



## HUNTER HALL INTERNATIONAL LIMITED

ACN 059 300 426

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28 February 2007

Company Announcements Office  
Australian Stock Exchange Limited  
Level 5, 20 Bridge Street  
Sydney NSW 2000

### HUNTER HALL INTERNATIONAL LIMITED 31 December 2006 Half Yearly Report and Interim Dividend Announcement

As required by ASX Listing Rule 4.2A, I attach the following documents in relation to the half year ended 31 December 2006:

- Chairman's Statement
- Appendix 4D – Half Yearly Report
- Half Yearly Financial Report, including Director's Report; Financial Statements and Independent Auditors Review Report.

This information should be read in conjunction with the 30 June 2006 Annual Financial Report.

The Directors have declared a fully franked dividend of 18.7 cents per share, with record date of Friday 16 March 2007 and payment date of Friday 30 March 2007.

Yours sincerely,

**OUAFAA KARIM**  
Company Secretary



## ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE

### HUNTER HALL INTERNATIONAL LIMITED

#### RESULTS TO 31 DECEMBER 2006

28 February 2007

Peter Hall, Chairman of Hunter Hall International Limited, made the following statement today:

#### Financial Results

I am pleased to announce an after tax profit of \$6.31m for the six months to 31 December 2006, 15% above that recorded in the previous comparable period.

The result was impacted by three substantial items. We benefited from net performance fees of \$1.286m and an unrealised gain of \$1.320m on our investment in the Dublin-based Hunter Hall International Ethical Fund (IEF). We were adversely affected by a non-cash charge of \$2.74m for 'Share Base Payments Expense', related to the Portfolio Manager Share Plan (PMSP) which was approved at the General Meeting on 22 September 2006. This charge has no cash effect on Hunter Hall, and is in practice a non-expense item, as the economic cost of the PMSP is borne not by the Company but myself as the vendor of the shares involved in the Plan.

Funds under management rose by 42% to \$2.1b and operating revenue increased by 35% to \$14.7m over the 12 months to 31 December 2006. Operating profit from investment management increased by 39% to \$9.7m while cash expenses (before AIFRS non-cash items) increased by 28% to \$5.0m.

An interim fully franked dividend of 18.7 cents per share has been declared. The record date for the dividend is Friday 16 March 2007 and payment date will be Friday 30 March 2007.

#### Summary Profit & Loss Statement

(\$'000)	Six Months to 31 December 2006	Six Months to 31 December 2005	Six Months to 31 December 2004
Funds Under Management	\$2,134m	\$1,503m	\$1,286m
Revenue from Investment Management	14,704	10,853	9,263
Net Expenses	(5,029)	(3,917)	(3,555)
Operating Profit from Investment Management	9,675	6,936	5,708
Net Investment Income	480	46	4
Net Performance Fees	1,286	725	419
Charitable Donations	(446)	(397)	(315)
Cash Profit before Tax	10,995	7,310	5,816
Non-cash AIFRS Expense	(2,740)	(123)	(63)
Tax	(3,260)	(2,195)	(1,727)
Net Profit after Tax – Australian Operation	<b>4,995</b>	<b>4,991</b>	<b>4,025</b>
IEF Related Contribution	1,315	495	-
Net Profit after Tax	<b>6,310</b>	<b>5,486</b>	<b>3,962</b>
Dividends Per Share	18.7c	20.3c	16.7c

Salient features of the result were:

- Funds under management increased to \$2,134m before distributions, an increase of 42% over the previous comparable period. Net inflow into the Trusts for the six months to 31 December 2006 was a record \$185m. Investment performance added \$261m to funds under management.
- Performances from the Australian Value Trust – 'AVT' (+24.9%), International Ethical Fund – 'IEF' (+16.9%) and Value Growth Trust – 'VGT' (+15.9%) were excellent. The performances from the Global Ethical Trust – 'GET' (+9.7%) and Global Value Limited – 'GVL' (+9.6%) were satisfactory in the context of relatively subdued world markets (+6.7% when translated into Australian dollars).
- Revenue from investment management at \$14.7m was 35% above that earned in the previous comparable period.
- Cash expenses were \$5.0m net of reimbursements, up 28% on the previous comparable period, the result of a full six months of expense for the new additions to the investment, accounting and compliance teams.
- Operating profit from investment management rose by 39% to \$9.7m.
- We earned net performance fees of \$1.29m from the GET and the IEF as a result of outperformance of relevant benchmarks, up from \$0.73m in the previous comparable period. At 31 December 2006 negative performance fee accruals of nearly \$18.7m were recorded for the VGT and the AVT and a positive performance fee accrual of \$2.0m was recorded for GVL. None of these accruals have been included in the results.
- We are pleased that the strong profits generated in the period have enabled the company to allocate \$446,000 for charitable purposes.
- Cash profit before tax including net investment income (\$0.48m), net performance fees (\$1.29m) and after charitable donations (\$0.45m) rose 50% to \$11.0m.
- The consolidation of the IEF, in which Hunter Hall International Limited (HHIL) owns 71% of the units outstanding, contributed a net gain of \$1.32m. This is a non-cash, unrealised profit and will fluctuate in line with the investment performance of the IEF.
- The cash balance as at 31 December 2006 was \$15.21m before payment of dividends, tax and receipt of performance fees, whilst interest bearing liabilities, assumed in order to fund the investment in the IEF, were \$6.0m.

