

**KAIZEN GLOBAL**  
Investments

## **ANNUAL REPORT 2021**

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## **CHAIRMAN'S LETTER**

To my fellow Shareholders,

There are shocks and there are risks.

I am writing this letter twenty years to the day of the terrorist attacks on the World Trade Center. We all have stories to tell, of colleagues, friends, clients. I recall coming back into the office wondering why the TV channel had been changed. An hour later I had started to look at the market impact, knowing that this time the perpetrator had been successful, and war would be the likely response by the attacked country.

This attack was a shock. The withdrawal from Kabul last month by the allies, and the performance of this government in managing a vaccine portfolio, are examples of managing risks. Investment or market risks on the horizon will create volatility, think of the inevitable tapering by the US, and potential inflation. These might combine with climate change (temperature and drought outliers) impacting food prices and creating concerns over supply, which could in turn be a catalyst for civil unrest. These are risks which we can anticipate, monitor for change, and put a value on.

Unprecedented liquidity injections by central banks over the last eighteen months has created a distortion in asset prices, which at some stage will need to unwind. The risk though is that those individuals with long term knowledge and experience of inflation have retired and are no longer being heard. It's 35 years ago now that mortgage rates were in the high teens. Whilst history doesn't repeat, it can rhyme.

Government bond yields around zero percent, and government led bailouts have become normalised, leading to a potential miscalculation or misperception of risk. Historically low yields also have a dampening effect on the resilience of managed funds and pension funds, who hold government bonds in the portfolio as 'insurance'. That insurance no longer exists as bond yields are low, meaning bond prices are high. Government bailouts aren't without risk, in our opinion.

In managing a portfolio our aim is to try and anticipate, understand and measure the risks, and be prepared to respond to shocks with a level head. Our goal is to build portfolios that minimise risk whilst having the highest possible reward.

### **Investment Strategy**

KGI has the ability to use strategies to protect the downside risk of markets through a combination of holding cash, short selling or using derivatives. We continue with our declared strategy of investing part of our assets in unlisted companies in Australia, and re-investing the excess cash flows from those businesses back into the fund portfolio or other opportunities.

We remind you of our investment process, namely to identify secular thematic trends, conduct fundamental analysis, identify the companies best placed to benefit/lose out from those tailwinds/headwinds and invest while keeping a close eye on valuation and margin safety.

In the managers report you will hear more about our investment in private assets, and how we reinvest controlled cash flows. We believe that having this diversification is a way of investing in growth sectors and exceeding industry returns through knowledge and expertise, as well as managing our overall portfolio risk.

## Investment Process

Our investment process remains committed to deep, fundamental analysis and investing in companies that we think are under-valued and cheap. This takes us off the beaten path and away from the popular names that are in large ETF baskets and increase in price irrespective of valuation.

A reminder of how we invest, a logical, repeatable process.

- Identify investment opportunities
- Complete fundamental analysis
- Quantify Investment thesis
- Consider macro-economic environment
- Determine portfolio weighting
- Maintain selling discipline



## Shareholder engagement

As a relatively small investment company, we encourage you to have a direct relationship with KGI, and are open for ongoing discussion throughout the year.

## Performance and NTA

In the 2021 financial year the **post-tax** net tangible asset (NTA) value of KGI increased by 31.33%, on a pre-tax level, the NTA was increased by 42.43%. When comparing returns it is important, in our view, to compare like with like, so an investment in the stock market or ETF index tracker will be pre-tax, when comparing KGI, the pre-tax return delivered in the year to June 2021 was 42.43%. Share capital remained unchanged, and we have not paid a dividend.

Post tax NTA at end June 2021 was at \$1.2514 vs \$0.9528 at the end of June 2020.

## AGM

We will be contacting you shortly about our annual general meeting – which will provide you with the chance to meet with KGI's key management personnel, and ask any questions you may have. I look forward to seeing you there.

Yours sincerely,

Simon Winfield

13 September 2021

## INVESTMENT MANAGER'S LETTER

Dear Shareholders,

### Building a compounding machine

## *Begin with the end in mind*

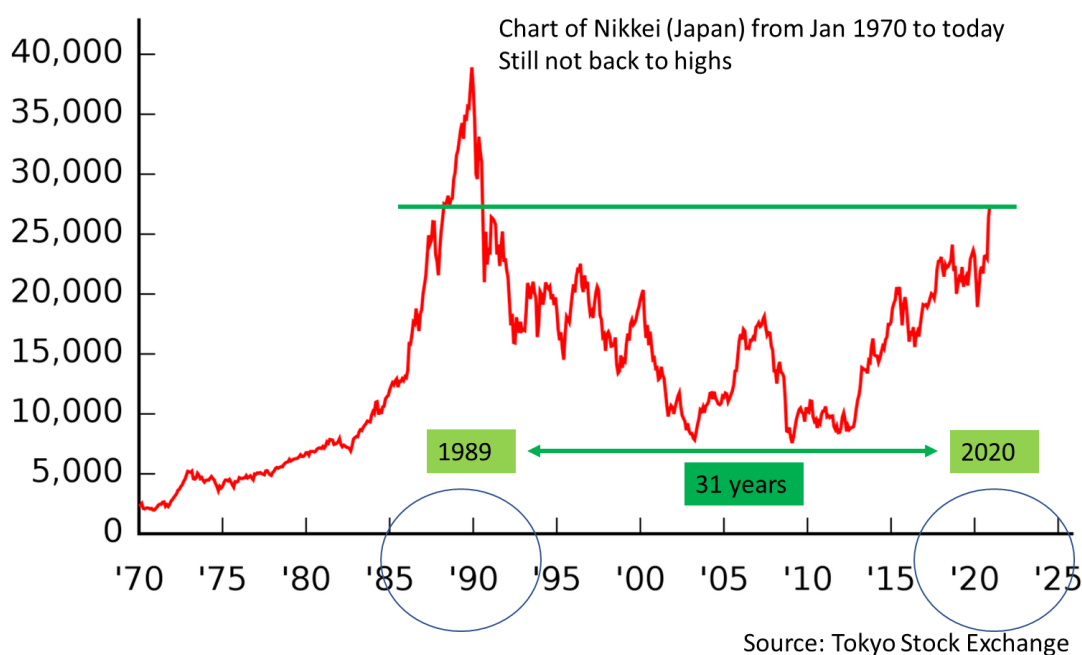
Stephen Covey

When we created Kaizen Global Investments (**KGI**) and our other managed funds we thought about a few key ideas around compounding an investment over the long term at superior rates of return. We came to the following conclusions.

### Hot areas don't last forever

There **are always hot areas in the market that can do well, typically for years, but then the music stops.** In Chart 1 below, we note that 31 years after the peak, Japan's lead index, the Nikkei, is still off its highs. Could this happen with the darlings of the last decade i.e. the U.S. stock market and technology stocks? Time will tell;

**Chart 1: Nikkei peaked in 1989 – after 20 years of enormous performance**



**Our first investment conclusion is that one has to invest in multiple markets, developed, emerging, across market cap. size looking for trends and opportunities everywhere.**

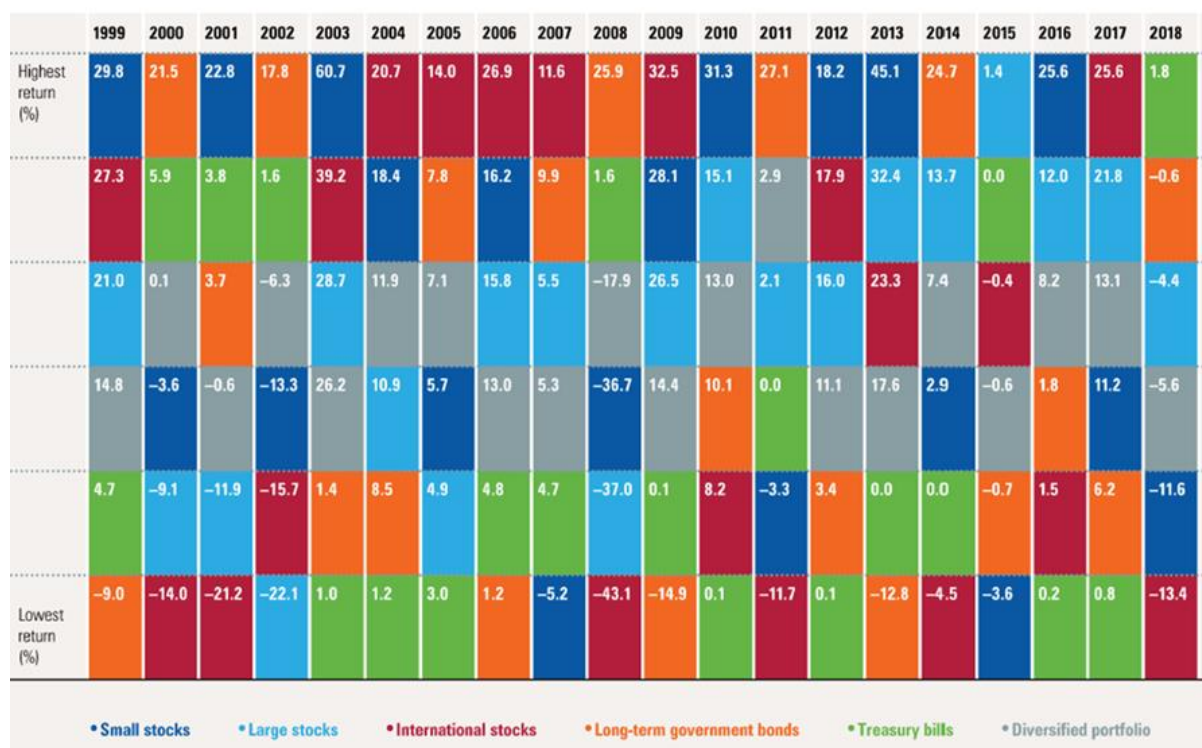
Most 'global' fund managers today have done very well over the past decade. When we look closely at holdings most have huge allocations to the U.S. – they are U.S. funds in disguise. They are invested in the world's biggest market and it has been the best performing.

