

K2 ASSET MANAGEMENT HOLDINGS LTD

AND CONTROLLED ENTITIES

ABN 59 124 636 782

FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2020

PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Appendix 4E Preliminary Final Report

Name of entity

K2 Asset Management Holdings Ltd

ABN or equivalent company reference:

59 124 636 782

1. Reporting period (item 1)

Report for the financial year ended	30 June 2020
Previous corresponding period is the financial year ended	30 June 2019

2. Results for announcement to the market (item 2)

Revenues from ordinary activities (<i>item 2.1</i>)	down	34.43%	to	3,146,384
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up	44.80%	to	(740,673)
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	up	44.80%	to	(740,673)
Dividends (<i>item 2.4</i>)	Amount per security		Franked amount per security	
No dividends have been paid during or declared subsequent to the year ended 30 June 2020.				
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	NA			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
The performance of the K2 Funds and Funds Under Management (FUM) as at 30 June 2020 are detailed in the table below. Please refer to the Chairman's Report included in the attached financial report for further information on the performance of K2 Asset Management Holdings Ltd.				
K2 Funds	Financial year fund performance*	Since inception fund performance (p.a.)*	Since inception index performance (p.a.) #	FUM \$million
K2 Australian Absolute Return Fund	-12.7%	+9.2%	+7.9%	23.1 AUD
K2 Select International Absolute Return Fund	-9.9%	+8.2%	+7.3%	16.3 AUD
K2 Asian Absolute Return Fund	-5.3%	+8.5%	+6.0%	10.8 AUD
K2 Global High Alpha Fund	-10.1%	+12.2%	+10.9%	35.8 AUD
K2 Australian Small Cap Fund (KSM)	-12.1%	+4.1%	+6.2%	7.4 AUD
Private Mandates				13.1 AUD
Total				106.5 AUD
The above information is unaudited. *Financial year performance figures are based on a financial year ended 30 June and are net of all fees. # The K2 Australian Absolute Return Fund is compared to the All Ordinaries Accumulation Index, the K2 Select International Absolute Return Fund is compared to the Morningstar Global Markets NR Index (AUD), the K2 Asian Absolute Return Fund is compared to the Morningstar Asia ex-Japan NR Index (AUD), the K2 Global High Alpha Fund is compared to the Morningstar Global Markets NR Index (AUD) and the K2 Australian Small Cap Fund is compared to the Small Ordinaries Accumulation Index. FUM figures for the K2 Australian Absolute Return Fund, K2 Select International Absolute Return Fund, K2 Asian Absolute Return Fund and K2 Global High Alpha Fund are displayed pre distributions payable for 30 June 2020.				

3. Statement of Comprehensive Income (item 3)

Refer to the attached statement.

4. Statement of Financial Position (item 4)

Refer to the attached statement.

5. Statement of Cash Flows (item 5)

Refer to the attached statement.

6. Dividends (item 7)

	Date of payment	Total amount of dividend per security	Franked amount per security	Foreign Sourced Income
Final dividend – year ended 30 June 2020	NA	0.00¢	0.00¢	0.00¢
Interim dividend – year ended 30 June 2020	NA	0.00¢	0.00¢	0.00¢
Final dividend – year ended 30 June 2019	NA	0.00¢	0.00¢	0.00¢
Interim dividend – year ended 30 June 2019	NA	0.00¢	0.00¢	0.00¢

7. Details of dividend or distribution reinvestment plans in operation are described below: (item 8)

NA	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	NA

8. Statement of retained earnings/(accumulated losses) (item 6)

	Consolidated Entity	
	2020	2019
	\$	\$
Balance at the beginning of year	(1,353,413)	7,974,115
Net profit/(loss) attributable to members of the parent entity	(740,673)	(1,341,887)
Total available for appropriation	(2,094,086)	6,632,228
Transfer to profit reserve	(2,815)	(7,985,641)
Dividends paid	-	-
Balance at end of year	(2,096,901)	(1,353,413)

9. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.05	\$0.05

10. Details of entities over which control has been gained or lost during the period: (item 10)

Control gained over entities

Name of entities (item 10.1)	NA
Date(s) of gain of control (item 10.2)	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 10.3)	\$
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$

Loss of control of entities

Name of entities (item 10.1)	NA
Date(s) of loss of control (item 10.2)	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 10.3).	\$
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$

11. Details of associates and joint venture entities (item 11)

Name of associate or joint venture entity (item 11.1)	% Securities held (item 11.2)
--	----------------------------------

NA	

Aggregate share of profits (losses) of associates and joint venture entities (item 11.3)

Group's share of associates' and joint venture entities':	2020 \$	2019 \$
Profit (loss) from ordinary activities before tax	NA	NA
Income tax on ordinary activities		
Net profit (loss) from ordinary activities after tax		
Adjustments		
Share of net profit (loss) of associates and joint venture entities		

12. Any other significant information relating to the entity's financial performance and financial position.

NA

13. The financial information provided in the Appendix 4E is based on the annual financial report (attached), which has been prepared in accordance with Australian accounting standards (*item 13*)

14. Commentary on the results for the period (*item 14*)

Refer to the attached financial report and Chairman's report for additional information.

15. Audit of the financial report (*item 15*)

The financial report has been audited.

16. The audit has been completed.

The financial report is not subject to audit dispute or qualification.

K2 ASSET MANAGEMENT HOLDINGS LTD
AND CONTROLLED ENTITIES
ABN 59 124 636 782

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

TABLE OF CONTENTS

	Page
Chairman's Report	3
Directors' Report	4
Audited Remuneration Report	7
Auditor's Independence Declaration	11
Shareholder Information	12
Corporate Governance Statement	14
Financial Report for the year ended 30 June 2020	
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Financial Statements	25
Directors' Declaration	51
Independent Auditor's Report	52

CHAIRMAN'S REPORT

The 2020 financial year was undeniably the year of two halves with no one able to predict the wildcard that Coronavirus (COVID-19) presented. Amidst the varying global response, Australia has emerged as a clear success story and has so far avoided the infection rates that have impacted the rest of the world. Our health response has been exemplary, but one may question the economic impact that a halt to activity will have in the long term. Since early March, policy makers worldwide have been swift to offer economic stimulus. Even the most conservative of governments were supporting aggressive fiscal spending in an attempt to avoid business closures, minimise unemployment and reduce the impact of falling incomes. Spending was approved with never before witnessed cooperation and implemented quickly for immediate results. What the other side of this pandemic looks like is an educated guess at best.

When global equity markets fell by more than 30% in a three week period it called upon the experience of our investment team to ensure that we were adding to the portfolio given such reduced valuations. From the depths of the March fall to 30 June 2020 the All Ordinaries Accumulation Index had risen 32%, the S&P 500 had returned 39% and the MSCI All Country World Index returned 35%. The long-term cost of panic selling in such a market would have had a crippling impact on the Funds returns.

While growing Funds Under Management (FUM) is still our focus, outflows did continue in 2019. However, we believe net outflows will be a thing of the past. We are confident in growing FUM in the coming year and in the years to come. We have established significant relationships with Principals Funds Management, Odyssey Asset Management and Paua Wealth Management and feel excited about the future, not only with these relationships but from many more that we are currently establishing.

Returning the business to profitability remains the priority for the K2 Board and senior management. A number of key initiatives were undertaken throughout the financial year to continue to reduce costs while working hard to build a path for sustainable revenue. Key senior appointments came to fruition and long-term collaborations were born.

The current economic environment lends itself to some unique opportunities. K2's balance sheet strength will allow us to explore various business options and to capitalise on those the Board sees fit for long-term strategic positioning.

Results for the 2020 financial year again correspond with FUM and fund performance, K2 received management fees totalling \$1,987,664 and performance fees of \$709,857. Total income was \$3,146,384 resulting in an after tax loss of \$740,673. Total cash on deposit totalled \$11,928,994.

It is nearly impossible to fully envisage what the other side of the pandemic looks like. It is fair to say that no element of life will be unchanged. There will no doubt be some significant hardships and challenges but there will also be some very good investment opportunities. Trends such as the digitalisation of retail, the move to a cashless economy and the humble office environment are likely to be changed on a global scale.

The volatility that the current economic conditions provide is viewed internally as an opportunity. K2's philosophy of investing with a value metric is supported in an environment where markets are reacting globally to localised events. Most importantly the current volatility should not change investors plans and there is a multitude of reasons to favour equities. Interest rates continue to be low which will naturally be supportive of asset prices as investors are forced to look for returns. This support will come with sell offs from time to time and investors will need a long-term time frame to gain the full benefit of the new cycle.

K2 is vigilant and fit for evolution. The commitment to our unitholders remains unchanged and we remain resolute on our investment philosophy. K2 has the financial strength to weather this period and we are ready to embrace the future opportunities that will be forthcoming.



Campbell Neal
Chairman

Melbourne

14 August 2020

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of K2 Asset Management Holdings Ltd (the Company) and the entities it controlled, K2 Asset Management Ltd, K2 Corporate Services Pty Ltd, KII Pty Ltd and Trusuper Pty Ltd, for the financial year ended 30 June 2020 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

DIRECTORS

The following persons were Directors of the consolidated entity during the whole financial year and up to the date of this report unless otherwise noted:

Campbell Neal	(Chief Executive Officer and Managing Director)
Mark Newman	(Executive Director)
Hollie Wight	(Chief Financial Officer and Executive Director)
Robert Hand	(Non-Executive Director) – Retired on 26 November 2019
Matthew Lawler	(Non-Executive Director) – Retired on 26 November 2019

No directors are or have been directors of any other listed entity in the last 3 years.

PRINCIPAL ACTIVITIES

K2 Asset Management Holdings Ltd is the holding company of K2 Asset Management Ltd, K2 Corporate Services Pty Ltd, KII Pty Ltd and Trusuper Pty Ltd. The principal activity of K2 Asset Management Ltd during the financial year was funds management. As of the date of this report, K2 Corporate Services Pty Ltd, KII Pty Ltd and Trusuper Pty Ltd have had no operations.

RESULTS

The consolidated loss before tax attributable to the members of K2 Asset Management Holdings Ltd was \$845,494 (2019: Loss \$1,769,960). The consolidated loss after tax attributable to members was \$740,673 (2019: Loss \$1,341,887). Please refer to the Consolidated Statement of Comprehensive Income on page 21 for further information.

REVIEW OF OPERATIONS

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant disruption in global and domestic financial markets.

Since 30 June 2020, a number of events that have arisen since the end of the reporting period such as new COVID-19 outbreaks and government response such as reimposed lockdowns.

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. The directors and management continue to assess the impact of COVID-19 on the consolidated entity.

The consolidated entity continued to engage in its principal activity of funds management, the results of which are disclosed within the attached financial statements. For details on the investment funds managed by K2 Asset Management Ltd in terms of funds under management please refer to the Chairman's Report on page 3.

Revenue from management and performance fees was \$1,987,664 (2019: \$4,366,126) and \$709,857 (2019: \$16,835) respectively. Total revenue amounted to \$3,146,384 (2019: \$4,798,725). Please refer to the Consolidated Statement of Comprehensive Income on page 21 for further details.

DIVIDENDS

There have been no dividends paid, declared or proposed by K2 Asset Management Holdings Ltd to members since the end of the previous financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, the K2 Global Equities Fund ceased operations. Total revenue for the financial year relating to the K2 Global Equities Fund was \$35,717 (2019: \$220,325).

Other than noted, there have been no other significant changes in the consolidated entity's state of affairs during the financial period.

AFTER BALANCE DATE EVENTS

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' REPORT (CONT'D)

LIKELY DEVELOPMENTS

K2 Asset Management Holdings Ltd continues to pursue its business objectives, by continuing to be the holding company of the K2 Asset Management Ltd funds management business. Operating strategies are not expected to change in the foreseeable future.

ROUNDING OF AMOUNTS

The parent entity and the consolidated entity have applied relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest dollar.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

AUDITOR

Pitcher Partners continues to act as Auditor of the consolidated entity since being appointed in May 2008.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

NON-AUDIT SERVICES

Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are approved by the Board and detailed below. The directors are satisfied, given the nature and scope of the non-audit services that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Amounts paid or payable to the auditors of the consolidated entity for non-audit services provided during the year:	2020 \$	2019 \$
Tax consulting services	-	-
Other consulting services	-	18,464

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

During or since the end of the financial year, the consolidated entity has entered into a commercial agreement to indemnify and paid premiums to insure the directors and officers of the company and the key management of the company.