## Investment Performance

The Hunter Hall investment funds recorded good absolute performance and generally satisfactory relative performance in the six months to 31 December 2006.

Period to 31 December 2006	VGT	GET	AVT	GVL	IEF
6 Months	+ 15.9%	+ 9.7%	+ 24.9%	+ 9.6%	+ 16.9%
Benchmark	+14.5 <sup>(1)</sup>	+ 6.7 <sup>(2)</sup>	+ 14.5 <sup>(1)</sup>	+ 6.7 <sup>(2)</sup>	+ 13.2% <sup>(4)</sup>
Relative Performance	+1.4%	+ 3.0%	+ 10.4%	+ 2.9%	+ 3.7%
1 Year	+ 30.6%	+ 21.4%	+ 31.2%	+ 18.1%	+ 22.3%
Benchmark	+ 25.0%	+11.7%	+ 25.0%	+ 11.7%	+ 20.1%
Relative Performance	+ 5.6%	+9.7%	+ 6.2%	+ 6.4%	+ 2.2%
<b>Net Assets</b>	\$1,235m	\$445m	\$115m	\$319m <sup>(3)</sup>	\$14.9m <sup>(5)</sup>

Note: <sup>(1)</sup> All Ordinaries Accumulation Index. <sup>(2)</sup> MSCI World Total Return Index, Net Dividends Reinvested in A\$. <sup>(3)</sup> Pre-tax. <sup>(4)</sup> MSCI World Accumulation Net Return Index in US\$. <sup>(5)</sup> US\$.

The VGT performed well in absolute terms rising by 15.9% and outperforming its benchmark over the six months to 31 December 2006. Absolute performance for the year was an excellent 30.6% particularly when we consider the fund is 80% invested outside Australia and tends to avoid mining stocks which have performed strongly in recent times.

Over calendar 2006, the GET was one of the best performing retail international equity funds in Australia and outperformed its benchmark, the MSCI World Total Return Index, Net Dividends Reinvested in Australian Dollars, by 9.7%. Over the past five years the GET has outperformed its benchmark by an annual average of 12.0%.

The AVT continued its recovery and recorded an exceptional 24.9% return for the six months to 31 December 2006, outperforming its benchmark by 10.4%.

The Australian market continued its rise (+14.5% for the six months, +25.0% for the twelve months and +24.5% per annum for the thirty-six months to December 2006), driven by the resource sector's gains from "Chindia", solid industrial earnings growth, low real interest rates and the large number of takeovers, particularly from private equity. International markets have been weaker despite the US recovering towards the end of the year.

The standout contributor for the AVT was niche civil engineering firm Structural Systems (+89%), which enjoyed significantly higher margins and has started to attract greater market attention. Billing systems supplier Hansen Technologies (+119%) won a contract with UK retail behemoth Tesco, printer Promentum (+106%) rose on takeover talk, and Ausdrill (+30%) took advantage of the resources boom.

The AVT and VGT took part in the final government Telstra sell-down (up 45% from listing), believing the issue was priced to appease mum and dad voters stung by losses on the previous tranche. We also steadily cut these Trusts' exposure to Macmahon Holdings which at 90c has risen nearly five times over four years.

Swedish oil producer PA Resources (+30%), which is now the second largest holding of the VGT and GET, successfully drilled a 4km well at its offshore oil field in Tunisia, removing much of the development risk inherent to the stock. The well is now in production and the company is in progress with another well.

The GET and VGT's Indian banks, Bank of India (+104%), Allahabad Bank (+39%), Canara Bank (+38%), and Indian Overseas Bank (32%) were amongst the better performing stocks. These banks now make up 5% of the GET and 4% of the VGT. The Trusts also benefited from their weighting to South Korea with their largest holding Woongjin Thinkbig (+21%) expanding into the adult education market and gas utility Samchully (+36%) poised for gains from a proposed residential satellite city development in the district of Incheon.

