

# **Cosmos Purpose Ethereum Access ETF**

ARSN 657 859 642

## **Financial report**

**For the period from 21 March 2022 to 30 June 2022**

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This financial report covers Cosmos Purpose Ethereum Access ETF as an individual entity.

The Responsible Entity of Cosmos Purpose Ethereum Access ETF is K2 Asset Management Ltd (ABN 95 085 445 094).

The Responsible Entity's registered office is:  
Level 32, 101 Collins Street  
Melbourne, Victoria, 3000.

## Directors' report

The Directors of K2 Asset Management Ltd (ABN 95 085 445 094), the Responsible Entity of Cosmos Purpose Ethereum Access ETF, present their report together with the financial statements of Cosmos Purpose Ethereum Access ETF (the "Fund") for the period from 21 March 2022 to 30 June 2022 and the auditor's report thereon.

### Principal activities

The Fund commenced trading on 31 May 2022, registered with ASIC on 21 March 2022 and listed on Cboe Australia (CXA) on 31 May 2022. The Fund employs a passive management strategy of investing directly in Purpose Ether ETF units, which is an Exchange Traded Fund listed on the Toronto Stock Exchange (TSX: ETHH.U), as set out in the current Product Disclosure Statement and in accordance with the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's activities during the period.

The Fund is a registered managed investment scheme domiciled in Australia.

### Directors

The following persons held office as Directors of K2 Asset Management Ltd during the period or since the end of the period and up to the date of this report:

Campbell W Neal  
Hollie A Wight  
George Boubouras

### Service providers

The Investment Manger of the Fund is Cosmos Asset Management Pty Ltd.

The Responsible Entity of the Fund is K2 Asset Management Ltd.

The Custodian of the Fund is State Street Australia Limited.

The Administrator of the Fund is State Street Australia Limited.

The Unit Registry service provider of the Fund is Automic Pty Ltd.

The registered office and principal place of business of the Responsible Entity and the Fund is Level 32, 101 Collins Street, Melbourne, Victoria, 3000.

### Review and results of operations

During the period of trading, the Fund maintained a passive management strategy of investing directly in Purpose Ether ETF (TSX: ETHH.U) as permitted by the Fund's Constitution.

The investment policy of the Fund is that detailed in the current Product Disclosure Statement and in accordance with the provisions of the Fund's Constitution.

## Directors' report (continued)

### Review and results of operations (continued)

#### Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	For the reporting period from 21 March 2022 to 30 June 2022
Loss before finance costs attributable to unit holders for the period (\$)	(108,152)
<b>Distributions</b>	
Distributions paid and payable (\$)	-
Distributions (cents per unit)	-

#### Net Asset Value per unit

NAV per unit (quoted ex-distribution) are shown as follows:

	2022 \$
At 30 June	6.58

#### Significant changes in state of affairs

On 31 May 2022, the Fund was listed on Cboe Australia (CXA) as an Exchange Traded Fund (CXA: CPET).

The residual impacts of COVID-19 and emerging risks such as rising inflation and commodity prices, increasing interest rates and supply chain constraints continue to create uncertainty as businesses navigate a new landscape. At the date of signing the financial statements, uncertainty remains on the likely impact of these factors on the short and long-term performance of the Fund. The Responsible Entity will continue to assess this impact.

Other than the above, there were no significant changes in the state of affairs of the Fund during the period.

#### Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

#### Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

## Directors' report (continued)

### Likely developments and expected results of operations (continued)

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

### Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the Officers of K2 Asset Management Ltd or the auditors of the Fund. So long as the Officers of K2 Asset Management Ltd act in accordance with the Fund's Constitution and the Law, the Officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### Fees paid to and interests held in the Fund by the Responsible Entity or its associates

No fees were paid out to the Responsible Entity and its associates out of the Fund property during the period.

No fees were paid out of the Fund property to the Directors of the Responsible Entity during the period.

No units in the Fund are held by the Responsible Entity or its related parties as at the end of the period.