No indemnities have been given or insurance premiums have been paid for the auditors of the consolidated entity.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience and special responsibilities of each person who has been a director of K2 Asset Management Holdings Ltd at any time during or since the end of the financial year are provided below, together with details of the Company Secretary.

Campbell William Neal BSc/LLB

Campbell has been the Managing Director and Chief Executive Officer of K2 Asset Management Holdings Ltd and K2 Asset Management Ltd since their formation. Before co-founding K2 Asset Management Ltd in 1999 Campbell worked at Bankers Trust Australia. He was appointed Executive Vice President in 1997 and was responsible for Australian institutional equity sales in Melbourne and later throughout Asia. Campbell has over 35 years' experience in both stockbroking and funds management.

DIRECTORS' REPORT (CONT'D)

Mark Sydney Newman BEcon

Mark has been Chief Investment Officer and Executive Director of K2 Asset Management Holdings and K2 Asset Management Ltd since their formation. Mark has 35 years' experience within the Asian economy including ten years abroad with HSBC Asset Management and later the Abu Dhabi Investment Authority. Mark progressed from Senior Investment Manager to Director of HSBC Asset Management Hong Kong Limited before moving to Abu Dhabi where he was responsible for managing assets across 14 markets in the Asia Pacific region. Mark co-founded K2 Asset Management Ltd in 1999.

Hollie Anne Wight Bbus(Acc)(Hons), CPA

Hollie has been an Executive Director and Chief Financial Officer of K2 Asset Management Ltd since April 2005 after joining K2 in 2000. Prior to K2 Hollie worked at PricewaterhouseCoopers within their assurance and business advisory services division. Hollie held the additional responsibilities of Company Secretary between 5 September 2014 and 15 September 2018. Hollie was reappointed as Company Secretary from 27 February 2020.

Robert Clive Hand BEcon, MBA

Robert joined K2 in October 2001 as Executive Director and Senior Portfolio Manager. Joining the finance industry in 1986 with National Australia Bank, Robert commenced in the bank's fund management company in 1989 working on Asian portfolios and subsequently European and Australian portfolios, ultimately as head of Australian equities. In October 2013, Robert resigned as an Executive Director and commenced a Non-executive role with the Board of K2. Robert then retired as a Non-executive Director in November 2019.

Matthew William Lawler DipFinPlan GradDipFinMkts

Matthew joined K2 in September 2016 as a Non-executive director. Matthew has over 32 years' experience in the financial services industry and has a deep understanding of funds management distribution, investment platforms and financial planning. Matthew is currently Executive Director and Head of Advice and Distribution at Loan Market Group. Prior to this role, Matthew was CEO of Wealth Management at Yellow Brick Road and held senior executive roles at MLC and NAB. In November 2019, Matthew retired from his Non-executive director role at K2.

DIRECTORS' MEETINGS

The number of meetings held by the board of directors during the financial year and the numbers of meetings attended by each director during the financial year were:

K2 Asset Management Holdings Ltd	Eligible to attend ⁽¹⁾	Attended
Campbell Neal	6	6
Mark Newman	6	6
Hollie Wight	6	6
Robert Hand	2	2
Matthew Lawler	2	1

⁽¹⁾ In addition to the 6 meetings, the directors of K2 Asset Management Holdings Ltd passed circular written resolutions on 7 occasions during the financial year. All eligible directors were signatories to these resolutions.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

During the 2020 financial year 33,600,000 (2019: 8,230,000) options were issued to a limited number of employees over unissued share capital of K2 Asset Management Holdings Ltd. The options have no vesting conditions and expire on 1 April 2023 with an exercise price of \$0.06 per option. 3,010,000 options issued in the 2019 financial year were cancelled during the year upon employee's termination of employment.

AUDITED REMUNERATION REPORT

REMUNERATION POLICIES

K2 Asset Management aims to provide remuneration that is competitive in the market and linked to the Company's long-term growth and value. The Board seeks to ensure that the Company attracts and retains talented and motivated employees who can enhance business performance through their contributions and leadership. All staff are employed and remunerated by K2 Asset Management Ltd with all contracts for service being on a continuing basis.

The nature and extent of remuneration is reviewed and agreed upon annually by the board of directors as a whole. The Board has ensured that current and proposed fixed, short- and long-term incentives are comparable with the market for similar roles and skill sets. No external consultants were engaged during the financial year.

Remuneration of employees is made up of the following components:

Fixed remuneration: includes base salary and employer superannuation contributions. All employees, including directors, have salary reviews on an annual basis. When making changes to an individual's base remuneration the Board as a whole considers the employee's responsibilities, historic performance and length of employment with the Company, as well as the applicable industry rate. When increasing Directors' base remuneration external consultants are engaged to ensure changes are consistent with internal policies and external market practices.

Performance bonuses

In order for employees or executive directors to be eligible for a bonus a number of predetermined criteria must first be met. These include the Company achieving budgeted results, maintaining a cost to income ratio of 50% (defined as total expenses divided by total income) and the investment funds achieving sufficient returns. These determinants ensure that the level of bonuses paid is directly linked to the financial performance of the Company. Upon meeting this criteria a bonus pool is established taking into account the maintenance of the 50% cost to income ratio. Varying portions of the bonus pool are allocated to different employee groups including executives, investment managers, legal, business development and administration. Bonuses are paid via the short-term and long-term incentive plans described below.

Short-term incentives: refers to performance-based cash bonuses. Along with the criteria mentioned above all employees (including executive directors) have specified key performance indicators they are required to meet depending on the position held. Key performance indicators are set on an annual basis and take into account individuals' skill sets, tasks required to be performed and projects and developments to be implemented in the year ahead. Key performance indicators include, but are not limited to, investment manager return on capital, successful implementation of internal projects, positive fund flows, enhancement of distribution channels, timely reporting to unitholders and shareholders and adherence to the K2 internal trademarks.

Bonuses are ultimately determined by the Board after appropriate consultation with senior managers and for investment managers the review of basis points and capital allocation on an individual fund manager level for the period in question. Bonuses can be paid semi-annually as at 31 December and 30 June. Short-term incentives paid or earned to all employees including directors and key management personnel in relation to the 2020 financial year were nil (2019: nil).

Long-term incentives: are provided via a performance-based deferred cash bonus which represents 25% to 75% of the short-term incentive that is retained by the Company. This deferred component is payable over three tranches over a three year period. Deferred bonus payments are only paid if the employee remains at the Company and continues to meet specified key performance indicators. If either of these criteria are not met then the deferred bonus is forfeited. The deferred bonus can be revoked at the Board's discretion.

Long-term incentives paid or due for the 2020 financial year is \$38,583 (2019: \$48,600). This represented 100% (2019: 89%) of the total deferred bonus payable. The current year amount forfeited was due to the above mentioned criteria not being met. There is currently a maximum of \$38,583 (2019: \$48,600) outstanding in deferred bonuses payable as at 30 June 2020.

In limited cases, the Board may approve the issue of new equity in K2 Asset Management Holdings Ltd as a long-term incentive for employees or alternatively allow the use of after tax proceeds of deferred bonuses to purchase new or existing shares in the Company. The total value of new equity issued as a long-term incentive in the 2020 financial year was nil (2019: nil).

AUDITED REMUNERATION REPORT (CONT'D)

REMUNERATION SUMMARY

A summary of the remuneration for the directors of the Company for the financial year ended 30 June 2020 is as follows (the below information is summarised in Note 22):

	Campbell Neal	Mark Newman
Position held:	Chairman and Managing Director	Executive Director
Appointment:	September 1999	September 1999
Base salary:	\$479,109 (2019: \$719,642)	\$58,956 (2019: \$277,422)
Superannuation:	\$21,003 (2019: \$20,531)	\$5,601 (2019: \$25,000)
Short-term incentives earned: *	nil (2019: nil)	nil (2019: nil)
Long-term incentives paid or due: *	nil (2019: nil)	nil (2019: nil)
Long-term incentives payable:	There is no performance-based deferred cash bonus payable to Mr Neal as at June 2020 (2019: nil).	There is no performance-based deferred cash bonus payable to Mr Newman as at June 2020 (2019: nil).
Incentive based salary as a % of total salary:	0% (2019: 0%)	0% (2019: 0%)
	Hollie Wight	Robert Hand
Position held:	Chief Financial Officer	Non-Executive Director
Appointment:	April 2005	October 2001 – November 2019
Base salary:	\$224,576 (2019: \$258,356)	\$17,819 (2019: \$45,575)
Superannuation:	\$21,003 (2019: \$20,531)	\$1,693 (2019: \$4,330)
Short-term incentives earned: *	nil (2019: nil)	nil (2019: nil)
Long-term incentives paid or due: *	nil (2019: nil)	nil (2019: nil)
Long-term incentives payable:	There is no performance-based deferred cash bonus payable to Ms Wight as at June 2020 (2019: nil).	As a non-executive director, Mr Hand is ineligible to receive incentive based payments.
Incentive based salary as a % of total salary:	0% (2019: 0%)	Not applicable

* No short or long-term incentives payable to key management personnel were forfeited in the current financial year.

AUDITED REMUNERATION REPORT (CONT'D)

REMUNERATION SUMMARY (CONT'D)

Matthew Lawler

Position held:	Non-Executive Director
Appointment:	September 2016 – November 2019
Base salary:	\$20,278 (2019: \$52,083)
Superannuation:	\$1,926 (2019: \$4,948)
Short-term incentives earned: *	nil (2019: nil)
Long-term incentives paid or due: *	nil (2019: nil)
Long-term incentives payable:	As a non-executive director, Mr Lawler is ineligible to receive incentive based payments.
Incentive based salary as a % of total salary:	Not applicable

* No short or long-term incentives payable to key management personnel were forfeited in the current financial year.

TERMS OF EMPLOYMENT OF KEY MANAGEMENT PERSONNEL

All key management personnel are employed via agreements which are considered to be standard in nature, with the exception of a 12 month non-compete clause in Campbell Neal's agreement.

RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

The following compares financial results for the last five years to dividend and incentive payments to key management personnel:

	2020	2019	2018	2017	2016
Profit/(loss) before tax	(845,494)	(1,769,960)	7,204,842	8,721,663	5,655,183
Profit/(loss) after tax	(740,673)	(1,341,887)	5,220,070	6,099,229	3,821,442
Total performance fees	709,857	16,835	7,641,846	7,280,556	1,128,684
Basic earnings/(loss) per share (cents per share)	(0.31)	(0.56)	2.17	2.59	1.64
Cost to income ratio	126.87%	136.88%	48.81%	49.27%	59.87%
Total KMP short-term incentives as a percentage of total income for the year	0.00%	0.00%	0.00%	2.32%	0.00%

The above highlights the impact that performance fees and the cost to income ratio have in determining the total bonus pool available to all employees including key management personnel. For further detail on performance bonuses payable to all staff including key management personnel see page 7.

AUDITED REMUNERATION REPORT (CONT'D)

CONSEQUENCE OF COMPANY'S PERFORMANCE ON SHAREHOLDER WEALTH

The following table summarises company performance and key performance indicators:

	2020	2019	2018	2017	2016
Revenue (\$)	3,146,384	4,798,725	14,075,362	17,193,534	14,092,005
Change in revenue (%)	(34.43%)	(65.91%)	(18.14%)	22.01%	(69.12%)
Profit/(loss) before tax (\$)	(845,494)	(1,769,960)	7,204,842	8,721,663	5,655,183
Change in profit before tax (%)	(52.23%)	(124.57%)	(17.39%)	54.22%	(79.03%)
Change in share price (%)	(5.56%)	(61.43%)	(39.13%)	(45.24%)	(40.00%)
Dividends declared (\$)	-	-	1,202,105	5,272,806	3,503,816
Total remuneration of KMP (\$)	851,964	1,428,418	2,095,461	2,572,501	4,522,139
Total performance-based remuneration of KMP (\$)	-	-	224,943	717,267	2,648,861

DIRECTORS' INTERESTS IN SHARES

Number of shares held by key management personnel, company secretary and related parties

	Balance 30 June 2019	Net change Other*	Balance 30 June 2020
Directors			
Campbell Neal	84,700,147	3,300,000	88,000,147
Mark Newman	29,633,187	(6,000,000)	23,633,187
Hollie Wight	5,238,566	-	5,238,566
Robert Hand	12,461,408	(12,461,408)	-
Matthew Lawler	220,000	-	220,000
	132,253,308	(15,161,408)	117,091,900

* Net change refers to shares purchased or sold during the year

The above shareholdings reflect shares held by companies and other entities related to the directors. For further details on relevant interests refer to page 12 of this report and the Company's ASX notices regarding substantial shareholdings.

