

K2 ASSET MANAGEMENT HOLDINGS LTD

AND CONTROLLED ENTITIES

ABN 59 124 636 782

FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2022

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 2022

Previous corresponding period is the financial year ended 30 June 2021

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

Revenues from ordinary activities (item 2.1)	down	52.5%	to	2,121,185
Profit (loss) from ordinary activities after tax attributable to members (item 2.2)	down	1,217.9%	to	(2,412,089)
Net profit (loss) for the period attributable to members (item 2.3)	down	1,217.9%	to	(2,412,089)

Dividends (item 2.4)	Amount per security	Franked amount per security
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No dividends have been paid during or declared subsequent to the year ended 30 June 2022.

Record date for determining entitlements to the dividend (item 2.5)	NA
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Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):

K2 Asset Management Ltd (K2) has continued to grow its position in the Australian market and capture quality opportunities during the 2022 financial year. The focus remained on the three core pillars of the business, Funds Management, Responsible Entity & Trustee Services, and Exchange Traded Funds, diversifying K2's revenue streams while continually making investments into the repositioning of K2.

The performance of the K2 Funds for FY22 were reflective of the strong challenges from global disruptions and damages of the COVID-19 pandemic and Russian invasion of Ukraine. These challenges are ones that our highly experienced team of investment professionals have been exposed to over their extended time in the industry. The team remain focused on its long-term objective of strong investment returns for unitholders.

Strong growth was achieved in FY22 in the Responsible Entity & Trustee Services pillar of K2's business, both in terms of Funds under Management and Administration (FUMA) and onboarding new managers to the platform. Focus has been directed towards highlighting the service offering to the broader market and differentiating the offering from competitors.

Details of FUMA as at 29 August 2022, 30 June 2022 and relevant comparative periods are disclosed below.

	FUMA^ \$millions			Current
	30 June 2020	30 June 2021	30 June 2022	29 August 2022
Funds Management*	106.5	92.2	76.4	77.6
Responsible Entity (RE) & Exchange Traded Funds (ETF) Services	-	1,262.8	1,812.8	1,890.4
Total	106.5	1,355.0	1,889.2	1,968.0

The above information is unaudited. ^Funds under Management and Administration (FUMA) incorporates FUM of K2 Funds and FUA of the Private Mandate and Funds Under Advice. The underlying service fee charges for FUM and FUA are at different rates. * Funds Management consists of 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 (ASX: KSM), SMA's and private mandates.

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 2022	NA	0.00¢	0.00¢	0.00¢
Interim dividend – year ended 30 June 2022	NA	0.00¢	0.00¢	0.00¢
Final dividend – year ended 30 June 2021	NA	0.00¢	0.00¢	0.00¢
Interim dividend – year ended 30 June 2021	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	
	2022	2021
	\$	\$
Balance at the beginning of year	(2,099,703)	(2,096,901)
Net profit/(loss) attributable to members of the parent entity	(2,412,089)	215,762
Total available for appropriation	(4,511,792)	(1,881,139)
Transfer to profit reserve	-	(218,564)
Dividends paid	-	-
Balance at end of year	(4,511,792)	(2,099,703)

9. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.04	\$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)
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NA	

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

Group's share of associates' and joint venture entities':	2022 \$	2021 \$
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 2022

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

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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CHAIRMAN'S REPORT

K2 Asset Management Ltd (K2) has continued to grow its position in the Australian market and capture quality opportunities during the 2022 financial year. The focus remained on the three core pillars of the business, Funds Management, Responsible Entity & Trustee Services, and Exchange Traded Funds, diversifying K2's revenue streams while continually making investments into the repositioning of K2.

FUNDS MANAGEMENT

The global economy faced significant challenges during the 2022 financial year (FY22). Compounding the damage from the COVID-19 pandemic, the Russian invasion of Ukraine has magnified the slowdown in the global economy, which is entering what could become a prolonged period of stagnated growth and elevated inflation. China's pursuit of COVID-zero has resulted in supply chain disruption in interdependent global markets, particularly in the manufacturing sector. Additionally, the domestic economy followed the global lead as momentum slowed and interest rate rises dampened consumer confidence and spending.

The performance of the K2 Funds for FY22 were reflective of the strong challenges noted above. These challenges are ones that our highly experienced team of investment professionals have been exposed to over their extended time in the industry. The team remain focused on its long-term objective of strong investment returns for unitholders.

The funds management pillar appointed IDP Australia to drive the wholesale distribution of the K2 Funds. Leveraging off a strong track record and highly experienced investment team, the Board continue to work towards growth in FUM.

RESPONSIBLE ENTITY & TRUSTEE SERVICES

Strong growth was achieved in FY22 in the Responsible Entity & Trustee Services pillar of K2's business, both in terms of Funds under Management and Administration (FUMA) and onboarding new managers to the platform. Focus has been directed towards highlighting the service offering to the broader market and differentiating K2 from competitors.

K2 has continued to work with quality managers in designing managed investment schemes with the end investor in mind and assisting in launching funds across multiple asset classes in the Australian market. K2's strong relationships with service providers allows K2 to build investment products that are bespoke in nature and appropriate for both the investment manager and the target investor.

The Responsible Entity & Trustee Services pillar has been heightened by the publicity of the new managers and funds' service providers which has led to increased public interest in this service offered by K2. The Board believes there will be more quality funds that will be launched from the platform in the coming year. As a result, K2 has focused its recruitment objectives toward supporting and growing this pillar of K2.

The investment into expanding the Australian Financial Services License has ensured that the client spread includes multiple asset classes and has broadened the growth potential going forward. Revenue growth from this pillar increased by 158% from the prior financial year.

The Board is excited by the pipeline of growth in this area and are confident that this will continue.

EXCHANGE TRADED FUNDS

K2 continued to lead the way in innovation during the year with new products listing in the Exchange Traded Funds (ETFs) pillar of the business. We now have four active ETFs listed across the 2 Australian exchanges (ASX & Cboe) and will continue to work with managers vying to access this distribution channel in the future.

K2 has been an early adopter of active ETFs, launching its first ETF in 2015.

The team continues to work tirelessly to meet manager expectations while ensuring the ETFs are supported by high quality systems to enable bespoke valuation and compliance services.

CHAIRMAN'S REPORT (CONT'D)

SUMMARY OF FUNDS UNDER MANAGEMENT AND ADMINISTRATION

The table below provides total Funds Under Management and Administration (FUMA) as of 29 August 2022, 30 June 2022 and the relevant comparative periods.

	FUMA^ \$millions			
	30 June 2020	30 June 2021	30 June 2022	Current 29 August 2022
Funds Management*	106.5 AUD	92.2 AUD	76.4 AUD	77.6 AUD
Responsible Entity (RE) & Exchange Traded Funds (ETF) Services	0.0 AUD	1,262.8 AUD	1,812.8 AUD	1,890.4 AUD
Total	106.5 AUD	1,355.0 AUD	1,889.2 AUD	1,968.0 AUD

The above information is unaudited. ^Funds under Management and Administration (FUMA) incorporates FUM of K2 Funds and FUA of the Private Mandate and Funds Under Advice. The underlying service fee charges for FUM and FUA are at different rates. * Funds Management consists of 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 (ASX: KSM), SMA's and private mandates.