### Interests in the Fund

The movement in units on issue in the Fund during the period is set out below:

	As at 30 June 2022 No.
Units on issue - 21 March	-
Units issued during the period	25,000
Units redeemed during the period	-
Units on issue - 30 June	25,000

	As at 30 June 2022 \$
<b>Value of assets</b>	
Net value of the Fund's assets	164,489

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

### Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

## Directors' report (continued)

### Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of the Directors' report.

This report is made in accordance with a resolution of the Directors of K2 Asset Management Ltd.



Hollie A Wight  
Director

Melbourne  
12 September 2022



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of K2 Asset Management Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Cosmos Purpose Ethereum Access ETF for the financial period from 21 March 2022 to 30 June 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten version of the KPMG logo in blue ink, appearing as 'KPMG' with a stylized grid above the letters.

KPMG

A handwritten signature in blue ink, appearing to read 'Chris Wooden'.

Chris Wooden

*Partner*

Melbourne

12 September 2022

## Statement of comprehensive income

	Notes	For the reporting period from 21 March 2022 to 30 June 2022 \$
<b>Investment income</b>		
Net foreign exchange gains		479
Net losses on financial instruments held at fair value through profit or loss	5	(108,928)
Other operating income		<u>297</u>
<b>Total net investment loss</b>		<u>(108,152)</u>
<b>Expenses</b>		
<b>Total operating expenses</b>		<u>-</u>
<b>Loss before finance costs attributable to unit holders for the period</b>		<u>(108,152)</u>
<b>Finance costs attributable to unit holders</b>		
Distributions to unit holders		-
Decrease in net assets attributable to unit holders	7	<u>(108,152)</u>
<b>Profit/(loss) for the period</b>		<u>-</u>
Other comprehensive income		<u>-</u>
<b>Total comprehensive income for the period</b>		<u>-</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

## Statement of financial position

	Notes	As at 30 June 2022 \$
<b>Assets</b>		
Receivables	10	297
Financial assets at fair value through profit or loss	6	<u>164,192</u>
<b>Total assets</b>		<u>164,489</u>
<b>Liabilities</b>		
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>-</u>
<b>Net assets attributable to unit holders - liability</b>	7	<u>164,489</u>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

### Statement of changes in equity

The Fund's net assets attributable to unit holders are classified as a liability under *AASB 132 Financial Instruments: Presentation*. As the Fund has no equity, the Fund has not presented any items of changes in equity for the current period.

## Statement of cash flows

	Notes	For the reporting period from 21 March 2022 to 30 June 2022 \$
<b>Cash flows from operating activities</b>		
Purchase of financial instruments at fair value through profit or loss		(273,120)
Proceeds from foreign exchange movements		<u>479</u>
<b>Net cash inflow/(outflow) from operating activities</b>	8(a)	<u>(272,641)</u>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders		<u>272,641</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>272,641</u>
Cash and cash equivalents at the beginning of the period		<u>-</u>
<b>Cash and cash equivalents at the end of the period</b>	8(b)	<u>-</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## **Contents of the notes to the financial statements**

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## 1 General information

These financial statements cover Cosmos Purpose Ethereum Access ETF (the “Fund”) as an individual entity which is a registered managed investment scheme under the *Corporations Act 2001* and was admitted to trading status on the Cboe Australia (CXA) under the Cboe Operating Rules on 31 May 2022. The Fund was registered with the Australian Securities and Investments Commission (ASIC) as a registered managed investment scheme on 21 March 2022 and began operations on 31 May 2022. The Fund will terminate on 21 March 2102 unless terminated earlier in accordance with the provisions of the Fund’s Constitution.

The Responsible Entity of the Fund is K2 Asset Management Ltd (the “Responsible Entity”). The Responsible Entity’s registered office is Level 32, 101 Collins Street, Melbourne VIC 3000. The financial statements are presented in Australian currency.

The Fund employs a passive management strategy of investing directly in Purpose Ether ETF units, which is an Exchange Traded Fund listed on the Toronto Stock Exchange (TSX: ETHH.U).