LOANS TO KEY MANAGEMENT PERSONNEL

During the financial year there were no loans to key management personnel, including their related parties.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2019 ANNUAL GENERAL MEETING

At the company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

End of audited remuneration report.

Signed in accordance with a resolution of the directors.



Campbell Neal
Director



Hollie Wight
Director

Melbourne
14 August 2020

K2 ASSET MANAGEMENT HOLDINGS LTD
ABN 59 124 636 782
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF K2 ASSET MANAGEMENT HOLDINGS LTD

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of K2 Asset Management Holdings Ltd and the entities it controlled during the year.



K L BYRNE
Partner

14 August 2020



PITCHER PARTNERS
Melbourne

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of ordinary securities as at 10 August 2020 are as follows:

	Number of shares	%
CWN FT PTY LTD <CWN FAMILY A/C>	77,723,973	32.239
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	31,231,970	12.955
JAWATTE NOMINEES PTY LTD <JAWATTE FAMILY A/C>	8,890,762	3.688
MS NEWMAN FAMILY FOUNDATION PTY LTD <MS NEWMAN FAM FOUNDATION A/C>	8,555,556	3.549
GAHEE PTY LTD <HJN SUPERANNUATION FUND A/C>	7,680,000	3.186
MR MARK NEWMAN <FD246 A/C>	7,286,742	3.022
MR PETER RONEC <RONEC SUPER FUND A/C>	5,693,083	2.361
CWN SUPERANNUATION NOMINEES PTY LTD <CWN PERSONAL SUPER FUND A/C>	5,252,853	2.179
MR JOSHUA NEVILLE KITCHEN	4,850,000	2.012
DHC INVESTMENTS PTY LTD <CLEVEN FAMILY A/C>	4,244,496	1.761
HENLEY HOLDINGS AUST PTY LTD	4,000,000	1.659
CRUSADE NOMINEES PTY LTD <POPPENBEEK FAMILY A/C>	3,275,000	1.358
MSN SUPERANNUATION NOMINEES PTY LTD <MSN SUPERANNUATION FUND A/C>	3,229,936	1.340
ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD <ABSOLUTE A/C>	3,100,000	1.286
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,854,488	1.184
MR PETER RONEC & MS SUZANNE RUMBLE <RONEC SUPER FUND A/C>	2,843,250	1.179
C L D INVESTMENTS PTY LTD	2,178,890	0.904
MR PETER RONEC <RF A/C>	2,003,796	0.831
CPAC HOLDINGS PTY LIMITED <CPAC INVESTMENT A/C>	2,000,000	0.830
5P PROPERTIES PTY LTD	2,000,000	0.830
Total held by top 20	188,894,795	78.353
Total ordinary securities on issue	241,085,196	

Under chapter 6 of the *Corporations Act 2001* a person has a relevant interest in securities if they have a power to control a right to vote attached to the securities, no matter how remote that interest is.

A small number of K2 employees, directors and connected persons were parties to a shareholders' agreement which was established in 2003. Among other things, the agreement provides that if the parties are required to vote on certain matters at a general meeting, a special resolution of the parties was required prior to any party to the agreement voting at the general meeting. During the 2020 financial year, the shareholders' agreement was dissolved.

For details of the shareholdings held by companies and other related entities of the directors of the Company, please refer to the Remuneration Report on page 10.

DISTRIBUTION OF SECURITIES

Security Class: Fully Paid Ordinary Shares

Holdings Ranges as at 10 August 2020

	Holders
1-1,000	89
1,001-5,000	213
5,001-10,000	154
10,001-100,000	372
100,001-9,999,999,999	107

Total number of holders **935**

Number of holders of less than a marketable parcel **465**

SHAREHOLDER INFORMATION(CONT'D)

VOTING RIGHTS

At general meetings of shareholders, each shareholder in person or by proxy, attorney or representative has one vote on a show of hands and on a poll has one vote for each share held.

At any general meeting, resolutions are to be decided on a show of hands unless a poll is requested by at least five shareholders entitled to vote on the resolution, by shareholders entitled to cast at least 5% of the votes that may be cast on the resolution or by the chair.

2020 ANNUAL GENERAL MEETING

The Annual General Meeting will be held virtually from K2 Asset Management Ltd, Level 32, 101 Collins Street, Melbourne at 9.00am on Tuesday 24 November 2020 in line with applicable COVID-19 government restrictions. Details of the meeting will be disclosed closer to the meeting date and all resolutions being put to shareholders will be distributed prior to the meeting.

If you would like to submit a question to be addressed at the AGM prior to the day, please email your question to information@k2am.com.au.

CORPORATE GOVERNANCE STATEMENT

The Directors and management of the Company are committed to good corporate governance practice. When adopting corporate governance policies, the Board has regard to, among other things, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition), released in 2014 (**ASX Recommendations**). Unless the context otherwise requires, capitalised terms used in this Corporate Governance Statement have the meanings given to them in the ASX Recommendations.

The Company has a 30 June balance date and will be expected to measure its governance practices against the principles and recommendations in the fourth edition of the ASX Recommendations commencing with the financial year ended 30 June 2021 (FY21). It is acknowledged that for the 12-month reporting period ending June 2021, the Company will have regard to and report in accordance with the Fourth Edition of the ASX Recommendations, released in 2019 and applicable to the Company in FY21 and subsequent reporting periods.

Detailed corporate governance policies, charters and codes referred to in this Corporate Governance Statement are available on the Company's website (www.k2am.com.au) under Shareholders, Corporate Governance. As part of its governance framework and to ensure the Company continues to enhance its governance standards, the Board and management routinely review the Company's policies and procedures. For completeness, the corporate governance policies, charters and codes available on the Company's website include the following:

- Board Charter
- Code of Conduct
- Continuous Disclosure Policy
- Corporate Governance Summary
- Diversity Policy
- Risk Management Policy
- Share Trading Policy, and
- Statement of Corporate Governance Principles.

This Corporate Governance Statement outlines the Company's compliance against the ASX Recommendations for the current Reporting Period ended 30 June 2020 and has been approved by the Board. To the extent that the Company has not followed an ASX Recommendation for any part of the Reporting Period, this Corporate Governance Statement separately identifies that ASX Recommendation and states the period it was not followed, the Company's reasons for not following that ASX Recommendation and what (if any) alternative governance practices it adopted in lieu of the ASX Recommendation during that period.

PRINCIPLE 1: LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

1.1 RESPECTIVE ROLES AND RESPONSIBILITIES OF BOARD AND MANAGEMENT

The Board has primary responsibility for the oversight, management and performance of the Company, which includes compliance with the Company's corporate governance objectives.

The specific duties, responsibilities and powers reserved to the Board are summarised in the Board Charter, which provides, among other things, that the Board is responsible for:

- oversight of strategic and financial objectives;
- nominating, appointing and monitoring Board members and management;
- monitoring risk, compliance and corporate governance and approving relevant policies and procedures;
- supervising secretarial and other matters such as convening Security Holder meetings, issuing shares, major litigation and continuous disclosure; and
- initiating plans or changes to business operations and delegating to senior management or committees where appropriate.

Consistent with ASX Recommendation 1.1, management is responsible for matters not expressly reserved to the Board, including implementing the strategic objectives set by the Board, operating within the Board's risk parameters and otherwise operating the business day to day. Management is also responsible for reporting to the Board with accurate, timely and clear information to support the Board in performing its responsibilities.

The Board meets formally at least six times a year and on other occasions as required but may otherwise pass written circular resolutions if it is more expedient than a meeting or there are additional matters to be addressed between meetings. The Board adopts the use of technology wherever possible to conduct Board meetings. On the invitation of the Board or a request made to the Board, a Senior Executive or external auditor of the Company may attend and make presentations to the Board.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1.2(a) APPOINTMENT, RETIREMENT AND RE-ELECTION

In accordance with ASX Recommendation 1.2(a), and consistent with the process the Company follows before employing any new employee, appropriate background and probity checks (relevant to the person's character, experience, education, criminal history and, for a Director, bankruptcy history) are undertaken before appointing a candidate, or putting forward to Security Holders a candidate for election as a Director.

The Constitution requires one third of the Board, excluding the Managing Director, to retire from office at each AGM. Directors who have been appointed to the Board are required to retire from office at the next AGM and are not taken into account in determining the number of Directors to retire at that AGM. Directors cannot hold office for a period in excess of three years (or later than the third AGM following their appointment) without submitting themselves for re-election. Retiring Directors are eligible for re-election by Security Holders.

1.2(b) PROVISION OF INFORMATION TO SECURITY HOLDERS

In accordance with ASX Recommendation 1.2(b), Security Holders are provided with all material information relevant to a decision on whether or not to re-elect a Director ahead of, and at, an AGM. This information includes details of the Director's biography, other material Directorships (if applicable), term of office currently served and a statement by the Board (with the nominee Director abstaining) as to whether it supports the re-election of the Director.

1.3 WRITTEN AGREEMENTS WITH DIRECTORS

In accordance with the Board Charter and consistent with ASX Recommendation 1.3, each Director is engaged under the terms of a written agreement. Directors remain subject to the rotational requirements for re-election under paragraph 1.2(a) above.

1.4 COMPANY SECRETARY

The role and responsibilities of the Company Secretary are consistent with ASX Recommendation 1.4. The Company Secretary is directly accountable to the Board, through the Chair, on all matters relating to the proper functioning of the Board. The Constitution gives the Board power to appoint, on terms it considers appropriate, and remove the Company Secretary.

1.5 DIVERSITY

The Company respects people as individuals and values differences. It is committed to creating a working environment that is fair and flexible, promotes personal and professional growth and benefits from the capabilities of a diverse workforce.

Consistent with ASX Recommendation 1.5, the Company:

- (a) has a Diversity Policy that contains requirements for the Board to set measurable objectives for achieving workplace diversity and to annually assess those objectives and the Company's progress in achieving them; and
- (b) discloses it to Security Holders on its website.

A summary of the measurable objectives and steps taken towards achieving them during the Reporting Period include the following:

Objective 1: Valuing diversity in the selection and appointment of directors and employees, always ensuring that decisions are based on merit alone

The Company's diversity strategy includes:

- focusing on recruiting from a diverse pool of candidates for all positions, including for senior management and the Board; and
- identifying specific factors to consider in the recruitment and selection processes to encourage greater diversity in the Company's human talent.

Against objective 1 during the Reporting Period, the Company maintained employment practices encompassing diversity across gender, culture, technical background and professional experience.

Objective 2: Workplace culture – ongoing diversity

The Company maintains initiatives to help employees balance their work, life and family responsibilities, with the aim of improving staff loyalty and retention, and maintaining the diversity amongst its workforce. These initiatives include:

- promoting mental health and wellbeing at work;
- providing flexible work options where possible;

CORPORATE GOVERNANCE STATEMENT (CONT'D)

- “family days” which can be taken by full-time employees once every two months (in addition to standard annual leave), for any purpose including attending children’s or family activities, a religious holiday or cultural event;
- a written Anti-Discrimination and Anti-Harassment Policy and relevant training for all staff; and
- a written Whistleblower Policy and procedures in place for the protection of whistleblowers.

The Board was satisfied with progress on objective 2 and considered that the above initiatives were utilised during the Reporting Period and contributed positively to workplace culture.

Objective 3: Diversity in Board membership

The mix of skills and diversity which the Directors seek to achieve in the membership of the Board are set out in the Diversity Policy. No single Director is expected to have all the listed skills and/or qualities set out in the Diversity Policy, and some may be contributed by the Company Secretary or other advisors and committees.