We believe that one always has to ask oneself a) have you been lucky to be in the right place/market b) is it by design and c) can you quickly pivot if things change? Our analysis of global funds and holdings shows a large weighting to the U.S. and should the music change, we wonder if there has been a great deal of luck (a)

in being in the U.S. and (b) whether these funds will pivot out of the U.S. if it begins to underperform. Time, again, will tell.

Chart 2 shows asset class winners by year, for example if 2014 Long-term government bonds delivered the best return (in orange) with a 24.7% return. Markets are always changing.

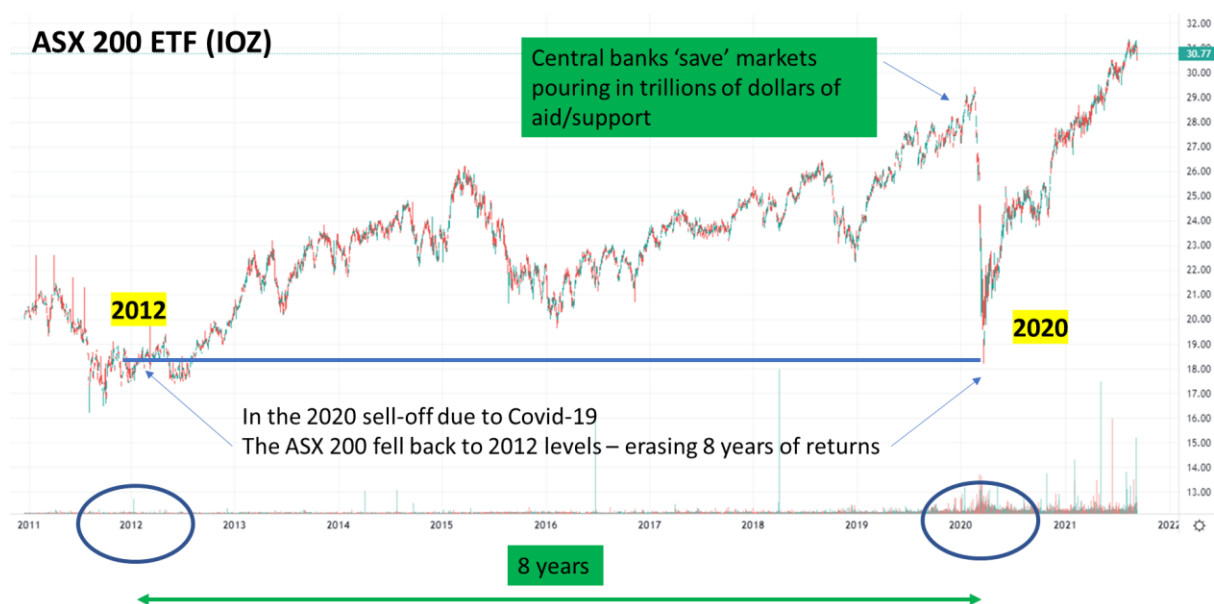
**Chart 2: Asset class winners and losers by year since 1999**



Source Morningstar

Long-term stock market returns trump all other investments, for example bonds, property, commodities, art etc. over the long term. Stocks deliver 8-10% p.a. on average, over a century, at the top of a bull market they're higher, if at the bottom of a bear market they're lower. In February 2021, for example and see below, when Covid-19 struck, **the ASX 200 lost circa 8 years of performance in a few weeks**. See Chart 3 below.

**Chart 3: ASX 200 Australian Index performance over 8 years**



The Covid-19 bear market **was unusual in its duration**. It was **the shortest bear market in history**, as central banks, en masse, printed money and poured it into the world economy. We believe that this bailed out

a lot of long-only, fully invested fund managers as 8 years of returns evaporated – and they could do nothing about it. Luckily, central banks came to save the day, but let's be honest, this was an exogenous event that likely saved portfolios, not smart portfolio management or construction.

## Capital preservation

**Our second investment conclusion is that capital preservation is very important as one can give up a decade of hard earned returns in a few weeks.** Therefore we use hedges and shorts to protect capital. This is not easy, and in the run up to February 2021, we found ourselves in the longest bull market in history and whilst we didn't know what would cause a crash, **the probability that we would have one was so extended, that it was inevitable.**

Our returns were certainly hampered coming into February 2021 as we had hedges that held us back. We were cautious, too cautious perhaps for too long, but in a few short weeks in February 2021, that caution paid off. KGI fell by 7.3% whilst the ASX 200 fell 37.6% and broad market falls were similar. Had central banks not bailed markets out, this could have been the drawdown you'd expect to last circa 18 months – again, history is a guide and bear markets tend to have certain duration characteristics. Markets snapped back and KGI was able to protect capital in a huge storm and then also deliver returns on the rebound.

## Is it possible to beat long-term averages of stock markets?

Most money that is managed in stock markets is 'institutional' in nature i.e. managed by large, well resourced pension funds. These funds **are the market** since they represent so much of it, therefore, on average, logically they should deliver market returns.

ETFs (exchange traded funds that mimic the index) have grown enormously over the years, and, by definition, can only produce market returns.

Therefore, we have an **interesting puzzle to solve.**

How does one 'beat' the market over the long-term?

## The average can't beat the average

**Our third conclusion is that it is almost impossible to beat the average if you are the average,** and then if you do, by what quantum? Funds that can consistently beat the market by 1-2% will attract huge amounts of assets and then be impeded by size, which likely impedes performance, leading to market returns again.

If markets return 8-10% (say 9%) over the long term (SBBI data) and a fund can beat the market by, say, 1-2% then the return would be circa 10-11%. The goal that institutions set is to beat the market but not an absolute quantum, whereas hedge funds and absolute return funds have an absolute goal. This is very important as it can lead to a different strategy and approach.

If, for example, the stock market fell 30% in a year, an index tracking fund manager, who fell by 28% would have 'outperformed' by 2% and might even win mandates and large bonuses. We would view a 28% drawdown in capital as a really poor job. Different goal, different scoreboard. We think most investors would share our assessment that losing 28% of their capital was not a great job.

## First principles thinking: Think different

We believe that there is an increased probability, not a guarantee, that one can both beat the markets and deliver higher returns than the 8-10% or even 11% of long-term superstars by behaving differently to the thundering herd and consensus investors.

To beat the market, over the long-term, **one has to be different from the market**, smaller, nimbler, more opportunistic, whilst investing within a structure of finding strong companies.

We believe that one should run/manage less money as that increases the odds of outperformance, in our view. A fund managing \$1bn, which is considered quite small in the scheme of things, buying a 5% position, needs to allocate \$50m into that position. This rules out huge numbers of opportunities around the globe. This isn't to say we are a small cap fund, we're diversified, but we have the largest pool of opportunities to fish from.

One's return stream may be quite uncorrelated to the market at some points, and correlated at others, but that is a secondary benefit, not the goal.

In February 2020, KGI 'outperformed' a falling market by circa 30% in a few weeks. We were uncorrelated.

As a diversified investor, that is what one should have in the investment mix, in our opinion, not a series of funds/investments that all fall precipitously together. The challenge is that when markets are hot and caution is being thrown to the wind, having a portfolio hedged against risk may underperform. You can't have it both ways as they say.

At KGI our goal is to deliver superior returns over the long term. **In the year to June 2021 KGI increased net tangible assets per share – on a post-tax basis** (important as comparing apples with apples) by 31.33% and on a **pre-tax basis** by **42.43%**. We believe that the pre-tax return is the most relevant number as investors might have an investment in an ETF tracker on an index (eg ASX 200) and that return would be pre-tax. Apples with apples.

We believe that we have an increased probability of beating long-term averages – again, this is not a guarantee, we could underperform too – because we are not 'the market'.

### **Warren Buffett and the 'Outsiders'**

We have been deeply influenced by Will Thorndike's great book *The Outsiders: Eight unconventional CEOs and their radically rational blueprint for success*, which studies the best performing companies (by share price appreciation) over a long period. These outsider CEOs did things differently, most were engineers by university training, and they had multiple levers at their disposal to increase the probabilities of compounding per share. At their core they were excellent capital allocators.

One of the Outsiders is Warren Buffett, a stock investor, but his investment vehicle, Berkshire Hathaway has characteristics that are very interesting that have underpinned his compounding machine. Berkshire Hathaway is a listed investment company (LIC), but it is quite different from many/most of the LICs listed in Australia, and around the world for that matter.

