K2 ASSET MANAGEMENT HOLDINGS LTD

AND CONTROLLED ENTITIES

ABN 59 124 636 782

FINANCIAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2023

PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

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 2023
Previous corresponding period is the financial year ended	30 June 2022

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

Revenues from ordinary activities *(item 2.1)*	down	6.7%	to	1,978,157
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	up	19.8%	to	(1,933,298)
Net profit (loss) for the period attributable to members *(item 2.3)*	up	19.8%	to	(1,933,298)

Dividends *(item 2.4)*	Amount per security	Franked amount per security
No dividends have been paid during or declared subsequent to the year ended 30 June 2023.		
Record date for determining entitlements to the dividend *(item 2.5)*	NA	

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 seen significant growth in the 2023 financial year (FY23). Assets Under Management (AUM) has grown strongly to over AUD $4 billion which reflects the success of the 3-pillar strategy and the commitment from the K2 team to drive sustainable growth. There was significant work undertaken throughout the year which has been announced in our various ASX releases.

The Board remains committed to building sustainable revenue growth and profitability across the 3 core pillars of the service offering:

1. Funds Management;
2. Responsible Entity (RE), Trustee & Administration Services; and
3. Exchange Traded (ETF) & Listed Fund Services

The collective assets associated with the 3 pillars is herein referred to as AUM. The underlying service fee charged for the above listed 3 core pillars of service offerings are at different rates. The table below provides total AUM of 30 June 2023 and the relevant comparative periods.

	Asset Under Management (AUM) AUD $millions		
	30 June 2021	**30 June 2022**	**30 June 2023**
Funds Management*	92.2	76.5	66.4
Responsible Entity (RE), Trustee & Administration Services	1,330.6	1,867.0	4,030.6
Exchange Traded (ETF) & Listed Fund Services	-	-	301.0
Total AUM	**1,335.0**	**1,889.2**	**4,051.3**

The above information is unaudited. Please refer to Total AUM for aggregate non-duplicated AUM. *Funds Management consists of the K2 Australian Absolute Return Fund, Select International Alpha Fund, K2 Asian Absolute Return Fund, K2 Global High Alpha Fund and K2 Australian Small Cap Fund (ASX: KSM), SMAs 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 2023	NA	0.00¢	0.00¢	0.00¢
Interim dividend – year ended 30 June 2023	NA	0.00¢	0.00¢	0.00¢
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¢

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	
	2023 **$**	**2022** **$**
Balance at the beginning of year	(4,511,792)	(2,099,703)
Net profit/(loss) attributable to members of the parent entity	(1,933,298)	(2,412,089)
Total available for appropriation	(6,445,090)	(4,511,792)
Transfer to profit reserve	(42,176)	-
Transfer from employee share option reserve	302,341	
Dividends paid	-	-
Balance at end of year	(6,184,925)	(4,511,792)

9. **Net tangible assets per security** *(item 9)*

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

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

Control gained over entities

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

Loss of control of entities

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

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

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

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

Group's share of associates' and joint venture entities':	2023 $	2022 $
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 2023

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CHAIRMAN'S REPORT

K2 Asset Management Ltd (**K2**) has seen significant growth in the 2023 financial year (**FY23**). Assets Under Management (**AUM**) has grown strongly to over AUD $4 billion which reflects the success of the 3-pillar strategy and the commitment from the K2 team to drive sustainable growth. There was significant work undertaken throughout the year which has been announced in our various ASX releases. The success of the recent AUM growth and the mandate wins will be reflected in the coming 2024 financial year (**FY24**), with a significant lift in revenue to over AUD $5 million and an important step toward profitability.

The Board remains committed to building sustainable revenue growth and profitability across the 3 core pillars of the service offering:

1. Funds Management;
2. Responsible Entity (**RE**), Trustee & Administration Services; and
3. Exchange Traded (**ETF**) & Listed Fund Services

The collective assets associated with the 3 pillars is herein referred to as AUM. The underlying service fee charged for the above listed 3 core pillars of service offerings are at different rates.

RESPONSIBLE ENTITY, TRUSTEE & ADMINISTRATIVE SERVICES

Various ASX releases throughout FY23 announced the successful outcome of multiple unitholder votes and the replacement of K2 as the RE for 6 funds and an additional AUD $656 million in AUM. Further developments in July 2023 also resulted in the provision of administration services in areas including investor relations, reporting and fund administration for a further AUD $1.04 billion in gross funds under management. This extensive undertaking was the result of a long and robust proposal process and the positive result was a testament to the strong culture and work ethic of our people.

In addition to the above, the pipeline of new funds onboarding has been significant throughout FY23. K2 maintains strong relationships with quality unit registries, custodians and administrators who we have worked with to launch multiple innovative and bespoke products and the pipeline for the coming year continues to look positive.

2023 saw the AUM of the RE pillar grow from AUD $1.9 billion at 30 June 2022 to AUD $4.03 billion at 30 June 2023. Shareholders should expect to see the revenue streams from these achievements commence in the new financial year to drive a sustainable profit for FY24.

As the RE pillar continues to grow, our priority will be on building a team and culture that ensures our clients continue to receive the service levels that differentiates us from our competitors. A strong focus on a complimentary digital platform, combined with the high levels of K2 serviceability helps K2 stand out from its peers.

FUNDS MANAGEMENT

The Australian economy continued to slow during the 2023 financial year, although the probability of a domestic recession remains lower than other developed nations. Headlines on inflation dominated much of the discussion in FY23 resulting in significant increases in interest rates. Inflation and high interest rates present challenges globally. These volatile conditions present opportunities for active fund managers and K2 has navigated well through this period.

The funds management pillar continues to work with IDP Australia to drive the wholesale distribution of the K2 funds, leveraging off a strong track record and highly experienced investment team. The Board continues to work towards growth in funds management.

In January 2023, the K2 Board was excited to announce a partnership with GAM International Management Ltd (**GAM**) to take on the role of investment manager for the Select International Alpha Fund. This fund was one of the first global long/short funds launched in the local market and partnering with a large global team aims to ensure the continued success of this fund. GAM is a very large global manager with over 35 years' experience as an active and independent global manager. K2 is excited to provide Australian investors access to the GAM global investment team.

EXCHANGE TRADED & LISTED FUND SERVICES

K2 has been launching and managing active ETF's since our first ETF in 2015. We are strong supporters of ETF's and can provide full-service solutions in this area, including launching on the ASX and Cboe for external clients.

