

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

**HALF-YEAR INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011  
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

This half-year financial report is to be read  
in conjunction with the financial report for  
the year ended 30 June 2011.

# Appendix 4D

## Half Year Report for the six months to 31 December 2011

Name of entity: K2 Asset Management Holdings Ltd

ABN or equivalent company reference: 59 124 636 782

### 1. Reporting period

Report for the half year ended: 31 December 2011

Previous corresponding periods: Financial year ended 30 June 2011  
Half-year ended 31 December 2010

### 2. Results for announcement to the market

Revenues from ordinary activities ( <i>item 2.1</i> )	down	78.03%	to	7,216,479
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	down	84.63%	to	2,102,056
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	down	84.63%	to	2,102,056
<b>Dividends (<i>item 2.4</i>)</b>		Amount per security		Franked amount per security
Interim dividend		0.00¢		0.00¢
Final dividend		0.00¢		0.00¢
Previous corresponding period				
Interim dividend		6.00¢		4.80¢ (nil Conduit Foreign Income)
Final dividend		1.30¢		1.04¢ (nil Conduit Foreign Income)
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )		N/A		
Refer to the Directors' report and half-year financial report ended 31 December 2011 for further commentary.				

### 3. Net tangible assets per security (*item 3*)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.04	\$0.11

### 4. Details of entities over which control has been gained or lost during the period: (*item 4*)

NA

**5. Dividends** (item 5)

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2012	N/A	\$0
Final dividend year ended 30 June 2011	25 August 2011	\$3,010,097

**Amount per security**

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
<b>Total dividend:</b> Current year (to June 2012)	0.00¢	N/A	0.00¢
Previous year (to June 2011)	1.30¢	80.0%	0.00¢

**Total dividend on all securities**

	Current period \$A	Previous corresponding Period - \$A
Ordinary securities (each class separately)	0.00	13,892,755
Preference securities (each class separately)	0.00	0.00
Other equity instruments (each class separately)	0.00	0.00
<b>Total</b>	0.00	13,892,755

**6. Details of dividend or distribution reinvestment plans in operation are described below** (item 6):

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

N/A
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**7. Details of associates and joint venture entities** (item 7)  
N/A

**8. The financial information provided in the Appendix 4D is based on the half-year condensed financial report.**  
Attached

**9. Independent review of the financial report** (item 9)  
The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

**10. Matters relating to a qualified independent review statement** (item 17)  
N/A

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

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2011**

This half-year financial report is to be read  
in conjunction with the financial report for  
the year ended 30 June 2011.

**K2 ASSET MANAGEMENT HOLDINGS LTD AND CONTROLLED ENTITY  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED  
31 DECEMBER 2011**

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

**DIRECTORS' REPORT**

The directors present their report together with the condensed financial report of the consolidated entity consisting of K2 Asset Management Holdings Ltd and the entity it controlled, K2 Asset Management Ltd, for the half-year ended 31 December 2011 and independent auditor's review report thereon. The financial report has been prepared in accordance with Australian Accounting Standards.

**Directors' Names**

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

Campbell Neal  
Mark Newman  
Robert Hand  
Hollie Wight

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

**Review of Operations**

The consolidated profit of the group for the half-year after providing for income tax amounted to \$2,102,056 (2010: \$13,676,588).

Revenue from management and performance fees was \$6,651,401 (2010: \$6,926,342) and \$2,226 (2010: \$25,368,844) respectively. Revenue decreased from the prior comparative period due to no semi-annual performance fees being payable by the K2 Funds to K2 Asset Management Ltd in its capacity as investment manager.

Total revenue amounted to \$7,216,479 (2010: \$32,848,166). Please refer to the Statement of Comprehensive Income on page 6 for further details.