CORPORATE

Building sustainable revenue continues to be the focus of the Board as we seek out and capitalise on opportunities and work to lay the foundations of long-term collaborations and sustainable growth. Whilst the FY22 results are not where we need them to be, we must continue to invest in the core pillars of the business and our employees to drive the company forward.

K2 continues to ensure a strong balance sheet is maintained with total cash on deposit totalling \$10,755,666. Results for the 2022 financial year to note include, management fees totalling \$1,157,592, performance fees of \$315,052 and revenue from other sources of \$648,541. Total income was \$2,121,185, resulting in a before tax loss of \$(1,619,711). Adjustments to the derecognition of deferred tax assets have resulted in an increase in the tax expense for the current period. We aim for this adjustment to be reversed once the business returns to profitability. Expenses continue to be closely monitored.

Looking ahead, the Board knows that a return to profitability is the requirement for our shareholders and one that we believe can be achieved with this new phase the company has entered. We again emphasise the importance of our strong and committed team of professionals driving the business forward and thank them for their engagement and commitment to K2.



Campbell Neal
Chairman

Melbourne
31 August 2022

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

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 2022 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)
George Boubouras	(Head of Research and Executive Director)
Hollie Wight	(Chief Financial Officer and Executive Director)

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 and an expansion in offering responsible entity services provided to external investment funds. 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 \$(1,619,711) (2021: Profit \$347,133). The consolidated loss after tax attributable to members was \$(2,412,089) (2021: Profit \$215,762). Please refer to the Consolidated Statement of Comprehensive Income on page 23 for further information.

REVIEW OF OPERATIONS

The last 3 years has seen significant disruption with the existence of both COVID-19 and, more recently, the developing war in Ukraine. This has resulted in significant disruption in global and domestic financial markets.

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

The consolidated entity continued to engage in its principal activity of funds management and responsible entity services, the results of which are disclosed within the attached financial statements.

Revenue from management, performance and responsible entity fees was \$1,157,592 (2021: \$1,429,547), \$315,052 (2021: \$2,454,840) and \$525,802 (2021: \$219,118) respectively. Total revenue amounted to \$2,121,185 (2021: \$4,468,606). Please refer to the Consolidated Statement of Comprehensive Income on page 23 for further information.

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

There have been no significant changes in the consolidated entity's state of affairs during the financial period.

AFTER BALANCE DATE EVENTS

Subsequent to the reporting date, the consolidated entity has entered into a new lease agreement which allows the consolidated entity to continue to lease office facilities at Level 32, 101 Collins Street Melbourne. The lease is a non-cancellable lease with a four year term, with rent payable monthly in advance, commencing from 1 October 2022. The lease agreement requires minimum lease payments to be increased by 3.5% per annum. The four year term expires on 30 September 2026.

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

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 financial diversified services business. Operating strategies are detailed in the Chairman's Report on page 3 and 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:	2022 \$	2021 \$
Tax consulting services	-	2,800

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 37 years' experience in both stockbroking and funds management.

George Boubouras BEcon(Hons)

George joined K2 in January 2020 as Head of Research and was appointed as Executive Director in March 2021. George has over 26 years' experience in the financial services industry with previous roles including CIO at Salter Brothers Asset Management (SBAM); Managing Director (MD) and CIO at Contango Asset Management; Director at Contango Income Generator; Executive Director (ED) and Head of Investment Strategy and Consulting at UBS; CIO and Head of Asset Management at Equity Trustees; Senior Investment Manager at HSBC Global Asset Management; Investment Strategist at Macquarie Group; Economist at Westpac, NSW Treasury and SBC (now UBS); Director Blues Foundation at The Carlton Football Club and Director at Women in Banking and Finance (WiBF).

DIRECTORS' REPORT (CONT'D)

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.

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
George Boubouras	6	6
Hollie Wight	6	6

⁽¹⁾ In addition to the 6 meetings, the directors of K2 Asset Management Holdings Ltd passed circular written resolutions on 9 occasions during the financial year. All eligible directors were signatories to these resolutions.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

During the 2022 financial year nil (2021: nil) options were issued to employees over unissued share capital of K2 Asset Management Holdings Ltd.

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 to review remuneration 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 may be engaged to ensure changes are consistent with internal policies and external market practices.

Performance bonuses

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. 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.

K2 is working towards returning to a cost to income ratio of 50% prior to the payment of any bonuses. Upon meeting this criteria, a bonus pool would be established taking into account the maintenance of the 50% cost to income ratio.

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.

Short-term incentives paid or earned, relating to performance-based cash bonuses, to all employees including directors and key management personnel in relation to the 2022 financial year were nil (2021: \$258,267).

Short-term incentives also include employee benefit expenses representing the interest foregone on interest-free employee share loans held during the year. Employee benefit expenses earned and paid to employees including directors and key management personnel in relation to the 2022 financial year were \$32,983 (2021: \$27,675).

Long-term incentives: are provided via a performance-based deferred cash bonus which represents 0% 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.

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 2022 is as follows (the below information is summarised in Note 24):

	Campbell Neal	George Boubouras
Position held:	Chairman and Managing Director	Executive Director
Appointment:	September 1999	March 2021
Base salary:	\$458,984 (2021: \$458,984)	\$224,194 (2021: \$222,178)
Superannuation:	\$23,568 (2021: \$21,694)	\$22,419 (2021: \$21,107)
Short-term incentives earned: *	nil (2021: \$69,234)	\$21,825 (2021: \$31,852)
Long-term incentives paid or due: *	nil (2021: nil)	nil
Long-term incentives payable:	There is no performance-based deferred cash bonus payable to Mr Neal as at June 2022 (2021: nil).	There is no performance-based deferred cash bonus payable to Mr Boubouras as at June 2022.
Incentive based salary as a % of total salary:	0% (2021: 13%)	8% (2021: 12%)
	Hollie Wight	
Position held:	Chief Financial Officer and Executive Director	
Appointment:	April 2005	
Base salary:	\$223,645 (2021: \$223,645)	
Superannuation:	\$22,215 (2021: \$21,104)	
Short-term incentives earned: *	nil (2021: \$32,157)	
Long-term incentives paid or due: *	nil (2021: nil)	
Long-term incentives payable:	There is no performance-based deferred cash bonus payable to Ms Wight as at June 2022 (2021: nil).	
Incentive based salary as a % of total salary:	0% (2021: 12%)	

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

AUDITED REMUNERATION REPORT (CONT'D)

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:

	2022	2021	2020	2019	2018
Profit/(loss) before tax	(1,619,711)	347,133	(845,494)	(1,769,960)	7,204,842
Profit/(loss) after tax	(2,412,089)	215,762	(740,673)	(1,341,887)	5,220,070
Total performance fees	315,052	2,454,840	709,857	16,835	7,641,846
Basic earnings/(loss) per share (cents per share)	(1.00)	0.09	(0.31)	(0.56)	2.17
Cost to income ratio	176.36%	92.23%	126.87%	136.88%	48.81%
Total KMP short-term incentives as a percentage of total income for the year	1.03%	2.98%	0.00%	0.00%	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 8.

