9,813,330)
Cash generated from operations		4,213,120
Interest received		54,166
Net cash from operating activities		4,267,286
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment		-
Proceeds from sale of investments		2,799,193
Acquisition of property, plant and equipment	4	(75,772)
Acquisition of other investments		(1,000,000)
Acquisition of intangible assets		(830,237)
Net cash from investing activities		893,184
Cash flows from financing activities		
Proceeds from borrowings		1,000,000
Repayment of borrowings		(900,000)
Net cash from financing activities		100,000
Net increase in cash and cash equivalents		5,260,470
Cash and cash equivalents at 1 July		947,357
Cash and cash equivalents at 31 December		6,207,827

This statement of cashflows is to be read in conjunction with the notes to the interim financial statements set out on pages 6 to 45.

Notes to the condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

HFA Holdings Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "consolidated entity").

The condensed consolidated interim financial report was authorised for issue by the directors on 24 February 2006.

(a) Statement of Compliance

The condensed consolidated interim financial report is a special purpose financial report which has been prepared in accordance with the measurement requirements of Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The special purpose report has been prepared specifically to meet the reporting requirements for the proposed initial public offering of the Company. Accordingly, some disclosure requirements of the following Australian Accounting Standards have not been applied:

- AASB 101 *Preparation of Financial Statements*
- AASB 134 *Interim Financial Reporting*
- AASB 1 *First time adoption of Australian Equivalents to International Financial Reporting Standards*

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS"), to distinguish from previous Australian GAAP.

This is the consolidated entity's first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards.* The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by Example Public Company Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 10. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRSs.

(b) Basis of Preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except for investments which are stated at their fair value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(b) Basis of Preparation (continued)

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ended 30 June 2006.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRSs, as required by AASB 1.The impact of the transition from previous GAAP to AIFRSs is explained in note 10. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company 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 condensed consolidated interim financial report from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in both the current and comparative periods are as follows:

- plant and equipment 2-3 years
- leasehold improvements 12-20 years

The residual value, if not insignificant, is reassessed annually.

(f) Intangible assets

(i) Goodwill

Business Combinations

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy n). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

(ii) Other intangible assets

Other intangible assets consisting of management and servicing rights that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (j)).

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date of acquisition. The estimated useful lives in the current and comparative periods are as follows:

- Management and servicing rights — 5 - 10 years
  The estimated useful life of the management rights changed from 5 to 10 years due to a change in the contractual term of the investment management agreement to which the management rights relates effective from 6 December 2005.

(g) Investments in a related managed investment scheme

Investments in a related managed investment scheme held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

The fair value of investments classified as available-for-sale is their quoted bid price at the balance sheet date.

Investments classified as available-for-sale are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments.

(h) Trade and other receivables

(i) Other trade and other receivables

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

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Impairment

The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (j)(i)).

For goodwill, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the 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 the income statement.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

(j) Impairment (continued)

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Goodwill was tested for impairment at 1 July 2004, the date of transition to AIFRSs, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, 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 or amortisation, if no impairment loss had been recognised.

Significant accounting policies (continued)

(k) Dividends

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

(l) Employee benefits

(i) 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.

(ii) 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 at discounted amounts using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history.

(iii) 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.

(m) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect 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, when appropriate, the risks specific to the liability.

(n) Trade and other payables

Trade and other payables are stated cost.

(o) Revenue

(i) Rendering of services

Revenues from rendering of services are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the ATO. Income management and servicing fees are recognised in the period the services are rendered.

(ii) Interest income

Interest income is recognised as it accrues.

(iii) Investment income

Investment income is recognised as it accrues.

(p) Expenses

(i) Operating lease payments

Payments made 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.

Significant accounting policies (continued)

(q) Income tax

Income tax on the income statement for the periods presented 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 substantially enacted at the 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 purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

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

Tax consolidation

The Company is part of a tax-consolidated group with effect from 6 January 2004. The head entity within the tax consolidated group is MFS Limited, and the Company is therefore not taxed as a single entity.

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

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the Company are recognised as a contribution to (or distribution from) equity.