The Board has three members, one of which is female. Given the small size and stability of the Board and the longevity of service of its Directors, there was no trend or pattern (diverse or otherwise) in Board appointments for the Reporting Period.

The Diversity Policy states that the Board and the Company’s compliance department will consider and develop further diversity, retention and loyalty programmes which, in its view, are necessary or beneficial. The Board may set further objectives or targets as it sees fit from time to time, particularly if employee numbers begin to increase, and will take appropriate measures consistent with the size, nature and complexity of its operations. The Board has established objectives for gender diversity, but they are not as “measurable” as the kinds of objectives which are able to be set and monitored by larger companies. In this regard, the Company has adopted ASX Recommendation 1.5 as far as is reasonably practicable and applicable to the Company.

1.6 & 1.7 PERFORMANCE ASSESSMENT

In accordance with ASX Recommendations 1.6 and 1.7, the Board completes an annual performance evaluation of the Board, each Director (who also represents the Company’s Senior Executives) and Senior Executives against the requirements of the Board Charter, criteria determined by the Board from time to time and the requirements of the Constitution.

As part of the evaluation process, the Board:

- sets performance objectives and development plans (having regard to both the business goals set by the Board and individual performance criteria) for the forthcoming financial year;
- assesses individual performance against the prior year’s performance objectives; and
- determines short term remuneration and long-term participation in the Company’s incentive plan by reference to each individual’s performance.

A performance evaluation for the current Reporting Period was conducted near the end of the Reporting Period.

The Board is responsible for undertaking and approving the annual performance review of the Managing Director. Generally, performance evaluations for all employees (including Directors and Senior Executives) are undertaken before 30 June each year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 NOMINATION COMMITTEE

The Board maintained responsibility for the nomination and appointment of Directors during the Reporting Period, including conducting evaluations of each Director.

Given the Company’s small size and Board composition, and consistent with Commentary in ASX Recommendations 2.1, the Company considers that the Board is able to deal efficiently and effectively with the relevant matters in this ASX Recommendation, without the need to establish a separate nomination committee. The Board believes that the efficiencies the Company currently enjoys may be lost by delegating those matters to a committee.

The Board reviews the performance of those Directors who, at the AGM, stand for re-election.

2.2 BOARD SKILLS MATRIX

Directors are expected to bring independent views and judgment to all Board deliberations. The skills, experience and expertise relevant to the position held by each Director in office at the end of the Reporting Period are described in the Company’s annual report for the period ended 30 June 2020. In accordance with ASX Recommendation 2.2, the Board considers the mix of skills and diversity of each Board member when assessing the composition of the Board.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2.3 DIRECTOR INDEPENDENCE

The structure of the Board throughout the Reporting Period was as follows:

Director	Title	Date of appointment to K2 Asset Management Ltd (K2)	Date of appointment to K2 Asset Management Holdings Ltd (KAM)	Date of retirement from KAM and K2
Campbell Neal	Executive Director and Chair	1 March 1999	27 March 2007	N/A
Mark Newman	Executive Director	5 May 1999	27 March 2007	N/A
Hollie Wight	Executive Director	27 April 2005	27 March 2007	N/A
Robert Hand	Non-Executive Director	3 November 2001	27 March 2007	26 November 2019
Matthew Lawler	Non-Executive Director	27 September 2016	27 September 2016	26 November 2019

During the Reporting Period, no Director had an interest, position, association or relationship that, in the Board's opinion, altered the independence status of that Director. In making its determination, the Board had regard to the independence criteria in ASX Recommendation 2.3 and other information and circumstances the Board considered relevant, including reviewing each Director's former and existing relationships.

The Board distinguishes the concept of independence, and the issues of conflicting or material personal interests, which may arise from time to time. Any conflict of interest or material personal interest of a Director is managed in accordance with the Company's Conflicts Policy and the applicable legal and regulatory requirements for managing these issues. The Conflicts Policy sets out how the Company manages (ie, controls, avoids and/or discloses (if necessary)) any conflicts of interest. The policy also addresses the Company's obligations under the Corporations law and ASIC regulatory guidance and is reviewed annually to ensure it remains relevant and up to date. The Board maintains, and regularly reviews, a conflict register. The conflict register supports the Company's conflicts management procedures and ensures conflicts that do arise are recorded and appropriately managed.

Each Director is entitled to obtain independent professional advice at the Company's expense for the purpose of assisting them in performing their duties. A Director who wishes to obtain such advice must first obtain the approval of the Chair (and such approval must not be withheld unreasonably) and must provide the Chair with the reason for seeking such advice, the identity of the person from whom the advice will be sought and the likely cost of obtaining such advice. Except in certain circumstances detailed in the Board Charter, advice obtained in this manner is made available to the Board.

All Directors have unrestricted access to employees of the Company and, subject to law, access to all Company records and information held by the Company, its employees and advisors.

2.4 & 2.5 MAJORITY OF INDEPENDENTS, SEPARATE CHAIR AND CEO

The Board reviewed the position and associations of each Board member throughout the Reporting Period, and determined that one Non-Executive Director, Mr Matthew Lawler, was independent of the Company. Mr Lawler retired as a Non-Executive Director on 26 November 2019.

Given the small size and cohesion of the existing Board, the recommendation in ASX Recommendation 2.5 to have an independent Chair (distinct from the CEO) was determined by the Company to be unnecessary for the Reporting Period. The Company considers that, notwithstanding that the Chair and Managing Director (CEO equivalent) are the same individual, the Board has the necessary industry expertise, and is appropriately structured, to perform its duties in a manner that is in the best interests of the Company and its Security Holders.

2.6 INDUCTION AND TRAINING

In accordance with ASX Recommendation 2.6, all Directors and new employees receive induction training, covering the following (as appropriate):

- Company structure and operations;
- risk management, corporate governance and various employee-related and Company policies;
- the rights, duties and responsibilities of Directors, Senior Executives and employees as applicable;
- office procedures and administrative information; and
- legal and regulatory obligations specific to K2 as the holder of an Australian financial services licence.

All Directors have access to, and do access, continuing education through various education providers to enhance their skills and knowledge where deemed appropriate.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

3.1 CODE OF CONDUCT

As set out in ASX Recommendation 3.1, the Company has a Code of Conduct regulating the conduct of employees and Directors. The Code of Conduct aims to establish the Company's values and maintain the highest level of ethical standards, corporate behaviour and accountability. In particular, the Code of Conduct addresses:

- compliance with laws, including taxation law;
- fair dealing;
- confidentiality and protection of Company assets;
- conflicts of interest;
- obligations to Security Holders and the financial community;
- trading in Company securities;
- equal opportunity;
- health, safety and environment;
- reporting non-compliance and grievances;
- bribes and financial inducements;
- political donations; and
- whistleblowers.

Several of the above matters are supported by their own separate and distinct Company policies and procedures.

For instance, under the Company's Share Trading Policy, employees (including Directors) must not deal in the securities of the Company when they are in possession of price sensitive information relating to the Company which has not been made public. Subject to this and exceptional circumstances, trading can occur at all times, except:

- from 1 December, until one hour after the half-yearly financial reports are released to the market; and
- from 1 June, until one hour after the annual financial results are released to the market.

Outside of the above trading blackout periods, if employees (including Directors) wish to trade in securities, they must obtain prior written approval from a Director and present a signed declaration that they are not in possession of any material non-public information.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 AUDIT COMMITTEE

ASX Recommendation 4.1 recommends that a Board establish an audit committee in respect of its financial statements. The Company delegates responsibility for the Company's financial statements to the Board, with support and input from the Company's finance manager, CFO and external auditor. Specifically, the Board is responsible for carrying out the following functions, which would otherwise be recommended matters for an audit committee:

- reviewing and considering the financial statements;
- reviewing the effectiveness and performance of the Company's external auditors; and
- ensuring the independence and competence of the external auditor.

Given the Company's small size and Board composition, and consistent with the Commentary in ASX Recommendations 4.1, the Company considers that it is able to deal efficiently and effectively with the relevant matters in this ASX Recommendation without the need to establish a separate committee. The Board believes that the efficiencies the Company currently enjoys may be lost by delegating those matters to a committee.

The Company's external auditor declares its independence to the Company through its representations to the Board and provision of its independence declaration, stating that there have been no contraventions of auditor independence requirements as set out in the Corporations Act or any auditors' professional code.

If it becomes necessary to replace the Company's external auditor for performance, independence or other reasons, the Board may formalise a procedure for the selection and appointment of new auditors. The external auditor maintains internal policies to ensure periodic rotation of its external audit engagement partners.

4.2 CEO/CFO DECLARATION

In accordance with ASX Recommendation 4.2 and the Corporations Act, before the Board approves the Company's financial statements for a financial period, the Board receives from the Managing Director (CEO equivalent) and CFO a declaration that, in their opinion, the Company's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and

CORPORATE GOVERNANCE STATEMENT (CONT'D)

performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which are operating effectively.

4.3 EXTERNAL AUDITOR ATTENDANCE AT AGM

The external auditor of the Company for the Reporting Period was Pitcher Partners. In accordance with ASX Recommendation 4.3, the external auditor (through the senior engagement partner or its representative) attends and is available to answer questions at the AGM. Security Holders may submit questions for the external auditor to the Company Secretary no later than five business days before an AGM. In accordance with section 307C of the Corporations Act, the external auditor makes an annual independence declaration to the Board, declaring that it has maintained independence.

The Board has a process governing the provision of non-audit services to the Company by the external auditor. In some cases, the provision of specific services is not permitted in any circumstances (such as the preparation of accounting records, valuations and internal audit assistance). Alternatively, some services (such as tax compliance services) are permitted, while others require the Board's prior approval (such as tax advice and investigative accounting services).

PRINCIPLE 5: MAKING TIMELY AND BALANCED DISCLOSURE

5.1 CONTINUOUS DISCLOSURE POLICY

The Company has a Continuous Disclosure Policy to ensure compliance with its continuous disclosure obligations under the Listing Rules and clear and timely communication to Security Holders and the market generally. The Continuous Disclosure Policy was designed having regard to ASX Guidance Note 8 *Continuous Disclosure: Listing Rule 3.1 – 3.1B* and the 10 principles set out in ASX Regulatory Guide 62 *Better disclosure for investors*.

Broadly, the Continuous Disclosure Policy:

- gives guidance as to the information that may require disclosure;
- gives guidance for dealing with market analysts and the media;
- requires Directors and senior management to actively consider whether there is any price sensitive information which needs disclosure; and
- allocates responsibility for approving public disclosures and Security Holder communications.

As recommended in ASX Recommendation 5.1, the Continuous Disclosure Policy includes vetting and authorisations processes designed to ensure that announcements are factual, complete, balanced and expressed in a clear and objective manner that allows investors to assess the information when making investment decisions.

The Company Secretary is responsible for communications with the ASX, including responsibility for ensuring compliance with the continuous disclosure requirements in the Listing Rules and overseeing information going to the ASX, Security Holders and other interested parties.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1 PROVISION OF INFORMATION TO INVESTORS

The Company provides information about itself and its governance to investors via its website (www.k2am.com.au). The website also includes an attachment or link (as the case may be) to the categories of information recommended in ASX Recommendation 6.1, as applicable.

6.2 & 6.3 INVESTOR RELATIONS PROGRAM, MEETING PARTICIPATION

The Company reports to Security Holders of the Company through its annual and half-yearly reports and also at the Company's AGM. The Board encourages Security Holders to attend and participate at the AGM or to appoint a proxy to vote on their behalf if they are unable to attend. The Company engages Boardroom Pty Ltd as its registry service provider to manage the share registry of the Company, as well as certain investor communications. The Continuous Disclosure Policy reinforces the Company's commitment to using general meetings of the Company to effectively communicate with Security Holders and to allow reasonable opportunity for informed Security Holder participation.

6.4 ELECTRONIC COMMUNICATION

Consistent with ASX Recommendation 6.4, Security Holders have the option to receive communications from, and send communications to, the Company and its share registry electronically, which includes dividend statements, annual reports and notices of general meetings etc.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 & 7.2 RISK COMMITTEE AND RISK REVIEWS

The Board Charter gives the Board responsibility for approving and monitoring compliance with the Company's risk management strategy and internal controls. The Risk Management Policy establishes a Management Risk Review Group to identify and monitor the risks faced by the Company and recommend mitigation strategies. The Board considers that the Management Risk Review Group performs a role similar to that of a risk committee (as recommended in ASX Recommendation 7.1), without the need to formally establish one. The Board considers this appropriate given the Company's small size and composition, and also given its vigorous AFSL compliance program. The Management Risk Review Group reports to the Board at regular intervals on any issues relating to compliance with risk measures ie, insurance, occupational health and safety, protection of client funds and financial requirements.