K2 continues to build on the listed fund pillar of the business as we educate the market on our service offering. Multiple listed funds were transitioned to the K2 listed platform at the end of FY23 which resulted in strong growth for the business.

CHAIRMAN'S REPORT (CONT'D)

SUMMARY OF ASSETS UNDER MANAGEMENT

The table below provides total AUM as of 30 June 2023 and the relevant comparative periods.

	Asset Under Management (AUM) AUD $millions		
	30 June 2021	30 June 2022	30 June 2023
Funds Management*	92.2	76.5	66.4
Responsible Entity (RE), Trustee & Administration Services	1,330.6	1,867.0	4,030.6
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Total AUM	**1,355.0**	**1,889.2**	**4,051.3**

The above information is unaudited. Please refer to Total AUM for aggregate non-duplicated AUM. *Funds Management consists of the K2 Australian Absolute Return Fund, Select International Alpha Fund, K2 Asian Absolute Return Fund, K2 Global High Alpha Fund and K2 Australian Small Cap Fund (ASX: KSM), SMAs and private mandates. The underlying service fee charged for the above listed 3 core pillars of service offerings are at different rates.

CORPORATE

Meaningful transformation requires a significant investment of time and we thank all our shareholders for your ongoing support. We have laid the foundations of long-term collaborations and sustainable growth. The expected return to profitability in FY24 naturally follows the recent strong mandate wins. Whilst the FY23 results are negative, the business has been reset from 1 July 2023 with revenue projections in excess of AUD $5 million for the 2024 financial year.

The large growth in RE and administration service AUM and the revenue attached to these assets is still in its infancy. We have a strong pipeline of work which will build on this revenue line. Additional expenses will be incurred in order to execute these funds transition to our platform, but the business is in a position to scale for growth and drive future profitability.

Looking ahead, the Board is excited to be entering a new phase of growth for our shareholders. 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 2023

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 2023 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, Managing Director and Chairman)
George Boubouras	(Head of Research & Investment Advisory and Managing Director)
Hollie Wight	(Head of RE & Trustee Services and Managing Director)
Neil Sheather	(Non-Executive Director) – Appointed on 1 July 2023

Please refer to the information on directors and company secretary section in the Directors' Report on page 7 for further details on directorship of Neil Sheather in other listed entities.

No other 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 across the three core pillars of the business:

1. Funds Management;
2. RE, Trustee & Administration Services; and
3. ETF & Listed Fund Services

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 $(1,933,298) (2022: Loss $1,619,711). The consolidated loss after tax attributable to members was $(1,933,298) (2022: Loss $2,412,089). Please refer to the Consolidated Statement of Comprehensive Income on page 23 for further information.

REVIEW OF OPERATIONS

The Consolidated Entity continued to engage in its principal activity noted above, the results of which are disclosed within the attached financial statements.

Revenue from RE, Trustee & Administration Services and Funds Management was $900,819 (2022: $564,483) and $747,221 (2022: $1,472,644) respectively. Total revenue amounted to $1,978,157 (2022: $2,121,185). 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

During the financial year, the successful outcome of unitholder votes to appoint the Consolidated Entity as responsible entity of the following funds:

- CD Private Equity Fund I (ASX: CD1)
- CD Private Equity Fund II (ASX: CD2)
- CD Private Equity Fund III (ASX: CD3)
- CD Private Equity Fund IV
- Venture Capital Opportunities Fund

The Consolidated Entity became the responsible entity for the 3 ASX listed funds on 24 June 2023 and for the two unlisted funds, the Consolidated Entity became the responsible entity on 4 July 2023. Additionally, the unitholders of the CD III Australian Wholesale Fund were notified of the Consolidated Entity's appointment as the trustee as of 15 August 2023.

As of 30 June 2023, the combined AUM for these 6 funds (hereafter collectively referred to as **New Funds**) was AUD $656 million. The AUM directly correlates to the level of the responsible entity fee received by the Consolidated Entity as the fees are based on a percentage of the AUM for the New Funds.

DIRECTORS' REPORT (CONT'D)

In June 2023, the Consolidated Entity entered into a new lease for office facilities at Level 44, 101 Collins Street Melbourne, with a commencement date of 1 February 2024. For the period from the new lease commencement date to 30 September 2026, the lease terms remain the same as the current lease agreement with minimum lease payments to be increased by 3.5% per annum. From 1 October 2026 until expiry on 31 January 2029, a new lease rate is applicable with minimum lease payments to be increased by 4% per annum. At 30 June 2023, the lease has not yet commenced and therefore has not been reflected in assets and liabilities as at 30 June 2023. The existing lease at Level 32 of the same premises has been modified at 30 June 2023 to reflect an earlier termination date to facilitate the move to Level 44.

There have been no other significant changes in the Consolidated Entity's state of affairs during the financial period.

AFTER BALANCE DATE EVENTS

From 1 July 2023, the Consolidated Entity commenced the provision of administration services to the New Funds in addition to the US Master Residential Property Fund (ASX: URF). The fees charged for these services are based on a percentage of the gross assets of each fund. The Consolidated Entity also onboarded 4 full time staff for the provision of investor relations and administration services.

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.

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:	**2023 $**	**2022 $**
Tax consulting services	2,785	-

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.

DIRECTORS' REPORT (CONT'D)

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 38 years' experience in both stockbroking and funds management.

Hollie Wight Bbus(Acc)(Hons), CPA
Hollie joined K2 in 2000 and is Managing Director, and Head of RE & Trustee Services. 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.

George Boubouras BEcon(Hons)
George is a Managing Director and Head of Research and Investment Advisory at K2. George has over 27 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).

Neil Sheather MBA, GDipAppFin
Neil was appointed as a Non-Executive Director in July 2023. Neil is currently the Managing Director of Finexia Financial Group Ltd (ASX: FNX), a position he has held for over a decade. Neil has over 25 years of financial services experience in the Australian and Asian market.

Neil was also director of XPD Soccer Gear Group Limited (ASX: XPD) and Siburan Resources Limited (ASX: SBU) which were delisted from the ASX on 20 August 2020 and 26 February 2021 respectively.

Caroline Purtell LLM(Hons), Arts/LLB(Hons)
Caroline was appointed as Joint Company Secretary in July 2023. Caroline has over 25 years of experience in finance, banking and financial markets as a board member and solicitor for listed and unlisted companies and funds. Having started her career as a solicitor for Mallesons (now King & Wood Mallesons) in Sydney and Clifford Chance in London, Caroline currently sits on the board of Orca Funds Management and Claremont Global.