CONSEQUENCE OF COMPANY'S PERFORMANCE ON SHAREHOLDER WEALTH

The following table summarises company performance and key performance indicators:

	2022	2021	2020	2019	2018
Revenue (\$)	2,121,185	4,468,606	3,146,384	4,798,725	14,075,362
Change in revenue (%)	(52.53%)	42.02%	(34.43%)	(65.91%)	(18.14%)
Profit/(loss) before tax (\$)	(1,619,711)	347,133	(845,494)	(1,769,960)	7,204,842
Increase/(Decrease) in profit before tax (%)	(566.60%)	141.06%	(52.23%)	(124.57%)	(17.39%)
Change in share price (%)	(36.71%)	54.90%	(5.56%)	(61.43%)	(39.13%)
Dividends declared (\$)	-	-	-	-	1,202,105
Total remuneration of KMP (\$)	996,850	1,138,178	851,964	1,428,418	2,095,461
Total performance-based remuneration of KMP (\$)	-	114,455	-	-	224,943

DIRECTORS' INTERESTS IN SHARES

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

	Balance 30 June 2021	Net change Other*	Balance 30 June 2022
Directors			
Campbell Neal	88,300,147	-	88,300,147
George Boubouras	11,500,000	395,238	11,895,238
Hollie Wight	5,238,566	-	5,238,566
	<u>105,038,713</u>	<u>395,238</u>	<u>105,433,951</u>

* 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 13 of this report and the Company's ASX notices regarding substantial shareholdings.

AUDITED REMUNERATION REPORT (CONT'D)

LOANS TO KEY MANAGEMENT PERSONNEL

The following table sets out the details of the aggregate of loans made, guaranteed or secured, directly or indirectly, by the consolidated entity, in the financial year to a particular key management person, close members of the family of the key management person and entities related to them greater than \$100,000:

2022	Balance 30 June 2021 (\$)	Interest paid and payable (\$)	Interest that would have been charged had loan been at arm's length (\$)	Balance 30 June 2022 (\$)	Number of KMP in balance 30 June 2022
Total KMP	500,000	-	21,825	498,200	1
The above loan is an interest free loan advanced to KMP for the sole purpose of purchasing K2 Asset Management Holdings' shares. Repayment of the loan is required upon KMP selling the Company shares that have been purchased using the loan, termination of employment, receipt of employee performance bonuses and dividends received from the Company.					
Directors					
George Boubouras	500,000	-	21,825	498,200	

VOTING AND COMMENTS MADE AT THE COMPANY'S 2021 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
31 August 2022

**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 2022, 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



PITCHER PARTNERS
Melbourne

31 August 2022

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of ordinary securities as at 19 August 2022 are as follows:

	Number of shares	%
CWN FT PTY LTD <CWN FAMILY A/C>	77,723,973	32.239
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,342,607	11.341
HENLEY HOLDINGS AUST PTY LTD <HENLEY HOLDINGS FAMILY A/C>	10,000,000	4.148
JAWATTE NOMINEES PTY LTD <JAWATTE FAMILY A/C>	8,890,762	3.688
GAHEE PTY LTD <HJN SUPERANNUATION FUND A/C>	7,462,331	3.095
MANLY LANE PTY LTD <SCOTT & SALLY BEETON SUP A/C>	6,500,000	2.696
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
DHC INVESTMENTS PTY LTD <CLEVEN FAMILY A/C>	4,244,496	1.761
CPAC HOLDINGS PTY LIMITED <CPAC INVESTMENT A/C>	4,100,000	1.701
CITICORP NOMINEES PTY LIMITED	3,892,963	1.615
MR TERENCE JOHN STEPHENS & MRS DONNA MARIE STEPHENS <HOURGLASS JEWELLERS S/F A/C>	3,500,000	1.452
MR PETER RONEC & MS SUZANNE RUMBLE <RONEC SUPER FUND A/C>	2,843,250	1.179
MR JOSHUA NEVILLE KITCHEN	2,700,000	1.120
5P PROPERTIES PTY LTD	2,300,000	0.954
MR NICHOLAS LEITL <THE PYRMONT A/C>	2,290,479	0.950
C L D INVESTMENTS PTY LTD	2,178,890	0.904
MR PETER RONEC <RF A/C>	2,003,796	0.831
MS SIMONE MARCELLE NEAL	1,920,734	0.797
ALHAMBRA INVESTMENTS PTY LTD <ALHAMBRA INVESTMENTS A/C>	1,895,238	0.786
Total held by top 20	182,735,455	75.797
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.

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 19 August 2022

	Holders
1-1,000	88
1,001-5,000	173
5,001-10,000	144
10,001-100,000	315
100,001-9,999,999,999	120
Total number of holders	840
Number of holders of less than a marketable parcel	59

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.

2022 ANNUAL GENERAL MEETING

The Annual General Meeting will be held from K2 Asset Management Ltd, Level 32, 101 Collins Street, Melbourne at 9.00am on Tuesday 29 November 2022. 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 (4th Edition), released in 2019 (**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 2022 (FY22). It is acknowledged that for the 12-month reporting period ending June 2022, 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 FY22 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 2022 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 2022. 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
George Boubouras	Executive Director	29 March 2021	29 March 2021	N/A
Hollie Wight	Executive Director	27 April 2005	27 March 2007	N/A

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 (i.e., 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. While considering ASX Recommendation 2.4 which states that the majority of the Board should be independent, the Company determined that the Directors would be acting in the interests of the Company as a whole as opposed to the interests of an individual security holder or other party even with the absence of independent directors on the Board.

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 including the Code of Conduct;
- 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 COMPANY VALUES

The ASX Recommendation 3.1 states that a listed entity should articulate and disclose its values. The Company ensures that the Company's Code of Conduct and Statement of Corporate Governance Principles reflect the Company's core values:

- Vigilance: We are watchful and ready to respond to any market condition
- Success: We strive for high achievement in everything we do
- Focus: We have clear focus on what we do
- Transparency: We keep stakeholders informed of our strategy, our commitment, our opinions and our performance.

The Company stand by these values and it underpins the behaviour of the Company and its employees.

3.2 CODE OF CONDUCT

As set out in ASX Recommendation 3.2, 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.

3.3 WHISTLEBLOWER POLICY

In accordance with ASX Recommendation 3.3, the Company has a Whistleblower Policy which is disclosed to all the employees as part of the induction training and annually for the compliance training. The policy may be accessed by the employees at any point in time via the Company's intranet and shared drives. As part of this policy, the Board is required to be informed of any material incidents reported under this policy.