The Company is committed to the identification, monitoring and management of risks associated with its business activities. As part of its existing management and reporting systems, the Risk Management Policy is founded on the detailed risk management procedures required under K2's AFSL and is guided by AS/NZS ISO 31000:2018 *Risk management – Principles and guidelines*. In accordance with ASX Recommendation 7.2, the Management Risk Review Group and the Board are responsible for monitoring, evaluating and improving the effectiveness of the Company's risk management and internal control processes and review the risk management framework at least annually. The Board, with input from the Risk Review Group, reviewed the Company's risk management framework for this Reporting Period.

7.3 INTERNAL AUDIT FUNCTION

Although the Company does not adopt a formal internal risk audit function, management and employees are ultimately responsible to the Board for the Company's system of internal control and risk management, and the Board considers this appropriate in the Company's circumstances. In addition, the Company's wholly owned operating entity is the holder of AFSL 244 393 and is subject to a significant number of statutory and external audit requirements. In particular, the external audits provide assurance on the robustness of the Company's compliance framework.

7.4 MATERIAL EXPOSURES

In accordance with ASX Recommendation 7.4, the Board does not consider that the Company has any material exposure to economic, environmental and social sustainability risks that are significantly higher or unusual to any other company operating in the financial services industry investing in domestic and global equity markets.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 REMUNERATION COMMITTEE

The Board considers that it was not necessary to establish a separate remuneration committee for the Reporting Period, as all matters capable of delegation to a remuneration committee were effectively dealt with by the Board.

Under the Company's Corporate Governance Summary, all employee and executive remuneration is assessed on an annual basis as part of the Company's annual performance reviews. The Board Charter makes the Board responsible for the remuneration of Directors and senior management, and the Constitution provides further details regarding remuneration. The Constitution distinguishes the appropriate remuneration components for Executive and Non-Executive Directors.

Given the Company's small size and Board composition, and consistent with the Commentary in ASX Recommendations 8.1(b), the Company considers that it can deal efficiently and effectively with the relevant matters in this ASX Recommendation without the need to establish a separate committee.

8.2 REMUNERATION DISCLOSURE

The Board Charter summarises the Company's remuneration practices, and the Board believes that this, coupled with the required disclosures regarding Directors and their remuneration in the Company's annual report for the current Reporting Period, are consistent with ASX Recommendation 8.2.

8.3 EQUITY-BASED REMUNERATION

The Company did not have a formal equity-based incentive scheme during the Reporting Period. From time to time, the Company may consider and offer equity in the Company to eligible employees and their related parties on a case by case basis. Awards of equity instruments to related parties of the Company are disclosed and approved in accordance with the Corporations Act and ASX Listing Rules and announced on ASX's announcements platform.

K2 Asset Management Holdings Ltd and Controlled Entities
ABN: 59 124 636 782

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
Revenue	4	3,146,384	4,798,725
Employee benefits expense	5	(2,736,252)	(4,980,284)
Depreciation and amortisation expenses	5	(299,857)	(24,915)
Marketing expenses	5	(269,147)	(320,793)
Occupancy expenses	5	(107,089)	(434,386)
Professional expenses		(294,570)	(249,957)
Technology expenses		(87,907)	(166,964)
Fund operating expenses		(145,708)	(369,385)
Finance Costs		(38,389)	-
Other expenses		(12,959)	(22,001)
		(3,991,878)	(6,568,685)
Loss before income tax		(845,494)	(1,769,960)
Income tax benefit	6	104,821	428,073
Total comprehensive loss for the year		(740,673)	(1,341,887)
Basic loss per share (cents per share)	21	(0.31)	(0.56)
Diluted loss per share (cents per share)	21	(0.31)	(0.56)

The above statement should be read in conjunction with the accompanying notes.

K2 Asset Management Holdings Ltd and Controlled Entities
ABN: 59 124 636 782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 \$	2019 \$
Current Assets			
Cash and cash equivalents	8	11,928,994	12,617,915
Receivables	9	455,659	400,363
Current tax receivable	6	-	23,778
Lease receivable	20	189,509	-
Other current assets	10	98,984	279,104
Total Current Assets		12,673,146	13,321,160
Non-current Assets			
Plant and equipment	11	127,757	69,164
Lease assets	20	424,097	-
Intangible assets	12	5,359	3,123
Deferred tax assets	6	923,749	818,927
Lease receivable	20	240,053	-
Other non-current assets	13	212,556	431,605
Total Non-current Assets		1,933,571	1,322,819
Total Assets		14,606,717	14,643,979
Current Liabilities			
Trade and other payables	14	272,540	403,006
Current tax payable	6	-	-
Provisions	15	617,173	914,933
Lease liabilities	20	384,594	-
Total Current Liabilities		1,274,307	1,317,939
Non-current Liabilities			
Provisions	15	8,647	13,608
Lease liabilities	20	486,699	-
Total Non-current Liabilities		495,346	13,608
Total Liabilities		1,769,653	1,331,547
Net Assets		12,837,064	13,312,432
Equity			
Share capital	16	4,601,987	4,601,987
Reserves	17	10,331,978	10,063,858
Accumulated losses	18	(2,096,901)	(1,353,413)
Total Equity		12,837,064	13,312,432

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

2020	Contributed equity \$	Reserves \$	Accumulated losses \$	Total Equity \$
Balance as at 1 July 2019	4,601,987	10,063,858	(1,353,413)	13,312,432
Loss for the year	-	-	(740,673)	(740,673)
Total comprehensive income for the year	-	-	(740,673)	(740,673)
Transactions with owners in their capacity as owners				
Transfer to profit reserve	-	2,815	(2,815)	-
Share based payments	-	265,305	-	265,305
Dividends paid	-	-	-	-
Total transactions with owners in their capacity as owners	-	268,120	(2,815)	265,305
Balance as at 30 June 2020	4,601,987	10,331,978	(2,096,901)	12,837,064

2019	Contributed equity \$	Reserves \$	Retained earnings \$	Total Equity \$
Balance as at 1 July 2018	4,601,987	2,060,985	7,974,115	14,637,087
Loss for the year	-	-	(1,341,887)	(1,341,887)
Total comprehensive income for the year	-	-	(1,341,887)	(1,341,887)
Transactions with owners in their capacity as owners				
Transfer to profit reserve	-	7,985,641	(7,985,641)	-
Share based payments	-	17,232	-	17,232
Dividends paid	-	-	-	-
Total transactions with owners in their capacity as owners	-	8,002,873	(7,985,641)	17,232
Balance as at 30 June 2019	4,601,987	10,063,858	(1,353,413)	13,312,432

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
Cash flow from operating activities			
Receipts from customers		3,087,280	5,179,429
Operating grant receipts		72,000	-
Payments to suppliers and employees		(3,675,148)	(7,483,826)
Interest received		175,562	250,026
Finance costs		(38,389)	-
Income tax received/(paid)		23,778	(993,615)
Net cash used in operating activities	19(b)	(354,917)	(3,047,986)
Cash flow from investing activities			
Payment for plant and equipment		(94,196)	(58,831)
Proceeds from the sale of plant and equipment		-	-
Payment for trademarks and licenses		(2,681)	(1,300)
Principal portion of lease receipts		120,652	-
Net cash used in investing activities		23,775	(60,131)
Cash flow from financing activities			
Repayment/proceeds of borrowings		(3,211)	-
Principal portion of lease payments		(354,568)	-
Dividends paid		-	-
Net cash used in financing activities		(357,779)	-
Net decrease in cash and cash equivalents		(688,921)	(3,108,117)
Cash at beginning of financial year		12,617,915	15,726,032
Cash and cash equivalents at end of the year	19(a)	11,928,994	12,617,915

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report includes financial statements for K2 Asset Management Holdings Ltd, K2 Asset Management Ltd, K2 Corporate Services Pty Ltd, KII Pty Ltd and Trusuper Pty Ltd as a consolidated entity. K2 Asset Management Holdings Ltd is a company limited by shares, incorporated and domiciled in Australia. K2 Asset Management Holdings Ltd is a for profit entity for the purpose of preparing financial statements. As of the date of this report, K2 Corporate Services Pty Ltd, KII Pty Ltd & Trusuper Pty Ltd have had no operations.

The financial report was authorised for issue by the directors as at the date of the directors' report.

Compliance with IFRS

The consolidated financial statements of K2 Asset Management Holdings Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Going concern

The financial report has been prepared on a going concern basis.

Critical accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Coronavirus (COVID-19)

Since the declaration by the World Health Organisation on 11 March 2020, of the Coronavirus as a pandemic, there has been a significant impact on local and world economics. This pandemic may have an impact on the financial position, and may affect financial performance of the consolidated entity in the future.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which K2 Asset Management Holdings Ltd controlled from time to time during the year and at balance date. Details of the controlled entities are contained in Note 24(a).

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Revenue recognition

Management fees are calculated at between 1.28% and 2.00% of the relevant fund's daily net asset value and is receivable monthly in arrears. Performance fees are based upon the relevant fund's investment return over and above a specified high water mark and, if applicable, a performance hurdle. As management and performance fees are variable, revenue from management and performance fees is recognised only when it is highly probable that there will not be a significant reversal in the amount calculated.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks and short-term deposits with an original maturity of six months or less held at call with financial institutions.

(e) Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation or amortisation.

Computer and office equipment

Computer and office equipment is measured on a cost basis.

Leasehold improvements

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and amortised over the estimated useful lives of the improvements.

Depreciation

The depreciable amounts of all other fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	10% - 34%	Straight line
Computer and office equipment	10% - 40%	Straight line and diminishing value

(f) Intangibles

Patents, trademarks and licences are recognised at cost at acquisition. Patents and trademarks have a finite life and are carried at cost less accumulated amortisation and any impairment losses. They are amortised on a straight line basis over their estimated useful lives, which range from 10 to 15 years.

(g) Impairment of non-financial assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Taxes

Current income tax expense or benefit is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax Consolidation

K2 Asset Management Holdings Ltd and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered a tax funding arrangement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. K2 Corporate Services Pty Ltd, KII Pty Ltd and Trusuper Pty Ltd have had no operations since their incorporation on 25 May 2020, 12 August 2015 and 19 August 2016 respectively.

(i) Employee Benefits

Liabilities arising in respect of wages and salaries, performance bonuses, annual leave and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at their undiscounted amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions made by the consolidated entity to an employee superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in a future payment is available.

(j) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the consolidated entity are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVOCI are classified as subsequently measured at amortised cost, FVOCI or fair value through profit or loss (FVTPL) on the basis of both:

- (a) the group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading and financial liabilities designated at FVTPL, are subsequently measured at fair value.

All other financial liabilities recognised by the consolidated entity are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the consolidated entity's transactions with its customers and are normally settled within 30 days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Consistent with the consolidated entity's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised costs.

Parent entity investment in subsidiary

K2 Asset Management Holdings Ltd has an equity investment in K2 Asset Management Holdings Ltd that has been on initial application of AASB 9 irrevocably designated (and measured) at fair value through other comprehensive income. This election has been made as the directors believe that to otherwise recognise changes in the fair value of this investment in profit or loss would be inconsistent with the objective of holding the investment for the long term. Refer to Note 25 for a summarised presentation of the parent entity's financial statements.

Employee share loans

On a limited basis, interest free loans have been made to employees of the consolidated group for which the proceeds have been utilised to purchase shares in the parent entity. These loans have been measured at amortised costs with interest income measured using the effective interest method. As the term of the loan is linked to the tenure of employment with the consolidated entity, any benefit derived by the employee has been assessed as being equal to the interest income forgone on the loan.

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- debt instruments classified at fair value through other comprehensive income;
- receivables from contracts with customers (trade and other receivables); and;
- receivables from leases

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and lease receivables. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers, contract assets and leases on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Due to the nature of the relationship between the consolidated entity and its customers, the K2 Funds, the Directors consider that there is low credit risk associated with trade and other receivables. Refer to Note 9 and 20 for further information.