#### **Listed Investment Company – Hunter Hall Global Value Limited (GVL)**

At 31 December 2006, GVL had Net Tangible Assets (pre-tax) of \$319.2m or \$1.4194 per share, undiluted for the 204.3m April 2007 options. Pre-tax returns over the twelve months to 31 December 2006 including the 2005/2006 fully-franked dividends of 4.3 cents per share were 18.1% outperforming the benchmark, the MSCI World Accumulation Net Return Index in Australian Dollars, by 6.4%. After-tax Net Tangible Assets were \$295.5m or \$1.3138 per share, undiluted, at 31 December 2006.

Since balance date the Board of GVL declared a 2006/2007 interim fully-franked dividend of 4.0 cents per share and over \$100m worth of options have been exercised. At the time of writing GVL's Net Tangible Assets (pre-tax) approximates \$400m on an ex-dividend basis. HHIL intends paying selected stockbroking and financial planning firms a fee to underwrite the outstanding GVL options which expire on Monday 30 April 2007.

## **Portfolio Manager Share Plan (PMSP)**

At the General Meeting held on 22 September 2006 Shareholders approved the PMSP. This enables the portfolio manager team to purchase up to 2.35m shares in HHIL indirectly from Hampshire Assets & Services Pty Limited, a company 100% owned by me. Transfer of these shares at a price of \$6.00 each is subject to five thresholds of half-yearly pre-tax profit starting at \$8m and rising in four steps to \$20m over the period to June 2015.

The first hurdle was met in the six months under review. As a result of 'Australian equivalents to International Financial Reporting Standards' (AIFRS) Hunter Hall has had to book a \$2.74m charge related to share-based payments expenses. These are non-cash charges and in the Directors' view have no real economic cost to Hunter Hall. This is because, in practical terms the PMSP operates by Hunter Hall buying shares from Hampshire for \$6 and selling them to the relevant portfolio managers at \$6.

Due to the treatment of the PMSP under the new accounting standards Hunter Hall now finds it has both cash and franking credits trapped on its balance sheet that it would ordinarily have paid as dividends. The Directors are exploring the most efficient way to transfer these to shareholders as soon as possible, preferably with this year's final dividend.

### **Outlook**

It is pleasing to report that Hunter Hall is slowly being recognised as a high quality Australian-domiciled international equities manager. We are gradually receiving improved ratings from research houses and were recently nominated as a finalist for the 2006 S & P Global Equities Manager of the Year Award and the Morningstar International Equities Fund Manager of the Year Award.

The Board has decided to put more effort and more resources into developing a wider appreciation of Hunter Hall's achievement and strengths. In other words, we are going to try to build our brand value. This will mean some level of increased marketing expense.

Another source of increased expense in the period to 30 June 2007 will be stamping and underwriting fees related to the options exercise for Hunter Hall Global Value Limited. This is as yet unquantified but could be significant.

Although the performances from our international products have been subdued since balance date net monthly inflows have been pleasing. Underlying revenue and profit growth is good but with so many moving parts it is difficult to forecast net profits with any precision for the period to 30 June 2007.



**Peter MacDonalld Hall**  
**Executive Chairman**  
**Hunter Hall International Limited**

**All enquiries to:**  
David Buckland  
Chief Executive Officer

Tel: (02) 8224 0300

# HUNTER HALL INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN 43 059 300 426

## APPENDIX 4D

HALF YEAR FINANCIAL REPORT

Six months ended ('current period') 31 December 2006

### Results for announcement to the market

					\$A'000
2.1	Revenue from ordinary activities	Up	52%	To	23,640
2.2	Profit from ordinary activities after tax attributable to members	Up	15%	To	6,311
2.3	Net profit for the period attributable to members	Up	15%	To	6,311

2.4	Dividends	Amount per security (cents)	Franked amount per security (cents)
	Dividends	18.7	18.7
	Previous corresponding period	20.3	20.3
	Record date for determining entitlements		16 March 2007

3	NTA backing	Current period (cents)	Previous corresponding period (cents)
	Net tangible backing per ordinary security	87.89	79.58

#### 4 Details of controlled entities

The Company maintained its holding in the Hunter Hall International Ethical No 1 Fund PLC, with a total holding of 69.25% as at 31 December 2006.

Profit of \$855,101 relating to the controlled entity is included in the consolidated income statement ending 31 December 2006.

#### 5 Details of dividends

The company has declared a fully franked dividend of 18.7 cents per share. Record date for the dividend is 16 March 2007 and payment date will be 30 March 2007.

#### 6 Dividend reinvestment

Hunter Hall operates a Dividend Reinvestment Plan (DRP) whereby the shareholders can elect that all or part of their dividends be used to apply for fully paid ordinary shares in the Company.

Copies of the Hunter Hall International Dividend Reinvestment Plan and DRP Election forms may be obtained by contacting the Registrar. (Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney NSW 2000. Investor Enquiries 02 8216 5700.)

The last date for acceptance of an election form for this dividend payment is the Record Date, 16 March 2007.