These financial statements were approved by the Board of Directors of the Responsible Entity and authorised for issue by the Directors on 12 September 2022. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements of the Fund are for the period from 21 March 2022 to 30 June 2022.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. Cosmos Purpose Ethereum Access ETF is a for-profit fund for the purpose of preparing the financial statements.

The financial statements are prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

The statement of financial position is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined at the end of the reporting period.

In the case of net assets attributable to unitholders, the units issued to the authorised participant are redeemable on demand at the unitholder’s option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

#### (i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

### (b) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 21 March 2022 that have a material impact on the Fund.

## 2 Summary of significant accounting policies (continued)

### (c) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

### (d) Financial Instruments

#### (i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of those financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Investment in unit trusts are measured at fair value through profit or loss.

For cash and cash equivalents, due from brokers and receivables, these amounts are initially recognised at fair value and subsequently measured at amortised cost.

- Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable, due to brokers, management fees payable and other payables).

#### (ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all of the risk and rewards of ownership. Financial liabilities are derecognised when obligations under the liabilities are discharged, cancelled or expired.

#### (iii) Measurement

At initial recognition, the Fund measures its financial assets and financial liabilities at fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income. Financial liabilities are derecognised when obligation under the liabilities are discharged, cancelled or expired.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income in the period in which they arise.

For further details on how the fair values of financial instruments are determined, please see Note 4 to the financial statements.

For financial assets and financial liabilities measured at amortised costs, they are initially measured at fair value plus (in case of financial assets) or minus (in case of financial liabilities), any directly attributable transaction costs. They are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

## 2 Summary of significant accounting policies (continued)

### (d) Financial Instruments (continued)

#### (iii) Measurement (continued)

Cash and cash equivalents and receivables are carried at amortised cost.

#### (iv) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

### (e) Net assets attributable to unitholders

Only Authorised Participants may directly apply or redeem the units at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders less redemption costs. Ordinary investors can not redeem the units directly to the Fund.

Units are classified as liability as they represent contractual obligation of the Fund as per AASB 132 *Financial instruments: Presentation*.

### (f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term, highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions including cash management trusts, and bank overdrafts (which are shown separately on the statement of financial position).

## 2 Summary of significant accounting policies (continued)

### (g) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income and distribution income when the Fund's right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(d) to the financial statements.

### (h) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis. All expenses of the Fund are borne by the Investment Manager for the current financial period.

As disclosed in the Product Disclosure Statement, the Fund's management fee cap is set at 1.25% p.a. of the net asset value (NAV) of the Fund. The management fee is comprised of the cost to manage the Fund, recoverable expenses, and indirect investment costs of the Purpose Ether ETF (TSX: ETHH.U). If the aggregate of the aforementioned expenses exceeds 1.25% p.a. of the Fund's NAV, the Investment Manager is liable to refund the excess amount over the management fee cap back to the Fund.

The refund is classified as other operating income on the Statement of comprehensive income.

### (i) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

The benefits of any imputation credits and foreign tax paid are passed on to unitholders.

### (j) Distributions

Distributions are payable as set out in the Fund's Product Disclosure Statement and are paid to unit holders in the form of cash or reinvested units. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### (k) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in the net assets attributable to unitholders. As the Fund's units are classified as financial liabilities, movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

## 2 Summary of significant accounting policies (continued)

### (l) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The Fund's functional currency is the Australian dollar. This is also the Fund's presentation currency.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which are due to changes in foreign exchange rates from those due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

### (m) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the period. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a financial asset may be credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

## 2 Summary of significant accounting policies (continued)

### (n) Receivables

Receivables may include amounts for distributions, dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(g) above. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a financial asset may be credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (o) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

### (p) Applications and redemptions

Unit application and redemption prices are determined by reference to the unit price methodology outlined in the Fund's Constitution and Product Disclosure Statement. These prices may differ from the market price quoted on the CXA Stock Exchange.

### (q) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% - 75%; hence investment management fees, custodial fees and other expenses are recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis. All expenses of the Fund have been borne by the Investment Manager for current financial period, refer note 2(h).