3.4 ANTI-BRIBERY & CORRUPTION POLICY

ASX Recommendation 3.4 recommends that the Company has either a standalone policy or include in its Code of Conduct a part to address anti-bribery and corruption. The Company has included its zero tolerance for bribery and other improper payments or benefits to public officials in its Code of Conduct.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 its own 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 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

5.2 MATERIAL MARKET ANNOUNCEMENTS TO THE BOARD

The Company adheres to the ASX Recommendation 5.2 by ensuring that all the Directors are provided all the information that is disclosed to the market as and when they are publicised.

5.3 RELEASE NEW & SUBSTANTIVE PRESENTATIONS TO THE MARKET

With the aim of ensuring equality of information among investors, ASX Recommendation 5.3 states that any presentations made which contain new or substantive information should be released ahead of the presentation. The Company ensures that this is the case for any presentations taking particular attention to any given at annual general meetings, investor days and broker conferences.

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 SUBSTANTIVE RESOLUTIONS BY POLL

In the event a substantive resolution is required, ASX Recommendation 6.4 recommends that a poll should be taken as opposed to a show of hands. The Chairman will be instructed by the Company that a poll will be required on a resolution by resolution basis, noting the substantive nature of the resolution.

6.5 ELECTRONIC COMMUNICATION

Consistent with ASX Recommendation 6.5, 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.

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 i.e., 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 2022

	Notes	2022 \$	2021 \$
Management fees		1,157,592	1,429,547
Performance fees		315,052	2,454,840
Responsible entity fees		525,802	219,118
Establishment income		38,681	-
Interest income	4	69,053	105,107
Other income	4	15,005	259,994
		<u>2,121,185</u>	<u>4,468,606</u>
Employee benefits expense	5	(2,785,449)	(3,024,493)
Depreciation and amortisation expenses	5	(232,066)	(234,650)
Marketing expenses	5	(287,412)	(200,881)
Occupancy expenses	5	(82,582)	(42,420)
Professional expenses		(245,742)	(445,539)
Technology expenses		(82,472)	(73,049)
Fund operating expenses		(4,725)	(51,711)
Finance costs		(10,871)	(25,381)
Other expenses		(9,577)	(23,349)
		<u>(3,740,896)</u>	<u>(4,121,473)</u>
Profit/(loss) before income tax		<u>(1,619,711)</u>	<u>347,133</u>
Income tax expense	6	(792,378)	(131,371)
Total comprehensive income/(loss) for the year		<u>(2,412,089)</u>	<u>215,762</u>
Basic earnings/(loss) per share (cents per share)	22	(1.00)	0.09
Diluted earnings/(loss) per share (cents per share)	22	(1.00)	0.09

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 2022

	Notes	2022 \$	2021 \$
Current Assets			
Cash and cash equivalents	8	10,755,666	10,883,552
Receivables	9	215,353	1,925,639
Lease receivable	21	35,314	204,739
Other current assets	10	112,919	123,402
Total Current Assets		<u>11,119,252</u>	<u>13,137,332</u>
Non-current Assets			
Plant and equipment	11	66,207	82,362
Lease assets	21	47,122	235,609
Intangible assets	12	6,318	5,592
Deferred tax assets	6	-	792,378
Lease receivable	21	-	35,314
Other non-current assets	13	605,630	688,323
Total Non-current Assets		<u>725,277</u>	<u>1,839,578</u>
Total Assets		<u>11,844,529</u>	<u>14,976,910</u>
Current Liabilities			
Trade and other payables	14	225,014	646,951
Contract liabilities	15	76,320	-
Provisions	16	806,446	759,258
Lease liabilities	21	71,197	415,503
Total Current Liabilities		<u>1,178,977</u>	<u>1,821,712</u>
Non-current Liabilities			
Provisions	16	5,011	15,530
Lease liabilities	21	-	71,196
Total Non-current Liabilities		<u>5,011</u>	<u>86,726</u>
Total Liabilities		<u>1,183,988</u>	<u>1,908,438</u>
Net Assets		<u>10,660,541</u>	<u>13,068,472</u>
Equity			
Share capital	17	4,601,987	4,601,987
Reserves	18	10,570,346	10,566,188
Accumulated losses	19	(4,511,792)	(2,099,703)
Total Equity		<u>10,660,541</u>	<u>13,068,472</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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

2022	Notes	Contributed equity \$	Reserves \$	Accumulated losses \$	Total Equity \$
Balance as at 1 July 2021		4,601,987	10,566,188	(2,099,703)	13,068,472
Loss for the year		-	-	(2,412,089)	(2,412,089)
Total comprehensive loss for the year		-	-	(2,412,089)	(2,412,089)
Transactions with owners in their capacity as owners					
Transfer to profit reserve		-	-	-	-
Share based payments	23	-	4,158	-	4,158
Dividends paid		-	-	-	-
Total transactions with owners in their capacity as owners		-	4,158	-	4,158
Balance as at 30 June 2022		4,601,987	10,570,346	(4,511,792)	10,660,541

2021		Contributed equity \$	Reserves \$	Accumulated losses \$	Total Equity \$
Balance as at 1 July 2020		4,601,987	10,331,978	(2,096,901)	12,837,064
Profit for the year		-	-	215,762	215,762
Total comprehensive income for the year		-	-	215,762	215,762
Transactions with owners in their capacity as owners					
Transfer to profit reserve		-	218,564	(218,564)	-
Share based payments	23	-	15,646	-	15,646
Dividends paid		-	-	-	-
Total transactions with owners in their capacity as owners		-	234,210	(218,564)	15,646
Balance as at 30 June 2021		4,601,987	10,566,188	(2,099,703)	13,068,472

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 CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$	2021 \$
Cash flow from operating activities			
Receipts from customers		4,041,563	2,871,644
Operating grant receipts		-	395,450
Payments to suppliers and employees		(3,985,721)	(4,239,668)
Interest received		66,056	118,763
Finance costs		(10,871)	(23,517)
Net cash provided from/(used in) operating activities	20(b)	111,027	(877,328)
Cash flow from investing activities			
Payment for plant and equipment		(26,450)	-
Payment for trademarks and licenses		(1,700)	(1,000)
Principal portion of lease receipts		204,739	189,509
Net cash provided from investing activities		176,589	188,509
Cash flow from financing activities			
Repayment/proceeds of borrowings		-	(273)
Principal portion of lease payments		(415,502)	(356,350)
Net cash used in financing activities		(415,502)	(356,623)
Net decrease in cash and cash equivalents		(127,886)	(1,045,442)
Cash at beginning of financial year		10,883,552	11,928,994
Cash and cash equivalents at end of the year	20(a)	10,755,666	10,883,552

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 Trusper 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 & Trusper 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 26(a).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

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.

(c) Revenue recognition

Management fees are calculated at between 1.00% and 2.00% of the relevant fund's daily net asset value recognised over time 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 is recognised at a point in time once the performance hurdle is achieved. 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.