Buffett buys companies and holds them forever along with having listed stock investments (some of which he too holds forever). This allows him to control a constant stream of capital and reallocate it. There are five options available to any capital allocator and all need to be measured relative to each other and optimise for risk/reward. **These five options are;**

- a) Invest in other listed shares;
- b) Buy other private businesses;
- c) Invest in an opportunity within an existing controlled business;
- d) Execute share buybacks if the returns of investing are attractive; and
- e) Pay dividends.

At KGI we have the same set of options. We have allocated returning capital from our private business to buy back our own shares and also into other stocks and investments.

### **Understanding the value of KGI**

Each month we publish an unaudited NTA (net tangible asset) value. The company is audited each full year and reviewed by the auditor each half year. This includes any private investments we own, which are typically recorded at book value ( we conduct an impairment test to ensure they are at least book value). The latter is different from other listed investment companies (LICs) and **this subtle difference is, in our opinion, very important to understand.**

### **A typical LIC you will see on the stock market – this is NOT KGI**

In a typical LIC, a fund manager will have, say, \$100 of assets, spread across a number of listed shares, and each of those shares has a value (each day, hour, week) which is used to 'value' the portfolio. The underlying investments, let's say one was Coca-Cola, are not influenced by the fund manager and the capital is allocated at Coca-Cola's board level – not at the fund managers.

Let's say there were 100 shares in this LIC and at the end of the month, the value of all the shares together was \$100. Then the net tangible assets (\$100) per share (100 of those) would be \$1. One wouldn't pay more than \$1 per share (although some LICs do trade at a premium) and there might be a discount too. If the shares traded at \$0.90 cents per share i.e. a discount, the fund manager might do a buyback and cancel the shares. This isn't in their interest as it shrinks the capital of the company, that attracts fees, but some managers do it.



Let's say the manager sells \$10 of shares in the portfolio, so has \$10 of cash in hand. Then buys back \$10 worth of shares in the market, at \$0.90 per share, and now has  $\$100 - \$10 = \$90$  of assets left.  $\$10 / \$0.90 = 11.1$  shares – let's factor in commission, to pay for shares bought back, so only has enough for 11 shares. The number of outstanding shares is now 89 ( $100 - 11$ ) and the net tangible asset value is  $\$90 / 89 \text{ shares} = \$1.011$ .

There is no new cash coming in to buy the shares so there's not much a manager can do, except shrink the company.

### **How is KGI different?**

We believe an investor should think of KGI more like Berkshire Hathaway than a traditional LIC. We will continue to buy private assets and likely keep them forever. We will keep an open mind though and there are no sacred cows at KGI – if there is an opportunity to sell and reinvest the capital elsewhere that makes sense, we will consider it.

### **Private cash flow businesses to buy**

There are opportunities for KGI to buy private, cash flow generating businesses at attractive multiples and reallocate the capital. The reason these exist is that they are too big for some individuals to buy and too small, or slow growing, to attract private equity or larger buyers.

If KGI were able to collect private businesses over the long term, like Buffett does, and control the cash flows, then we could increase the probability of delivering superior returns.

### **An example of the principle: This is not guidance nor a guarantee**

Let's say KGI had \$10m of capital and was able to purchase a business that we liked at a 5X pre-tax cashflow multiple. Let's assume too, that we have done all due diligence, reduced risk and it delivers what we expect. We are cautious buyers and use our decades of investment experience to filter and analyse companies. There are no guarantees of course.

If, the asset we considered buying was 20% of our capital – we would invest \$2m for such an asset. At a 5X pre-tax multiple this company would generate \$400k of cash flow to KGI every year.

KGI would now 'control' \$400k on \$10m i.e receive 4% per year of pre-tax cash from the investment. If that business generated \$400k next year etc, it would likely be held at book value and KGI could reinvest the capital in one of the five options mentioned above.

### **4% on 20% of the capital**

If long term stock markets deliver 8-10% over the long-term – let's pick 9% - then, to equal the return of markets the other 80% of the capital would need to generate 5% ( $9\% - 4\%$  generated by the private business). To achieve a 5% return for KGI on 80% of capital would imply that a 6.25% return would be required on that portion ( $5\% / 80\%$ ).

### **What if you were to return the same as the market on the other 80% of capital?**

If, and this is an IF, KGI were able to invest the listed securities at the same return as the market, i.e. 9% in the example above, then the 80% at 9% return would deliver a 7.2% return.

Adding this to the 4% return from the private asset would mean the total return of KGI would be  $7.2\% + 4\% = 11.2\%$

11.2% is above the long-term average of the market of 9% in our example.

If KGI were to debt fund part of this investment – as they are stable cash flow businesses and interest rates are at record lows – then the return profile could look as follows

### **50% debt/equity ratio in the funding**

Let's say KGI issued a bond with a 6% coupon - in a separate instrument – and used a 50% debt/equity ratio, that would mean it would still invest \$2m but at a 50% debt/equity split, could now afford to buy a business valued at \$4m, funding the balance with the bond. At 5X pre-tax cashflow, the target company would generate \$800,000 of cash.

A \$2m bond would cost \$120k per year (at 6%) and therefore the \$800,000 of cash flow would be reduced to \$680,000. A 6.8% return for KGI per year ( $\$680,000/\$10,000,000$ ).

That would leave 80% (since KGI only used 20%) to invest in markets. As above, if KGI was able to deliver the same 9%, then the return would be  $80\% \times 9\% = 7.2\%$

The total return to KGI (pre-tax) would be  $6.8\% + 7.2\% = 14\%$

Again, this is above the long-term average of markets if executed.

This is **a hypothetical example** but recall that we already have a private asset that is doing something similar. The cash flows that are returning are being used to invest in other listed securities and have been allocated to buybacks. We will continue to control a cash flow stream to reallocate and are likely to acquire other businesses over time, much like Berkshire Hathaway has.

There's another opportunity too. In a typical 18 month bear market – unlike the short one we experienced in 2020 – KGI **could** have capital coming back each month to invest in depressed stock prices and markets.

## Risks

We **remind our investors that all investments have risk and we refer to the full list of risks**, which have not changed, that we **set out at the time of our IPO and are detailed in the prospectus in section 7.1 General Risk Factors**. Please read these and we reiterate that the example set out above is just that, an example. It is not a guarantee, nor forward-looking guidance and we have used it to explain a principle by walking through a hypothetical scenario.

## In conclusion

We believe that KGI could become a unique compounding machine more like a Berkshire Hathaway than a traditional LIC with only one gear (long only listed stocks). We are not saying that we are Berkshire Hathaway 2, but highlighting that KGI has characteristics that are somewhat similar and that, if executed well, could lead to skewing probabilities in our favour over the long-term.

KGI has the ability to protect capital (although there can be no guarantees), to control the cashflows of private assets it owns and reallocate them to the best opportunities.

We believe that KGI has an increased probability of delivering superior returns per share over the long term. This is not a guarantee.

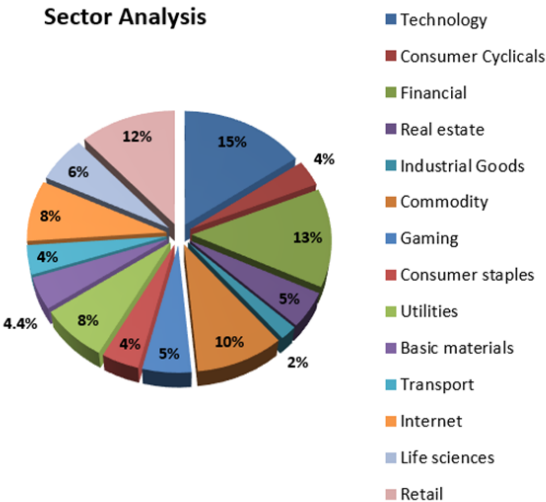
We believe too that it also has great optionality and that this is not factored into any valuation to date. If KGI is able to continue to execute it could begin to trade on a sum of parts basis, where the listed securities are valued at book value and the private assets, together, might warrant higher market multiples. Time will tell, but we are optimistic that we have built a compounding machine that is different to the market, and therefore has a chance, but not guarantee, of delivering superior returns over the long term.

Your board has their money where their proverbial mouth is and we have bought in on the same terms and prices as our shareholders. We thank you for your support and we hope that you are pleased with a 42.43% return in the year to June 2021.

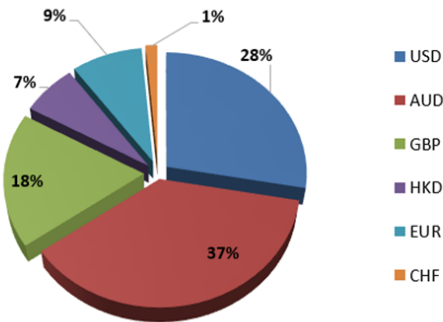
## Portfolio positioning

We have invested across multiple countries and sectors as can be seen in the two charts below. We are invested in a combination of long positions, shorts and inflation protection. We believe that the biggest risk to markets is unexpected inflation but also a parabolic move to the upside, which could resolve negatively. We think about capital preservation as much as capital growth at all times.

Sector Analysis



Currency Exposure



Yours sincerely,

Connor Grindlay  
13 September 2021

## DIRECTORS' REPORT

Your directors present their annual financial report on Kaizen Global Investments Limited (the **Company** or **KGI**) for the financial year ending 30 June 2021 as required by the Corporations Act 2001 (Cth)(**the Act**) and the NSX Listing Rules. In addition to the financial statements for the year and the notes accompanying those statements, your Directors provide a declaration about those statements and notes.