The below table details the investment funds managed by K2 Asset Management Ltd in terms of fund performance and funds under management as at 31 December 2011:

<b>K2 Funds</b>	Fund performance*	Index performance #	FUM \$million
K2 Australian Absolute Return Fund	-9.81%	-9.63%	454.4 AUD
K2 Asian Absolute Return Fund	-19.38%	-13.40%	131.6 AUD
K2 Select International Absolute Return Fund	-12.78%	-7.36%	200.1 AUD
Other Funds	Confidential		24.6 AUD
<b>TOTAL</b>			<b>810.7 AUD</b>

*The above information is unaudited. \* Year to date figures are based on the 6 months to 31 December 2011.*

*# The K2 Australian Absolute Return Fund is compared to the All Ordinaries Accumulation Index, the K2 Asian Absolute Return Fund is compared to the MSCI Asia ex Japan Index (AUD), and the K2 Select International Absolute Return Fund is compared to the MSCI AC World Index (AUD).*

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

**DIRECTORS' REPORT cont'd**

**Significant Items**

On 25 November 2011, the federal government announced proposed changes to the tax consolidation legislation that will have retrospective effect to July 2002. In their current format the proposed changes announced by the government may undo many of the changes made in the financial year ended 30 June 2010. Under AASB 112 *Income Taxes*, current and deferred tax assets and liabilities are to be measured in accordance with the laws that have been enacted or substantially enacted by the end of the reporting period. Accordingly the consolidated financial statements have not been adjusted for proposed changes.

As these proposed changes are not final as of the date of this report, the directors have not declared a dividend in relation to the period ending 31 December 2011. Please refer to Note 4 on page 12 for further details.

**Significant Changes in the State of Affairs**

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

**Shares Issued on Exercise of Options, Special Rights and Long-term Incentives**

In October and November 2011, 1,754,535 Ordinary Shares were issued following the conversion of Rights held by existing shareholders under the Historical Incentive Plan. This resulted in an increase of share capital of \$469,027.

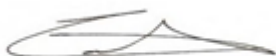
The other reserve balance of \$1,221,167 that recorded the equity benefit provided to employees and directors as part of their remuneration for these special rights has been reclassified during the period as contributed equity or retained earnings.

In October 2011, 109,498 Ordinary Shares were issued at market value under a long-term incentive determined in previous financial periods. This resulted in an increase of share capital of \$53,676.

**Auditor's Independence Declaration**

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

Signed in accordance with a resolution of the directors:



**Campbell Neal**  
**Director**



**Hollie Wight**  
**Director**

Melbourne  
7 February 2012

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of K2 Asset Management Holdings Ltd**

In relation to the independent review for the half-year ended 31 December 2011, 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 any applicable code of professional conduct.



K L BYRNE  
Partner  
7 February 2012



PITCHER PARTNERS  
Melbourne

**CONDENSED CONSOLIDATED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Note	Half-year	
		2011	2010
		\$	\$
Income	3	7,216,479	32,848,166
Employee benefits expense	4	(2,908,664)	(12,348,235)
Depreciation and amortisation expenses		(63,068)	(61,302)
Marketing expenses	4	(520,835)	(156,687)
Occupancy expenses		(347,168)	(288,961)
Professional expenses		(230,930)	(230,148)
Technology expenses		(78,548)	(76,214)
Other expenses		(26,962)	(36,744)
		(4,176,175)	(13,198,291)
Finance costs		-	-
<b>Profit before income tax expense</b>		3,040,304	19,649,875
Income tax expense		(938,248)	(5,973,287)
<b>Profit from continuing operations</b>		2,102,056	13,676,588
<b>Total comprehensive income attributable to the members of the parent</b>		2,102,056	13,676,588
Basic earnings per share (cents per share)		0.90	5.95
Diluted earnings per share (cents per share)		0.90	5.86