(k) Foreign Currencies

Functional and presentation currency

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional currency.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated entity are converted into the functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are converted using the spot rate at the end of the financial year.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Leases

Accounting policy applied to the information presented for the current reporting period under AASB 16 Leases

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

Lease receivables

Finance lease receivables are initially recognised at the present value of future sublease payments (i.e., the lease payments that are yet to be receipted at the commencement date of the sublease). These sublease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the discount rate used for the head lease. Finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in finance leases.

Accounting policy applied to the information presented for the prior period under AASB 117 Leases

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Government Grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Government grants include amounts received or receivable under the Federal Government's JobKeeper Payment Scheme and Cash Flow Boost Scheme, which provide temporary subsidies to eligible businesses significantly affected by COVID-19.

(o) Comparatives

Where required, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(p) Rounding amounts

The parent entity and the consolidated entity have applied relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the consolidated financial statements and in the directors report have been rounded to the nearest dollar.

(q) Adoption of new and amended accounting standards that are first operative at 30 June 2020

The Consolidated Entity has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 Leases.

AASB 16 replaces AASB 117: *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- (a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - i. investment property, the lessee applies the fair value model in AASB 140: *Investment Property* to the right-of-use asset; or
 - ii. property, plant or equipment, the lessee applies the revaluation model in AASB 116: *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the Consolidated Entity has elected to apply AASB 16 using the modified retrospective approach to those contracts that were previously identified as leases under the predecessor standard. Accordingly, comparative information has not been restated.

The Consolidated Entity has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of \$1,171,013 (referred to in these financial statements as "lease assets") and corresponding lease liabilities with an aggregate carrying amount of (\$1,158,756). Prepaid rent of \$31,167 and rent incentives (\$18,910) were also derecognised on initial application of AASB 16. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 3.6%.

Effective 1 December 2019 and subsequent to the initial application of AASB 16, the Consolidated Entity entered into a sublease agreement in relation to part of its Melbourne office facilities. As a result of this agreement, an amount of (\$550,214) of the right-of-use asset has been derecognised and a corresponding lease receivable with an aggregate carrying amount of \$550,214 has been recognised. The initial carrying amount of lease receivables is calculated using the discount rate used for the head lease.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period to the aggregate carrying amount of lease liabilities recognised at the date of the initial application:

	\$
Aggregate non-cancellable operating lease commitments at 30 June 2019	1,262,016
Less: impact of discounting lease payments to their present value at 1 July 2019	103,260
Carrying amount of lease liabilities recognised at 1 July 2019	1,158,756

Further details of the Group's accounting policy for leases, for the financial year ended 30 June 2020, is disclosed at Note 1(l) Leases.

(r) Accounting standards and interpretations issued but not yet operative at 30 June 2020

The Australian Accounting Standards Board (AASB) has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Consolidated entity. The Consolidated entity has decided not to early adopt any of these new and amended pronouncements. The Consolidated entity's assessment of the new and amended pronouncements that are relevant to the Consolidated entity but applicable in future reporting periods is set out below.

AASB 2020-4 amends AASB 16: *Leases* to provide an optional practical expedient to lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

AASB 2020-4 mandatorily applies to annual reporting periods commencing on or after 1 June 2020 and is available for earlier application. It will be applied by the consolidated entity in the financial year commencing 1 July 2020.

This accounting standard is not expected to have a material impact on the financial statements of the consolidated entity.

No other standards and interpretations have been issued at the reporting date that are expected to have a material impact on the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The consolidated entity makes certain estimates and assumptions concerning the future which, by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Impairment of non-financial assets other than goodwill

The consolidated entity assesses impairment of all assets at each reporting date by evaluating conditions specific to the consolidated entity and to a particular asset that may lead to impairment. These include business performance, technology, economic and political environments and future expectations. If an impairment trigger exists then the recoverable amount of the asset is to be evaluated.

(b) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(c) Employee benefits provisions

Employee benefits provisions consist of the provision for annual leave and long service leave entitlements and performance bonuses.

As discussed in note 1(i), the liabilities in respect of employee benefits expected to be settled wholly within twelve months of the reporting date are measured at undiscounted amounts. The provision for long service leave and performance bonuses not expected to be settled wholly within twelve months are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees at reporting date. Management includes estimates of their discount rates and employee retention in calculating bonus provisions.

Refer to the remuneration report on page 7 for further details on the consolidated entity's remuneration policies.

(d) Fair value measurements

The parent entity recognised its investments in subsidiaries are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Level 3 fair value measurements are applied through a discounted cashflow calculation, a method which has been consistently applied from year to year. Inherent to level 3 fair value measurements, there are significant unobservable inputs such as earnings forecasts, funds under management growth, expenditure assumptions, terminal growth rate assumptions and the selection of a risk-adjusted discount rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: FINANCIAL RISK MANAGEMENT

The consolidated entity is exposed to a variety of direct and indirect financial risks comprising:

- (a) market risk;
- (b) interest rate risk;
- (c) credit risk;
- (d) liquidity risk; and
- (e) fair values.

The board of directors has overall responsibility for identifying and managing operational and financial risks via a number of management policies and procedures.

(a) Market Risk

The market risks in relation to the financial instruments of the consolidated entity are minimal, however, the consolidated entity is exposed to market risk through the impact of these risks on the investment funds for which K2 Asset Management Ltd acts as investment manager.

Unfavourable economic movements, both globally and within the markets in which the funds operate, can have a significant impact on the investment returns of the fund and the funds under management (FUM). Examples of potential market events that could impact the performance of the funds and FUM include:

- currency fluctuations
- changes in official interest rates
- government policy including fiscal and monetary policies
- volatility and changes of sentiment in the stock market
- local and international economic instability
- inflation
- unemployment
- political change
- war and terrorism

FUM directly correlates to the level of management fees received by the consolidated entity due to management fees being based on a percentage of FUM. FUM can be impacted by a large number of factors including the market events listed above. Performance risk of the investment funds, loss of key personnel, competition within the industry, as well as other unlisted possibilities, are also events that can impact FUM.

Performance fees are paid to K2 Asset Management Ltd if the investment funds meet certain performance criteria. A period of negative performance will significantly impact the level of performance fees paid to the consolidated entity and hence affect total profitability of the consolidated entity.

To illustrate the above, if global markets fell by 5% and in turn FUM fell by 5% then management fees would decrease by 5% and it would be unlikely that a performance fee would be received. Please note that this example assumes a uniform decline in all global markets which is unlikely to occur.

Although market volatility is outside the direct control of K2 Asset Management Ltd, in its role as investment manager, K2 Asset Management Ltd aims to mitigate these risks by implementing macroeconomic analysis to ensure market influences are considered when making investment decisions, diversifying investments across sectors and geographic regions and following established investment guidelines.

COVID-19 and efforts to contain its global spread have resulted in, among other things, border closings and other significant travel restrictions, significant disruptions to business operations, supply chains and customer activity, lower consumer demand for certain goods and services, event cancellations and restrictions, service cancellations, significant challenges in healthcare service preparation and delivery, as well as general concern and uncertainty. The impact of the COVID-19 outbreak has disrupted the global economy, the economies of individual countries, the financial performance of individual issuers, sectors, industries, asset classes, and markets in significant and unforeseen ways and may continue to do so in the future. The COVID-19 pandemic may also exacerbate other pre-existing political, social, economic, market and financial risks. The ongoing implication of this to the consolidated entity is unknown. COVID-19 risk has arisen over a recent timeframe and is therefore specifically noted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Interest Rate Risk

At 30 June 2020 the consolidated entity had no exposure to interest bearing liabilities. As such interest rate risk does not pose a significant risk with the only exposure being to financial assets, specifically cash held at call and in term deposits. The consolidated entity invests its free cash in term deposits in order to mitigate interest rate fluctuations. The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing In 1 year or less		Non-interest bearing		Total carrying amount as per Balance Sheet		Weighted average effective interest rate	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>(i) Financial assets</i>										
Cash	1,699,673	3,388,584	10,229,321	9,229,321	-	10	11,928,994	12,617,915	1.2%	1.8%
Receivables and other current asset	-	-	-	-	966,461	554,467	966,461	554,467	-	-
Employee share loans	-	-	-	-	203,300	529,605	203,300	529,605	-	-
Total financial assets	1,699,673	3,388,584	10,229,321	9,229,321	1,169,761	1,084,082	13,098,755	13,701,987	-	-
<i>(ii) Financial liabilities</i>										
Trade creditors	-	-	-	-	82,376	82,639	82,376	82,639	-	-
Other creditors	-	-	-	-	1,061,456	320,367	1,061,456	320,367	-	-
Total financial liabilities	-	-	-	-	1,143,832	403,006	1,143,832	403,006	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk exposures

Credit risk for financial instruments arises from the potential failure by counterparties to the contract in meeting their obligations.

(i) Trade receivables and lease receivables

The maximum exposure to credit risk is the carrying amount of assets, net of any allowance for expected credit loss of those assets, as disclosed in the Consolidated Statement of Financial Position and Notes to the Financial Statements.

The consolidated entity has low credit risk exposure as it has a small group of debtors, being the funds to which K2 Asset Management Ltd acts as investment manager. As the manager, K2 Asset Management Ltd is able to exercise control over the investment funds and ensure fees are paid by each fund on a timely basis. Accordingly the directors consider the funds to be of high credit quality.

(ii) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

(d) Liquidity risk

Liquidity risk arises when there is an inability to meet both short- and medium-term financial obligations. This risk is mitigated via retaining a level of cash reserves that management deems appropriate, performing ongoing cash flow analysis and projecting and allowing for future potential liabilities. Free cash in excess of short-term obligations is invested at call and in term deposits for varying maturity dates. All trade creditors and sundry creditors are payable as at 30 June 2020 and are expected to be paid within 30 days of this date.

(e) Fair values

The carrying amounts of financial assets and financial liabilities recognised in the Consolidated Statement of Financial Position and Notes to the Financial Statements approximate their fair value as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: REVENUE

	Notes	2020 \$	2019 \$
Revenues from continuing operations			
Management fees		1,987,664	4,366,126
Performance fees		709,857	16,835
Interest	(a)	162,353	244,480
Government grants		219,571	-
Other		66,939	171,284
		<u>3,146,384</u>	<u>4,798,725</u>
 (a) Interest from:			
Other persons		151,813	244,480
Lease activities		10,540	-
		<u>162,353</u>	<u>244,480</u>

NOTE 5: PROFIT FROM CONTINUING OPERATIONS

	2020 \$	2019 \$
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Employee Benefits		
Short-term benefits	2,278,970	4,626,643
Long-term benefits	260,343	26,552
Superannuation contributions	196,939	327,089
	<u>2,736,252</u>	<u>4,980,284</u>
Depreciation and amortisation expense		
Depreciation of computer and office equipment	24,691	23,807
Depreciation of leasehold improvements	10,912	652
	<u>35,603</u>	<u>24,459</u>
Amortisation of trademarks and licenses	445	456
Amortisation of lease assets	263,809	-
	<u>299,857</u>	<u>24,915</u>
Marketing expenses		
Advertising	219,939	199,194
Travel expenses	28,989	92,248
Printing and stationery	20,219	29,351
	<u>269,147</u>	<u>320,793</u>
Occupancy expenses		
Rental and occupancy	87,661	410,888
Repairs and maintenance	19,428	23,498
	<u>107,089</u>	<u>434,386</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: INCOME TAX

	2020 \$	2019 \$
(a) The components of tax expense:		
Current tax	-	-
Deferred tax	(155,463)	(477,964)
Under/(over) provision in prior year	(2,651)	49,891
Changes in income tax rate*	53,293	-
Total income tax expense	(104,821)	(428,073)
(b) Deferred income tax revenue included in income tax expense comprises:		
Increase in deferred tax assets	(158,114)	(477,964)
Changes in income tax rate*	53,293	-
	(104,821)	(477,964)
(c) The prima facie tax, using tax rates applicable in the country of operation, on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 27.5% (2019: 27.5%)	(232,511)	(486,739)
Add tax effect of:		
Non-deductible entertainment	4,089	4,036
Non-deductible share based payments	72,959	4,739
Changes in income tax rate*	53,293	-
	(102,170)	(477,964)
Less tax effect of:		
Under/(over) provision in prior year	(2,651)	49,891
Income tax expense attributable to profit	(104,821)	(428,073)
Current tax (receivable)/payable		
Balance at the beginning of the year	23,778	919,946
Income tax	-	-
Tax payments	(23,778)	(993,615)
Under/(over) provision in prior year	-	49,891
Balance at the end of the year	-	(23,778)
The deferred tax assets balance comprises:		
Tax losses**	735,773	521,868
Accruals	24,821	52,503
Employee benefits	152,682	231,791
Prepayments	(353)	-
Tax depreciation	(35)	-
Lease assets	(107,078)	-
Lease liabilities	114,850	-
Rent incentive liability	-	6,231
Share issue costs	3,089	6,534
Balance of deferred tax assets	923,749	818,927

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: INCOME TAX (CONT'D)

* The consolidated entity is a Base Rate Entity for tax purposes, and accordingly, the Income Tax rate for the financial year ended 30 June 2021 is reducing from 27.5% to 26%. As a result of this change in Income Tax rate, the consolidated entity has restated its Deferred Tax balances at the new tax rate of 26%.