### General information about operations and activities

The Company is listed on the NSX. During the year the Company's Investment Manager continued to implement KGI's investments strategy by investing the Company's capital in global listed securities affected by thematic trends, while paying close attention to valuation and margin of safety. KGI made an investment in unlisted private company in the health space during the year.

We remain focussed on growing our shareholders' post-tax NTA per share in absolute terms. As at 30 June 2021 the NTA post tax valuation was \$1.2514 per share. As of July 21, 2021 the post tax NTA per share (Unaudited) was \$1.1642.

### Principal activities

KGI's principal activities during the year were investing in global listed securities, predominantly equities. There were no significant changes in the nature of those activities during the year.

### Financial Position

For the year ended 30 June 2021, the Company recorded a post-tax gain of \$924,443 and its net tangible assets (**NTA**) were \$3,873,911 after tax, versus \$2,949,468 of the previous year. The Company's financial position is set out in its Financial Statements at pages 22 to 40.

### Summary of Performance

A summary of the performance since the beginning of the company is shown below.

Years ending 30th of June (\$)	2021	2020	2019	2018	2017
Income from deposits	(42,034)	(17,276)	(25,476)	(7,096)	(17,951)
Income from dividends	30,590	20,612	22,271	18,188	28,642
Net changes to fair value of investments	1,585,854	262,454	(87,890)	26,125	82,279
Net profit/ ( loss) after tax	\$924,443	115,832	(139,826)	(33,674)	938
Earnings per Share (cents per share)	29.8634	3.687	(4.419)	(1.064)	0.034
Total Assets	5,572,453	3,935,448	3,849,204	3,549,113	3,606,647
Total Liabilities	1,698,542	985,980	958,353	518,436	542,296
Shareholders' Funds	3,873,911	2,949,468	2,890,851	3,030,677	3,064,351
Return on Shareholders' Funds	31.34%	3.97%	(4.72%)	(1.10%)	0.03%
Net Asset backing per share (cents)	1.2514	95.28	91.36	95.78	96.85
Shares on issue	3,095,568	3,095,568	3,164,215	3,164,215	3,164,215

### After Balance Date Events

There is no matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect: The Company's operations in future financial years; or the results of those operations in future financial years; or the Company's state of affairs in future financial years.

### **Environmental issues**

The Company's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### **Omissions**

The Company has not omitted from this report any prejudicial material that would otherwise be required to be included by law.

### **Significant Changes**

The Directors are not aware of any other events that would have significant impact on the operations of the Company.

### **Future developments, prospects and business strategies**

The Company will continue to pursue its investment objectives for the long-term benefit of its shareholders. This will involve the continued review of its investment strategy, and may, from time-to-time, require some changes to that strategy. To achieve our investment objectives, we intend to invest the majority of the Company's capital (at cost) in global listed shares and to diversify risk by investing in other investments, including unlisted private companies.

We do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of our investments. Accordingly, we do not provide a forecast of the likely results of our activities.

### **Additional general information**

The Company has reported and released to the NSX an unaudited NTA valuation per share each month of the financial year ending 30 June 2021. Each of those monthly valuations is available at the following website: <http://www.nsga.com.au/summary/KGI>.

In accordance with Listing Rule 6.9, the Directors further report that, as set out above, the principal activities of the Company are investing in global securities. The Company has no subsidiary entities and does not form part of a group of companies.

The annual accounts for the period do not differ materially from any published forecast made by the Company, of which there was none. None of the Directors are parties to service contracts between them and the Company.

Insofar as contracts of significance are concerned, those described in the Company's Prospectus dated 21 January 2015 remain in place, namely the Investment Management Agreement and the Deeds of Access, Indemnity and Insurance. These are contracts of significance in which the Company's Directors are or were materially interested either directly or indirectly and which subsisted during or at the end of the financial year.

The director fees for the year ending June 30, 2021 was \$6,000. There are no arrangements under which a shareholder has waived or agreed to waive any dividends. Below is a list of KGI's top 10 shareholders and the number of KGI fully paid ordinary shares that they hold.

<b>Shareholder</b>	<b>Shareholding</b>	
CLG Investments Pty Ltd	375,305	12.12%
Tom Hale Pty Ltd	366,492	11.84%
Kaizen Capital Pty Ltd	281,755	9.10%
Airthrey Investments Pty	250,000	8.08%
HSBC Custody Nominees	200,000	6.46%
Mr Andre Edmunds & Ms Jenny Nissen	152,356	4.92%
Intermondiale Pty Ltd	150,000	4.85%
MDH Capital Pty Ltd	147,068	4.75%
TSL Future Fund Pty Ltd	105,000	3.39%
Mr Simon Charles Winfield	102,356	3.31%

Shareholder distribution is as follows:

<b>Shareholder Distribution</b>			
<b>Holding</b>	<b>Number of shareholders</b>	<b>Number of shares</b>	<b>% Holding</b>
1-1,000	0	0	0%
1,001-5,000	33	161,849	5%
5,001-10,000	10	93,195	3%
10,001-100,000	20	710,192	25%
100,001 and over	10	2,130,332	67%
<b>Total</b>	<b>73</b>	<b>3,095,568</b>	<b>100%</b>

\*The share registry needs to be updated for the share buyback and cancellation

### **Dividends**

No dividends or distributions were paid to members during the year; and no dividends or distributions were recommended or declared for payment to members, but not paid, during the year.

### **Options**

No options have been granted over unissued shares or unissued interests during or since the end of the year. No options have been granted to any of the directors or any of the 5 most highly remunerated officers of the company (other than the directors); and granted to them as part of their remuneration. As at the day the report is made there are no unissued shares or interests under option. No shares or interests have been issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

### **Indemnities**

During the year the Company provided an indemnity to directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of KGI, other than conduct involving a wilful breach of duty in relation to the Company. The content of

the insurance policy prohibits disclosure of the nature of the loss or liability indemnified, the indemnity limit or the amount of premium paid. The Company did not provide an indemnity to the auditors.

### **Directors, Company Secretary and Auditor**

The following persons have been a director of the Company at all times during, or since, the end of the year:

- Connor Grindlay – appointed 26 September 2014
- Simon Winfield – appointed 26 September 2014 and re-elected at AGM on 29 November 2019.
- Andre Edmunds – appointed 4 November 2014 and re-elected at AGM on 22 November 2018.

KGI's company secretary at any time during the year was Lisa Grindlay.

For the relevant period, Samir Tirodkar was a director of Stantons International Audit and Consulting Pty Ltd (**Stantons**), that is the auditor of KGI, and was such a director at a time when Stantons undertook an audit of KGI.

### **Directors**

**Connor Grindlay**, Managing Director and Chief Investment Officer

#### **Qualifications**

Masters of Civil Engineering with European Studies, Credit Suisse training program, CFA UK Certificate in Investment Management, and Investment Management and Research (IIMR) Associate examinations.

#### **Experience**

Connor Grindlay has been the Managing Director and Chief Investment Officer of KGI since 26 September 2014. He is also the Managing Director and founder of Kaizen Capital Pty Ltd (the Manager or Investment Manager for KGI). Prior to listing KGI, Connor worked with two Australian-based fund managers – 8 Investment Partners and Caledonia Investment (2010 – 2014); Millennium Capital Partners, a New York billion dollar fund (2008); Castlegrove Capital, a London-based global multi-strategy fund (2006 - 2008); and Trafelet, a multi-billion dollar US-based hedge fund (2004 - 2006). Connor also worked as an analyst at WestLB Panmure in London (2002) and cofounded hedgefundcity.com, an online media portal for the global hedge fund industry (2000).

#### **Special responsibilities**

As Managing Director of KGI his special responsibilities include making a declaration relating to statutory accounts under s 295A of the Corporations Act 2001. He is a member of the KGI Audit Committee and holds no other directorship in any other listed entities.

Connor Grindlay holds 450,306 shares (Directly and through beneficial interests)

**Simon Winfield, Chairman**

**Qualifications**

MBA, and Graduate Certificate in Carbon Management.

**Experience**

Simon Winfield is KGI's Chairman and has been a director since 26 September 2014. He has also been a director of the Manager since October 2009. Prior to joining Kaizen Simon was a director of a NSW-based agricultural technology company; Managing Director / Head of European Equity Sales at Bank of America (2001 – 2003); and in equities research sales at Credit Suisse (1990 – 2001). Simon also worked in UK equities for Grieveson Grant, Grant W Greenwell and UBS until 1990. He started his career in finance in 1979 at the London Stock Exchange.

**Special responsibilities**

As Chairman of KGI, Simon's special responsibilities include reporting to members and conducting shareholder meetings, acting as Trading Officer and as a member of the Audit Committee. He holds no other directorships in other listed entities.

Simon Winfield holds 157,356 shares (Directly and through beneficial interests).

**Andre Edmunds, Non-Executive Director**

**Qualifications**

Bachelor of Aeronautical Engineering (Honours), Member of the British Computer Society, and Chartered IT Professional in Program and Project Management.

**Experience**

Andre Edmunds is KGI's sole Non-Executive Director, and has been a director since 4 November 2014. He has been a director of a consultancy and executive advisory service company since March 2007; was a Member of the Australian Institute of Project Management (2006-2011); and performed the role of BCS Assessor for Membership Status (2009 and 2010).