Establishment fees are occasionally charged upon the establishment of new funds and represent remuneration for the effort expended by the consolidated entity in the establishment process. Revenue from establishment fees is recognised over time, as the underlying responsible entity services are provided to the fund, over the minimum notice period being the period in which the parties have present enforceable rights and obligations. Recognising revenue on this basis is considered an appropriate method of recognising revenue as it is consistent with the manner in which the services are provided to the fund.

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 and performance obligations have been satisfied.

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 depreciated 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

(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.

(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 that are 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

Classification of financial liabilities

Financial liabilities classified as held-for-trading and financial liabilities designated at FVPL, 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.

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 27 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 cost 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 is recognised over a timeframe consistent with that of the benefits obtained by the consolidated entity from employee's services.

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 measure 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

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.

(I) 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.

COVID-19 related rent concessions

The consolidated entity has elected to apply the practical expedient (as permitted by Australian Accounting Standards) not to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications, and to account for any changes in lease payments resulting from the rent concessions as if the changes were not lease modifications. Any gains arising from COVID-19 related rent concessions are recognised in profit or loss.

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:

- (a) 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;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2022; and
- (c) there is no substantive change to other terms and conditions of the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

Lease receivables

At the commencement date of a finance lease, the consolidated entity recognises a receivable (for assets held under the finance lease) at an amount equal to the net investment in the lease. The net investment in finance leases is the sum of the lease payments receivable by the group under the finance lease and the estimated unguaranteed residual value of the underlying asset at the end of the lease term, discounted at the interest rate implicit in the 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.

(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.

(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 Business Support Fund (in comparative only), 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 2022

There has been no new standards and interpretations, or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(r) Accounting standards and interpretations issued but not yet operative at 30 June 2022

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 adopt any of these new and amended pronouncements early. 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 2021-7a: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials] amends various standards, interpretations and other pronouncements for editorial corrections made by accounting standards boards since December 2017 and is mandatorily applied to annual reporting periods commencing on or after 1 January 2022.

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It requires a liability to be classified as current when entities do not have a substantive right to defer settlement at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

AASB 2020-6: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date defers the mandatory effective date of amendments that were originally made in AASB 2020-1 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022.

AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates amends AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 134 *Interim Financial Reporting* and AASB Practice Statement 2 *Making Materiality Judgements*. The main amendments relate to:

- (a) AASB 7 – clarifies that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- (b) AASB 101 – requires entities to disclose their material accounting policy information rather than their significant accounting policies;
- (c) AASB 108 – clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates;
- (d) AASB 134 – to identify material accounting policy information as a component of a complete set of financial statements; and
- (e) AASB Practice Statement 2 – to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

AASB 2021-2 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the consolidated entity in the financial year commencing 1 July 2023.

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 2022

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 8 for further details on the consolidated entity's remuneration policies.

(d) Fair value measurements

The parent entity recognises its investments in subsidiaries 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. This investment is eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 and/or responsible entity.

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 and administration (FUMA). Examples of potential market events that could impact the performance of the funds and FUMA 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
- pandemic and health crises

FUMA directly correlates to the level of management fees and/or responsible entity fees received by the consolidated entity as both fees are based on a percentage of FUMA. FUMA 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 FUMA.

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

To illustrate the above, if global markets fell by 5% and in turn FUMA 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 closures 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.

Along with the impact of COVID-19, the more recent Russian Invasion of Ukraine may also cause prolonged period of stagnated growth and elevated inflation leading to slowdown in the global economy. The ongoing implication of this war is unknown to the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 3: FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Interest Rate Risk

At 30 June 2022, financial assets held by the consolidated entity that are exposed to interest rate risk are cash held at call and in term deposits, and lease receivables. The consolidated entity invests its free cash in term deposits in order to mitigate interest rate fluctuations. Lease liabilities is the only financial liability exposed to interest rate risk which other than circumstances such as a lease modification or new lease, is at the rate implicit upon initial recognition. 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		Fixed interest rate maturing In 1 to 5 years		Non-interest bearing		Total carrying amount as per Balance Sheet		Weighted average effective interest rate	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>(i) Financial assets</i>												
Cash	1,526,345	1,654,231	9,229,321*	9,229,321	-	-	-	-	10,755,666	10,883,552	0.3%	0.6%
Current receivables	-	-	-	-	-	-	215,353	1,925,639	215,353	1,925,639	-	-
Lease receivables	-	-	35,314	204,739	-	35,314	-	-	35,314	240,053	3.6%	3.6%
Prepayments	-	-	-	-	-	-	71,551	77,941	71,551	77,941	-	-
Third party receivables	-	-	-	-	-	-	3,484	3,484	3,484	3,484	-	-
Employee share loans	-	-	-	-	-	-	616,514	703,300	616,514	703,300	-	-
Total financial assets	1,526,345	1,654,231	9,264,635	9,434,060	-	35,314	906,902	2,710,364	11,697,882	13,833,969	-	-
<i>(ii) Financial liabilities</i>												
Trade creditors	-	-	-	-	-	-	79,196	76,512	79,196	76,512	-	-
Lease liabilities	-	-	71,197	415,503	-	71,196	-	-	71,197	486,699	3.6%	3.6%
Contract liabilities	-	-	-	-	-	-	76,320	-	76,320	-	-	-
Other creditors	-	-	-	-	-	-	145,818	312,172	145,818	312,172	-	-
Total financial liabilities	-	-	71,197	415,503	-	71,196	301,334	388,684	372,531	875,383	-	-

*Fixed interest rate cash maturing within 6 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 and/or responsible entity. 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 2022 and are expected to be paid within 30 days of this date.

The following table analyses the consolidated entity's financial liabilities into relevant maturity groupings. The amounts presented in the table are contractual undiscounted contractual cash flows, allocated to time bands based on the earliest date on which the consolidated entity are required to pay.

	Less than 6 months \$	6-12 months \$	1-5 years \$	Total contractual cash flows \$	Carrying amount \$
30 June 2022					
Trade creditors	79,196	-	-	79,196	79,196
Lease liabilities	71,197	-	-	71,197	71,197
Other creditors	145,818	-	-	145,818	145,818
Total financial liabilities	296,211	-	-	296,211	296,211
30 June 2021					
Trade creditors	76,512	-	-	76,512	76,512
Lease liabilities	211,812	214,562	71,521	497,895	486,699
Other creditors	312,172	-	-	312,172	312,172
Total financial liabilities	600,496	214,562	71,521	886,579	875,383

(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 2022

NOTE 4: REVENUE

	2022 \$	2021 \$
Interest Income		
Other persons	63,675	92,580
Lease activities	5,378	12,527
	<u>69,053</u>	<u>105,107</u>
Other income		
Government grants	-	247,879
Miscellaneous income	15,005	12,115
	<u>15,005</u>	<u>259,994</u>

(a) Unrecognised establishment income

	2022 \$	2021 \$
The aggregate amount of unrecognised revenue allocated to remaining performance obligations, at the reporting date, is as follows:		
Establishment income	76,320	-
	<u>76,320</u>	<u>-</u>

The aggregate amount of unrecognised establishment income allocated to remaining performance obligations as at 30 June 2022 is expected to be recognised as revenue within 12 months of the reporting date.