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	7	7
George Boubouras	7	7
Hollie Wight	7	7

[(1)] In addition to the 7 meetings, the directors of K2 Asset Management Holdings Ltd passed circular written resolutions on 8 occasions during the financial year. All eligible directors were signatories to these resolutions.

SHARES ISSUED ON THE EXERCISE OF OPTIONS
During the 2023 financial year, nil (2022: 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 Consolidated Entity's long-term growth and value. The Board seeks to ensure that the Consolidated Entity 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 Consolidated Entity, 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.

The Consolidated Entity 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 2023 financial year were nil (2022: nil).

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 2023 financial year were $33,109 (2022: $32,983).

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 Consolidated Entity 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 2023 is as follows (the below information is summarised in Note 24):

	Campbell Neal	**George Boubouras**
Position held:	Chief Executive Officer, Managing Director and Chairman	Head of Research & Investment Advisory and Managing Director
Appointment:	September 1999	March 2021
Base salary:	$458,984 (2022: $458,984)	$224,194 (2022: $224,194)
Superannuation:	$25,292 (2022: $23,568)	$23,540 (2022: $22,419)
Short-term incentives earned: *	nil (2022: nil)	$26,417 (2022: $21,825)
Long-term incentives paid or due: *	nil (2022: nil)	nil (2022: nil)
Long-term incentives payable:	There is no performance-based deferred cash bonus payable to Mr Neal as at June 2023 (2022: nil).	There is no performance-based deferred cash bonus payable to Mr Boubouras as at June 2023 (2022: nil).
Incentive based salary as a % of total salary:	0% (2022: 0%)	10% (2022: 8%)

	Hollie Wight
Position held:	Head of RE & Trustee Services and Managing Director
Appointment:	April 2005
Base salary:	$318,037 (2022: $223,645)
Superannuation:	$25,292 (2022: $22,215)
Short-term incentives earned: *	nil (2022: nil)
Long-term incentives paid or due: *	nil (2022: nil)
Long-term incentives payable:	There is no performance-based deferred cash bonus payable to Ms Wight as at June 2023 (2022: nil).
Incentive based salary as a % of total salary:	0% (2022: 0%)

* 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:

	2023	2022	2021	2020	2019
Profit/(loss) before tax	(1,933,298)	(1,619,711)	347,133	(845,494)	(1,769,960)
Profit/(loss) after tax	(1,933,298)	(2,412,089)	215,762	(740,673)	(1,341,887)
Total performance fees	1,505	315,052	2,454,840	709,857	16,835
Basic earnings/(loss) per share (cents per share)	(0.80)	(1.00)	0.09	(0.31)	(0.56)
Cost to income ratio	197.73%	176.36%	92.23%	126.87%	136.88%
Total KMP short-term incentives as a percentage of total income for the year	1.34%	1.03%	2.98%	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 CONSOLIDATED ENTITY'S PERFORMANCE ON SHAREHOLDER WEALTH

The following table summarises company performance and key performance indicators:

	2023	2022	2021	2020	2019
Revenue ($)	1,978,157	2,121,185	4,468,606	3,146,384	4,798,725
Change in revenue (%)	(6.74%)	(52.53%)	42.02%	(34.43%)	(65.91%)
Profit/(loss) before tax ($)	(1,933,298)	(1,619,711)	347,133	(845,494)	(1,769,960)
Increase/(Decrease) in profit before tax (%)	(19.36%)	(566.60%)	141.06%	(52.23%)	(124.57%)
Change in share price (%)	46.00%	(36.71%)	54.90%	(5.56%)	(61.43%)
Dividends declared ($)	-	-	-	-	-
Total remuneration of KMP ($)	1,101,756	996,850	1,138,178	851,964	1,428,418
Total performance-based remuneration of KMP ($)	-	-	114,455	-	-

DIRECTORS' INTERESTS IN SHARES

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

	Balance 30 June 2022	Net change Other*	Balance 31 August 2023
Directors			
Campbell Neal	88,300,147	-	88,300,147
George Boubouras	11,895,238	-	11,895,238
Hollie Wight	5,238,566	-	5,238,566
	105,433,951	-	105,433,951

* 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:

<table>
<tr><th>2023</th><th>Balance
30 June 2022
($)</th><th>Interest paid and payable
($)</th><th>Interest that would have been charged had loan been at arm's length
($)</th><th>Balance
30 June 2023
($)</th><th>Number of KMP in balance
30 June 2023</th></tr>
<tr><td rowspan="2">Total KMP</td><td>498,200</td><td>-</td><td>26,417</td><td>498,200</td><td>1</td></tr>
<tr><td colspan="5">The above loan is an interest free loan advanced to KMP for the sole purpose of purchasing K2 Asset Management Holdings Ltd's 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.</td></tr>
<tr><td colspan="6">Directors</td></tr>
<tr><td>George Boubouras</td><td>498,200</td><td>-</td><td>26,417</td><td>498,200</td><td></td></tr>
</table>

VOTING AND COMMENTS MADE AT THE COMPANY'S 2022 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 2023

PITCHER PARTNERS

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 2023, 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	PITCHER PARTNERS
Partner	Melbourne

31 August 2023

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of ordinary securities as at 21 August 2023 are as follows:

	Number of shares	%
CWN FT PTY LTD <CWN FAMILY A/C>	77,723,973	32.239
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	31,370,289	13.012
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
CPAC HOLDINGS PTY LIMITED <CPAC INVESTMENT A/C>	6,750,000	2.800
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
CAS SUPER NOMINEES PTY LTD <CAS SUPER FUND A/C>	5,250,000	2.178
DHC INVESTMENTS PTY LTD <CLEVEN FAMILY A/C>	4,244,496	1.761
MR TERENCE JOHN STEPHENS & MRS DONNA MARIE STEPHENS <HOURGLASS JEWELLERS S/F A/C>	4,000,000	1.659
MANLY LANE PTY LTD <SCOTT & SALLY BEETON SUP A/C>	3,105,110	1.288
MR PETER RONEC & MS SUZANNE RUMBLE <RONEC SUPER FUND A/C>	2,843,250	1.179
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
GDT SUPERANNUATION PTY LTD <GDT SUPERANNUATION FUND A/C>	2,000,000	0.830
MS SIMONE MARCELLE NEAL	1,920,734	0.797
ALHAMBRA INVESTMENTS PTY LTD <ALHAMBRA INVESTMENTS A/C>	1,895,238	0.786
LL & S PTY LTD <THE LL & S FAMILY A/C>	1,772,500	0.735
Total held by top 20	186,943,988	77.543
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 Consolidated Entity, please refer to the Remuneration Report on page 10.

