

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

FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

This half-year financial report is to be read  
in conjunction with the financial report for  
the year ended 30 June 2019

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

FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

TABLE OF CONTENTS

	<b>Page</b>
Directors' Report	3
Auditor's Independence Declaration	5
Financial Report for the half-year ended 31 December 2019	
Condensed Consolidated Statement of Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Financial Statements	10
Directors' Declaration	16
Independent Auditor's Review Report	17

## DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of K2 Asset Management Holdings Ltd and the entities it controlled, K2 Asset Management Ltd, KII Pty Ltd and Trusuper Pty Ltd (Consolidated Entity), for the half-year ended 31 December 2019 and auditor's review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

### DIRECTORS

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

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 26 November 2019)
Matthew Lawler	Non-Executive Director (retired 26 November 2019)

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

### REVIEW OF OPERATIONS

The loss of the Consolidated Entity for the half-year after providing for income tax was \$307,453 (2018: loss \$558,123).

Revenue from management and performance fees was \$1,206,154 (2018: \$2,434,558) and \$601,602 (2018: \$10,768) respectively. Total revenue amounted to \$1,932,033 (2018: \$2,668,526). Revenue decreased from the prior comparative period due to a decrease in management fees paid or payable by the K2 Funds to K2 Asset Management Ltd in its capacity as investment manager. The decrease in management fees was partial offset by an increase in performance fees earned during the period. Please refer to the Condensed Consolidated Statement of Comprehensive Income on page 6 for further details.

The table below lists the Funds for which K2 Asset Management Ltd acts as investment manager along with their respective financial year to date performance and Funds Under Management (FUM) as at 31 December 2019:

K2 Fund	Financial year to date fund performance*	Financial year to date index performance #	FUM \$million
K2 Australian Absolute Return Fund	+6.2%	+3.6%	32.9 AUD
K2 Select International Absolute Return Fund	+6.2%	+8.7%	21.7 AUD
K2 Asian Absolute Return Fund	+4.4%	+6.2%	13.1 AUD
K2 Global High Alpha Fund	+7.8%	+8.7%	45.8 AUD
K2 Australian Small Cap Fund	+9.0%	+3.9%	16.0 AUD
<b>Total</b>			<b>129.5 AUD</b>

The above information is unaudited. \* Year to date figures are based on the 6 months ended 31 December 2019 and are net of all fees. # The K2 Australian Absolute Return Fund is compared to the ASX All Ordinaries Accumulation Index, the K2 Asian Absolute Return Fund is compared to the Morningstar Asia ex-Japan NR Index (AUD), the K2 Select International Absolute Return Fund and the K2 Global High Alpha Fund are compared to the Morningstar Global Markets NR Index (AUD) and the K2 Australian Small Cap Fund is compared to the S&P/ASX Small Ordinaries Accumulation Index.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period, the K2 Global Equities Fund ceased operations. Total revenue for the period relating to the K2 Global Equities Fund was \$35,717 (2018: \$145,635).

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

## DIRECTORS' REPORT (CONT'D)

### ROUNDING OF AMOUNTS

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and the financial report have been rounded to the nearest dollar.

### 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 review of the half-year is provided with this report.

Signed in accordance with a resolution of the directors.



**Campbell Neal**  
**Director**



**Hollie Wight**  
**Director**

Melbourne  
19 February 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 auditor's review for the half-year ended 31 December 2019, 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 period.



