

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

**HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A**

This half-year financial report is to be read
in conjunction with the financial report for
the year ended 30 June 2010.

Appendix 4D

Half Year Report for the six months to 31 December 2010

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 2010

Previous corresponding periods: Financial year ended 30 June 2010
Half-year ended 31 December 2009

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up	386.1%	to	32,848,166
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up	527.4%	to	13,676,588
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	up	527.4%	to	13,676,588
Dividends (<i>item 2.4</i>)		Amount per security		Franked amount per security
Interim dividend		6.00¢		4.80¢
Final dividend		0.00¢		0.00¢
Previous corresponding period		0.00¢		0.00¢
Record date for determining entitlements to the dividend (<i>item 2.5</i>)		16 February 2011		
Refer to the Directors' report and half-year financial report ended 31 December 2010 for further commentary (<i>item 2.6</i>).				

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

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.11	\$0.07

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 2011	23 February 2011	\$13,892,755
Final dividend year ended 30 June 2010	8 September 2010	\$10,285,627

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year (to June 2011)	6.00¢	24.0%	0.00¢
Previous year (to June 2010)	4.50¢	30.0%	0.00¢

Total dividend on all securities

	Current period \$A	Previous corresponding Period - \$A
Ordinary securities <i>(each class separately)</i>	13,892,755	10,285,627
Preference securities <i>(each class separately)</i>	0.00	0.00
Other equity instruments <i>(each class separately)</i>	0.00	0.00
Total	13,892,755	10,285,627

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

N/A

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

N/A

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 2010**

This half-year financial report is to be read
in conjunction with the financial report for
the year ended 30 June 2010.

**K2 ASSET MANAGEMENT HOLDINGS LTD AND CONTROLLED ENTITY
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

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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, for the half-year ended 31 December 2010 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 \$13,676,588.

Revenue from management and performance fees was \$6,926,342 and \$25,368,844 respectively. During the half year the K2 Funds changed from distributing taxable income annually to unitholders to distributing on a semi-annual basis commencing 31 December 2010. This change resulted in performance fees crystallising semi-annually in line with the accounting period in question. As a result K2 Asset Management Ltd accrued for performance fees payable by the Funds as at 31 December 2010.

Total revenue amounted to \$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 2010:

K2 Funds	Fund Performance*	Index performance#	FUM \$million
K2 Australian Absolute Return Fund	+13.01%	+14.46 %	AUD 548.9
K2 Asian Absolute Return Fund	+14.14%	+4.84%	AUD 182.1
K2 Select International Absolute Return Fund	+17.56%	+ 2.64%	AUD 216.9
Other Funds	Confidential		AUD 37.2
TOTAL			AUD 985.1

*The above information is unaudited. * Year to date figures are based on the 6 months to 31 December 2010. # 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). FUM figures are pre distributions payable for 31 December 2010.*

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

DIRECTORS' REPORT cont'd

Significant changes in the state of affairs

In October and November 2010, 2,895,977 Ordinary Shares were issued in the Company following the conversion of Rights held by existing shareholders under the Historical Incentive Plan. This resulted in an increase of share capital of \$649,995.

In October 2010, 80,452 Ordinary Shares were issued in the Company at market value. This resulted in an increase of share capital of \$56,130.

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

Auditor's Independence Declaration

A copy of the auditor's 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 2011

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of K2 Asset Management Holdings Ltd

In relation to the independent audit for the year ended 31 December 2010, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.
- (ii) No contraventions of any applicable code of professional conduct.



B J BRITTEN
Partner
7 February 2011



PITCHER PARTNERS
Melbourne

**CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Note	Half-year	
		2010	2009
		\$	\$
Income	3	32,848,166	6,756,957
Employee benefits expense	4	(12,348,235)	(2,395,086)
Depreciation and amortisation expenses		(61,302)	(66,261)
Marketing expenses	4	(156,687)	(520,178)
Occupancy expenses		(288,961)	(272,317)
Professional expenses		(230,148)	(202,349)
Technology expenses		(76,214)	(87,162)
Other expenses		(36,744)	(29,846)
		(13,198,291)	(3,573,199)
Finance costs		-	-
Profit before income tax expense		19,649,875	3,183,758
Income tax expense		(5,973,287)	(1,004,004)
Profit from continuing operations		13,676,588	2,179,754
Total comprehensive income attributable to the members of the parent		13,676,588	2,179,754
Basic earnings per share (cents per share)		5.95	0.97
Diluted earnings per share (cents per share)		5.86	0.93

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	31 Dec	30 June
	2010	2010
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	9,290,011	14,174,214
Receivables	28,986,105	4,893,833
Current tax receivable	217,092	476,740
Other	325,363	168,442
TOTAL CURRENT ASSETS	<u>38,818,571</u>	<u>19,713,229</u>
NON-CURRENT ASSETS		
Plant and equipment	189,391	223,477
Intangible assets	1,228	1,328
Deferred tax assets	669,338	5,402,099
TOTAL NON-CURRENT ASSETS	<u>859,957</u>	<u>5,626,904</u>
TOTAL ASSETS	<u>39,678,528</u>	<u>25,340,133</u>
CURRENT LIABILITIES		
Trade and other payables	9,308,543	2,245,334
Provisions	3,501,319	585,383
TOTAL CURRENT LIABILITIES	<u>12,809,862</u>	<u>2,830,717</u>
NON-CURRENT LIABILITIES		
Provisions	88,256	76,010
TOTAL NON-CURRENT LIABILITIES	<u>88,256</u>	<u>76,010</u>
TOTAL LIABILITIES	<u>12,898,118</u>	<u>2,906,727</u>
NET ASSETS	<u>26,780,410</u>	<u>22,433,406</u>
EQUITY		
Share capital	3,518,117	2,811,992
Other reserves	905,398	655,480
Retained earnings	22,356,895	18,965,934
TOTAL EQUITY	<u>26,780,410</u>	<u>22,433,406</u>