Andre has experience in software development and pre-sales, project management, transformation, turnaround/rescue and mobilization programs. He has consulted to executive boards of small, medium and large companies, and government



organisations. He has worked with AMP General Insurance, CSC Australia, Deloitte UK, Barclays, Toyota, Volkswagen, Cazenove Capital Management, Orange Sweden, Hutchison 3G, VirginMedia, Optus, Telstra, Downer, Foxtel, News Ltd, and Transport for NSW.

### **Special responsibilities**

As a KGI director, Andre's special responsibilities include membership of the Board of Directors and Audit Committee. He holds no other directorships in any other listed entities.

Andre Edmunds holds 162,356 shares (Directly and through beneficial interests).

### **Meetings of the Board of Directors**

During the financial year, the following board meetings were held:

	Eligible to attend	Attended
Connor Grindlay	5	5
Simon Winfield	5	5
Andre Edmunds	5	5

Board members have been in regular contact during the Covid-19 pandemic and discussed investment strategy, the operating business and have considered other acquisitions. These have not been recorded as formal board meetings but it is important to understand that there is considerably more board level activity than meetings.

### **Meetings of the Audit and Risk Committee**

The committee met once during the period with all three directors eligible to attend, and all three attended.

### **Company Secretary**

Lisa Grindlay BA, LLB (Hons) is the Company Secretary and was at all times during the period. Lisa has over 15 years of legal experience, gained as both a solicitor and barrister. She has been company secretary for KGI since September 2014, and for Kaizen Capital since October 2009.

## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors is committed to maintaining high standards of safety, performance and corporate governance for the Company and any entities it may control. To foster good corporate governance, the Company has developed a set of core values and behaviours that underpins its activities and ensures transparency, fair dealing and protection of the interests of all stakeholders – including shareholders, personnel, suppliers and communities – with which it operates.

Below is a summary of the Company's full Corporate Governance Statement, which is available on the Company website.

### **Board of Directors**

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board takes advice from the Audit Committee on matters within its Charter, however the Board retains final decision-making authority on those matters.

The Board will consider nominations for appointment or election of Directors that may arise from time to time, having regard to the skills and experience required by the and procedures outlined in the Company's Constitution and the *Corporations Act*.

The Company's constitution requires one third of the Directors to retire at each Annual General Meeting. The Director(s) who retire under this rule are those who have held office the longest since last being elected or appointed. This rule does not apply to the Managing Director.

The Chairman leads the Board and has responsibility for ensuring that the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

### **Executive and Non-Executive Directors**

The Company currently has two Executive Directors - the Managing Director and Chairman. The Board believes that the benefits to shareholders of a separate, independent Non-Executive Chairman, CEO and CFO does not outweigh the disadvantage of the real or perceived divergence of command and the additional remuneration and administrative expenses involved. However, the Board will periodically review whether it would be more appropriate to appoint an independent Non-Executive Chairman, CEO and CFO.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Board currently has one Non-Executive Director. The Board as a whole is satisfied that the Non-Executive Director brings an independent discretion to his deliberations, unaffected by the executive status of the Chairman.

## **Meetings of the Board**

The Board holds regular meetings, and holds additional meetings whenever necessary to deal with specific matters requiring attention. Directors' circulatory resolutions are also utilised where appropriate either in place of or in addition to formal Board meetings. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

## **Conflicts of Interest**

To ensure that Directors are at all times acting in the interests of the Company, Directors must disclose to the Board actual or potential conflicts between the interests of the Director and those of the Company; and if requested by the Board, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest, then the Director must absent himself from the room when Board discussion and/or voting occurs on matters to which the conflict relates (unless the law allows otherwise).

## **Related-Party Transactions**

Related-party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the NSX Listing Rules. Unless there is an exemption from the requirement to obtain shareholders' approval for the related-party transaction, the Board may not approve the transaction. The Company will also disclose related-party transactions in its Annual Report as required under the Corporations Act and relevant Accounting Standards.

## **Share Dealings and Disclosures**

The Company has adopted a Share Trading Policy, which applies to Directors and employees of the Company and contractors who have agreed to be bound by the policy. The policy is designed to explain the type of conduct in relation to dealings in the Company's securities that is prohibited under the relevant law and by the Company, including insider trading; and establish a procedure for buying, selling or otherwise dealing in the Company's securities.

## **Independent Professional Advice**

Subject to prior approval by the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as a Director.

## **Audit Committee**

The Audit Committee has a formal charter to prescribe its objectives, duties and responsibilities, access and authority, composition, membership requirements of the Committee and other administrative matters. It has an audit oversight function, with key responsibilities being to review and approve the audited annual and auditor reviewed half-yearly financial reports, to review reports from management and matters related to the external auditor and a risk management function. The Audit Committee currently comprises all members of the Board.

## **CEO and CFO Declarations**

The Company has a Managing Director and the Board has determined that (pursuant to section 295A(3) *Corporations Act*) the Managing Director is the appropriate person to make the CEO/CFO equivalent declaration in relation to the Company's financials.

## **External Auditor**

The Company's external auditor is selected for its professional competence, reputation and the provision of value for professional fees. The external Auditor attends the Company's AGMs (in person or by teleconference) and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

## **Continuous Disclosure to NSX**

In accordance with the law, the Company continuously notifies the NSX of information which a reasonable person would expect to have a material effect on the price or value of the Company's securities. A reasonable person is taken to expect information to have a material effect on the price or value of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

## **Market and Shareholder Communications**

Shareholders own the Company. Increasing shareholder value is the Company's key mission. Shareholders require an understanding of the Company's operations and performance to enable them to be aware of how that mission is being fulfilled. The Directors are the shareholders' representatives. In order to properly perform their role, the Directors must be able to ascertain the shareholders' views on matters affecting the Company.

The Board therefore considers it paramount to ensure that shareholders are informed of all major developments affecting the Company and have the opportunity to communicate their views on the Company to the Board. Information is communicated to shareholders and the market through various means including the Company's website and social media presence, emails and notifications, and the NSX website.

## **Risk Committee**

As a consequence of the size and composition of the Company's Board, the Board does not have a stand-alone Risk Committee. However, the Company's Audit Committee has an important risk management and compliance function, with key responsibilities being to ensure that an appropriate risk management framework is in place and is operating properly and reviewing and monitoring legal and policy compliance systems and issues.

## **Internal Audit**

The Company does not have an independent internal audit function. Due to the nature and size of the Company's operations, the expense of an independent internal auditor is not considered to be appropriate.

## **Remuneration Committee**

Due to the nature and size of the Company, the Board does not currently have a Remuneration Committee with a remuneration and nomination function.

**Equity-Based Remuneration Scheme**

The Company does not have an Employee Share Option Plan (**ESOP**) and has not issued equity-based remuneration (including shares and options) to Directors or Senior Management.

## REMUNERATION REPORT (AUDITED)

The board's policy for determining, or in relation to, the nature and amount of remuneration of the key management personnel for the Company was set out in the Company's Prospectus dated 21 January 2015 (Section 6.10), and remained unchanged during the year. Such policy states that the KGI directors will be entitled to receive a maximum total remuneration (including superannuation) of up to \$75,000 per annum to be divided amongst them in such proportion as they agree. However, the directors agreed to waive any fee that they would otherwise be entitled to until the 30 June 2021.

The board's remuneration policy is designed to keep the Company's operating costs down, and there is no relationship between the policy, and each member of the key management personnel for the Company and the Company's performance.

None of KGI's key management personnel receive remuneration, which consists of KGI securities in satisfaction of performance of their duties. Nor is their remuneration related to performance.

The Company's last annual general meeting (**AGM**) was held on 30 November 2020 and there was no discussion or any questions asked about the remuneration report considered at that AGM. The resolution in relation to the remuneration report for the financial year ending 2021 was passed on a show of hands with the requisite number of votes.

### Details of remuneration for year ended 30 June 2021

The Company has three directors and one company secretary. Details of the remuneration for each officer of the Company was as follows:

2021	Salary & fees \$	Superannuation contributions\$	Other \$	Total \$
Connor Grindlay	Nil	Nil	Nil	Nil
Simon Winfield	2,000	Nil	Nil	2,000
Andre Edmunds	2,000	Nil	Nil	2,000
Lisa Grindlay	2,000	Nil	Nil	2,000
Total	6,000	\$ Nil	\$ Nil	6,000

### Securities holdings – ordinary shares

Number of shares personally held by directors and company secretary:

	Balance 30/06/20	Received as remuneration	Options exercised	Other changes	Balance 30/06/21
Connor Grindlay	50,001	Nil	Nil	None	50,001
Simon Winfield	102,356	Nil	Nil	None	102,356
Andre Edmunds	5,000	Nil	Nil	None	5,000
Lisa Grindlay	25,000	Nil	Nil	None	25,000
Total	182,357				182,357

Number of shares in which directors have a joint or beneficial interest

	Balance 30/06/20	Received as remuneration	Options exercised	Other changes	Balance 30/06/21
Connor Grindlay	375,305	Nil	Nil	None	375,305
Simon Winfield	55,000	Nil	Nil	None	55,000
Andre Edmunds	157,356	Nil	Nil	None	157,356
Total	587,661				587,661

### Securities holdings - options

The combined number of options held personally, jointly and/or beneficially by the directors and company secretary. There were no options held by the directors and company secretary in the financial year to 30 June 2021.

No options were granted to the Directors as part of their remuneration. No shares or interests have been issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests. No shares or interests in shares were issued as a result of exercise of options.