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

	<b>31 Dec</b>	<b>30 June</b>
	<b>2011</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	9,975,483	13,900,030
Receivables	1,329,389	1,774,942
Current tax receivable	23,470	-
Other	244,815	203,613
<b>TOTAL CURRENT ASSETS</b>	<u>11,573,157</u>	<u>15,878,585</u>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	169,849	198,235
Intangible assets	1,495	1,128
Deferred tax assets	5,217,472	5,903,869
<b>TOTAL NON-CURRENT ASSETS</b>	<u>5,388,816</u>	<u>6,103,232</u>
<b>TOTAL ASSETS</b>	<u>16,961,973</u>	<u>21,981,817</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	465,377	1,296,322
Current tax payable	-	3,192,091
Provisions	1,212,278	1,322,528
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,677,655</u>	<u>5,810,941</u>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	608,469	1,242,225
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>608,469</u>	<u>1,242,225</u>
<b>TOTAL LIABILITIES</b>	<u>2,286,124</u>	<u>7,053,166</u>
<b>NET ASSETS</b>	<u>14,675,849</u>	<u>14,928,651</u>
<b>EQUITY</b>		
Share capital	5,252,364	3,518,117
Other reserves	-	1,088,631
Retained earnings	9,423,485	10,321,903
<b>TOTAL EQUITY</b>	<u>14,675,849</u>	<u>14,928,651</u>

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

<b>Consolidated</b>	<b>Contributed equity \$</b>	<b>Reserves \$</b>	<b>Retained earnings \$</b>	<b>Total Equity \$</b>
Balance as at 1 July 2010	2,811,992	655,480	18,965,934	22,433,406
Profit for the period	-	-	13,676,588	13,676,588
Total comprehensive income for the half-year	-	-	13,676,588	13,676,588
<b>Transactions with owners in their capacity as owners:</b>				
Proceeds from share issue/conversion of special rights	706,125	-	-	706,125
Reclassification of converted/expired special rights	-	-	-	-
Share based payments	-	249,918	-	249,918
Dividends paid	-	-	(10,285,627)	(10,285,627)
<b>Total transactions with owners in their capacity as owners</b>	<b>706,125</b>	<b>249,918</b>	<b>(10,285,627)</b>	<b>(9,329,584)</b>
<b>Balance as at 31 December 2010</b>	<b>3,518,117</b>	<b>905,398</b>	<b>22,356,895</b>	<b>26,780,410</b>

<b>Consolidated</b>	<b>Contributed equity \$</b>	<b>Reserves \$</b>	<b>Retained earnings \$</b>	<b>Total Equity \$</b>
Balance as at 1 July 2011	3,518,117	1,088,631	10,321,903	14,928,651
Profit for the period	-	-	2,102,056	2,102,056
Total comprehensive income for the half-year	-	-	2,102,056	2,102,056
<b>Transactions with owners in their capacity as owners:</b>				
Proceeds from share issue/conversion of special rights	522,703	-	-	522,703
Reclassification of converted/expired special rights	1,211,544	(1,221,167)	9,623	-
Share based payments	-	132,536	-	132,536
Dividends paid	-	-	(3,010,097)	(3,010,097)
<b>Total transactions with owners in their capacity as owners</b>	<b>1,734,247</b>	<b>(1,088,631)</b>	<b>(3,000,474)</b>	<b>(2,354,858)</b>
<b>Balance as at 31 December 2011</b>	<b>5,252,364</b>	<b>-</b>	<b>9,423,485</b>	<b>14,675,849</b>

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Half-year	
	2011	2010
	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	8,060,639	11,644,694
Payments to suppliers and employees	(6,293,544)	(6,219,100)
Interest received	297,368	277,699
Income tax paid net of tax contributions made by subsidiary	(3,467,412)	(980,878)
<b>Net cash (used in)/provided by operating activities</b>	<u>(1,402,949)</u>	<u>4,722,415</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment for plant and equipment	(34,569)	(27,116)
Payment for trademarks and licenses	(480)	-
Proceeds from plant and equipment	845	-
<b>Net cash used in investing activities</b>	<u>(34,204)</u>	<u>(27,116)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from share issue/conversion of special rights	522,703	706,125
Dividends paid	(3,010,097)	(10,285,627)
<b>Net cash used in financing activities</b>	<u>(2,487,394)</u>	<u>(9,579,502)</u>
<b>Net decrease in cash and cash equivalents</b>	(3,924,547)	(4,884,203)
Cash and cash equivalents at beginning of half-year	<u>13,900,030</u>	<u>14,174,214</u>
<b>Cash and cash equivalents at end of the half-year</b>	<u><u>9,975,483</u></u>	<u><u>9,290,011</u></u>