** Included as part of the Deferred Tax Asset as at 30 June 2020 is carry-forward tax losses of \$2,820,387 or \$735,773 after tax affect. These tax losses can only be utilised by the consolidated entity in subsequent reporting periods if future taxable profits are derived in excess of the amount of losses carried-forward. Detailed cashflow and profit forecasts have been conducted by management, and through a number of key initiatives to reduce costs and build a path for sustainable revenue growth, the consolidated entity is expected to return to a taxable position in the near future. As a result, the full amount of the carry-forward tax losses has been recognised as a Deferred Tax Asset as at 30 June 2020.

NOTE 7: DIVIDENDS ON ORDINARY SHARES

	2020 \$	2019 \$
(a) Dividends paid or declared		
There were no dividends paid or declared during the 2020 financial year (2019: nil)		
(b) Franking credit balance		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits to be used in payment of proposed dividends	5,652,250	5,652,250

NOTE 8: CASH

	2020 \$	2019 \$
Cash on hand	-	10
Cash at bank	1,699,673	3,388,584
Cash on deposit	10,229,321	9,229,321
	<u>11,928,994</u>	<u>12,617,915</u>

NOTE 9: RECEIVABLES

	2020 \$	2019 \$
Trade receivables	272,785	339,427
Other receivables	182,874	60,936
	<u>455,659</u>	<u>400,363</u>

(a) Allowance for expected credit loss

Trade receivables are non-interest bearing with 30 days terms. No allowance for expected credit loss has been recognised in the current or prior year. All trade receivables are expected to be received within trading terms and have been received as of the date of this report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: OTHER CURRENT ASSETS

	2020 \$	2019 \$
Prepayments	78,029	154,104
Employee share loans	17,744	125,000
Third party receivables	3,211	-
	<u>98,984</u>	<u>279,104</u>

NOTE 11: PLANT AND EQUIPMENT

	2020 \$	2019 \$
Leasehold improvements		
At cost	171,797	97,320
Accumulated depreciation	(107,031)	(96,119)
	<u>64,766</u>	<u>1,201</u>

Computer and office equipment

At cost	936,745	917,026
Accumulated depreciation	(873,754)	(849,063)
	<u>62,991</u>	<u>67,963</u>
	<u>127,757</u>	<u>69,164</u>

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between beginning and end of the year.

2020	Leasehold Improvements \$	Computer and Office Equipment \$	Total \$
Balance at the beginning of the year	1,201	67,963	69,164
Additions	74,477	19,719	94,196
Disposals	-	-	-
Depreciation expense	(10,912)	(24,691)	(35,603)
Carrying amount at 30 June 2020	<u>64,766</u>	<u>62,991</u>	<u>127,757</u>

2019	Leasehold Improvements \$	Computer and Office Equipment \$	Total \$
Balance at the beginning of the year	1,853	32,939	34,792
Additions	-	58,831	58,831
Disposals	-	-	-
Depreciation expense	(652)	(23,807)	(24,459)
Carrying amount at 30 June 2019	<u>1,201</u>	<u>67,963</u>	<u>69,164</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12: INTANGIBLE ASSETS

	2020 \$	2019 \$
Trademarks and licenses at costs	10,467	7,786
Accumulated amortisation	(5,108)	(4,663)
	<u>5,359</u>	<u>3,123</u>
Balance at the beginning of the year	3,123	2,279
Additions	2,681	1,300
Amortisation expense	(445)	(456)
Balance at the end of the year	<u>5,359</u>	<u>3,123</u>

NOTE 13: OTHER NON-CURRENT ASSETS

	2020 \$	2019 \$
Other financial assets	27,000	27,000
Employee share loans	185,556	404,605
	<u>212,556</u>	<u>431,605</u>

NOTE 14: PAYABLES

	2020 \$	2019 \$
Current payables		
Trade creditors	82,376	82,639
Sundry creditors and accruals	190,164	297,707
Current rent incentive	-	22,660
	<u>272,540</u>	<u>403,006</u>

NOTE 15: PROVISIONS

	2020 \$	2019 \$
Current employee benefits	617,173	914,933
	<u>617,173</u>	<u>914,933</u>
Non-current employee benefits	8,647	13,608
	<u>8,647</u>	<u>13,608</u>
Aggregate employee benefits liability	<u>625,820</u>	<u>928,541</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: CONTRIBUTED EQUITY

	2020 \$	2019 \$
(a) Issued and paid up capital		
Ordinary shares fully paid	4,601,987	4,601,987
	<u>4,601,987</u>	<u>4,601,987</u>

	Consolidated Equity 2020		Consolidated Equity 2019	
	No. of Shares	\$	No. of Shares	\$
Beginning of the year	28,731,683	4,601,987	28,731,683	4,601,987
<i>Issued during the year</i>				
Share based payments	-	-	-	-
Share issue	-	-	-	-
Costs relating to share issue (net of tax)	-	-	-	-
End of the year	<u>28,731,683</u>	<u>4,601,987</u>	<u>28,731,683</u>	<u>4,601,987</u>

	Parent Equity 2020		Parent Equity 2019	
	No. of Shares	\$	No. of Shares	\$
Beginning of the year	241,085,196	116,012,903	241,085,196	116,012,903
<i>Issued during the year</i>				
Share based payments	-	-	-	-
Share issue	-	-	-	-
Costs relating to share issue (net of tax)	-	-	-	-
End of the year	<u>241,085,196</u>	<u>116,012,903</u>	<u>241,085,196</u>	<u>116,012,903</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(c) Capital management

When managing capital, the directors' objective is to ensure the consolidated entity continues as a going concern as well as maintaining optimal returns to shareholders and benefits for other stakeholders. Consideration is also given to the Australian Financial Services Licence requirements of its subsidiary, K2 Asset Management Ltd. This is achieved through the monitoring of historical and forecast performance and cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: RESERVES

	2020 \$	2019 \$
Profits reserve	10,049,441	10,046,626
Employee share option reserve	282,537	17,232
	<u>10,331,978</u>	<u>10,063,858</u>
<i>Movement in profits reserve</i>		
Balance at the beginning of the year	10,046,626	2,060,985
Transfer to profits reserve	2,815	7,985,641
Dividend paid	-	-
Balance at the end of the year	<u>10,049,441</u>	<u>10,046,626</u>
<i>Movement in share option reserve</i>		
Balance at the beginning of the year	17,232	-
Share based payments	265,305	17,232
Balance at the end of the year	<u>282,537</u>	<u>17,232</u>

NOTE 18: ACCUMULATED LOSSES

	2020 \$	2019 \$
Retained profits/(accumulated losses) at the beginning of the year	(1,353,413)	7,974,115
Net loss attributable to members of the consolidated entity	(740,673)	(1,341,887)
Dividends paid	-	-
Transfer to profits reserve	(2,815)	(7,985,641)
Accumulated losses at the end of the financial year	<u>(2,096,901)</u>	<u>(1,353,413)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: CASH FLOW INFORMATION

	2020 \$	2019 \$
(a) Reconciliation of cash		
For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than six months and net of bank overdrafts.		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items as follows:		
Cash on hand	-	10
Cash at bank	1,699,673	3,388,584
Deposits with financial institutions	10,229,321	9,229,321
	<u>11,928,994</u>	<u>12,617,915</u>
(b) Reconciliation of cash flow from operations with loss from ordinary activities after income tax		
Loss from ordinary activities after income tax	(740,673)	(1,341,887)
Non-cash flows in profit from ordinary activities		
Amortisation	445	456
Depreciation	299,412	24,459
Profit on sale of plant and equipment	-	-
Share based payments	265,305	17,232
Lease asset adjustment	(12,259)	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(32,423)	211,286
Decrease in other assets	402,380	108,193
Decrease in payables	(153,339)	(125,614)
Increase/(decrease) in income tax payable	23,778	(943,724)
Increase in deferred taxes	(104,822)	(477,964)
Decrease in provisions	(302,721)	(520,423)
Net cash flow used in operating activities	<u>(354,917)</u>	<u>(3,047,986)</u>

(c) Restriction over cash

The consolidated entity has a term deposit of \$229,321 (2019: \$229,321) as a guarantee over the office rental at Level 32, 101 Collins Street, Melbourne, Victoria.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: LEASE ACTIVITIES

(a) Head-lease arrangements as of 30 June 2020

Lease arrangements (non-cancellable):

The consolidated entity leases office facilities at Level 32, 101 Collins Street Melbourne. The lease is a non-cancellable lease with a three year term, with rent payable monthly in advance. The lease agreement requires minimum lease payments to be increased by 4% per annum. The three year term expires on 30 September 2022.

2020
\$

Lease assets

Carrying amount of lease assets, by class of underlying asset:

Buildings under lease arrangements

At cost

687,906

Accumulated depreciation

(263,809)

Total carrying amount of lease assets

424,097

Buildings
\$

Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year:

Carrying amount at 1 July 2019

1,171,013

Additions

67,107

Derecognition upon execution of finance lease receivable*

(550,214)

Depreciation

(263,809)

Carrying amount at 30 June 2020

424,097

* Upon commencement of the sublease agreement, the right-of-use asset has been derecognised and a corresponding lease receivable has been recognised.

2020
\$

Lease Liabilities

Current lease liabilities

384,594

Non-current lease liabilities

486,699

Total carrying amount of lease liabilities

871,293

2020
\$

Lease expenses and cashflows

Interest expense on lease liabilities

38,389

Depreciation expense on lease assets

263,809

Income from sub-lease arrangements

10,540

Total cash outflow in relation to leases

392,959

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: LEASE ACTIVITIES (CONT'D)

(b) Sublease arrangements as of 30 June 2020

Financing leases:

The consolidated entity sublet a portion of the office facilities at Level 32, 101 Collins Street, Melbourne under a financing lease. The sublease is a non-cancellable lease with a two years and ten months term, with rent receivable monthly in advance. The lease agreement requires minimum lease payments to be increased by 4% per annum, which is aligned to the head-lease. The two years and ten months term expires on 29 September 2022.

The following information relates to finance lease arrangements of the current reporting period only, and is presented in accordance with AASB 16: *Leases* (which was applied by the group for the first time in the current reporting period).

2020
\$

Income arising from finance leases:

Finance income on the net investment in finance leases	10,540
Income arising from finance leases	10,540

The undiscounted contractual lease payments to be received by the group in relation to finance leases are as follows:

2020
\$

Within one year	202,036
One to two years	210,117
Two to three years	35,474
Total undiscounted contractual lease payments to be received	447,627

The following is a reconciliation of the total undiscounted contractual lease payments to be received by the group in relation to finance leases to the carrying amount of the net investment in finance leases (lease receivables):

2020
\$

Total undiscounted contractual lease payments to be received	447,627
Less: unearned finance income	18,065
Net carrying amount of lease receivables	429,562

2020
\$

Lease receivables

Current lease asset	189,509
Non-current lease asset	240,053
Total carrying amount of lease receivables	429,562

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: LEASE ACTIVITIES (CONT'D)

(c) Lease expenditure commitments as of 30 June 2019

The following information relates to non-cancellable operating lease arrangements of the prior reporting period only, and is presented in accordance with the predecessor accounting standard AASB 117 Leases:

The consolidated entity leased office facilities at Level 32, 101 Collins Street Melbourne under an operating lease. The lease was a non-cancellable lease with a five year term, with rent payable monthly in advance. The lease agreement requires minimum lease payments to be increased by 4% per annum. The five year term expired on 30 September 2019. An option existed to renew the lease at the end of the five year term for an additional term of three years. The option was exercised by the consolidated entity on 10 February 2019. The renewed lease is expected to expire on 30 September 2022.