K L BYRNE  
Partner



PITCHER PARTNERS  
Melbourne

19 February 2020

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

		Half-year	
	Notes	31 December 2019 \$	31 December 2018 \$
Revenue and other income	3	1,932,033	2,668,526
Employee benefits expense	4	(1,563,363)	(2,651,445)
Depreciation and amortisation expenses	4	(182,816)	(14,571)
Marketing expenses	4	(159,146)	(134,197)
Occupancy expenses		(67,238)	(219,025)
Professional expenses		(146,624)	(109,785)
Fund operating expenses		(52,926)	(147,690)
Technology expenses		(47,876)	(76,935)
Finance costs		(20,609)	-
Other expenses		(6,647)	(10,403)
		(2,247,245)	(3,364,051)
<b>Loss before income tax</b>		(315,212)	(695,525)
Income tax benefit		7,759	137,402
<b>Total comprehensive loss for the half-year</b>		(307,453)	(558,123)
Basic earnings per share (cents per share)		(0.13)	(0.23)
Diluted earnings per share (cents per share)		(0.13)	(0.23)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

	Notes	31 December 2019 \$	30 June 2019 \$
<b>Current Assets</b>			
Cash and cash equivalents		11,798,774	12,617,915
Receivables		893,211	400,363
Current tax receivable		23,778	23,778
Lease receivable	1(b)	213,231	-
Other current assets		159,528	279,104
<b>Total Current Assets</b>		<u>13,088,522</u>	<u>13,321,160</u>
<b>Non-current Assets</b>			
Plant and equipment		66,924	69,164
Lease assets	1(b)	518,341	-
Intangible assets		2,899	3,123
Deferred tax assets		826,686	818,927
Lease receivables	1(b)	336,983	-
Other non-current assets		296,283	431,605
<b>Total Non-current Assets</b>		<u>2,048,116</u>	<u>1,322,819</u>
<b>Total Assets</b>		<u>15,136,638</u>	<u>14,643,979</u>
<b>Current Liabilities</b>			
Trade and other payables		216,665	403,006
Lease liabilities	1(b)	369,817	-
Provisions		601,346	914,933
<b>Total Current Liabilities</b>		<u>1,187,828</u>	<u>1,317,939</u>
<b>Non-current Liabilities</b>			
Provisions		3,514	13,608
Lease liabilities	1(b)	682,072	-
<b>Total Non-current Liabilities</b>		<u>685,586</u>	<u>13,608</u>
<b>Total Liabilities</b>		<u>1,873,414</u>	<u>1,331,547</u>
<b>Net Assets</b>		<u>13,263,224</u>	<u>13,312,432</u>
<b>Equity</b>			
Share capital		4,601,987	4,601,987
Reserves		10,324,919	10,063,858
Retained earnings		(1,663,682)	(1,353,413)
<b>Total Equity</b>		<u>13,263,224</u>	<u>13,312,432</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

<b>2019</b>	<b>Contributed equity \$</b>	<b>Reserves \$</b>	<b>Retained earnings \$</b>	<b>Total Equity \$</b>
Balance as at 1 July 2019	4,601,987	10,063,858	(1,353,413)	13,312,432
Loss for the period	-	-	(307,453)	(307,453)
Total comprehensive income for the half-year	-	-	(307,453)	(307,453)
<b>Transactions with owners in their capacity as owners</b>				
Transfer to profit reserve	-	2,816	(2,816)	-
Share based payments	-	258,245	-	258,245
<b>Total transactions with owners in their capacity as owners</b>	-	261,061	(2,816)	258,245
<b>Balance as at 31 December 2019</b>	<b>4,601,987</b>	<b>10,324,919</b>	<b>(1,663,682)</b>	<b>13,263,224</b>

  