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS 31 DECEMBER 2011****NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by K2 Asset Management Holdings Ltd during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

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

**(a) Basis of preparation of the half-year financial report**

This general purpose half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

**(b) Summary of the significant accounting policies**

The half-year consolidated financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2011 and the corresponding half-year.

**(c) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and the entity, which K2 Asset Management Holdings Ltd controlled during the year and at balance date.

The financial statements of the subsidiary 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.

The directors have identified that the business acquisition, encompassing the restructure of the K2 Asset Management group that occurred in April 2007 constituted a reverse acquisition as defined under AASB 3 *Business Combinations*.

Accordingly, the consolidated financial statements have been issued under the name of the legal parent entity, K2 Asset Management Holdings Ltd, but reflect a continuation of the statements of K2 Asset Management Ltd that existed prior to the restructure of the group.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS 31 DECEMBER 2011****NOTE 2: SUBSEQUENT EVENTS**

There has been no matter or circumstance, which has arisen since 31 December 2011 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2011, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2011, of the consolidated entity.

**NOTE 3: REVENUE**

	<b>Half-year</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Operating revenue</b>		
- rendering of services	6,905,930	32,518,186
- interest	310,044	329,970
- other revenue	505	10
Total revenue	<u>7,216,479</u>	<u>32,848,166</u>

**NOTE 4: SIGNIFICANT ITEMS***Employee benefits*

- Short-term benefits	2,776,128	12,098,317
- Employee rights expense	132,536	249,918
	<u>2,908,664</u>	<u>12,348,235</u>

*Marketing expenses*

- Advertising	322,052	71,423
- Travel expense	109,662	64,469
- Printing and stationery	89,121	20,795
	<u>520,835</u>	<u>156,687</u>

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS 31 DECEMBER 2011****NOTE 4: SIGNIFICANT ITEMS (cont'd)***Income Tax Estimates*

On 3 June 2010, the income tax consolidation legislation was amended. Under the revised legislation, the consolidated entity has the opportunity to claim a tax deduction in instances where a subsidiary company is acquired and its assets include rights to future income. These amendments apply retrospectively to groups that consolidated for tax purposes on or after 1 July 2002. The income tax deduction can be claimed over the lesser of the remaining period of the future right or 10 years.

K2 Asset Management Holdings Ltd and its wholly owned subsidiaries formed a tax consolidated group on 27 April 2007. On 20 July 2007 K2 Asset Management Ltd joined the tax consolidated group. Accordingly, management rights held as 20 July 2007 by K2 Asset Management Ltd are rights to which the amended legislation can be applied.

A valuation of the rights held by K2 Asset Management Ltd as at 20 July 2007 has resulted in a total tax benefit to K2 Asset Management Holdings Ltd of \$8,541,323. As at 31 December 2011 this tax benefit has resulted in a carried forward deferred tax asset of \$4,639,138 (30 June 2011: \$5,060,878).

On 30 March 2011, the federal government announced the commissioning of the Board of Taxation to review the rules and clarify the scope around the operation of the tax consolidation legislation amendments relating to the rights to future income. The Board of Taxation completed the review and provided its report to the federal government on 31 May 2011.

On 25 November 2011, the federal government announced proposed changes to the tax consolidation legislation that will have retrospective effect to July 2002. In their current format the proposed changes announced by the government may undo many of the changes made in the financial year ended 30 June 2010. Under AASB 112 *Income Taxes*, current and deferred tax assets and liabilities are to be measured in accordance with the laws that have been enacted or substantially enacted by the end of the reporting period. Accordingly the consolidated financial statements have not been adjusted for proposed changes.