DISTRIBUTION OF SECURITIES

Security Class: Fully Paid Ordinary Shares

Holdings Ranges as at 21 August 2023	**Holders**
1-1,000	85
1,001-5,000	159
5,001-10,000	137
10,001-100,000	300
100,001-9,999,999,999	114
Total number of holders	**795**
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.

2023 ANNUAL GENERAL MEETING

The Annual General Meeting will be held virtually from K2 Asset Management Holdings Ltd in Melbourne at 9.00am on Tuesday 21 November 2023. 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 invest@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 2023 (FY23). It is acknowledged that for the 12-month reporting period ending June 2023, 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 FY23 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 2023 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 Chief Executive Officer, 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 Chief Executive Officer. 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 2023. 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)

.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 CEO 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 the Company 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 CEO 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 COMMITEE 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 COMMITEE

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 REUMERATION

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $	2022 $
Management fees		745,716	1,157,592
Performance fees		1,505	315,052
Responsible entity fees		727,278	525,802
Establishment income		162,230	38,681
Administration service income		11,311	-
Interest income	4	248,105	69,053
Other income	4	82,012	15,005
		1,978,157	2,121,185
Employee benefits expense	5	(2,817,280)	(2,785,449)
Depreciation and amortisation expenses	5	(194,182)	(232,066)
Marketing expenses	5	(331,446)	(287,412)
Occupancy expenses	5	(85,166)	(82,582)
Professional expenses		(259,564)	(245,742)
Technology expenses		(59,750)	(82,472)
Fund operating expenses		(63,880)	(4,725)
Finance costs		(25,562)	(10,871)
Expected credit loss expenses		(63,123)	-
Other expenses		(11,502)	(9,577)
		(3,911,455)	(3,740,896)
Loss before income tax		(1,933,298)	(1,619,711)
Income tax expense	6	-	(792,378)
Total comprehensive Loss for the year		(1,933,298)	(2,412,089)
Basic loss per share (cents per share)	22	(0.80)	(1.00)
Diluted loss per share (cents per share)	22	(0.80)	(1.00)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 $	2022 $
Current Assets			
Cash and cash equivalents	8	9,048,018	10,755,666
Receivables	9	358,871	215,353
Lease receivable	21	-	35,314
Other current assets	10	218,475	112,919
Total Current Assets		9,625,364	11,119,252
Non-current Assets			
Plant and equipment	11	33,240	66,207
Lease assets	21	63,471	47,122
Intangible assets	12	5,477	6,318
Deferred tax assets	6	-	-
Lease receivable	21	-	-
Other non-current assets	13	579,037	605,630
Total Non-current Assets		681,225	725,277
Total Assets		10,306,589	11,844,529
Current Liabilities			
Trade and other payables	14	336,312	225,014
Contract liabilities	15	61,590	76,320
Provisions	16	981,221	806,446
Lease liabilities	21	1,150	71,197
Other current liabilities	21	195,996	-
Total Current Liabilities		1,576,269	1,178,977
Non-current Liabilities			
Provisions	16	3,077	5,011
Lease liabilities	21	-	-
Total Non-current Liabilities		3,077	5,011
Total Liabilities		1,579,346	1,183,988
Net Assets		8,727,243	10,660,541
Equity			
Share capital	17	4,601,987	4,601,987
Reserves	18	10,310,181	10,570,346
Accumulated losses	19	(6,184,925)	(4,511,792)
Total Equity		8,727,243	10,660,541

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

2023	Notes	Contributed equity $	Reserves $	Accumulated losses $	Total Equity $
Balance as at 1 July 2022		4,601,987	10,570,346	(4,511,792)	10,660,541
Loss for the year		-	-	(1,933,298)	(1,933,298)
Total comprehensive loss for the year		-	-	(1,933,298)	(1,933,298)
Transactions with owners in their capacity as owners					
Transfer to profit reserve		-	42,176	(42,176)	-
Share based payments	23	-	-	-	-
Transfer of employee share option reserve		-	(302,341)	302,341	
Dividends paid		-	-	-	-
Total transactions with owners in their capacity as owners		-	(260,165)	260,165	-
Balance as at 30 June 2023		4,601,987	10,310,181	(6,184,925)	8,727,243

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 income 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
Transfer of employee share option reserve		-	-	-	-
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $	2022 $
Cash flow from operating activities			
Receipts from customers		1,804,960	4,041,563
Payments to suppliers and employees		(3,653,499)	(3,985,721)
Interest received		182,188	66,056
Finance costs		(25,562)	(10,871)
Net cash provided from/(used in) operating activities	20(b)	(1,691,913)	111,027
Cash flow from investing activities			
Payment for plant and equipment		(4,814)	(26,450)
Payment for trademarks and licenses		-	(1,700)
Principal portion of lease receipts		35,314	204,739
Net cash provided from investing activities		30,500	176,589
Cash flow from financing activities			
Repayment/proceeds of borrowings		(276)	-
Principal portion of lease payments		(45,959)	(415,502)
Net cash used in financing activities		(46,235)	(415,502)
Net decrease in cash and cash equivalents		(1,707,648)	(127,886)
Cash at beginning of financial year		10,755,666	10,883,552
Cash and cash equivalents at end of the year	20(a)	9,048,018	10,755,666

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

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

The financial report includes financial statements for K2 Asset Management Holdings Ltd, K2 Asset Management Ltd, K2 Corporate Services Pty Ltd, KII Pty Ltd and Trusuper Pty Ltd as a Consolidated Entity. K2 Asset Management Holdings Ltd is a company limited by shares, incorporated and domiciled in Australia. K2 Asset Management Holdings Ltd is a for profit entity for the purpose of preparing financial statements. As of the date of this report, K2 Corporate Services Pty Ltd, KII Pty Ltd & 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 which assumes that the Consolidated Entity will remain in operations for the foreseeable future.

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.

(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).

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.

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

(c) Revenue recognition

Management fees are calculated with the rates as disclosed in the relevant funds' Product Disclosure Statement, these fees are calculated against the 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.