<b>2018</b>	<b>Contributed equity \$</b>	<b>Reserves \$</b>	<b>Retained earnings \$</b>	<b>Total Equity \$</b>
Balance as at 1 July 2018	4,601,987	2,060,985	7,974,115	14,637,087
Loss for the period	-	-	(558,123)	(558,123)
Total comprehensive income for the half-year	-	-	(558,123)	(558,123)
<b>Transactions with owners in their capacity as owners</b>				
Transfer to profit reserve	-	7,982,320	(7,982,320)	-
Share based payments	-	5,879	-	5,879
<b>Total transactions with owners in their capacity as owners</b>	-	7,988,199	(7,982,320)	5,879
<b>Balance as at 31 December 2018</b>	<b>4,601,987</b>	<b>10,049,184</b>	<b>(566,328)</b>	<b>14,084,843</b>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Half-year	
	31 December 2019	31 December 2018
	\$	\$
<b>Cash flow from operating activities</b>		
Receipts from customers	1,535,925	2,856,612
Payments to suppliers and employees	(2,247,610)	(4,242,238)
Interest received	97,912	126,204
Finance costs	(20,609)	-
Income tax paid	-	(993,616)
<b>Net cash used in operating activities</b>	(634,382)	(2,253,038)
<b>Cash flow from investing activities</b>		
Payment for plant and equipment	(10,787)	(10,359)
Payment for trademarks	-	(400)
<b>Net cash used in investing activities</b>	(10,787)	(10,759)
<b>Cash flow from financing activities</b>		
Principal portion of lease payments	(173,972)	-
<b>Net cash used in financing activities</b>	(173,972)	-
<b>Net decrease in cash and cash equivalents held</b>	(819,141)	(2,263,797)
Cash and cash equivalents at beginning of the half-year	12,617,915	15,726,032
<b>Cash and cash equivalents at end of the half-year</b>	11,798,774	13,462,235

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by K2 Asset Management Holdings Ltd during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

K2 Asset Management Holdings Ltd is a for-profit entity for the purpose of preparing the financial statements.

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

### (a) Basis of preparation of the financial report

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year 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.

Except as disclosed in Note 1(b), the accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2019.

### (b) Summary of significant accounting policies

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;

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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

- 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;
- 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 weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease receivables was in line with that used when recognising lease liabilities.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period (i.e., at 30 June 2019) to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (i.e., at 1 July 2019):

	\$
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 half-year period ended 31 December 2019, is as follows:

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 Consolidated Entity 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 assets, less accumulated amortisation are presented net of amounts derecognised under finance subleases entered into by the Consolidated Entity in its capacity as lessor. Effective 1 December 2019, the Consolidated Entity had entered into a sublease agreement in relation to the right-of-use assets recognised on adoption of AASB 16.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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

### *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 Consolidated Entity's incremental borrowing rate.

### **(c) Principles of consolidation**

The condensed consolidated financial statements are those of the Consolidated Entity, comprising the financial statements of the parent entity and the entities which K2 Asset Management Holdings Ltd controlled, K2 Asset Management Ltd, KII Pty Ltd and Trusuper Pty Ltd, during the half-year and at balance date.

The financial statements of the 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.

### **(d) Fair values**

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Condensed Consolidated Statement of Financial Position and the Notes to the Condensed Consolidated Financial Statements.

### **(e) Comparatives**

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

## NOTE 2: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2019, of the Consolidated Entity
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2019, of the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 3: REVENUE

	Half-year	
	31 December 2019	31 December 2018
	\$	\$
<b>Revenues and other income from continuing operations</b>		
Management fees	1,206,154	2,434,558
Performance fees	601,602	10,768
Interest	83,196	128,168
Other	41,081	95,032
	<u>1,932,033</u>	<u>2,668,526</u>

NOTE 4: SIGNIFICANT ITEMS

	Half-year	
	31 December 2019	31 December 2018
	\$	\$
<b>Employee Benefits</b>		
Short-term benefits	1,161,713	2,470,463
Long-term benefits	290,164	12,461
Superannuation contributions	111,486	168,521
	<u>1,563,363</u>	<u>2,651,445</u>
 <b>Depreciation and amortisation expense</b>		
Depreciation of computer and office equipment	12,702	13,990
Depreciation of leasehold improvements	325	325
	<u>13,027</u>	<u>14,315</u>
 Amortisation of trademarks and licences	<u>224</u>	<u>256</u>
 Amortisation of lease assets	<u>169,565</u>	<u>-</u>
	<u>182,816</u>	<u>14,571</u>
 <b>Marketing expenses</b>		
Advertising	115,412	74,142
Travel expenses	32,079	44,103
Printing and stationery	11,655	15,952
	<u>159,146</u>	<u>134,197</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## NOTE 5: ISSUANCES OF EQUITY

There were no issuances of equity during the half-year periods ended 31 December 2019 and 31 December 2018.