NOTE 5: PROFIT FROM CONTINUING OPERATIONS

	2022 \$	2021 \$
Profit from continuing operations before income tax has been determined after the following specific expenses:		
Employee Benefits		
Short-term benefits	2,586,987	2,819,652
Long-term benefits	(6,361)	22,529
Superannuation contributions	204,823	182,312
	<u>2,785,449</u>	<u>3,024,493</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 5: PROFIT FROM CONTINUING OPERATIONS (CONT'D)

Depreciation and amortisation expense

Depreciation of computer and office equipment	17,656	20,250
Depreciation of leasehold improvements	24,949	25,145
	42,605	45,395
Amortisation of trademarks and licenses	974	767
Amortisation of lease assets	188,487	188,488
	232,066	234,650

Marketing expenses

Business development expenses	207,401	166,897
Travel expenses	71,588	20,475
Printing and stationery	8,423	13,509
	287,412	200,881

Occupancy expenses

Rental and occupancy	67,167	30,650
Repairs and maintenance	15,415	11,770
	82,582	42,420

NOTE 6: INCOME TAX

	2022 \$	2021 \$
(a) The components of tax expense:		
Deferred tax	(401,950)	126,554
Over provision in prior year	(17,840)	(26,878)
Changes in income tax rate	-	31,695
Write down of deferred tax assets	1,212,168	-
<i>Total income tax expense</i>	792,378	131,371

(b) Deferred income tax expense included in income tax expense comprises:

Increase/(decrease) in deferred tax assets	(419,790)	99,676
Changes in income tax rate	-	31,695
Write down of deferred tax assets	1,212,168	-
	792,378	131,371

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 6: INCOME TAX (CONT'D)

(c) The prima facie tax, using tax rates applicable in the country of operation, on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie income tax payable on profit/(loss) before income tax at 25% (2021: 26%)	(404,928)	90,255
<i>Add tax effect of:</i>		
Non-deductible entertainment	1,939	3,466
Non-deductible legal fee	-	28,743
Non-deductible fines	-	22
Non-deductible share based payments	1,039	4,068
Changes in income tax rate	-	31,695
	(401,950)	158,249
<i>Less tax effect of:</i>		
(Over) provision in prior year	(17,840)	(26,878)
Write down of deferred tax assets	1,212,168	-
Income tax expense attributable to profit	792,378	131,371
<i>Current tax (receivable)/payable</i>		
Balance at the beginning of the year	-	-
Income tax	-	-
Tax payments	-	-
Under/(over) provision in prior year	-	-
Balance at the end of the year	-	-
<i>The deferred tax assets balance comprises:</i>		
Tax losses	970,070	510,904
Accruals	18,900	82,466
Employee benefits	202,864	193,697
Prepayments	(424)	(444)
Tax depreciation	(226)	(69)
Lease assets	(8,716)	(55,838)
Lease liabilities	8,971	61,662
Blackhole expenditure	20,729	-
Write down of deferred tax assets	(1,212,168)	-
Balance of deferred tax assets	-	792,378

As at 30 June 2022, the consolidated entity holds carried-forward tax losses of \$3,880,280 or \$970,070 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. The consolidated entity has also not brought to account \$242,098 of temporary differences as at 30 June 2022.

The consolidated entity is a Base Rate Entity for tax purposes, and accordingly, the Income Tax rate for the financial year ended 30 June 2022 has reduced from 26% to 25%. 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 25% as at 30 June 2022 and 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 7: DIVIDENDS ON ORDINARY SHARES

	2022 \$	2021 \$
(a) Dividends paid or declared		
There were no dividends paid or declared during the 2022 financial year (2021: 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

	2022 \$	2021 \$
Cash at bank	1,526,345	1,654,231
Cash on deposit	9,229,321	9,229,321
	<u>10,755,666</u>	<u>10,883,552</u>

NOTE 9: RECEIVABLES

	2022 \$	2021 \$
Trade receivables	193,467	1,909,951
Other receivables	21,886	15,688
	<u>215,353</u>	<u>1,925,639</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.

NOTE 10: OTHER CURRENT ASSETS

	Note	2022 \$	2021 \$
Prepayments		71,551	77,941
Employee share loans	(a)	37,884	41,977
Third party receivables		3,484	3,484
		<u>112,919</u>	<u>123,402</u>
(a) Employee share loans consist of:			
Net present value		8,185	13,755
Deferred employee benefits expense		29,699	28,222
		<u>37,884</u>	<u>41,977</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 11: PLANT AND EQUIPMENT

	2022 \$	2021 \$
Leasehold improvements		
At cost	171,797	171,797
Accumulated depreciation	(157,125)	(132,176)
	<u>14,672</u>	<u>39,621</u>
Computer and office equipment		
At cost	963,195	936,745
Accumulated depreciation	(911,660)	(894,004)
	<u>51,535</u>	<u>42,741</u>
	<u>66,207</u>	<u>82,362</u>

Movements in carrying amounts

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

2022	Leasehold Improvements \$	Computer and Office Equipment \$	Total \$
Balance at the beginning of the year	39,621	42,741	82,362
Additions	-	26,450	26,450
Disposals	-	-	-
Depreciation expense	(24,949)	(17,656)	(42,605)
Carrying amount at 30 June 2022	<u>14,672</u>	<u>51,535</u>	<u>66,207</u>
2021	Leasehold Improvements \$	Computer and Office Equipment \$	Total \$
Balance at the beginning of the year	64,766	62,991	127,757
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(25,145)	(20,250)	(45,395)
Carrying amount at 30 June 2021	<u>39,621</u>	<u>42,741</u>	<u>82,362</u>

NOTE 12: INTANGIBLE ASSETS

	2022 \$	2021 \$
Trademarks and licenses at costs	13,167	11,467
Accumulated amortisation	(6,849)	(5,875)
	<u>6,318</u>	<u>5,592</u>
Balance at the beginning of the year	5,592	5,359
Additions	1,700	1,000
Amortisation expense	(974)	(767)
Balance at the end of the year	<u>6,318</u>	<u>5,592</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 13: OTHER NON-CURRENT ASSETS

	Note	2022 \$	2021 \$
Other financial assets		27,000	27,000
Employee share loans	(a)	578,630	661,323
		<u>605,630</u>	<u>688,323</u>
(a) Employee share loans consist of:			
Net present value		401,457	445,140
Deferred employee benefits expense		177,173	216,183
		<u>578,630</u>	<u>661,323</u>

NOTE 14: PAYABLES

	2022 \$	2021 \$
Current payables		
Trade creditors	79,196	76,512
Performance bonus payable	-	258,267
Sundry creditors and accruals	145,818	312,172
	<u>225,014</u>	<u>646,951</u>

NOTE 15: CONTRACT LIABILITIES

	2022 \$	2021 \$
Establishment income	76,320	-
	<u>76,320</u>	<u>-</u>

The above contract liability represents the consolidated entity's obligation to onboard new investment managers and investment funds to the consolidated entity's responsible entity service platform which consideration has been received. A contract liability arises in relation to establishment income where consideration is received in advance of management or responsible entity services being rendered. Amounts recorded as contract liabilities are subsequently recognised as revenue at the end of the minimum notice period being the period for which the parties have present enforceable rights and obligations under the contract. The minimum notice period for establishment income recognised as contract liabilities as of 30 June 2022 is 9 months.