- 7 Details of associate and joint ventures** N/A
- 8 Details of foreign entities**
- The financial report of the Company and controlled entities has been prepared under the Australian equivalent to International Financial Reporting Standard (AIFRS) *AASB 134: Interim Financial Reporting*. The Hunter Hall International Ethical No 1 Fund PLC adopts Irish GAAP and Financial Reporting Standards 26 UK. The directors believe these accounting policies are consistent with International Reporting Standards.
- 9 Details of audit dispute or audit qualification** N/A
- 10 Other significant information**  
Refer to the attached reviewed Half Year financial report
- 11 Commentary on results for the period**  
Refer to the attached Directors' Report included in the Half Year financial report
- 12 Audited accounts**  
The report is based on the attached Half Year financial report which has been reviewed by our auditors.



**HUNTER HALL  
INTERNATIONAL  
LIMITED**

ABN 43 059 300 426

**31 DECEMBER 2006  
HALF YEAR FINANCIAL REPORT**

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# HUNTER HALL INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

## Directors' Report

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Your Directors present their report on Hunter Hall International Limited (the "Company") and its controlled entities (the "Consolidated Entity") for the half year ended 31 December 2006.

### Directors

The names of Directors who held office during or since the end of the half year are:

Peter James MacDonald Hall (Chairman)  
David Barclay Buckland (Executive Director)  
Jack Theseus Lowenstein (Deputy Chairman)  
Suzanne Mary Daniel (Non-executive Director)  
Mark Benedict Forstmann (Non-executive Director)  
William Wayne Hawkins (Non-executive Director)

The Directors have been in office from the start of the half year to the date of this report.

### Principal Activities

Through its wholly owned subsidiaries the Company operates an investment management business. Hunter Hall Investment Management Limited (HHIML) is the responsible entity of three retail trusts, the Hunter Hall Value Growth Trust (VGT), the Hunter Hall Australian Value Trust (AVT), and the Hunter Hall Global Ethical Trust (GET). HHIML is also the Investment Manager for its subsidiary, Hunter Hall International Ethical Fund (IEF), an offshore fund listed on the Dublin Stock Exchange, and of Hunter Hall Global Value Limited (HHV), a listed investment company that commenced trading on the Australian Stock Exchange on 19 March 2004. Hunter Hall Superannuation Company Pty Limited (HHSC) is the Trustee of the Hunter Hall Ethical Superannuation Fund (ESF), a retail public offer superannuation fund designed to enable the investment of superannuation savings in the three Hunter Hall retail trusts. Hunter Hall International (UK) Pty Limited, a company registered in the United Kingdom, provides international investment research for the Hunter Hall group, and Bennelong Administration Services Pty Limited provides administration services for the Hunter Hall Trusts, HHV and the ESF, including unit pricing, fund accounting and unit registry.

There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

### Financial Review

The Consolidated Entity experienced an improvement in after tax profits to \$6.310m (December 2005 half year: \$5.486m)

Revenue from Investment Management of \$14.700m, was up 35% from the previous year (December 2005 half year: \$10.853m). Cash expenses (before AIFRS non-cash items) were 28% higher than the previous year at \$5.029m (December 2005 half year: \$3.917m). Operating Profit from Investment Management increased by 39% to \$9.675m (December 2005 half year: \$6.936m).

The Consolidated Entity's Cash Profit before Tax including Net Investment Income (\$0.48m), Net Performance Fees (\$1.29m) and after Charitable Donations (\$0.45m) was \$10.995m, 50% up from the previous comparative period (December 2005 half year: \$7.310m).

The Cash Operating result was further assisted by net performance fees of \$1.286m (up from \$0.725m in December 2005 half year). The performance fee income for the six months to December excludes fees accrued by Hunter Hall Global Value Limited, as these are only paid annually at each 30 June.

The Consolidated Entity also saw a \$1.315m net gain in the value of the IEF investment (December 2005 half year: \$495,000), which will fluctuate in line with the investment performance of the IEF.

Fully Diluted Cash EPS increased by 57% to 35.5cps (cash earnings of \$9.05m) from the previous corresponding period (December 2005 half year: 22.8cps, cash earnings of \$5.609).

# HUNTER HALL INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

## Directors' Report

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### Financial Review (cont.)

Non cash expenses included a \$2.740m Share-based payments expense, up from a budgeted \$1.900m. The strong inflows and performance of the retail unit trusts led to the first hurdle of the PM Equity Plan being reached in the six months to December 2006 as opposed to the budgeted December 2007, which resulted in bringing forward a portion of the Share-based expense by 12 months.

The Consolidated Entity's after tax profits were \$6.310m (December 2005 half year: \$5.486m).