Responsible entity fees are calculated at a fee rate, as set out in the Investment Management Agreement (IMA), of the relevant fund's net asset value or gross asset value with a minimum responsible entity fee charge per annum recognised over time and is receivable monthly in arrears.

The rate for the administration services is stipulated in the administration agreements for the relevant fund. The administration services income is calculated using the relevant fund's monthly gross asset value recognised over time and is receivable monthly in arrears.

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

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

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

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

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

(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 some of 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.

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

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

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

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

Classification of financial liabilities
Financial liabilities classified as held-for-trading and financial liabilities designated at 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.

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

(k) Foreign Currencies

Functional and presentation currency

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

Transactions and Balances

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

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

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

(l) Leases

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Consolidated Entity 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 Consolidated Entity, and an estimate of costs to be incurred by the Consolidated Entity in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

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

Lease liabilities

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

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

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

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

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

Lease receivables

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.

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

(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) Comparatives

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

(o) 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.

(p) Adoption of new and amended accounting standards that are first operative at 30 June 2023

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 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(q) Accounting standards and interpretations issued but not yet operative at 30 June 2023

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 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* amends AASB 112 *Income Taxes* to clarify the accounting for deferred tax transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. This amending standard mandatorily apply 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.

AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards* makes editorial corrections to various Australian Accounting Standards and AASB Practice Statement 2 *Making Materiality Judgements*. This correction 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.

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.

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

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.

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. This amendment mandatorily applies to annual reporting periods beginning on or after 1 January 2024 (as amended by AASB 2022-6 and AASB 2020-6).

The above listed new and amended Accounting Standards 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.

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) 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.

(c) 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.

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 Assets Under Management (AUM). Examples of potential market events that could impact the performance of the funds and AUM 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

AUM directly correlates to the level of management fees, responsible entity fees and/or administration service income received by the Consolidated Entity as these fees are based on a percentage of AUM. AUM 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 AUM.

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 AUM 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.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Interest Rate Risk

At 30 June 2023, financial assets held by the Consolidated Entity that are exposed to interest rate risk are cash held at call and in term deposits. The Consolidated Entity invests its free cash in term deposits in order to mitigate interest rate fluctuations. 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
(i) Financial assets												
Cash	1,345,520	1,526,345	7,702,498*	9,229,321*	-	-	-	-	9,048,018	10,755,666	2.5%	0.3%
Current receivables	-	-	-	-	-	-	358,871	215,353	358,871	215,353	-	-
Lease receivables	-	-	-	35,314	-	-	-	-	-	35,314	-	3.6%
Prepayments	-	-	-	-	-	-	150,237	71,551	150,237	71,551	-	-
Third party receivables	-	-	-	-	-	-	3,761	3,484	3,761	3,484	-	-
Employee share loans	-	-	-	-	-	-	616,514	616,514	616,514	616,514	-	-
Total financial assets	**1,345,520**	**1,526,345**	**7,702,498**	**9,264,635**	**-**	**-**	**1,129,383**	**906,902**	**10,177,401**	**11,697,882**	**-**	**-**
(ii) Financial liabilities												
Trade creditors	-	-	-	-	-	-	106,200	79,196	106,200	79,196	-	-
Lease liabilities	-	-	1,150	71,197	-	-	-	-	1,150	71,197	5.0%	3.6%
Contract liabilities	-	-	-	-	-	-	61,590	76,320	61,590	76,320	-	-
Other creditors	-	-	-	-	-	-	230,112	145,818	230,112	145,818	-	-
Total financial liabilities	**-**	**-**	**1,150**	**71,197**	**-**	**-**	**397,902**	**301,334**	**399,052**	**372,531**	**-**	**-**

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

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 2023 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 2023					
Trade creditors	106,200	-	-	106,200	106,200
Lease liabilities	1,150	-	-	1,150	1,150
Other creditors	180,112	-	50,000	230,112	230,112
Total financial liabilities	**287,462**	**-**	**50,000**	**337,462**	**337,462**
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**

(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.

NOTE 4: REVENUE

	2023 $	2022 $
Interest Income		
Other persons	247,945	63,675
Lease activities	160	5,378
	248,105	69,053
Other income		
Corporate authorised representative fee	34,617	-
Miscellaneous income	47,395	15,005
	82,012	15,005

(a) Unrecognised establishment income

The aggregate amount of unrecognised revenue allocated to remaining performance obligations, at the reporting date, is as follows:

	2023 $	2022 $
Establishment income	61,590	76,320
	61,590	76,320

The aggregate amount of unrecognised establishment income allocated to remaining performance obligations as at 30 June 2023 is expected to be recognised as revenue within 12 months of the reporting date.

NOTE 5: LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations before income tax has been determined after the following specific expenses:

	2023 $	2022 $
Employee Benefits		
Short-term benefits	2,624,370	2,586,987
Long-term benefits	(1,934)	(6,361)
Superannuation contributions	194,844	204,823
	2,817,280	2,785,449

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

	2023 $	2022 $
Depreciation and amortisation expense		
Depreciation of computer and office equipment	23,109	17,656
Depreciation of leasehold improvements	14,672	24,949
	37,781	42,605
Amortisation of trademarks and licenses	841	974
Amortisation of lease assets	155,560	188,487
	156,401	189,461
	194,182	232,066
Marketing expenses		
Business development expenses	261,861	207,401
Travel expenses	61,304	71,588
Printing and stationery	8,281	8,423
	331,446	287,412
Occupancy expenses		
Rental and occupancy	70,653	67,167
Repairs and maintenance	14,513	15,415
	85,166	82,582

NOTE 6: INCOME TAX

	2023 $	2022 $
(a) The components of tax expense:		
Deferred tax	(481,175)	(401,950)
Over provision in prior year	-	(17,840)
Net deferred tax assets not brought to account	481,175	1,212,168
Total income tax expense	-	792,378

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

	2023 $	2022 $
Increase/(decrease) in deferred tax assets	(481,175)	(419,790)
Net deferred tax assets not brought to account	481,175	1,212,168
	-	792,378

NOTE 6: INCOME TAX (CONT'D)

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

	2023 $	2022 $
Prima facie income tax payable on loss before income tax at 25% (2022: 25%)	(483,325)	(404,928)
Add tax effect of:		
Non-deductible entertainment	932	1,939
Non-deductible legal fee	-	-
Non-deductible fines	86	-
Non-deductible share based payments	-	1,039
	(482,307)	(401,950)
Less tax effect of:		
(Over) provision in prior year	-	(17,840)
Net deferred tax assets not brought to account	482,307	1,212,168
Income tax expense attributable to loss	-	792,378
The deferred tax balances comprise:		
Tax losses	1,369,131	970,070
Accruals	32,517	18,900
Employee benefits	246,074	202,864
Prepayments	(331)	(424)
Tax depreciation	(155)	(226)
Lease assets	(15,868)	(8,716)
Lease liabilities	49,287	8,971
Blackhole expenditure	13,820	20,729
Net deferred tax assets not brought to account	(1,694,475)	(1,212,168)
Balance of deferred taxes	-	-

As at 30 June 2023, the Consolidated Entity holds carried-forward tax losses of $5,459,736 (2022: $3,880,280) or $1,364,934 (2022: $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 $328,409 (2022: $242,098) of temporary differences as at 30 June 2023.