Nature of tax funding arrangements

The Company has not entered into a tax funding arrangement as at reporting date, and the Company does not have any funding obligations to the head entity in respect of any current tax liabilities of the tax-consolidated group in respect of tax amounts relating to the Company. The current tax liability (asset) of the Company is recognised as a contribution (distribution) to equity by the Company.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

(r) Goods and Services Tax

Revenue, 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 components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

2. Segment reporting

The Company operates predominately in Australia. The Company's operations and customers are located predominately in Australia. The Company operates in the investment and financial services industry.

3. Income taxes

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Current tax for current and prior periods is classified as a current liability to the extent that it is not recognised as an equity contribution to (or distribution from) the equity head entity of the tax consolidation group (see accounting policy (q)).

Deferred tax

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 the estimated average annual effective income tax rate for the interim periods presented.

The primary components of the entity's recognised deferred tax assets include temporary differences related to employee benefits, provisions and other items, and the value of tax loss-carry-forwards recognised (if any).

The primary components of the entity's deferred tax liabilities include temporary differences related to property, plant and equipment and intangible assets.

Deferred tax expense arises from the origination and reversal of temporary differences and the benefit of tax losses recognised (if any). The primary component of deferred tax expense for the six months ended 31 December 2005 is related to an increase in deferred tax liabilities, relating primarily to intangible assets.

Total deferred tax recognised directly in equity was nil for the six months ended 31 December 2005 (six months ended 31 December 2004: nil).

Notes to the condensed consolidated interim financial statements

4. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2005, the consolidated entity acquired assets with a cost of $75,772. No assets were disposed of during the six months ended 31 December 2005, resulting in a gain on disposal of $nil.

Impairment loss and subsequent reversal

No impairment losses were recognised during the six months ended 31 December 2005.

5. Capital and reserves

Reconciliation of movement in capital and reserves

Consolidated	*Note*	Share capital	Fair value reserve	Retained earnings	Total Equity
Balance at 1 July 2005		202,336	(38,838)	247,438	410,936
Total recognised income and expense		-	38,838	3,932,084	3,970,922
Equity contribution under tax consolidation		503,385	-	-	503,385
Balance at 31 December 2005		705,721	-	4,179,522	4,885,243

Share capital

There were no shares issued by the Company during the six months ended 31 December 2005. The increase in Share Capital represents the equity contribution by the parent entity as a result of the Company's current tax liability being transferred to the head entity in the tax consolidation group during the six months ended 31 December 2005.

Dividends

The consolidated entity did not declare or pay any dividends during the six months ended 31 December 2005.

Notes to the condensed consolidated interim financial statements

6. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2005 was based on the profit attributable to ordinary shareholders of $3,932,084 and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2005 of 1, calculated as follows:

Profit attributable to ordinary shareholders
For the six months ended 31 December
In thousands of AUD

	2005
Profit for the period	3,932,084
Profit attributable to ordinary shareholders	3,932,084

Weighted average number of ordinary shares
For the six months ended 31 December
In thousands of AUD

	2005
Issued ordinary shares at 1 July	1
Weighted average number of ordinary shares at 31 December	1

Diluted earnings per share

There were no dilutionary shares on issue during the six months ended 31 December 2005.

7. Employee benefits

Expense recognised in the consolidated interim income statement

The expense recognised in the consolidated interim income statement consists of the current service costs and past service costs. For the six months ended 31 December 2005, the consolidated entity recognised expenses of $2,534,731.

8. Related parties

Other related party transactions

The entity has at-call borrowings from related parties of $8,145,520 as at 31 December 2005 (30 June 2005: $8,045,520). These borrowings are provided by a controlled entity of Company's ultimate parent entity.

9. Subsequent event

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 nature, likely, in the opinion of the directors, to effect significantly the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity in future financial years.

10. Explanation of transition to AIFRSs

As stated in note 1(a), these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRSs.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the statement of financial position for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