Subject to advice, your Directors are exploring the means of distributing the Share-based Payments Reserve through to shareholders as efficiently as possible.

Cash holdings excluding the IEF at 31 December 2006 were \$13.918m before payment of income tax and dividends and prior to receipt of performance fees.

### Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

For the year ended 30 June 2006, final 2006 ordinary dividend of \$0.272 per share declared by the Directors, with a record date of 15 September 2006, paid on 29 September 2006, amounting to \$6,780,796.

For the half year ended 31 December 2006, an interim fully franked dividend of \$0.187 per share was declared by the Directors, on 28 February 2007, amounting to \$4,681,156.

### Review of Operations

Funds under management at 31 December 2006 totalled \$2.134 billion, an increase of \$407 million or 24% on 30 June 2006 (\$1.727 billion). The net inflow of funds into the trusts was \$184.9 million (up from \$79.9 million in the six months to June 2006), whilst performance growth was \$251.2 million (up from \$181.3 million in the six months to June 2005), net distribution outflows were \$30.1 million.

The VGT recorded a return of 15.9% for the six months to 31 December 2006. This compares with a 14.5% return by the All Ordinaries Accumulation Index. Between its inception on 2 May 1994 and 31 December 2006 the VGT recorded a compound annual average return of 19.7%, compared with a compound average annual return of 12.6% by the All Ordinaries Accumulation Index over the same period.

The AVT recorded a 24.9% return for the six months to 31 December 2006. This compares with a 14.5% return by the All Ordinaries Accumulation Index. Between its inception on 29 November 2001 and 31 December 2006 the AVT recorded a compound annual average return of 17.5%, compared with a 15.9% return by the All Ordinaries Accumulation Index over the same period.

The GET recorded a 9.7% return for the six months to 31 December 2006. This compares with a 6.7% return by the Morgan Stanley Capital International Inc. (MSCI) World Total Return Index, Net Dividends in Australian Dollars. Between its inception on 29 November 2001 and 31 December 2006 the GET recorded a compound annual average return of 13.2%, compared with a 1.3% return by the MSCI World Total Return Index, Net Dividends in Australian Dollars over the same period.

The IEF recorded a 16.9% return for the six months to 31 December 2006, compared to its benchmark, the MSCI World Total Return Index, Net Dividends in US Dollars, return of 13.2%. Between its inception on 31 December 2002 and 31 December 2006 the IEF recorded a compound annual average return of 23.1%, compared with a 19% return by the MSCI World Total Return Index, Net Dividends in US Dollars over the same period.

HHV recorded a net asset backing after tax of \$1.3138 per share at 31 December 2006 compared to a net asset backing of \$1.2229 at 30 June 2006. A final dividend of 1.6c per share was paid by the HHV on 19 October 2006. There are 101m April 2007 Hunter Hall Global Value Limited options exercisable at \$1.00 outstanding as at 27 February 2007.

# HUNTER HALL INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

## Directors' Report

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### **Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 in relation to the review of the interim financial report for the half year ended 31 December 2006 is set out on page 15 and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.



**David Barclay Buckland**

Director

Sydney

28 February 2007

**INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Note	Consolidated Entity	
		Half-year ended 31 December 2006 \$	Half-year ended 31 December 2005 \$
Revenues	2	19,804,964	14,586,603
Other income	2	3,834,687	987,469
Employee benefits expense		(2,559,001)	(2,246,092)
Employee bonuses	3	(492,313)	(250,078)
Performance fee paid	3	(1,285,199)	(724,468)
Share-based payments expense	3	(2,740,130)	(123,441)
Marketing costs		(407,071)	(111,419)
Product development		(98,122)	(232,069)
Directors' fees		(141,018)	(158,715)
Consultancy fees		(265,909)	(255,340)
Professional fees		(325,490)	(259,058)
Occupancy costs		(482,555)	(424,545)
IT related costs		(217,153)	(226,566)
Depreciation and amortisation expense		(165,935)	(172,502)
Finance costs		(123,697)	(94,150)
Commissions		(444,279)	(277,776)
Management fees		(533,066)	(440,076)
Charitable donations		(446,334)	(397,363)
Reimbursable expenses		(1,212,003)	(876,470)
Unrealised loss on Investments		-	(42,620)
Other expenses		(664,310)	(456,666)
Share of net profits of associates		-	35,535
Profit before income tax expense	3	11,036,066	7,840,193
Income tax expense		(3,870,336)	(2,194,881)
<b>Net profit for the year</b>		<b>7,165,730</b>	<b>5,645,312</b>
Net profit attributable to minority equity interest		(855,101)	(159,302)
Net profit attributable to members of the parent entity		6,310,629	5,486,010
Basic earnings per share (cents per share)		25.32	22.62
Diluted earnings per share (cents per share)		24.77	22.18

The Income Statement should be read in conjunction with the accompanying notes.