### (r) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

All financial instruments the Fund holds as at 30 June 2022 have a readily available quoted market price. However, certain financial instruments which the Fund may hold, for example exchange-traded derivatives, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

## 2 Summary of significant accounting policies (continued)

### (r) Use of estimates (continued)

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For more information on how fair value is calculated, please see Note 4 to the financial statements.

No credit impairment has been recognised under the expected credit loss model. Please see Note 3 for more information on credit risk.

### (s) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

The Fund is organised into one main segment which operates solely in the business of investment management within Australia.

## 3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and Constitution and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the investment management team using policies approved by the Board of Directors of the Responsible Entity (the "Board"). The Fund's policy allows it to use derivative financial instruments in managing its financial risks. Other aspects of risk are overseen by the Responsible Entity's compliance committee.

All investments present a risk of loss of capital. The maximum loss of capital on long positions is limited to the fair value of those positions.

The Fund uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

The Fund does not have any direct exposure to losses from the Russia/Ukraine conflict.

### (a) Market risk

'Market risk' is the risk that changes in market prices, such as interest rates, foreign exchange rates, equity prices and credits spreads, will affect the Fund's income or the fair value of its holdings of financial instruments.

#### (i) Price risk

The Fund is exposed to unit trusts securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the statement of financial position as at fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate due to changes in foreign exchange rates. Paragraph (ii) sets out how this component of price risk is managed and measured. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

The Fund solely invests in Purpose Ether ETF which is publicly traded on the Toronto Stock Exchange as described in the Product Disclosure Statement.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Price risk (continued)

The table in Note 3(b) summarises the sensitivity of the Fund's assets and liabilities to price risk. The analysis is based on the assumptions that the markets in which the Fund invests increased/(decreased) by 10%. The impact mainly arises from the possible change in the fair value of listed equities and equity derivatives.

##### (ii) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The Investment Manager aims to mitigate this risk via actively managing its currency exposure. The risk is measured using sensitivity analysis.

The investment strategy for foreign exchange exposure is reviewed on a daily basis.

The table below summarises the Fund's major exposure to assets and liabilities that are denominated in US dollar.

	30 June 2022 Denominated in USD A\$
Financial assets held at fair value through profit or loss	164,192
Bank overdraft	-
Payables	-
<b>Total</b>	<b>164,192</b>

The table in note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened/strengthened by 10% against other currencies to which the Fund is exposed.

##### (iii) Interest rate risk

The Fund's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$
<b>As at 30 June 2022</b>				
<b>Assets</b>				
Receivables	-	-	297	297
Financial assets at fair value through profit and loss	-	-	164,192	164,192
<b>Liabilities (excluding net assets attributable to unit holders)</b>				
<b>Net exposure</b>	-	-	164,489	164,489

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

The table in Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/-300 basis points from the period end rates with all other variables held constant.

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's loss and net assets attributable to unitholders to interest rate risk, foreign exchange risk and other price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusual market movements resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk		Foreign exchange risk	
	Impact on loss/Net assets attributable to unitholders			
	-10%	10%	-10%	10%
			USD	USD
	\$	\$	A\$	A\$
<b>30 June 2022</b>	<b>(16,419)</b>	<b>16,419</b>	<b>(16,419)</b>	<b>16,419</b>

Investing in a managed Fund is not without associated risk. The Fund's ability to produce investment returns is dependent on a wide range of factors, non unusual or unique to this Fund. An investment in the Fund, by itself, generally does not provide a complete investment program but rather is intended to serve as part of an investor's overall investment portfolio. The Fund will be exposed to risks through its direct investment in any given asset, sector or asset class. Investors should refer to the Funds Product Disclosure Document for detail of the risks inherent in investing in the Fund.

The residual impacts of COVID-19 and emerging risks such as rising inflation and commodity prices, increasing interest rates and supply chain constraints continue to create uncertainty as businesses navigate a new landscape. At the date of signing the financial statements, uncertainty remains on the likely impact of these factors on the short and long-term performance of the Fund. The Responsible Entity will continue to assess this impact.