### Auditor

The auditor's independence declaration for the year ended 30 June 2021 has been received and may be found on page 41 of this report.

### Non-audit services and auditor independence

No amounts were paid or payable to the auditor for non-audit services provided, during the year, by the auditor (or by another person or firm on the auditor's behalf).

## **DIRECTORS' DECLARATION**

The above Directors' Report dated 13 September 2021 has been made in accordance with a resolution of the board of directors made on 13 September 2021 and is signed by:



**CONNOR GRINDLAY**

Managing Director

13 September 2021



**SIMON WINFIELD**

Chairman

13 September 2021



## FINANCIAL STATEMENTS

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR YEAR ENDED 30 JUNE 2021

	Note	2021	2020
Income/(loss) from deposits	4	(42,034)	(17,276)
Income from dividends	4	30,590	20,612
Net changes to net fair value of investments	5	1,585,854	262,454
<b>Total income from ordinary activities</b>		<b>1,574,410</b>	<b>265,790</b>
Administration expenses	6	(321,044)	(100,594)
<b>Operating profit before income tax</b>		<b>1,253,366</b>	<b>165,196</b>
Income tax charge relating to ordinary activities	7	(328,923)	(49,364)
<b>Profit attributable to members of the company</b>		<b>924,443</b>	<b>115,832</b>
Other comprehensive income for the financial year			
- Items that may be reclassified to profit and loss			
- Items that will not be reclassified to profit and loss		924,443	115,832
- <b>Total comprehensive income for the financial year</b>			
<b>Overall operations</b>			
Basic earnings per share (cents per share)	13	29.863	3.687
Diluted earnings per share (cents per share)	13	29.863	3.687

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

ASSETS	Note	2021 \$	2020 \$
Cash and cash equivalents	8	48,999	754,062
Trade and other receivables	9	54,963	27,602
Financial assets	10	5,592,865	3,033,961
<b>Total Current Assets</b>		<b>5,696,827</b>	<b>3,815,625</b>
Property, Plant & Equipment		1,921	4,783
Deferred tax assets	11	84,668	115,040
<b>Total Non-Current Assets</b>		<b>86,589</b>	<b>119,823</b>
<b>TOTAL ASSETS</b>		<b>5,783,416</b>	<b>3,935,448</b>
<b>LIABILITIES</b>			
Trade and other payables	12	434,423	63,554
Financial liabilities	10	1,108,810	854,706
<b>Total Current Liabilities</b>		<b>1,543,233</b>	<b>918,260</b>
Deferred tax liabilities	11	366,272	67,720
<b>Total Non-Current Liabilities</b>		<b>366,272</b>	<b>67,720</b>
<b>TOTAL LIABILITIES</b>		<b>1,909,505</b>	<b>985,980</b>
<b>NET ASSETS</b>		<b>3,873,911</b>	<b>2,949,468</b>
<b>EQUITY</b>			
Issued capital	14	3,029,837	3,029,837
Accumulated profits		844,074	(80,369)
<b>TOTAL EQUITY</b>		<b>3,873,911</b>	<b>2,949,468</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2021

	Issued capital	Accumulated profits	Total
2021	\$	\$	\$
<b>Balance at 1.07.2020</b>	3,029,837	(80,369)	2,949,468
Issued (net of costs)	-		-
Share buyback (net of costs)	-		-
Total comprehensive profit for the year		924,443	924,443
<b>Balance at 30.06.2021</b>	<b>3,029,837</b>	<b>844,074</b>	<b>3,873,911</b>
<b>2020</b>			
<b>Balance at 1.07.2019</b>	3,087,052	(196,201)	2,890,851
Share buyback (net of costs)	(57,215)		(57,215)
Total comprehensive profit/(loss) for the year	-	115,832	115,832
<b>Balance at 30.06.2020</b>	<b>3,029,837</b>	<b>(80,369)</b>	<b>2,949,468</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest (paid)/received		16,383	10,500
Dividends Received		28,807	20,486
Payments to suppliers		(217,305)	(126,005)
Net cash (used in) operating activities	17	<b>(172,115)</b>	<b>(95,019)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases to acquire financial assets		(5,520,600)	(1,567,282)
Sales of Financial Assets		4,837,873	1,520,615
Purchase of fixed assets		-	(5,899)
Net cash provided by/(used in) investing activities		<b>(682,727)</b>	<b>(52,566)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share buyback	14	(29,499)	(71,678)
Net cash provided/(used in) by financing activities		<b>(29,499)</b>	<b>(71,678)</b>
Net increase /(decrease) in cash held		<b>(884,342)</b>	<b>(219,263)</b>
Cash at beginning of year		754,062	945,267
Effect of Exchange Rate Changes		(31,683)	28,058
Cash at end of year*	8	<b>(161,964)</b>	<b>754,062</b>

The accompanying notes form part of these financial statements.

\*Includes \$210,963 due to cash held at broker refer Note 12

## NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDING 30 JUNE 2021

### 1. INCORPORATION AND ACTIVITIES

Kaizen Global Investments Limited (**the Company**) is an NSX Listed Investment Company (**LIC**) incorporated under the *Corporations Act 2001*(**the Corporations Law**) on 26 September 2014. The principal activity of the Company is to generate long-term capital appreciation while preserving capital. The Company invests substantially in global listed equities. Kaizen Capital Pty Limited is the investment manager of the Company (**the Investment Manager**). The financial statements presented are for the year ended 30 June 2021. The comparatives stated are for the year to 30 June 2020.

### 2. BASIS OF PREPARATION

The Financial Statements are general purpose financial statements which have been prepared in accordance with the Corporations Law and Accounting Standards and Interpretations, and other laws that apply to Accounting Standards including Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS). All Amounts are presented in Australian dollars unless otherwise noted.

The Financial Statements of the Company for the year ended 30 June 2021 were approved by the Directors on 13 September 2021.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company has reviewed the new accounting standards and has assessed them to have no impact.

#### (a) Financial instruments

Financial instruments are classified as financial assets and financial liabilities at FVTPL in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The category of financial assets and financial liabilities at fair value through profit or loss is sub-divided into:

- Financial instruments held-for-trading: Financial assets held-for-trading include equity securities and derivatives. These assets are acquired principally for the purpose of generating a profit from active trading and short-term fluctuation in price. All derivative instruments are classified as held-for-trading. Derivative financial instruments entered into by the Company do not meet the hedge accounting criteria. Consequently, hedge accounting is not applied by the Company.
- Financial instruments designated as at FVTPL upon initial recognition: These include equity securities and debt instruments that are not held-for-trading. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment

strategies of the Company. The financial information about these financial instruments is provided internally on that basis to the Investment Manager and to the Board of Directors.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables in the financial statements comprise of balances with banks.

### **Recognition and Measurement**

Financial assets and financial liabilities are initially recognised at cost, being the fair value of the consideration given. All transaction costs for such instruments are recognised in the statement of profit and loss and other comprehensive income. After initial recognition, these investments are remeasured at fair value with both realised and unrealised gains and losses recorded in the statement of profit and loss and other comprehensive income in "income from financial assets and financial liabilities at FVTPL".

Loans and receivables that are not quoted in an active market are stated at original invoice amount less an allowance for any impaired amounts. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or liability.

### **Trade Date**

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchase or sell the asset.

Realised gains and losses on investments are calculated by reference to the net proceeds received on disposal and the average cost attributable to those investments. Unrealised gains and losses are calculated by reference to the fair value and average cost attributable to those investments.

### **Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i. the rights to receive cash flows from the asset have expired;
- ii. the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay the cash flows received in full without material delay to a third party under a 'pass through' arrangement;
- iii. the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### **Fair value**

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 at the measurement date. The fair value of financial assets and liabilities at FVTPL is determined by reference to quoted market bid prices for financial assets and ask prices for financial liabilities at the close of business on the statement of financial position date.

### **Impairment**

The Company assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as a credit loss expense.

### **(a) Cash and cash equivalents**

For the purposes of statement of cash flows, cash and cash equivalents comprise of balances with banks, which have original maturities of less than ninety days. Cash and cash equivalents are short-term highly liquid assets that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### **(b) Accrued expenses**

Liabilities are recognised for amounts to be paid in the future for services received, whether billed or not. Accrued expenses are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

**(c) Functional and presentation currency**

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into \$AUD at the rate of exchange prevailing at the statement of financial position date. Any gains or losses on translation of monetary assets and liabilities are taken to Recognition and Measurement.

Translation gains or losses on investments at FVTPL are included in the statement of comprehensive income under net charges on financial assets and financial liabilities at FVTPL.

**(d) Interest income and expense**

Interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

**(e) Dividend income**

Dividend is recognised when the right to receive the dividend is established.

**(f) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are offset in the statement of profit and loss and other comprehensive income when it reflects the substance of the transaction or other event.

**(g) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Unless included in the effective interest calculation, fees and commission expenses are recognised on an accrual basis. Legal and audit fees are included within 'general and administrative expenses'.

**(h) Net assets attributable to holders of Participating Shares**



AASB 9 *“Financial Instruments: Presentation”* requires entities that issue financial instruments to classify such instruments as liabilities or equity in accordance with the substance of the contractual arrangement and the definitions contained within AASB 32 of a financial liability and equity instrument.