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

	Consolidated Entity	
	31 December 2006	30 June 2006
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	15,209,568	9,501,228
Trade and other receivables	6,045,578	11,288,830
Financial assets	133,668	103,203
Other current assets	182,520	181,955
<b>TOTAL CURRENT ASSETS</b>	<b>21,571,334</b>	<b>21,075,216</b>
<b>NON-CURRENT ASSETS</b>		
Financial assets	18,590,652	16,058,215
Property, plant and equipment	648,025	648,428
Deferred tax assets	500,792	456,080
Intangible assets	656,569	725,520
<b>TOTAL NON-CURRENT ASSETS</b>	<b>20,396,038</b>	<b>17,888,243</b>
<b>TOTAL ASSETS</b>	<b>41,967,372</b>	<b>38,963,459</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	4,178,552	5,301,181
Current tax liabilities	1,318,702	2,402,907
Short term provisions	204,267	153,347
Other current liabilities	770,510	13,292
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,472,031</b>	<b>7,870,727</b>
<b>NON-CURRENT LIABILITIES</b>		
Long term provisions	121,411	116,411
Deferred tax liabilities	730,685	-
Long term borrowings	6,000,000	6,000,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>6,852,096</b>	<b>6,116,411</b>
<b>TOTAL LIABILITIES</b>	<b>13,324,127</b>	<b>13,987,138</b>
<b>NET ASSETS</b>	<b>28,643,245</b>	<b>24,976,321</b>
<b>EQUITY</b>		
Issued capital	12,838,744	11,699,670
Reserves	3,122,459	1,181,724
Retained earnings	6,603,569	7,073,736
<b>PARENT INTEREST</b>	<b>22,564,772</b>	<b>19,955,130</b>
Minority equity interest	6,078,473	5,021,191
<b>TOTAL EQUITY</b>	<b>28,643,245</b>	<b>24,976,321</b>

The Balance Sheet should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated Entity				Total \$
	Contributed Equity \$	Reserves \$	Retained Profits \$	Minority Interest \$	
<b>Balance as at 1 July 2005</b>	<b>10,367,831</b>	<b>4,350</b>	<b>4,429,833</b>	<b>-</b>	<b>14,802,014</b>
Fair value of available for sale investments	-	74,122	-	-	74,122
Unrealised foreign exchange reserves	-	279,554	-	89,097	368,651
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>353,676</b>	<b>-</b>	<b>89,097</b>	<b>442,773</b>
Profit attributable to members of the parent entity	-	-	5,486,010	-	5,486,010
Profit attributable to minority	-	-	-	3,565,355	3,565,355
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>353,676</b>	<b>5,486,010</b>	<b>3,654,452</b>	<b>9,494,138</b>
Shares issued during the period	729,721	-	-	-	729,721
Share-based payments reserve	-	123,441	-	-	123,441
Dividends paid	-	-	(4,733,259)	-	(4,733,259)
Reverse equity accounted profits on purchase of subsidiary	-	-	(302,297)	-	(302,297)
<b>Balance as at 31 December 2005</b>	<b>11,097,552</b>	<b>481,467</b>	<b>4,880,287</b>	<b>3,654,452</b>	<b>20,113,758</b>
<b>Balance as at 1 July 2006</b>	<b>11,699,670</b>	<b>1,181,724</b>	<b>7,073,736</b>	<b>5,021,191</b>	<b>24,976,321</b>
Fair value of available for sale investments	-	(55,500)	-	-	(55,500)
Unrealised foreign exchange reserves	-	(743,895)	-	(260,708)	(1,004,603)
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>(799,395)</b>	<b>-</b>	<b>(260,708)</b>	<b>(1,060,103)</b>
Profit attributable to members of the parent entity	-	-	6,310,629	-	6,310,629
Profit attributable to minority	-	-	-	855,101	855,101
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>6,310,629</b>	<b>855,101</b>	<b>7,165,730</b>
Shares issued during the period	1,139,074	-	-	-	1,139,074
Share-based payments reserve	-	2,740,130	-	-	2,740,130
Dividends paid	-	-	(6,780,796)	-	(6,780,796)
Issue of shares	-	-	-	462,889	462,889
<b>Balance as at 31 December 2006</b>	<b>12,838,744</b>	<b>3,122,459</b>	<b>6,603,569</b>	<b>6,078,473</b>	<b>28,643,245</b>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Consolidated Entity	
	Half-year ended 31 December 2006	Half-year ended 31 December 2005
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	26,484,435	14,139,356
Payments to suppliers and employees	(12,070,999)	(7,084,038)
Dividends received	194,355	25,395
Interest received	278,996	225,210
Finance costs	(123,697)	(94,150)
Income tax paid	(4,268,568)	(2,600,125)
<b>Net cash inflow from operating activities</b>	<b>10,494,522</b>	<b>4,611,648</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(96,582)	(448,916)
Purchase of investments	(4,382,475)	(6,841,626)
Sale of investments	4,574,097	251,074
Settlement of foreign exchange contracts	167,943	-
Cash acquired on acquisition of subsidiary	-	462,796
<b>Net cash from/(used in) investing activities</b>	<b>262,983</b>	<b>(6,576,672)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,092,507	339,790
Proceeds from borrowings	-	6,000,000
Dividends paid by parent company	(6,208,792)	(4,343,328)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(5,116,285)</b>	<b>1,996,462</b>
Net increase in cash held	5,641,220	31,438
Cash at 1 July	9,501,228	11,176,910
Effect of currency translations	67,120	87,874
<b>Cash at 31 December</b>	<b>15,209,568</b>	<b>11,296,222</b>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