#### (c) Credit risk

'Credit risk' is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

Credit risk primarily arises from cash and cash equivalents, deposits with banks and other and other financial institutions and due from brokers. None of these assets are past due or impaired and no impairment has been recognised under expected credit loss model.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics except for cash held with custodians. The creditworthiness of counterparties is reviewed by the Board to further assist in mitigating this risk. The credit rating of the Fund administrator is reviewed annually and on an as needs basis.

### 3 Financial risk management (continued)

#### (d) Liquidity risk

'Liquidity risk' is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk occurs when securities become illiquid and as a result the position becomes difficult to exit. The Investment Manager aims to mitigate this risk by only investing in those markets that provide reasonable liquidity. Portfolio liquidity testing is conducted regularly to assess the time frames required to exit current positions.

The Fund's listed securities are considered readily realisable, as the Fund solely invests in Purpose Ether ETF listed on the Toronto Stock Exchange.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period from contractual maturity date to the period end date. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	No stated maturity	Total
As at 30 June 2022	\$	\$	\$	\$	\$	\$
Net assets attributable to unitholders	-	-	-	-	-	-
<b>Total liabilities</b>	-	-	-	-	-	-

In the case of net assets attributable to unitholders, the units issued to authorised participants are redeemable on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term.

### 4 Fair value measurement

The Fund measures and recognises the following financial assets and liabilities at fair value.

- Financial assets at fair value through profit or loss (see Note 6)

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### (i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets and financial liabilities is the last traded price. When the Fund holds derivatives with offsetting market risks, it uses last traded prices as a basis for establishing fair values for the offsetting risk positions and applies this last traded price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

## 4 Fair value measurement (continued)

### Recognised fair value measurements

The following table presents the Fund's assets measured and recognised at fair value as at 30 June 2022.

As at 30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets at fair value through profit or loss</b>				
International listed unit trust	<u>164,192</u>	-	-	<u>164,192</u>
Total	<u>164,192</u>	-	-	<u>164,192</u>

#### (i) Transfers between levels

There were no transfers between levels in the fair value hierarchy for the period ended 30 June 2022.

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

#### (ii) Fair value measurements using significant unobservable inputs (Level 3)

There are no level 3 instruments held by the Fund with fair value measurements using significant unobservable inputs at 30 June 2022.

#### (iii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being Level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from Level 3 are analysed at the end of each reporting period.

#### (iv) Financial instruments not measured at fair value

Financial instruments not measured at fair value through profit or loss include cash and cash equivalents, receivables, due from brokers, bank overdrafts, distribution and other payables and due to brokers. These are short term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

## 5 Net losses on financial instruments at fair value through profit or loss

The following table details the gains and losses recognised in relation to financial assets and liabilities at fair value through profit or loss:

	For the reporting period from 21 March 2022 to 30 June 2022 \$
<b>Financial assets</b>	
Net losses on financial assets at fair value through profit and loss	(108,449)
<b>Financial liabilities</b>	
Net losses on financial liabilities at fair value through profit and loss	<u>(479)</u>
<b>Total net losses from financial instruments at fair value through profit or loss</b>	<u>(108,928)</u>

## 6 Financial assets at fair value through profit or loss

	As at 30 June 2022 \$
<b>Financial assets at fair value through profit or loss</b>	
International listed unit trusts	<u>164,192</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>164,192</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 3 and Note 4.

## 7 Net assets attributable to unitholders - liability

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	For the reporting period from 21 March 2022 to 30 June 2022 No.	For the reporting period from 21 March 2022 to 30 June 2022 \$
<b>Net assets attributable to unitholders</b>		
Opening balance	-	-
Applications	25,000	272,641
Redemptions	-	-
Reinvestment of distributions	-	-
Increase/(decrease) in net assets attributable to unitholders	-	(108,152)
<b>Closing balance</b>	<b>25,000</b>	<b>164,489</b>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

On the Statement of cash flows, proceeds from applications by unitholders incorporate application funding received from unit holders and also the value of units issued upon reinvestment of distributions, while distribution paid includes the cash distribution portion only.