NOTE 7: DIVIDENDS ON ORDINARY SHARES

	2023 $	2022 $
(a) Dividends paid or declared		
There were no dividends paid or declared during the 2023 financial year (2022: nil)	Nil	Nil

	2023 $	2022 $
(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

	2023 $	2022 $
Cash at bank	1,345,520	1,526,345
Cash on deposit	7,702,498	9,229,321
	9,048,018	10,755,666

NOTE 9: RECEIVABLES

	2023 $	2022 $
Trade receivables	238,870	193,467
Other receivables	120,001	21,886
	358,871	215,353

(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	2023 $	2022 $
Prepayments		150,237	71,551
Employee share loans	(a)	64,477	37,884
Third party receivables		3,761	3,484
		218,475	112,919

(a) Employee share loans consist of:		
Net present value of loan receivable	28,392	8,185
Deferred employee benefits expense	36,085	29,699
	64,477	37,884

NOTE 11: PLANT AND EQUIPMENT

	2023 $	2022 $
Leasehold improvements		
At cost	171,797	171,797
Accumulated depreciation	(171,797)	(157,125)
	-	14,672
Computer and office equipment		
At cost	968,009	963,195
Accumulated depreciation	(934,769)	(911,660)
	33,240	51,535
	33,240	66,207

NOTE 11: PLANT AND EQUIPMENT (CONT'D)

Movements in carrying amounts

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

2023	**Leasehold Improvements $**	**Computer and Office Equipment $**	**Total $**
Balance at the beginning of the year	14,672	51,535	66,207
Additions	-	4,814	4,814
Disposals	-	-	-
Depreciation expense	(14,672)	(23,109)	(37,781)
Carrying amount at 30 June 2023	-	33,240	33,240

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	14,672	51,535	66,207

NOTE 12: INTANGIBLE ASSETS

	2023 $	**2022 $**
Trademarks and licenses at costs	13,167	13,167
Accumulated amortisation	(7,690)	(6,849)
	5,477	6,318
Balance at the beginning of the year	6,318	5,592
Additions	-	1,700
Amortisation expense	(841)	(974)
Balance at the end of the year	5,477	6,318

NOTE 13: OTHER NON-CURRENT ASSETS

	Note	2023 $	2022 $
Other financial assets		27,000	27,000
Employee share loans	(a)	552,037	578,630
		579,037	605,630

(a) Employee share loans consist of:

	2023	2022
Net present value of loan receivable	373,009	401,457
Deferred employee benefits expense	179,028	177,173
	552,037	578,630

NOTE 14: PAYABLES

	2023 $	2022 $
Current payables		
Trade creditors	106,200	79,196
Sundry creditors and accruals	230,112	145,818
	336,312	225,014

NOTE 15: CONTRACT LIABILITIES

	2023 $	2022 $
Establishment income	61,590	76,320
	61,590	76,320

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 2023 is 4 to 6 months.

NOTE 16: PROVISIONS

	2023 $	2022 $
Current employee benefits	981,221	806,446
Non-current employee benefits	3,077	5,011
Aggregate employee benefits liability	984,298	811,457

NOTE 17: CONTRIBUTED EQUITY

	2023 $	2022 $
(a) Issued and paid up capital		
Ordinary shares fully paid	4,601,987	4,601,987
	4,601,987	4,601,987

(b) Movements in shares on issue

	2023		2022	
	No. of Shares	$	No. of Shares	$
Beginning of the year	241,085,196	4,601,987	241,085,196	4,601,987
Issued during the year				
Share based payments	-	-	-	-
Share issue	-	-	-	-
Costs relating to share issue (net of tax)	-	-	-	-
End of the year	241,085,196	4,601,987	241,085,196	4,601,987

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.

NOTE 18: RESERVES

	2023 $	2022 $
Profits reserve	10,310,181	10,268,005
Employee share option reserve	-	302,341
	10,310,181	10,570,346
Movement in profits reserve		
Balance at the beginning of the year	10,268,005	10,268,005
Transfer to profits reserve	42,176	-
Dividend paid	-	-
Balance at the end of the year	10,310,181	10,268,005
Movement in share option reserve		
Balance at the beginning of the year	302,341	298,183
Transfer to accumulated losses	(302,341)	-
Share based payments	-	4,158
Balance at the end of the year	-	302,341

NOTE 19: ACCUMULATED LOSSES

	2023 $	2022 $
Accumulated losses at the beginning of the year	(4,511,792)	(2,099,703)
Net loss attributable to members of the Consolidated Entity	(1,933,298)	(2,412,089)
Dividends paid	-	-
Transfer to profits reserve	(42,176)	-
Transfer from employee share option reserve	302,341	-
Accumulated losses at the end of the financial year	(6,184,925)	(4,511,792)

NOTE 20: CASH FLOW INFORMATION

	2023 $	2022 $

(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:

	2023	2022
Cash at bank	1,345,520	1,526,345
Deposits with financial institutions	7,702,498	9,229,321
	9,048,018	10,755,666

(b) Reconciliation of cash flow from operations with loss from ordinary activities after income tax

	2023	2022
Loss from ordinary activities after income tax	(1,933,298)	(2,412,089)
Non-cash flows in loss from ordinary activities		
Amortisation	841	974
Depreciation	193,341	231,092
Share based payments	-	4,158
Changes in assets and liabilities		
(Increase)/decrease in receivables	(143,518)	1,710,286
(Increase)/decrease in other assets	(78,688)	93,176
Increase/(decrease) in payables	111,298	(421,937)
Increase/(decrease) in other liabilities	(14,730)	76,320
Decrease in deferred taxes	-	792,378
Increase in provisions	172,841	36,669
Net cash flow provided from/(used in) operating activities	(1,691,913)	111,027

(c) Restriction over cash

The Consolidated Entity has a term deposit of $202,498 (2022: $229,321) as a guarantee over the office rental at Level 32, 101 Collins Street, Melbourne, Victoria.