Notes to the condensed consolidated interim financial statements

10. Explanation of transition to AIFRSs (continued)

In preparing its opening AIFRS balance sheet and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	Note	Previous GAAP	Effect of Transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
			1 July 2004			30 June 2005	
Assets							
Cash and cash equivalents		224,366	-	224,366	947,357	-	947,357
Trade and other receivables		2,278,044	-	2,278,044	5,847,388	-	5,847,388
Other assets		183,988	-	183,988	95,952	-	95,952
Total current assets		2,686,398	-	2,686,398	6,890,697	-	6,890,697
Trade and other receivables		-	-	-	159,692	-	159,692
Investments	*10a*	810,214	(22,114)	788,100	2,094,979	(96,526)	1,998,453
Deferred tax assets	*10a,b*	-	6,634	6,634	-	-	-
Property, plant and equipment		99,066	-	99,066	155,550	-	155,550
Intangible assets	*10c*	2,019,446	-	2,019,446	3,197,922	103,497	3,301,418
Total non-current assets		2,928,726	(15,480)	2,913,246	5,608,142	6,971	5,615,113
Total assets		**5,615,124**	**(15,480)**	**5.599.644**	**12,498,839**	**6,971**	**12,505,810**
Liabilities							
Trade and other payables		6,122,571	-	6,122,571	3,073,290	-	3,073,290
Related party loans		-	-	-	8,045,520	-	8,045,520
Employee benefits		354,274	-	354,274	735,442	-	735,442
Total current liabilities		6,476,845	-	6,476,845	11,854,252	-	11,854,252
Deferred tax liabilities	*10b*	-	-	-	-	125,674	125,674
Employee benefits		25,818	-	25,818	114,948	-	114,948
Total non-current liabilities		25,818	-	25,818	114,948	125,674	240,622
Total liabilities		**6,502,663**	**-**	**6,502,663**	**11,969,200**	**125,674**	**12,094,874**
Net assets		**(887,539)**	**(15,480)**	**(903,019)**	**529,639**	**(118,703)**	**410,936**
Equity							
Issued capital	*10b*	1	-	1	1	202,335	202,336
Reserves	*10a*	-	(15,480)	(15,480)	-	(38,838)	(38,838)
Retained earnings	*10b,c,d*	(887,540)	-	(887,540)	529,638	(282,200)	247,438
Total equity		**(887,539)**	**(15,480)**	**(903,019)**	**529,639**	**(118,703)**	**410,936**

10. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity

The impact on deferred tax of the adjustments described below is set out in note (3).

(a) In accordance with AIFRSs, available-for-sale investments have been recognised as assets at fair value. Under previous GAAP, all equity investments were recognised at cost.

The effect of measuring available-for-sale equity securities at fair value is to decrease *Non-current investments* and *Fair value reserve* by $22,114 and $15,480 respectively ($22,114 less related deferred tax of $6,634) at 1 July 2004 and *Non-current investments* $96,526, and *Fair value reserve* $38,838 respectively ($55,483 less related deferred tax of $16,645) at 30 June 2005.

(b) The consolidated entity had applied UIG 52 for tax consolidation purposes under previous GAAP, resulting in the Company as a member of a tax consolidated group not recognising any current or deferred tax.

Under AIFRS, the consolidated entity has adopted UIG 1052 which requires it as a subsidiary to initially recognise both current and deferred taxes before recognising the head entity's assumption of the current tax liability. Under AIFRS the Company is now required to recognise current and deferred income tax, deferred tax liabilities and deferred tax assets relating to temporary differences, other than for tax losses. Current tax liabilities are transferred to the head entity and are treated as an equity contribution by the Company.

Upon adoption of UIG 1052 under AIFRS, all tax funding arrangements amounts are recognised as inter-entity amounts, giving rise to a contribution by or distribution to equity participants to the extent they differ from the amounts assumed by the head entity from subsidiaries. The entities in the Australian tax-consolidated group have revised the tax funding arrangement to address only current tax amounts and deferred tax assets from tax losses so that no contributions or distributions to equity participants are expected to arise in the future.

For the Company, the impact of moving from UIG 52 to UIG 1052 is as follows:

There impact on the consolidated entity from the tax funding arrangement changes as upon consolidation the inter-company balances are eliminated.

	Note	1 Jul 2004	30 Jun 2005
Current income tax expense		-	202,335
Deferred income tax expense		-	154,632
Deferred tax asset		6,634	258,305
Deferred tax liability		-	412,937
Issued capital		-	202,335

Notes to the condensed consolidated interim financial statements

10. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity

(c) The consolidated entity has applied AASB 3 to all business combinations that have occurred since 1 July 2004 (the date of transition to AIFRSs). There were no business combinations prior to 1 July 2004. From 1 July 2004, goodwill is no longer amortised under AIFRSs, but is tested annually for impairment.

Goodwill amortisation charge was written-back by $103,497 for the year ended 30 June 2005.