The issued by the Company provide the participating shareholders with the right to redeem their shares for cash equal to their proportionate share of the net asset value of the Company. Also, the private placement memorandum ("PPM") allows the Company to issue multiple classes of shares with varying terms on fees and redemption. As such, within the context of AASB 9, the Participating Shares issued by the Company are classified as financial liabilities.

#### **(i) Fair value measurement**

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 at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

Where the Company has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception provided in AASB 13 to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### **(j) Significant accounting judgments and estimates**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### **Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

#### **Going concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### **Functional currency**

The primary objective of the Company is to generate returns in Australian Dollars ("AUD"). The operation of the Company is managed on a day-to-day basis in AUD. The Company's performance is evaluated in AUD. Therefore, the management considers the AUD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

#### **Estimates and assumptions**

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below. The Company based its estimates and assumptions on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

The Company's investment in contract for difference requires inputs to the models in order to estimate the fair value of these financial instruments. The valuations of these instruments are provided by the broker considering liquidity and other inputs such as credit risk, correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position. The Directors and management believe that the estimates utilised in arriving at the fair value of these financial instruments are reasonable and prudent; however, actual results could differ from these estimates.

	2021	2020
	\$	\$
<b>NOTE 4: OPERATING PROFIT BEFORE INCOME TAX EXPENSE</b>		
<b>Income from deposits</b>		
Interest expenses	(42,034)	(17,276)
Total income from deposits	<b>(42,034)</b>	<b>(17,276)</b>
<b>Income from Dividends</b>		
Dividends income	30,590	20,612
Total Income from Dividends	<b>30,590</b>	<b>20,612</b>
<b>Total revenue</b>	<b>(11,444)</b>	<b>3,336</b>
Interest expenses includes the borrowing cost on short sales		
<b>NOTE 5: NET CHANGES TO NET FAIR VALUE OF INVESTMENTS</b>		
Realised gain/(loss)	535,314	36,720
Unrealised gain/(loss)	1,050,540	225,734
	<b>1,585,854</b>	<b>262,454</b>
<b>NOTE 6: ADMINISTRATION EXPENSES</b>	<b>2021</b>	<b>2020</b>
Director fees	6,000	-
Accountancy fees	2,196	2,200
Annual Meeting Expense	750	750
Auditor's remuneration	14,076	14,077
License fee	2,500	2,500
Management fee	52,927	46,104
Performance Fee	185,228	-
Listing and registered office fees	14,254	15,372
Tax Preparation Fee Expense	2,571	2,400
Insurance	10,092	10,916
Compliance	1,308	1,308

Register Fee	4,480	3,600
Fixed assets depreciation	2,950	1,117
Trading costs and other expenses	21,712	250
<b>Total administration expenses</b>	<b>321,044</b>	<b>100,594</b>
<b>NOTE 7: INCOME TAX EXPENSE</b>		
	<b>2021</b>	<b>2020</b>
<b>The components of tax expense comprise</b>	<b>\$</b>	<b>\$</b>
Increase in current tax liabilities – other		
Decrease in deferred tax liabilities	298,552	(31,461)
(Decrease)/Increase in deferred tax assets - other	30,372	(17,903)
	<b>328,923</b>	<b>(49,364)</b>

<b>NOTE 8: CASH AND CASH EQUIVALENTS</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	48,999	754,062
	<b>48,999</b>	<b>754,062</b>
All cash investments are invested with Authorised Deposit Taking Institutions. Only part of the deposits is guaranteed by the Commonwealth of Australia. The credit risk exposure of the company in relation to cash and cash equivalents is the carrying amount and any unpaid accrued interest.		

<b>NOTE 9: TRADE AND OTHER RECEIVABLES</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Dividends receivable	-	472
Prepaid expenses	11,822	267
Interest receivable - bonds	-	10,500
Treasury Shares	43,962	14,463
Due from Brokers	-	-
Other receivables	-	-
Goods and services tax refund	(821)	1,901
	<b>54,963</b>	<b>27,603</b>

Receivables are non-interest bearing and unsecured. The credit risk exposure of the company in relation to receivables is the carrying amount. At the reporting date none of the trade and other receivables are past due.

<b>NOTE 10: FINANCIAL ASSETS</b>	<b>2021</b>	<b>2020</b>
Financial assets held at fair value through the statement of profit or loss	5,592,865	3,033,961
Financial Assets are Exchange-traded securities (equities and options) and investments in non-listed securities (equities and bonds). The credit risk exposure of the company in relation to Financial Assets is the carrying amount.		
<b>Financial liabilities held at fair value through the statement of profit or loss</b>		
Measured at fair value through profit or loss	1,108,810	854,706

<b>NOTE 11: DEFERRED TAX ASSET AND LIABILITIES</b>	<b>2021</b>	<b>2020</b>
The deferred tax asset is made up of the following estimated tax benefits		
- Tax losses	8,878	115,040
- Temporary differences	75,790	-
	<b>84,668</b>	<b>115,040</b>
Deferred tax liabilities attributable to:		
- Temporary differences	366,272	67,720
	<b>366,272</b>	<b>67,720</b>

	<b>2021</b>	<b>2020</b>
<b>NOTE 12: TRADE AND OTHER PAYABLES</b>		
Interest	4,833	2,213
Accrued Dividends – Short	513	-
Management fee payable	20,418	41,591
Administration fees payable	2,890	3,461
Tax Preparation fees payable	-	2,456
Audit fee payable	9,578	8,917
Performance fees payable	185,228	
Cash due to Broker	210,963	-
Other payables	-	4,916
	<b>434,423</b>	<b>63,554</b>

<b>NOTE 13: EARNINGS PER SHARE</b>				
		<b>2021</b>	<b>2020</b>	
Weighted average number of ordinary shares used in the calculation of basic earnings per share		3,095,568	3,142,002	
Weighted average number of options outstanding		-	-	
Weighted average number of ordinary shares used in calculation of dilutive earnings per share		3,095,568	3,142,002	
		<b>\$</b>	<b>\$</b>	
<b>Profit/(Loss)attributable to members of the company</b>		924,443	115,832	
		<b>Cents</b>	<b>Cents</b>	
a. Basic earnings per share		29.863	3.687	
b. Diluted earnings per share		29.863	3.687	

#### NOTE 14: ISSUED CAPITAL

<b>Shares</b>				
Movements in issued capital of the company during the financial year were as follows:				
<b>Date</b>	<b>Details</b>	<b>Ordinary Shares</b>	<b>Price</b>	<b>Issued Capital</b>
<b>2021</b>		<b>No.</b>	<b>\$</b>	<b>\$</b>
01.07.20	Balance	3,095,568		3,029,837
	New issues	-	-	-

	Share buyback	-	-	-
<b>30.06.21</b>	<b>Balance</b>	<b>3,095,568</b>	<b>-</b>	<b>3,029,837</b>
<b>2020</b>				
01.07.19	Balance	3,164,215		3,087,052
	New issues	-	-	-
	Share buyback	(68,647)	0.833*	(57,215)
<b>30.06.20</b>	<b>Balance</b>	<b>3,095,568</b>		<b>3,029,837</b>

The share buyback is ongoing; we have bought back another 43,482 shares for \$43,962 (\$1.011 average price per share) as of June 30, 2021 and those will be cancelled in due course.

All ordinary shares rank equally for all purposes of participation in profits or capital of the company. No Options have been exercised in the financial year. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and does not calculate a par value for issued shares.

<b>Options</b>	
No options were issued in the year	

<b>NOTE 15: AUDITOR'S REMUNERATION</b>	<b>2021</b>	<b>2020</b>
Remuneration of the auditor of the company for:	<b>\$</b>	<b>\$</b>
- auditing and reviewing the financial reports	14,076	14,077
<b>NOTE 16: SEGMENT REPORTING</b>		
<b>(a) Description of segments</b>		
The Board makes the strategic resource allocations for the Company. The Company has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.		
The Board is responsible for the Company's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.		
<b>(b) Segment information provided to the Board</b>		
The internal reporting provided to the Board for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards.		
The Board considers the Company's net asset backing per share after tax to be a key measure of the Company's performance.		
	<b>Cents</b>	<b>Cents</b>
<b>Net asset backing per share</b>	125.14	95.28

<b>NOTE: 17 CASH FLOW INFORMATION</b>	<b>2021</b>	<b>2020</b>
<b>a. Reconciliation of cash flow from operations with profit after income tax</b>	<b>\$</b>	<b>\$</b>
(Loss)/Profit after income tax	924,443	115,832
Realized foreign exchange losses	27,827	(11,486)
Changes to net fair value of investments (excluding cash costs)	(1,585,854)	(262,454)
(Increase)/decrease in trade and other receivables	(27,360)	1,582
Increase/(decrease) in trade payables and accruals	159,906	12,143
(Increase)/decrease in taxes	328,923	49,364
<b>Cash flow from operations</b>	<b>(172,115)</b>	<b>(95,019)</b>

#### **NOTE 18: RELATED PARTY TRANSACTIONS**

Transactions with related parties.

<b>Related Party</b>	<b>Ordinary Shares</b>
Kaizen Capital Pty Ltd atf Kaizen Capital Recapitalization Fund I	305,000
<b>Director: Connor Grindlay</b>	50,001
CLG Investments Pty Ltd	375,305
Lisa Grindlay	25,000
<b>Director: Simon Winfield</b>	102,356
Jennifer Winfield	50,000
Georgia Winfield	5,000
<b>Director: Andre Edmunds</b>	5,000
Edmunds SMSF	152,356
Jenny Nissen	5,000

Kaizen Global Investments paid \$78,153 in management fees and accrued \$185,228 of performance fees for year to June 30 2021 to Kaizen Capital Pty Ltd. Kaizen Capital Pty Ltd is a related party of Connor Grindlay.