NOTE 21: LEASE ACTIVITES

(a) Head-lease arrangements as of 30 June 2023

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 four year term, with rent payable monthly in advance. The lease agreement requires minimum lease payments to be increased by 3.5% per annum. The four year term expires on 30 September 2026. During the financial year, the Consolidated Entity entered into a new lease for office facilities at Level 44, 101 Collins Street Melbourne, with a commencement date of 1 February 2024. At 30 June 2023, the lease has not yet commenced and therefore is not reflected in the assets and liabilities below. The existing lease at Level 32 of the same premises has been modified at 30 June 2023 to reflect an earlier termination date to facilitate the move to Level 44.

	2023 $	2022 $
Lease assets		
Carrying amount of lease assets, by class of underlying asset:		
Buildings under lease arrangements		
At cost	174,476	687,906
Accumulated depreciation	(111,005)	(640,784)
Total carrying amount of lease assets	63,471	47,122

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

2023	Buildings $
Carrying amount at 1 July 2022	47,122
Additions	171,909
Depreciation	(155,560)
Carrying amount at 30 June 2023	63,471

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

	2023 $	2022 $
Lease Liabilities		
Current lease liabilities	1,150	71,197
Non-current lease liabilities	-	-
Total carrying amount of lease liabilities	1,150	71,197

NOTE 21: LEASE ACTIVITES (CONT'D)

Lease items	**2023 $**	**2022 $**
Interest expense on lease liabilities	(25,562)	(10,871)
Depreciation expense on lease assets	(155,560)	(188,487)
Income from sub-lease arrangements	160	5,378
Total cash outflow in relation to leases	(71,521)	(426,374)
Lease incentive in advance*	(195,996)	-

* The lease incentive in advance has been recognised as other current liabilities in the Consolidated Statement of Financial Position on page 24.

(b) Sublease arrangements as of 30 June 2023

Financing leases:
The Consolidated Entity sublet a portion of the office facilities at Level 32, 101 Collins Street, Melbourne under a financing lease that expired 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.*

	2023 $	**2022 $**
Income arising from finance leases:		
Finance income on the net investment in finance leases	160	5,378
Income arising from finance leases	160	5,378

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

	2023 $	**2022 $**
Within one year	-	35,474
One to two years	-	-
Two to three years	-	-
Total undiscounted contractual lease payments to be received	-	35,474

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

	2023 $	**2022 $**
Total undiscounted contractual lease payments to be received	-	35,474
Less: unearned finance income	-	160
Net carrying amount of lease receivables	-	35,314

NOTE 21: LEASE ACTIVITES (CONT'D)

Lease receivables	**2023 $**	**2022 $**
Current lease asset	-	35,314
Non-current lease asset	-	-
Total carrying amount of lease receivables	-	35,314

NOTE 22: EARNINGS PER SHARE

	2023 $	**2022 $**

(a) The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:

	2023 $	2022 $
Net loss	(1,933,298)	(2,412,089)
Loss used in calculating basic and diluted loss per share	(1,933,298)	(2,412,089)

	2023 No. of Shares	**2022 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*	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	241,085,196	241,085,196

* All employee options expired during the financial year therefore there are nil option on issue as at 30 June 2023. For the comparative financial year, 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 loss per share are calculated as following:

	2023	**2022**
Basic loss per share (cents per share)	(0.80)	(1.00)
Diluted loss per share (cents per share)	(0.80)	(1.00)

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 2023

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
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 2023 financial year was nil.

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.

(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 loss were as follows:

	2023	2022
	$	**$**
Options issued under employee option plan	-	4,158
Shares issued under employee share scheme	-	-
Total expenses recognised from share-based payment transactions	-	4,158

NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURE

	2023 $	2022 $
Summary of key management personnel compensation as disclosed in the remuneration report.		
Short-term benefits	1,027,632	928,648
Long-term benefits paid or due	-	-
Superannuation	74,124	68,202
	1,101,756	996,850
Maximum performance based long-term incentives payable	-	-

NOTE 25: AUDITORS REMUNERATION

	2023 $	2022 $
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 Entity	123,049	111,329
Tax consulting services	2,785	-
	125,834	111,329

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 2023	Percentage Owned 2022
Parent Entity			
K2 Asset Management Holdings Ltd	Australia	-	-
Subsidiaries			
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.

NOTE 26: RELATED PARTY DISCLOSURES (CONT'D)

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

Consolidated Entity 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 2023 was $947,748 (2022: $947,748).

- 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 2023 was $354,365 (2022: $353,701).

- 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 Select International Alpha Fund (formerly 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 from investment management services of $785,920 (2022: $1,504,026) has been recognised in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2023. Of this revenue, $745,716 (2022: $1,157,592) related to management fees, $1,505 (2022: $315,052) to performance fees and $38,699 (2022: $31,382) to responsible entity fees. Please refer to the Consolidated Statement of Comprehensive Income on page 23 for further details.

- As at 30 June 2023, K2 Asset Management has a current receivable of $59,540 (2022: $90,571) for investment management services provided to the K2 Funds.

- K2 Asset Management Ltd is also the responsible entity of unit trusts that are managed by external investment managers – the Apostle Carbon Credit Fund, the Apostle Dundas Global Equity Fund, the Apostle Ethical Global Credit Fund, the Apostle People and Planet Diversified Fund, the CD Private Equity Fund I, the CD Private Equity Fund II, the CD Private Equity Fund III, the CCM Systematic Macro Plus Fund, the Hamilton12 Australian Shares Income Fund, the Pie Rewards Fund and the Storehouse Residential Trust. K2 Asset Management Ltd is entitled to receive payments from the funds where it provides responsible entity services including responsible entity and/or fund administration fees. Total related party revenue from responsible entity services of $699,890 (2022: $494,420) has been recognised in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2023. Of this revenue, $688,579 (2022: $494,420) related to responsible entity fees and $11,311 (2022: nil) to fund administration fee. Please refer to the Consolidated Statement of Comprehensive Income on page 23 for further details.