NOTE 16: PROVISIONS

	2022 \$	2021 \$
Current employee benefits	806,446	759,258
Non-current employee benefits	5,011	15,530
Aggregate employee benefits liability	<u>811,457</u>	<u>774,788</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 17: CONTRIBUTED EQUITY

	2022 \$	2021 \$
(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 2022		Consolidated Equity 2021	
	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 2022		Parent Equity 2021	
	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 2022

NOTE 18: RESERVES

	2022 \$	2021 \$
Profits reserve	10,268,005	10,268,005
Employee share option reserve	302,341	298,183
	<u>10,570,346</u>	<u>10,566,188</u>
<i>Movement in profits reserve</i>		
Balance at the beginning of the year	10,268,005	10,049,441
Transfer to profits reserve	-	218,564
Dividend paid	-	-
Balance at the end of the year	<u>10,268,005</u>	<u>10,268,005</u>
<i>Movement in share option reserve</i>		
Balance at the beginning of the year	298,183	282,537
Share based payments	4,158	15,646
Balance at the end of the year	<u>302,341</u>	<u>298,183</u>

NOTE 19: ACCUMULATED LOSSES

	2022 \$	2021 \$
Accumulated losses at the beginning of the year	(2,099,703)	(2,096,901)
Net profit/(loss) attributable to members of the consolidated entity	(2,412,089)	215,762
Dividends paid	-	-
Transfer to profits reserve	-	(218,564)
Accumulated losses at the end of the financial year	<u>(4,511,792)</u>	<u>(2,099,703)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 20: CASH FLOW INFORMATION

	2022 \$	2021 \$
(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 at bank	1,526,345	1,654,231
Deposits with financial institutions	9,229,321	9,229,321
	<u>10,755,666</u>	<u>10,883,552</u>
(b) Reconciliation of cash flow from operations with loss from ordinary activities after income tax		
Profit/(loss) from ordinary activities after income tax	(2,412,089)	215,762
Non-cash flows in profit from ordinary activities		
Amortisation	974	767
Depreciation	231,092	233,883
Share based payments	4,158	15,646
Lease abatement	-	(28,244)
Changes in assets and liabilities		
(Increase)/decrease in receivables	1,710,286	(1,469,980)
(Increase)/decrease in other assets	93,176	(499,912)
Increase/(decrease) in payables	(421,937)	374,411
Increase in other liabilities	76,320	-
Decrease in deferred taxes	792,378	131,371
Increase in provisions	36,669	148,968
Net cash flow provided from/(used in) operating activities	<u>111,027</u>	<u>(877,328)</u>

(c) Restriction over cash

The consolidated entity has a term deposit of \$229,321 (2021: \$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 2022

NOTE 21: LEASE ACTIVITIES

(a) Head-lease arrangements as of 30 June 2022

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.

	2022 \$	2021 \$
Lease assets		
<i>Carrying amount of lease assets, by class of underlying asset:</i>		
Buildings under lease arrangements		
At cost	687,906	687,906
Accumulated depreciation	(640,784)	(452,297)
Total carrying amount of lease assets	47,122	235,609

Movements in carrying amounts

Movement in the carrying amounts for lease assets between beginning and end of the year.

2022	Buildings \$
Carrying amount at 1 July 2021	235,609
Additions	-
Depreciation	(188,487)
Carrying amount at 30 June 2022	47,122

2021	Buildings \$
Carrying amount at 1 July 2020	424,097
Additions	-
Depreciation	(188,488)
Carrying amount at 30 June 2021	235,609

	2022 \$	2021 \$
Lease Liabilities		
Current lease liabilities	71,197	415,503
Non-current lease liabilities	-	71,196
Total carrying amount of lease liabilities	71,197	486,699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21: LEASE ACTIVITIES (CONT'D)

	2022 \$	2021 \$
Lease expenses and cashflows		
Interest expense on lease liabilities	10,871	25,381
Depreciation expense on lease assets	188,487	188,488
Gains recognised in profit or loss to reflect changes in lease payments arising from rent concessions occurring as a direct consequence of the COVID-19 pandemic	-	28,244
Income from sub-lease arrangements	5,378	12,527
Total cash outflow in relation to leases	426,374	409,975

(b) Sublease arrangements as of 30 June 2022

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 and previous financial year and is presented in accordance with AASB 16: *Leases*.

	2022 \$	2021 \$
<i>Income arising from finance leases:</i>		
Finance income on the net investment in finance leases	5,378	12,527
Income arising from finance leases	5,378	12,527

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

	2022 \$	2021 \$
Within one year	35,474	210,117
One to two years	-	35,474
Two to three years	-	-
Total undiscounted contractual lease payments to be received	35,474	245,591

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):

	2022 \$	2021 \$
Total undiscounted contractual lease payments to be received	35,474	245,591
Less: unearned finance income	160	5,538
Net carrying amount of lease receivables	35,314	240,053

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21: LEASE ACTIVITIES (CONT'D)

	2022 \$	2021 \$
Lease receivables		
Current lease asset	35,314	204,739
Non-current lease asset	-	35,314
Total carrying amount of lease receivables	35,314	240,053

NOTE 22: EARNINGS PER SHARE

	2022 \$	2021 \$
(a) The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Net profit/(loss)	(2,412,089)	215,762
Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share	(2,412,089)	215,762

	2022 No. of Shares	2021 No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	241,085,196	241,085,196
Effect of dilutive securities:		
Employee options and share based payments*	-	2,584,615
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	241,085,196	243,669,811

* Options on issue were not included at 30 June 2022 as the consolidated entity recorded a loss after tax.

(b) Based on the income and share data from Note 22(a), basic and diluted earnings/(loss) per share are calculated as following:

	2022	2021
Basic earnings/(loss) per share (cents per share)	(1.00)	0.09
Diluted earnings/(loss) per share (cents per share)	(1.00)	0.09

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 23: SHARE BASED PAYMENTS

(a) Employee option plan

The K2 employee option plan offers employees the opportunity to take up one fully paid ordinary share in K2 Asset Management Holdings Ltd ranking equally with all other ordinary shares on issue for each option validly exercised after the Vesting date. All staff employed by the consolidated entity at the option grant date were eligible to participate in the scheme to receive the options. These options were issued for nil consideration and the exercise price is detailed in the table below.