**1: BASIS OF PREPARATION**

Hunter Hall International Limited (the "Company") is a listed public company, incorporated and domiciled in Australia. The consolidated interim financial report of the Company as at and for the six month to 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard *AASB 134: Interim Financial Reporting*, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Hunter Hall International Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

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 financial report for the year ended 30 June 2006.

	<b>Consolidated Entity</b>	
	<b>Half-year ended 31 December 2006</b>	<b>Half-year ended 31 December 2005</b>
	<b>\$</b>	<b>\$</b>
<b>2: REVENUES AND OTHER INCOME</b>		
<b>Revenues</b>		
Management fees	15,238,965	11,400,964
Entry fees	304,930	131,167
Performance fees	1,866,820	1,248,510
Administration fees	735,992	733,107
Interest received	278,996	225,210
Dividends received	194,355	-
Expenses reimbursed	1,184,906	847,645
	<b>19,804,964</b>	<b>14,586,603</b>
<b>Other Income</b>		
Fair value gains	3,834,687	987,469
	<b>3,834,687</b>	<b>987,469</b>
<b>Total</b>	<b>23,639,651</b>	<b>15,574,072</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	<b>Consolidated Entity</b>	
	<b>Half-year ended 31 December 2006</b>	<b>Half-year ended 31 December 2005</b>
	<b>\$</b>	<b>\$</b>
<b>3: PROFIT FROM ORDINARY ACTIVITIES</b>		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Employee Option Plan	(270,590)	(123,441)
Portfolio Manager Share Plan <sup>1</sup>	(2,469,540)	-
<b>Share-based payments expense</b>	<b>(2,740,130)</b>	<b>(123,441)</b>
Gross performance fee earned	2,572,217	1,448,976
IEF performance fee eliminated on consolidation	(705,397)	(200,466)
Net Performance fees received	1,866,820	1,248,510
Performance fee paid <sup>2</sup>	(1,285,199)	(724,467)
<b>Net performance fee</b>	<b>581,621</b>	<b>524,043</b>
Employee bonus	(330,000)	(250,078)
Portfolio Manager Profit Plan	(162,313)	-
<b>Total employee bonuses</b>	<b>(492,313)</b>	<b>(250,078)</b>
<b>4: DIVIDENDS PAID</b>		
	<b>Half-year ended 31 December 2006</b>	<b>Half-year ended 31 December 2005</b>
	<b>\$</b>	<b>\$</b>
Final fully franked dividend of \$0.272 per share franked at tax rate of 30%	6,780,796	-
Final fully franked dividend of \$0.139 per share franked at tax rate of 30%	-	4,733,259
	<b>6,780,796</b>	<b>4,733,259</b>

<sup>1</sup>At the General Meeting held 22<sup>nd</sup> September 2006, HHIL Shareholders approved the Portfolio Manager Share Plan ("PMSP"). The PMSP enables the Portfolio Manager team to purchase up to 2.35 million shares in Hunter Hall indirectly from Hampshire Asset and Services Pty Ltd, subject to five thresholds of half yearly pre-tax profit starting at \$8 million and rising in four steps to \$20 million over the period to June 2015. The amount expended in these financial statements are based on the Director's best estimates of when each threshold will be met. The first threshold of \$8 million was met in the six months ending 30 December 2006, and as such the expense relating to the first allocation has been recognised in its entirety. A full copy of the plan is available at [www.hunterhall.com.au](http://www.hunterhall.com.au) or at [www.asx.com.au](http://www.asx.com.au).

<sup>2</sup>In accordance with management contracts, 50% of the gross performance fee earned is paid to the investment management team as disclosed in the Initial Public Offer Prospectus dated 12 January 2001.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

**5: ACQUISITION OF SUBSIDIARY**

In the six months to 31 December 2005 the Company acquired a further 48.19% of Hunter Hall International Ethical Fund PLC (IEF) effective 28 October 2005 resulting in a total holding of 75.83% (31 December 2006: 71%).