During the half-year period ended 31 December 2019, 33,600,000 (2018: 8,230,000) options over unissued shares in K2 Asset Management Holdings Ltd were issued to employees of the Consolidated Entity. Remuneration expense of \$258,245 (2018: \$5,879) was included in the condensed consolidated statement of comprehensive income in relation to the issue of options.

## NOTE 6: SEGMENT INFORMATION

The Consolidated Entity operates solely within Australia within the funds management segment.

## NOTE 7: DIVIDENDS ON ORDINARY SHARES

There have been no dividends paid or declared during the half-year periods ended 31 December 2019 and 31 December 2018.

## NOTE 8: RELATED PARTIES

The condensed consolidated half-year financial statements include the financial statements of K2 Asset Management Holdings Ltd and its 100% (2018: 100%) owned subsidiaries K2 Asset Management Ltd, KII Pty Ltd and Trusuper Pty Ltd. KII Pty Ltd was registered on 12 August 2015 and Trusuper Pty Ltd was registered on 19 August 2016. As of the date of this report, these entities have had no operations.

K2 Asset Management Ltd provides investment management services to related party unit trusts, the K2 Australian Absolute Return Fund, K2 Select International Absolute Return Fund, K2 Asian Absolute Return Fund, K2 Global High Alpha Fund and K2 Australian Small Cap Fund (Funds). During the period, K2 Asset Management Ltd provided investment management services to the K2 Global Equities Fund which ceased operations on 29 November 2019. 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 benchmark. Total related party revenue of \$1,848,837 (2018: \$2,540,358) has been recognised in the Condensed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2019.

As at 31 December 2019, K2 Asset Management has a current receivable of \$842,237 (2018: \$431,359) for investment management services provided to the Funds.

There have been no dividends declared or paid by K2 Asset Management Ltd to K2 Asset Management Holdings Ltd for the half-year periods ended 31 December 2019 or 31 December 2018.

As at 31 December 2019, K2 Asset Management Ltd has a current liability of \$272,388 (2018: \$107,856) payable to the parent entity for operational expenditure paid by the parent entity on behalf of its subsidiary and a non-current liability of \$593,109 (2018: \$764,089) payable to the parent entity for tax related balances.

As at 31 December 2019, the Consolidated Entity has a current receivable of nil (2018: nil) and a non-current receivable of \$269,283 (2018: \$578,605) 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 an employee ceasing to be employed by the Consolidated Entity. The loans are interest free and are unsecured.

Fund operating expenses of \$52,926 (2018: \$147,690) were paid on behalf of the Funds to cover ASX fees, custodian fees, administration fees, unit registry fees and other fees and expenses relating to the administration of the Funds and K2's role as responsible entity.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

## NOTE 9: CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2019.

## NOTE 10: 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

## DIRECTORS' DECLARATION

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 6 to 15, are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (b) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that K2 Asset Management Holdings Ltd will be able to pay its debts as and when they become due and payable.

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



**Campbell Neal**  
**Director**



**Hollie Wight**  
**Director**

Melbourne  
19 February 2020



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

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

We have reviewed the accompanying half-year financial report of K2 Asset Management Holdings Ltd "the Company" and its controlled entities "the Consolidated Entity", which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the period's end or from time to time during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of K2 Asset Management Holdings Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of K2 Asset Management Holdings Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of K2 Asset Management Holdings Ltd and controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



K L BYRNE  
Partner



PITCHER PARTNERS  
Melbourne

19 February 2020