**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Consolidated	Contributed equity \$	Reserves \$	Retained earnings \$	Total Equity \$
Balance as at 1 July 2009	1,951,571	438,727	4,151,839	6,542,137
Profit for the period	-	-	2,179,754	2,179,754
Total comprehensive income for the half-year	-	-	2,179,754	2,179,754
Transactions with owners in their capacity as owners:				
Proceeds from share issue/conversion of special rights	860,421	-	-	860,421
Buy-back of special rights	-	(437)	-	(437)
Share based payments	-	59,504	-	59,504
Dividends paid	-	-	-	-
Total transactions with owners in their capacity as owners	860,421	59,067	-	919,488
Balance as at 31 December 2009	2,811,992	497,794	6,331,593	9,641,379
Consolidated				
	Contributed equity \$	Reserves \$	Retained earnings \$	Total Equity \$
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
Transactions with owners in their capacity as owners:				
Proceeds from share issue/conversion of special rights	706,125	-	-	706,125
Buy-back of special rights	-	-	-	-
Share based payments	-	249,918	-	249,918
Dividends paid	-	-	(10,285,627)	(10,285,627)
Total transactions with owners in their capacity as owners	706,125	249,918	(10,285,627)	(9,329,584)
Balance as at 31 December 2010	3,518,117	905,398	22,356,895	26,780,410

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Half-year	
	2010	2009
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	11,644,694	7,669,180
Payments to suppliers and employees	(6,219,100)	(4,062,672)
Interest received	277,699	90,624
Income tax paid net of tax contributions made by subsidiary	(980,878)	(133,592)
Net cash provided by operating activities	<u>4,722,415</u>	<u>3,563,540</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(27,116)	(10,240)
Net cash used in investing activities	<u>(27,116)</u>	<u>(10,240)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue/conversion of special rights	706,125	860,421
Buy-back of shares and special rights, inclusive of transaction costs	-	(437)
Dividends paid	(10,285,627)	-
Net cash (used in)/provided by financing activities	<u>(9,579,502)</u>	<u>859,984</u>
Net increase/(decrease) in cash and cash equivalents	(4,884,203)	4,413,284
Cash and cash equivalents at beginning of half-year	14,174,214	4,844,082
Cash and cash equivalents at end of the half-year	<u><u>9,290,011</u></u>	<u><u>9,257,366</u></u>

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010**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 2010 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 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 2010 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 from time to time 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 2010

NOTE 2: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2010 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2010, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2010, of the consolidated entity.

NOTE 3: REVENUE

	Half-year	
	2010	2009
	\$	\$
Operating revenue		
- rendering of services	32,518,186	6,646,765
- interest	329,970	107,137
- other revenue	10	3,055
Total revenue/income	<u>32,848,166</u>	<u>6,756,957</u>

NOTE 4: SIGNIFICANT ITEMS

	Half-year	
	2010	2009
	\$	\$
<i>Employee benefits</i>		
- Short-term benefits	12,098,317	2,335,582
- Share based payments	249,918	59,504
	<u>12,348,235</u>	<u>2,395,086</u>
<i>Marketing expenses</i>		
- Advertising	71,423	313,774
- Travel expense	64,469	145,982
- Printing and stationery	20,795	60,422
	<u>156,687</u>	<u>520,178</u>

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010**NOTE 5: ISSUANCES OF EQUITY**

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

- In October and November 2010, 2,895,977 Ordinary Shares were issued in the Company following the conversion of Rights held by existing shareholders under the Historical Incentive Plan. This resulted in an increase of share capital of \$649,995.
- In October 2010, 80,452 Ordinary Shares were issued in the Company at market value. This resulted in an increase of share capital of \$56,130.

NOTE 6: SEGMENT INFORMATION

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

NOTE 7: DIVDENDS

	Half-year	
	2010	2009
	\$	\$
Dividends provided for or paid during the half-year:		
Dividends paid at 4.5 cents per share (2009: nil) fully franked at 30%	10,285,627	-
	<u>10,285,627</u>	<u>-</u>
Proposed dividends not recognised at the end of the half-year at 6.0 cents per share (2009: nil) franked at 24%	13,892,755	-
	<u>13,892,755</u>	<u>-</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% (2009: 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 2010 of \$31,441,224 (2009: \$5,528,982) is included in the Statement of Comprehensive Income.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS 31 DECEMBER 2010

NOTE 9: CONTINGENT ASSETS AND LIABILITIES

There have been no changes in contingent liabilities since 30 June 2010.

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

The directors declare that the financial statements and notes set out on pages 6 to 13 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 2010 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 2011

**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**

Report on the Half-Year Financial Report

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 2010, 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 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 2010 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 and controlled entity, 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 2010 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*.



B J BRITTEN
Partner
7 February 2011



PITCHER PARTNERS
Melbourne