The assets and liabilities arising from the acquisition are recognised at fair value, which is equal to their carrying value at acquisition date.

	Half-year ended 31 December 2006	Half-year ended 31 December 2005
	\$	\$
<b>Purchase consideration and cash outflow</b>	-	<b>9,500,000</b>
<b>Net assets as at acquisition date</b>	-	<b>10,693,785</b>
Less:		
Minority equity interests on acquisition	-	(907,008)
Equity accounted for interests on acquisition	-	(346,413)
FX on translation of purchase consideration	-	59,636
<b>Purchase consideration</b>	-	<b>9,500,000</b>

The shareholding acquired was shares issued at fair value by IEF. This cashflow has been netted on consolidation of the IEF leaving a cashflow of cash acquired of \$462,796. The assets and liabilities arising from the acquisition were recognised at fair value, which is equal to their carrying value at acquisition date.

Profit of \$1,315,204 relating to the subsidiary is included in the consolidated income statement for the six months ending 31 December 2006 (two months ending Dec 2005: \$659,131).

**6: SEGMENT INFORMATION**

a. The Consolidated Entity operated within one business segment (Investment Management) which represents its primary segment reporting format and three geographical segments (Australia, United Kingdom and Ireland).

**b. Secondary Reporting — Geographical Segments**

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	Dec 2006	Dec 2005	Dec 2006	Jun 2006	Dec 2006	Jun 2006
	\$	\$	\$	\$	\$	\$
Australia	19,879,930	14,525,348	21,770,153	21,818,547	80,047	529,770
United Kingdom	-	-	162,654	152,188	16,422	-
Ireland	3,759,721	1,048,724	20,034,565	16,992,724	-	9,500,000
	<b>23,639,651</b>	<b>15,574,072</b>	<b>41,967,372</b>	<b>38,963,459</b>	<b>96,469</b>	<b>10,029,770</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

**7: EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to the half year ended 31 December 2006, on 28 February 2007, an interim fully franked ordinary dividend of \$0.187 per share was declared by the Directors (Dec 2005: \$0.203). This has not been provided for in the Balance Sheet as at 31 December 2006.

Subsequent to the half year ended 31 December 2006, Hunter Hall International Limited approached supporting brokers and financial planner, offering a stamping fee equal to 1.5 cents for each Hunter Hall Global Value Limited Option (HHVO) exercised up to 2 March 2007. Subsequent to this date, Hunter Hall International Limited intends to enter into agreements with the supporting brokers to underwrite any HHV options that remain unexercised as at 30 April 2007, on the basis that Hunter Hall International will pay an underwriting fee equal to 1.5 cents for each Hunter Hall Global Value Limited Option.

The stamping fee and intended underwriting fee are as yet unquantifiable but could be significant.

The financial report was authorised for issue on 28 February 2007 by the Board of Directors.

**8: CONTINGENT LIABILITIES**


There were no contingent liabilities requiring disclosure at 31 December 2006 or 30 June 2006.

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1: The Financial Statements and Notes, as set out on pages 6 to 13:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and its performance for the half year ended on that date.
  
- 2: In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**David Barclay Buckland**  
Director  
Sydney  
28 February 2007

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF HUNTER HALL INTERNATIONAL LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Hunter Hall International Limited for the half-year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton NSW*

GRANT THORNTON NSW  
Chartered Accountants

*G S Layland*

G S LAYLAND  
Partner

Sydney

28 February 2007

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## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HUNTER HALL INTERNATIONAL LIMITED

### Scope

#### *The half-year financial report and Director's responsibility*

We have reviewed the accompanying half-year financial report comprising the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement/description of accounting policies, other selected explanatory notes to the financial statements and the directors' declaration for the consolidated entity. The consolidated entity comprises both the Hunter Hall International Limited (the Company) and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. 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 appropriate accounting policies and reasonable accounting estimates inherent in the half-year financial report.

#### *Review approach*

We conducted an independent review where our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement 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 financial report is not in accordance with the Corporations Act 2001 including, giving a true and fair view of the Company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001. As the auditor of Hunter Hall International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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. We have not performed an audit and, accordingly, we do not express an audit opinion.

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**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF HUNTER HALL INTERNATIONAL LIMITED (cont.)**

**Independence**

In conducting our review, we complied with the independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.

We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Hunter Hall International Limited on 31 December 2006, would be in the same terms if provided to the directors as at the date of this auditor's review report.

**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 Hunter Hall International 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.
- (b) Complying with Australian Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001.

*Grant Thornton NSW*

GRANT THORNTON NSW  
Chartered Accountants



G S LAYLAND  
Partner

Sydney

28 February 2007