	2019 \$
Not later than one year	374,772
Later than one year and not later than five years	887,244
Later than five years	-
Aggregate lease expenditure contracted for at reporting date	<u>1,262,016</u>

NOTE 21: LOSS PER SHARE

	2020 \$	2019 \$
The following reflects the income and share data used in the calculations of basic and diluted loss per share:		
Net loss	(740,673)	(1,341,887)
Loss used in calculating basic and diluted loss per share	<u>(740,673)</u>	<u>(1,341,887)</u>

	2020 No. of Shares	2019 No. of Shares
Weighted average number of ordinary shares used in calculating basic loss per share	241,085,196	241,085,196
Effect of dilutive securities:		
Employee options and share based payments*	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	<u>241,085,196</u>	<u>241,085,196</u>

* Options on issue were not included as they are anti-dilutive as at 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: KEY MANAGEMENT PERSONNEL DISCLOSURE

	2020 \$	2019 \$
Summary of key management personnel compensation as disclosed in the remuneration report.		
Short-term benefits	800,738	1,353,078
Long-term benefits paid or due	-	-
Superannuation	51,226	75,340
	<u>851,964</u>	<u>1,428,418</u>
Maximum performance based long-term incentives payable	-	-

NOTE 23: AUDITORS REMUNERATION

	2020 \$	2019 \$
Amounts received or due and receivable by Pitcher Partners for:		
An audit or review of the financial report of the Company and any other entity of the consolidated group	107,126	98,750
Other non-audit services - Other consulting services	-	18,464
	<u>107,126</u>	<u>117,214</u>

NOTE 24: RELATED PARTY DISCLOSURES

(a) The consolidated financial statements include the financial statements of K2 Asset Management Holdings Ltd and its controlled entities K2 Asset Management Ltd, K2 Corporate Services Pty Ltd, KII Pty Ltd and Trusuper Pty Ltd.

	Country of Incorporation	Percentage Owned	
		2020	2019
<i>Parent Entity</i>			
K2 Asset Management Holdings Ltd	Australia	-	-
<i>Subsidiaries</i>			
K2 Asset Management Ltd	Australia	100%	100%
KII Pty Ltd *	Australia	100%	100%
Trusuper Pty Ltd **	Australia	100%	100%
K2 Corporate Services Pty Ltd ***	Australia	100%	-

* KII Pty Ltd was incorporated on 12 August 2015 and has had no operations as of the date of this report.

** Trusuper Pty Ltd was incorporated on 19 August 2016 and has had no operations as of the date of this report.

*** K2 Corporates Services Pty Ltd was incorporated on 25 May 2020 and had no operations as of the date of this report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 24: RELATED PARTY DISCLOSURES (CONT'D)

(b) The following lists the transactions entered into with related parties for the relevant financial year:

Wholly-owned group transactions were as follows:

- Loan provided to parent by K2 Asset Management Ltd and K2 Corporate Services Pty Ltd for tax related balances. The total balance as at 30 June 2020 was \$722,693 (2019: (\$51,060)).
- Loan provided by parent to K2 Asset Management Ltd during the year for operational expenditure paid by the parent on behalf of its subsidiary. The balance as at 30 June 2020 was \$277,434 (2019: \$11,352).
- All loans are at call, are non-interest bearing and are measured at amortised cost using the effective interest rate method.
- Details of all remuneration paid to directors are disclosed in the Directors' Report.
- K2 Asset Management Ltd provides investment management services to related party unit trusts – the K2 Asian Absolute Return Fund, the K2 Australian Absolute Return Fund, the K2 Select International Absolute Return Fund, the K2 Global High Alpha Fund, the K2 Australian Small Cap Fund and the K2 Global Equities Fund. K2 Asset Management Ltd is entitled to receive payments from the funds where it provides investment management services including management fees, administration or responsible entity fees and in some instances a performance fee based upon the relevant fund's investment return over and above a specified high water mark and, if applicable, a performance hurdle. Total related party revenue of \$2,760,825 (2019: \$4,554,245) has been recognised in the Statement of Comprehensive Income for the year ended 30 June 2020. Of this revenue \$1,987,664 (2019: \$4,366,126) related to management fees and \$709,857 (2019: \$16,835) to performance fees. Please refer to Note 4 for further information.
- As at 30 June 2020, K2 Asset Management has a current receivable of \$250,556 (2019: \$339,427) for investment management services provided to the K2 Funds.
- As at 30 June 2020, the consolidated entity has a current receivable of \$17,744 (2019: \$125,000) and a non-current receivable of \$185,556 (2019: \$404,605) for loans made to employees to purchase shares in K2 Asset Management Holdings Ltd. The loans have been made to employees under a formal loan agreement and are expected to be repaid over a period of time using the proceeds of performance bonuses, dividend payments and share sales relating to the shares purchased. Any outstanding balance must be repaid to the consolidated entity upon the employees ceasing to be employed by the group. The loans are interest free and are unsecured.
- Fund operating expenses of \$145,708 (2019: \$369,385) was incurred on behalf of the K2 Funds to cover ASX fees, custodian fees, administration fees, unit registry costs and other fees and expenses relating to the administration and K2's role as responsible entity of the Funds.
- No key management personnel or their related entities were party to any transactions with the consolidated entity during the year other than those disclosed in this report.
- There were no transactions with other related parties during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25: PARENT ENTITY DETAILS

	Notes	2020 \$	2019 \$
Summarised presentation of the parent entity, K2 Asset Management Holdings Ltd, financial statements are as follows:			
(a) Summarised Statement of Financial Position			
Assets			
Current assets		4,425,841	3,997,881
Non-current assets	(c)	19,924,517	39,931,044
Total assets		24,350,358	43,928,925
Liabilities			
Current liabilities		722,695	10,033
Total liabilities		722,695	10,033
Net Assets		23,627,663	43,918,892
Equity			
Share capital		116,012,903	116,012,903
Reserves	(c)	(92,344,397)	(72,092,517)
Retained earnings		(40,843)	(1,494)
Total Equity		23,627,663	43,918,892
(b) Summarised Statement of Comprehensive Income			
Profit/(loss) for the year		(39,349)	10,032
Other comprehensive income		20,520,000	31,480,766
Total comprehensive income for the year		20,480,651	31,490,798

(c) Investment Revaluation Reserve

The carrying value of K2 Asset Management Holdings Ltd's investment in K2 Asset Management Ltd is reviewed on an ongoing basis by the directors of the consolidated entity. As a result of this continued analysis an amount of (\$20,520,000) (2019: (\$31,480,766)) has been recognised in the Investment Revaluation Reserve as at 30 June 2020 as a decrease in the fair value of this asset. The investment's value has been measured using the income method and is considered a level 3 asset under the fair value hierarchy as it has been valued using inputs that are not based on observable market data. The value of the parent company's investment in its subsidiary does not impact the results of the consolidated entity as all amounts are eliminated on consolidation.

NOTE 26: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2020, of the consolidated entity or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2020, of the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 27: SEGMENT INFORMATION

The consolidated entity operates solely within Australia within the funds management business segment.

In 2020 the amount of revenue derived from each of the funds where the revenue is greater than 10% of the consolidated entity's total revenue were:

	\$
K2 Global High Alpha Fund	1,026,524
K2 Australian Absolute Return Fund	747,605
K2 Select International Absolute Return Fund	521,527
Total	<u>2,295,656</u>

In 2019 the amount of revenue derived from each of the funds where the revenue is greater than 10% of the consolidated entity's total revenue were:

	\$
K2 Australian Absolute Return Fund	2,512,812
K2 Select International Absolute Return Fund	554,576
K2 Global High Alpha Fund	679,575
Total	<u>3,746,963</u>

NOTE 28: ECONOMIC ENTITY DETAILS

The registered office of the company is:

K2 Asset Management Holdings Ltd
Level 32, 101 Collins Street
Melbourne VIC 3000

Phone: 03 9691 6111

NOTE 29: REGISTER OF SECURITIES

The register of securities is kept at:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Phone: 1300 737 760

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 21 to 50 in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2020 and of its performance for the year ended on that date; and
- (c) As stated in Note 1(a), the consolidated financial statements also comply with International Financial Reporting Standards.

In the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the managing director and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2020.

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



Campbell Neal
Director



Hollie Wight
Director

Melbourne
14 August 2020

K2 ASSET MANAGEMENT HOLDINGS LTD
ABN 59 124 636 782

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of K2 Asset Management Holdings Ltd "the Company" and its controlled entities "the Consolidated Entity", which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Pitcher Partners. An independent Victorian Partnership ABN 27 975 255 196. Level 13, 664 Collins Street, Docklands, VIC 3008

Pitcher Partners is an association of independent firms. Liability limited by a scheme approved under Professional Standards Legislation.

Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities

Adelaide Brisbane Melbourne Newcastle Sydney Perth

pitcher.com.au

For personal use only

K2 ASSET MANAGEMENT HOLDINGS LTD
ABN 59 124 636 782



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of carry forward tax losses recognised as a deferred tax asset.	
<i>Refer to note 6 (Income Tax)</i>	
We focused on this area as a key audit matter due to: The Consolidated Entity reported losses in the financial year. These have been carried and recognised as a deferred tax asset. The appropriateness of bringing this asset to account and management's assumptions around timing and magnitude of future profitability to utilise these losses among other things was a key audit consideration. Disclosures relating to the deferred tax asset can be found in Note 6: Income Tax.	Our procedures included, amongst others: <ul style="list-style-type: none">• Performing calculation checks on the tax computations provided;• Enquiring of management as to the timing and likelihood tax losses will be utilised in subsequent years;• Reviewing budgets and forecasts to investigate tax loss utilisation assumptions;• Reviewing historical budget accuracy to support management assumptions;• Cross checking assumptions to other forecast information provided including discounted cashflow calculations to ensure consistency; and,• Assessing the adequacy of disclosures in the financial statements.

**K2 ASSET MANAGEMENT HOLDINGS LTD
ABN 59 124 636 782**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD**

Initial application of AASB 16 Leases

Refer to note 20

AASB 16 Leases is applicable for the first time, the standard removed the classification of leases as either operating or finance for the lessee, effectively treating all leases as finance leases.

Consequently, the Consolidated Entity has recognised \$620,800 of new lease assets, net of the sublease, on the statement of financial position and the corresponding lease liability of \$1,158,756 and lease receivable of \$550,214. Due to the change in the accounting standard, and the calculations and assumptions required to determine the individual lease values, including both lease liabilities and lease receivables, such as the incremental borrowing rate amongst other things, we have considered this to be a key audit matter.

Our procedures included amongst others:

- Understanding and evaluating the controls in place to recognise the right of use asset, lease liability and lease receivable on the statement of financial position.
 - Testing the calculation of the right of use asset, lease liability and lease receivable.
 - Evaluating the assumptions used in calculating the right of use asset, lease liability and lease receivable including vouching key inputs to the lease contracts.
 - Reviewing the lease adjustments to supporting documentation.
 - Evaluating the accounting for the adjustments to lease agreements for compliance with AASB 16 and relevant practical expedients, and;
 - Reviewing the adequacy of the disclosures in the financial statements including the comparative information in particular the treatment and disclosure of the adjustments.
-

For personal use only

K2 ASSET MANAGEMENT HOLDINGS LTD
ABN 59 124 636 782

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

K2 ASSET MANAGEMENT HOLDINGS LTD
ABN 59 124 636 782

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

K2 ASSET MANAGEMENT HOLDINGS LTD
ABN 59 124 636 782

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of K2 Asset Management Holdings Ltd, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



K L BYRNE
Partner



PITCHER PARTNERS
Melbourne

14 August 2020