- As at 30 June 2023, K2 Asset Management has a current receivable of $93,642 (2022: $78,135) for responsible entity services provided to the Funds.

- As at 30 June 2023, the Consolidated Entity has a current receivable of $64,478 (2022: $37,884) and a non-current receivable of $552,037 (2022: $578,630) 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 2023 (2022: $498,200) 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 $13,880 (2022: $4,724) 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.

NOTE 27: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, K2 Asset Management Holdings Ltd, financial statements are as follows:

(a) Summarised Statement of Financial Position

	Notes	2023 $	2022 $
Assets			
Current assets		3,589,905	4,020,763
Non-current assets	(c)	13,732,191	11,808,730
Total assets		17,322,096	15,829,493
Liabilities			
Current liabilities		949,456	949,029
Total liabilities		949,456	949,029
Net Assets		16,372,640	14,880,464
Equity			
Share capital^		116,012,903	116,012,903
Reserves	(c)	(98,601,927)	(100,094,103)
Retained earnings		(1,038,336)	(1,038,336)
Total Equity		16,372,640	14,880,464

^Upon restructuring the Consolidated Entity prior to listing on the ASX, adjustments were made to consolidated share capital resulting in the differential reported in share capital in the parent entity versus share capital on consolidation.

(b) Summarised Statement of Comprehensive Income

	2023 $	2022 $
Profit/(loss) for the year	42,176	(995,502)
Other comprehensive profit/(loss)	1,450,000	(6,670,000)
Total comprehensive profit/(loss) for the year	1,492,176	(7,665,502)

(c) Investment in K2 Asset Management ltd

Included within non-current assets balance above includes $13,180,055 (2022: $11,230,000) 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, An increment in value of $1,450,000 (2022: decrement of ($6,670,000)) has been recognised as at 30 June 2023 as an increase 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

From 1 July 2023, the Consolidated Entity commenced the provision of administration services to the funds listed below:

- CD Private Equity Fund IV (Consolidated Entity appointed as responsible entity on 4 July 2023)
- Venture Capital Opportunities Fund (Consolidated Entity appointed as responsible entity on 4 July 2023)
- US Master Residential Property Fund (ASX: URF)

The fees charged for these services are based on a percentage of the gross assets of each fund. The Consolidated Entity also onboarded 4 full time staff for the provision of investor relations and administration services.

NOTE 28: SUBSEQUENT EVENTS (CONT'D)

Other than the above, there has been no matter or circumstance, which has arisen since 30 June 2023 which has significantly affected or which may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2023, of the Consolidated Entity or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2023, of the Consolidated Entity.

NOTE 29: SEGMENT INFORMATION

The Consolidated Entity operates solely within Australia within the funds management and responsible entity services business segment.

In 2023, 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:

	$
Apostle Dundas Global Equities Fund	524,032
K2 Global High Alpha Fund	325,613
Total	849,645

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
K2 Australian Small Cap Fund	422,626
K2 Australian Absolute Return Fund	312,584
K2 Select International Absolute Return Fund	227,255
K2 Asian Absolute Return Fund	221,027
Total	1,763,634

NOTE 30: CONTINGENT LIABILITIES

During the financial year, the Consolidated Entity acted as the responsible entity of the Cosmos Purpose Bitcoin Access ETF and the Cosmos Purpose Ethereum Access ETF (collectively "Cosmos ETFs"). Cosmos Asset Management Pty Ltd ("Cosmos"), the investment manager of the Cosmos ETFs entered liquidation on 20 December 2022. The fees and expenses for the Cosmos ETFs were to be covered by Cosmos until the Cosmos ETFs reached a sustainable fund size. Cosmos was unable meet its obligations to the Cosmos ETFs and resulting in some liabilities of the ETF's being unpaid. The Consolidated Entity has recognised a liability for outstanding costs as at 30 June 2023.

As at the date of this financial report, the statutory report by the administrators of Cosmos, KordaMentha, released in March 2023 confirmed that Cosmos was not in a position to pay its creditors. The Consolidated Entity's board is currently exploring the legal options to recover the amounts owed by Cosmos.

There are no other contingent liabilities as at 30 June 2023.

NOTE 31: 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 32: 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 2023 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 2023.

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

Campbell Neal	**Hollie Wight**
Director	**Director**

Melbourne
31 August 2023

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD AND ITS CONTROLLED ENTITIES

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 2023, 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 2023 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

PITCHER PARTNERS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD AND ITS CONTROLLED ENTITIES

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition Refer to the consolidated statement of comprehensive income and Note 4 (Revenue)	
The Consolidated Entity's revenue, $1,978,157 (2022: $2,121,185), is primarily derived from: • Management fees; • Performance fees; • Responsible entity fees; • Establishment fees, and; • Administration fees. These are earned by K2 Asset Management Ltd (K2), a consolidated subsidiary, through the Investment Management Agreements in place with third parties and K2 Funds. All revenue streams are earned and calculated in accordance with the Investment Management Agreements and Constitutions of the funds. Performance fees, however, are dependent on the portfolio outperforming certain hurdles and are only recognised in the statement of profit or loss and comprehensive income when K2's entitlement to the fee is highly probable, which is at the end of the relevant performance period. Establishment fees are earnt over-time across the period which the parties to the contract have present enforceable rights and obligations. Accordingly, at year end unfulfilled performance obligations are recognised in Note 15 as a contract liability. We focused on the existence and appropriate recognition of revenue as a key audit matter as revenue is a key contributor to the determination of profit. Accounting policies is relating to revenue are presented in Note 1c of the financial statements.	Our testing of revenue transactions focused on evidencing that the underlying transactions existed in the period. Our procedures included: • Understanding and evaluating the design and implementation of the Consolidated Entity's controls and processes for recognising and recording revenue transactions. • Recalculating management fees and responsible entity fees, on a sample basis, in accordance with contractual arrangements. • Reviewing the general journals impacting revenue. • Testing the existence of revenue by agreeing a sample of revenue transactions to supporting documentation. • Assessing the adequacy and accuracy of disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2 ASSET MANAGEMENT HOLDINGS LTD AND ITS CONTROLLED ENTITIES

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 2023, 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 AND ITS CONTROLLED ENTITIES**

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 AND ITS CONTROLLED ENTITIES**

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 2023. In our opinion, the Remuneration Report of K2 Asset Management Holdings Ltd, for the year ended 30 June 2023, 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 2023