#### **NOTE 19: CAPITAL AND RISK MANAGEMENT**

Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk, credit risk and liquidity risk. The Board of Directors is responsible for overall management of these risks. The Investment Manager's objective is to assess, continuously measure and manage the risks of the portfolio, according to the investment objective; the investment policy and the overall risk profile of the Company.

The nature and extent of the financial instruments outstanding at the statement of financial position date and the risk management policies employed by the Company are discussed below.

**(a) Market risk**

Market risk arises from fluctuations in equity prices, interest rates and foreign exchange rate.

**(i) Price risk**

All investments present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Company's overall market positions are monitored on a regular basis by the Company's Investment Manager.

The Company's financial assets and financial liabilities at FVTPL are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Price risk sensitivity

The Manager's best estimate of the impact on operating profit and shareholders' equity due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the following table. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

Financial assets at FVTPL	% Change in market price	Impact on operating profits/Shareholders equity AUD	Impact in % on operating profits/Shareholders equity
<b>Market indices</b>			
FTSE 100 Index	5%	50,118.12	1.07%
S&P 500	5%	65,492.29	1.39%
Hang Seng Index	5%	19,022.69	0.40%
S&P/ASX 200	5%	94,343.45	2.01%
Swiss market	5%	3,953.93	0.08%
Euro	5%	(14,512.05)	-0.31%
<b>Total change if all indices moved</b>	5%	<b>218,418.42</b>	<b>4.64%</b>

**(ii) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments. The Company is exposed to interest rate risk only on its balances with banks.

The sensitivity of the Company's profit or loss for the year and the net assets attributable to holders of Participating Shares to a reasonably possible increase in interest rates by 25 basis points, with all other variables held constant would have resulted in a decrease of interest income by AUD 405.



A decrease by 25 basis points would result in an equal but opposite effect on interest income to the figure shown above, on the basis that all other variables remain constant.

**(iii) Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument denominated in foreign currencies may be affected favourably or unfavourably by fluctuations in currency rates.

The table below indicates the currencies to which the Company had significant exposure at 30 June 2021. The analysis discloses the Investment Manager's best estimate of the effect of a reasonably possible movement of 5% weakening of the Australian dollar against the listed currencies held, with all other variables held constant on the operating profits/Shareholders equity.

Net currency holding	% change in Australian dollar	Impact on operating profits/AUD
CHF	5%	3,954
EUR	5%	(15,370)
GBP	5%	49,191
HKD	5%	19,023
USD	5%	69,002

A strengthening of the Australian dollar by 5% would be expected to have an equal but opposite effect to the table.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company invests its assets in investments that are traded in an active market and can be readily disposed of. The Company's quoted securities are considered readily realisable. The Investment Manager monitors the Company's liquidity position on a daily basis. Credit and liquidity risks are measured prior to making an investment and during the holding period, and is reviewed whenever risk parameters might change or be impacted by internal or external events.

**(i) Maturities of non-derivative financial liabilities**

	Less than 1 MONTH	1-6 MONTHS	6-12 MONTHS	Over 12 MONTHS	TOTAL
30-Jun-21	\$	\$	\$	\$	\$
Payables	434,423	-	-	-	434,423
Contractual cash flows (excluding derivatives)	225,593	-	-	-	225,593

(ii) Fair value Tier 1-3 asset profile

\$	Tier 1	Tier 2	Tier 3	Total
Assets	4,741,112	415,663	436,091	5,592,865

**(c) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The main concentration of credit risk, to which the Company is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired or past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount disclosed in the Statement of Financial position.

The Company has a policy to maintain balances with reputed banks and brokers to minimise the counterparty risk. Credit risk is measured by the Investment Manager prior to making an investment and during the holding period, and is reviewed whenever risk parameters might change or be impacted by internal or external events.

Substantially all of the assets of the Company are held by the custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Company monitors its risk by monitoring the credit quality and financial positions of the custodian the Company uses.

The Standard and Poor's credit rating on the company's counterparties as 30 June 2021 are:

- Interactive Brokers LLC: BBB+ Outlook Positive
- St. George bank Ltd (Westpac Group): A+ Outlook Stable Fitch Ratings

**(d) Capital Management**

The Company's objective in managing capital and investment is to maximize compound after-tax returns for shareholders by investing in a predominantly global equity portfolio. The Company recognises that its capital position and market price will fluctuate with market conditions, and in order to adjust the capital structure it may vary the amount of dividends paid, issue new shares or options from time to time or buy back its own shares.

A breakdown of the Company's equity and changes in equity during the current year is provided in note 14: Issued capital.

**NOTE 20: DIRECTORS AND EXECUTIVES' DISCLOSURE**

In accordance with the *Corporations Amendments Regulation 2005* (No. 4) the Company has transferred the disclosure required by AASB 1046 from the notes to the Financial Statements to the Directors' Report under the heading 'Remuneration Report'. The company paid a total of \$6,000 as Directors Fees for the year ended 30 June 2021. (30 June 2020 – NIL)

**NOTE 21: SUBSEQUENT EVENTS**

The company announced on July 16th 2019 its intention to implement an on-market buy-back program (Buy-back) of up to 10% of the Company's shares within the 10/12 limit permitted by the Corporations Act, 2001 (Cth) (Act). This is ongoing. It has continued to purchase and cancel shares over the year. Subsequent to the 30 June 2021, the company received a cash payment of \$90,000 from the private company holding. This cash will be used to pay down part of the loan used to invest in the private operating company and as a capital repayment.

## DIRECTORS' DECLARATION

In accordance with the resolution of directors of Kaizen Global Investments Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 26-44, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the period ended on that date of the Company;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. the directors have been given the declarations required by s295A of the *Corporations Act 2001* that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view; and

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

Signed on behalf of the directors by



**CONNOR GRINDLAY**  
Director

13 September 2021

13 September 2021

Board of Directors  
Kaizen Global Investments Limited  
Suite 409  
350 George Street  
Sydney NSW Australia 2000

Dear Directors

**RE: KAIZEN GLOBAL INVESTMENTS LIMITED**

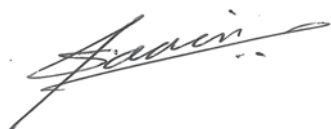
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Kaizen Global Investments Limited.

As Audit Director for the audit of the financial statements of Kaizen Global Investments Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(An Authorised Audit Company)**



**Samir Tirodkar**  
**Director**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
KAIZEN GLOBAL INVESTMENTS LIMITED**

**Report on the Audit of the Financial Report**

***Opinion***

We have audited the financial report of Kaizen Global Investments Limited ("the Company"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the 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 Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) 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 Company 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 (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 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.

Key Audit Matters	How the matter was addressed in the audit
<p><b>Valuation of Financial Assets and Financial Liabilities</b></p> <p>Financial assets and financial liabilities represent 98% of total assets and 58% of total liabilities respectively.</p> <p>Given the afore mentioned relativity of balances with respect to the total assets and liabilities, the valuation of these financial assets and financial liabilities is considered to be a key audit matter.</p> <p>The valuation of financial investments held at fair value is based on a range of inputs. All of the inputs required can be obtained from readily available liquid market prices and rates.</p>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>i. We audited the entity's valuation of individual investment holdings. We corroborated the pricing inputs used in the valuation of both financial assets and financial liabilities to independent data sources; and</li> <li>ii. We have audited the change in values of both financial assets and financial liabilities to ensure that these changes are reflected correctly on the statement of financial performance.</li> </ol>
<p><b>Existence of Financial Assets and Financial Liabilities</b></p> <p>Financial assets and financial liabilities represent 97% of total assets (excluding cash and cash equivalents) and 65% of total liabilities respectively.</p> <p>Given the afore mentioned relativity of balances with respect to the total assets and liabilities, the existence of these financial assets and financial liabilities at balance date is considered to be a key audit matter.</p>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>i. Verification of listed holding balances of financial assets and financial liabilities held at balance date to third party broker statements and;</li> <li>ii. Discussion with management the nature of financial assets and financial liabilities held at balance date to ensure no omissions.</li> </ol>

***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, 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 opinion 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 Company 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 Company or to cease operations, or has 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 Company'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 Company to cease to continue as a going concern.



We 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.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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, related safeguards.

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 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*

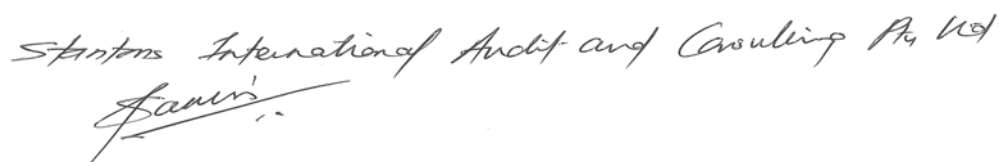
We have audited the Remuneration Report included in pages 20 to 21 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Kaizen Global Investments Limited for the year ended 30 June 2021 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.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)



**Samir Tirodkar**  
Director  
West Perth, Western Australia  
13 September 2021