Financial year ended 30 June 2022

Grant date	Vesting date	Expiry date	Exercise price \$	Balance at beginning of the year	Granted during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
05/10/2018	05/10/2022	05/04/2022	0.20	5,220,000	-	5,220,000	-	-
01/10/2019	01/10/2022	01/04/2023	0.06	33,600,000	-	-	33,600,000	-

The weighted average share price for share options exercised during the 2022 financial year was nil.

The weighted average remaining contractual life for share options outstanding at 30 June 2022 was 0.75 years.

Financial year ended 30 June 2021

Grant date	Vesting date	Expiry date	Exercise price \$	Balance at beginning of the year	Granted during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
05/10/2018	05/10/2021	05/04/2022	0.20	5,220,000	-	-	5,220,000	-
01/10/2019	01/10/2022	01/04/2023	0.06	33,600,000	-	-	33,600,000	-

The weighted average share price for share options exercised during the 2021 financial year was nil.

The weighted average remaining contractual life for share options outstanding at 30 June 2021 was 1.26 years.

(b) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions was recognised within employee benefits expense within profit or loss were as follows:

	2022 \$	2021 \$
Options issued under employee option plan	4,158	15,646
Shares issued under employee share scheme	-	-
Total expenses recognised from share-based payment transactions	4,158	15,646

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURE

	2022 \$	2021 \$
(a) Summary of key management personnel compensation as disclosed in the remuneration report.		
Short-term benefits	928,648	1,071,130
Long-term benefits paid or due	-	-
Superannuation	68,202	67,048
	<u>996,850</u>	<u>1,138,178</u>
Maximum performance based long-term incentives payable	-	-
(b) The following lists the transactions with key management personnel for the current financial year:		
- Loan repayment of \$1,800 was made by George Boubouras for the loan provided by consolidated entity to George Boubouras during the 2021 financial year to purchase parent entity shares. The total balance as at 30 June 2022 was \$498,200. Please refer to the Audited Remuneration Report on page 11.		

NOTE 25: AUDITORS REMUNERATION

	2022 \$	2021 \$
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	111,329	103,119
Tax consulting services	-	2,800
	<u>111,329</u>	<u>105,919</u>

NOTE 26: 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	
		2022	2021
<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%	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 2022

NOTE 26: 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 2022 was \$947,748 (2021: \$485,503).
- 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 2022 was \$353,701 (2021: \$294,910).
- 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 audited remuneration report on page 9.
- 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 Annapurna Microcap 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 \$1,504,026 (2021: \$3,925,355) has been recognised in the Statement of Comprehensive Income for the year ended 30 June 2022. Of this revenue \$1,157,592 (2021: \$1,429,547) related to management fees and \$315,052 (2021: \$2,454,840) to performance fees. Please refer to the Consolidated Statement of Comprehensive Income on page 23 for further details.
- As at 30 June 2022, K2 Asset Management has a current receivable of \$90,571 (2021: \$1,855,235) for investment management services provided to the K2 Funds.
- As at 30 June 2022, the consolidated entity has a current receivable of \$37,884 (2021: \$41,977) and a non-current receivable of \$578,630 (2021: \$661,323) 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 K2 Asset Management Ltd. The loans are interest free and are unsecured.
- The above-mentioned employee interest-free loan receivable also incorporates a balance of \$498,200 as at 30 June 2022 provided by the consolidated entity to a key management personnel, George Boubouras. Please refer to the Audited Remuneration Report on page 11.
- Fund operating expenses of \$4,724 (2021: \$51,711) 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 other 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 2022

NOTE 27: PARENT ENTITY DETAILS

	Notes	2022 \$	2021 \$
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		4,020,763	3,954,985
Non-current assets	(c)	11,808,730	19,072,327
Total assets		15,829,493	23,027,312
Liabilities			
Current liabilities		949,029	485,504
Total liabilities		949,029	485,504
Net Assets		14,880,464	22,541,808
Equity			
Share capital		116,012,903	116,012,903
Reserves	(c)	(100,094,103)	(93,428,261)
Retained earnings		(1,038,336)	(42,834)
Total Equity		14,880,464	22,541,808
(b) Summarised Statement of Comprehensive Income			
Loss for the year		(995,502)	(1,991)
Other comprehensive loss		(6,670,000)	(1,100,000)
Total comprehensive loss for the year		(7,665,502)	(1,101,991)

(c) Investment in K2 Asset Management Ltd

Included within non-current assets balance above includes \$11,230,000 (2021: \$17,900,000) for the parent entity's investment in subsidiary K2 Asset Management Ltd.

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, a decrement in value of (\$6,670,000) (2021: (\$1,100,000)) has been recognised as at 30 June 2022 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 28: SUBSEQUENT EVENTS

Subsequent to the reporting date, the consolidated entity has entered into a new lease agreement which allows the consolidated entity to continue to lease office facilities at Level 32, 101 Collins Street Melbourne. The lease is a non-cancellable lease with a four year term, with rent payable monthly in advance, commencing from 1 October 2022. The lease agreement requires minimum lease payments to be increased by 3.5% per annum. The four year term expires on 30 September 2026.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 28: SUBSEQUENT EVENTS (CONT'D)

Except for the office lease renewal details described above, there has been no matter or circumstance, which has arisen since 30 June 2022 which has significantly affected or which may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2022, of the consolidated entity or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2022, of the consolidated entity.

NOTE 29: SEGMENT INFORMATION

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

In 2022, 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	580,142
Apostle Dundas Global Equities Fund	422,626
K2 Australian Small Cap Fund	312,584
K2 Australian Absolute Return Fund	227,255
K2 Select International Absolute Return Fund	221,027
Total	<u>1,763,634</u>

In 2021, 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	1,498,732
K2 Australian Small Cap Fund	720,325
K2 Australian Absolute Return Fund	672,553
K2 Select International Absolute Return Fund	493,931
K2 Asian Absolute Return Fund	446,866
Total	<u>3,832,407</u>

NOTE 30: 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 31: 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 23 to 54 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 2022 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 2022.

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



Campbell Neal
Director



Hollie Wight
Director

Melbourne
31 August 2022

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 2022, 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 2022 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.

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: In the financial year ended 30 June 2022 deferred tax assets were not brought to account due to the uncertainty surrounding utilisation of unused tax losses. The Consolidated Entity has reported a loss in the financial year. During our audit we challenged management's assumptions around the timing and magnitude of future profitability to utilise these losses. We view the deferred tax asset as a Key Audit Matter due to the inherent judgement required in forecasts. 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;• Challenging 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;• Performing sensitivity analysis around the growth rates and cashflow assumptions used in the forecasts;• Understanding and evaluating the design and implementation of management's processes and controls around the impairment of the deferred tax asset; and,• Assessing the adequacy of disclosures in the financial statements.

**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 2022, 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.

**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.

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 8 to 11 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of K2 Asset Management Holdings Ltd, for the year ended 30 June 2022, 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

31 August 2022