(d) The effect of the above adjustments on retained earnings is as follows:

	Note	1 Jul 2004	30 Jun 2005
Investments	*10a*	-	(28,730)
Goodwill	*10c*	-	103,497
UIG 1052 - Deferred tax	*10b*	-	(356,967)
Total adjustment to equity		-	(282,200)

The above changes increased the deferred tax asset as follows:

	Note	1 Jul 2004	30 Jun 2005
Adoption of AASB 139	*10a*	6,634	258,305
Adoption of UIG 1052	*10b*	-	28,958
Increase in deferred tax asset		6,634	287,263

The above changes increased the deferred tax liability as follows:

	Note	1 Jul 2004	30 Jun 2005
Adoption of AASB 139	*10a*	-	-
Adoption of UIG 1052	*10b*	-	412,937
Increase in deferred tax liability		-	412,937

Deferred tax assets and deferred tax liabilities are off-set in the balance sheet.

Notes to the condensed consolidated interim financial statements

10. Explanation of transition to AIFRSs (continued)

Reconciliation of profit for 2005

In thousands of AUD	*Note*	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
		For the year ended 30 Jun 2005		
Fee revenue		13,639,051	-	13,639,051
Other operating income		384,813	(54,000)	330,813
Total Revenue		14,023,864	-	13,969,864
Investment management costs		6,324,296	-	6,324,296
Net operating income		7,699,568	-	7,645,568
Employee expenses		4,206,328	-	4,206,328
Occupancy expenses		172,927	-	172,927
Depreciation and amortisation	*10c*	369,947	(103,497)	266,319
Professional fees		158,495	-	158,495
Marketing and promotion costs		217,078	-	217,078
Travel costs		198,293	-	198,293
Other operating expenses		959,324	(35,071)	924,252
Operating profit before tax		1,417,176	(84,568)	1,501,744
Income tax expense	*10b*	-	356,967	356,967
Profit for the period		1,417,176	(272,399)	1,144,777
Basic earnings per share from continuing operations (AUD)	7	1,417,176	(272,399)	1,144,777

Notes to the condensed consolidated interim financial statements

10. Explanation of transition to AIFRSs (continued)

Explanation of material adjustments to the cash flow statement for 2005

There are no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under previous GAAP.

11. Change in accounting policy

Reconciliation of financial instruments as if AASB 139 was applied at 1 July 2004

In the current financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement.*

The adoption of AASB 139 has resulted in the consolidated entity recognising available-for-sale investments at fair value. This change has been accounted for by adjusting the opening balance of equity (fair value reserve) at 1 July 2004.

The impact on the balance sheet in the comparative period is set out below as an adjustment to the opening balance sheet at 1 July 2004. The impact on the income statement of the comparative period would have been nil. The transitional provisions will not have any effect in future reporting periods.

Application of AASB 132 and AASB 139 prospectively from 1 July 2004

In thousands of AUD	*Note*	**Previous GAAP**	**Impact of change in accounting policy**	**AIFRSs**
Equity securities available for sale	*10a*	810,214	(22,114)	788,100
Deferred tax asset		-	6,634	6,634
Fair value reserve	*10a*	-	(15,480)	(15,480)

Directors' declaration

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

(a) The consolidated entity is not a reporting entity; and

(b) The special purpose consolidated financial statements and accompanying notes set out on pages 2 to 21, have been prepared for the sole purpose of meeting the reporting requirements for 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 Note 1, so as to present fairly the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date.

Dated at ...SYDNEY......... (City) this .28.. day of ..FEBRUARY...... 2006.

Signed in accordance with a resolution of the directors:

Spencer Young
Director

John Morrison
Director

Alternative independent review report

Independent review report to the members of HFA Holdings Limited

Scope

We have reviewed the special purpose financial report of HFA Holdings Limited and its consolidated entities ("the Consolidated Group") for the half-year ended 31 December 2005, consisting of the condensed consolidated interim statement of income, condensed consolidated interim statement of recognised income and expense, balance sheet, statement of cash flows, accompanying notes 1 to 8 and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the statement of significant accounting policies described in Note 1 to the financial statements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to meet the reporting requirements of the proposed initial public offering.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HFA Holdings Limited is not properly drawn up so as to present fairly the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date in accordance with the statement of significant accounting policies described in Note 1 to the financial statements.

KPMG

KPMG

R. S. Jones

Robert S Jones
Partner
28 February 2006
Brisbane