The proposed changes announced by the federal government may limit the recoverability of a carried forward deferred tax asset of \$4,639,138 (30 June 2011: \$5,060,878) and potentially deny the deduction of \$1,405,800 for rights to future income in the current half-year period ended 31 December 2011. The denial of this deduction would likely decrease the consolidated entity's current income tax receivable by \$421,740. Retrospective changes could also mean an additional amount up to a maximum of \$3,478,749 may be required to be paid to the Australian Taxation Office for deductions claimed in prior financial periods. If the proposed changes announced by the federal government result in amendments to the tax consolidation legislation, adjustments will be made in the financial period at that point in time.

As these proposed changes are not final as of the date of this report, the directors have not declared a dividend in relation to the period ending 31 December 2011.

**NOTE 5: ISSUANCES OF EQUITY**

During the half-year period the Company had the following movements in its equity:

- In October and November 2011, 1,754,535 Ordinary Shares were issued following the conversion of Rights held by existing shareholders under the Historical Incentive Plan. This resulted in an increase of share capital of \$469,027.
- The other reserve balance of \$1,221,167 that recorded the equity benefit provided to employees and directors as part of their remuneration for these special rights has been reclassified during the period as contributed equity or retained earnings
- In October 2011, 109,498 Ordinary Shares were issued at market value. This resulted in an increase of share capital of \$53,676.

**NOTE 6: SEGMENT INFORMATION**

The consolidated group operates in one reportable segment being funds management in Australia.

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS 31 DECEMBER 2011

## NOTE 7: DIVIDENDS

	Half-year	
	2011	2010
	\$	\$
Dividends provided for or paid during the half-year:		
Dividends paid at 1.3 cents per share (2010: 4.5 cents) 80% franked (2010: 100% franked) at the Australian tax rate of 30%	3,010,097	10,285,627
	<u>3,010,097</u>	<u>10,285,627</u>
There is no proposed dividend for the half-year ended 31 December 2011 (2010: 6.0 cents per share 80% franked at the Australian tax rate of 30%)	-	13,892,755
	<u>-</u>	<u>13,892,755</u>

## NOTE 8: RELATED PARTIES

- (a) The consolidated half-year financial statements include the financial statements of K2 Asset Management Holdings Ltd and its 100% (2010: 100%) owned subsidiary K2 Asset Management Ltd.
- (b) K2 Asset Management Ltd provides investment management services to related party unit trusts, the K2 Asian Absolute Return Fund, K2 Australian Absolute Return Fund, K2 Select International Absolute Return Fund, K2 Global High Alpha Fund and private mandates. K2 Asset Management Ltd is entitled to receive payments from funds where K2 Asset Management Ltd acts as investment manager or responsible entity. A monthly management fee, a monthly administration fee and in some instances a performance fee based upon the relevant fund's investment return over and above a specified benchmark is received by K2 Asset Management Ltd. The total related party revenue for the half-year ended 31 December 2011 of \$6,811,511 (2010: \$31,441,224) is included in the Statement of Comprehensive Income.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS 31 DECEMBER 2011**

**NOTE 9: CONTINGENT ASSETS AND LIABILITIES**

There have been no changes in contingent liabilities since 30 June 2011.

**NOTE 10: ECONOMIC ENTITY DETAILS**

The registered office of the company is:  
K2 Asset Management Holdings Ltd  
Level 32, 101 Collins Street  
Melbourne VIC 3000

## **DIRECTORS' DECLARATION**

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The directors declare that the financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standard AASB 134 *Interim Financial Reporting* 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 31 December 2011 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that K2 Asset Management Holdings Ltd will be able to pay its debts as and when they become due and payable.

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



**Campbell Neal**  
**Director**



**Hollie Wight**  
**Director**

Melbourne  
7 February 2012

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

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

We have reviewed the accompanying half-year financial report of K2 Asset Management Holdings Ltd and controlled entity, which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

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

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of K2 Asset Management Holdings Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



K L BYRNE  
Partner  
7 February 2012



PITCHER PARTNERS  
Melbourne