### Capital risk management

The Fund considers its capital to be unitholders' funds. The Investment Manager manages its net assets attributable to unitholders as liability.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund strives to invest in securities that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

## 8 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	For the reporting period from 21 March 2022 to 30 June 2022 \$
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>	
Profit/(loss) for the period	(108,152)
Purchase of financial instruments at fair value through profit or loss	(273,120)
Net (gains)/losses on financial instruments at fair value through profit or loss	108,928
Net change in receivables	(297)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(272,641)</u>
<b>(b) Cash and cash equivalent*</b>	<u>-</u>

\* This represents bank account maintained with State Street Australia Limited.

## 9 Auditor's remuneration

During the period, the following fees were paid or payable for services provided by the auditor of the Fund:

	For the reporting period from 21 March 2022 to 30 June 2022 \$
<i>Audit services</i>	
Auditing the financial report	13,000
Compliance plan audit	5,408
	<u>18,408</u>
<i>Taxation services</i>	
Tax compliance services	7,890
	<u>7,890</u>
Total remuneration paid or payable to KPMG	<u>26,298</u>

In the financial period ended 30 June 2022, the remuneration of auditors is borne by the Investment Manager. No audit fee is paid directly by the Fund.

## 10 Receivables

	As at 30 June 2022 \$
Management fee rebate receivable	297
Total receivables	297

## 11 Related party transactions

### Responsible Entity

The Responsible Entity of Cosmos Purpose Ethereum Access ETF is K2 Asset Management Ltd. Accordingly, transactions with entities related to K2 Asset Management Ltd are disclosed below.

The Responsible Entity has contracted services to Cosmos Asset Management Pty Ltd to act as the Investment Manager for the Fund and State Street Australia Limited to act as the Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

### Key management personnel

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund.

#### (i) Directors

Key management personnel includes persons who were Directors of K2 Asset Management Ltd at any time during the period and up to the date of this report:

Campbell W Neal  
Hollie A Wight  
George Boubouras

#### (ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial period.

### Key management personnel unitholdings

There were no key management personnel of K2 Asset Management Ltd (or their related entities) as at 30 June 2022.

### Related party unitholdings

Neither the Responsible Entity nor its Parent company held units in the Fund at the end of the period.

### Key management personnel compensation

Key management personnel are paid by K2 Asset Management Ltd. Payments made from the Fund to K2 Asset Management Ltd do not include any amounts directly attributable to compensation of key management personnel.

## **11 Related party transactions (continued)**

### **Key management personnel loan disclosures**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### **Investments**

The Fund did not hold any investments in K2 Asset Management Ltd or K2 Asset Management Holdings Ltd or its affiliates during the period.

### **Responsible Entity Fees and other transactions**

Responsible entity fees and all other expenses are borne by the Investment Manager during the reporting period.

## **12 Events occurring after the reporting period**

No significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2022 or on the results and cash flows of the Fund for the period ended on that date.

## **13 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2022.

## Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 27 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance for the period ended on that date; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2; and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of K2 Asset Management Ltd.



Hollie A Wight  
Director

Melbourne  
12 September 2022



# Independent Auditor's Report

To the unitholders of Cosmos Purpose Ethereum Access ETF

## Opinion

We have audited the **Financial Report** of Cosmos Purpose Ethereum Access ETF (the Scheme).

In our opinion, the accompanying Financial Report of the Scheme is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Scheme's** financial position as at 30 June 2022 and of its financial performance for the period from 21 March 2022 to 30 June 2022; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2022
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the period from 21 March 2022 to 30 June 2022
- Notes including a summary of significant accounting policies
- Directors' Declaration.

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## 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.

This matter was 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.



**Valuation of financial assets at fair value through profit or loss - \$164,192**

Refer to *Note 2(d)*, *Note 4* and *Note 6* to the Financial Report.

The key audit matter	How the matter was addressed in our audit
<p>Financial assets at fair value through profit or loss comprise investment in units of exchange traded fund (ETF) (“investments”).</p> <p>The Scheme outsources certain processes and controls relevant to:</p> <ul style="list-style-type: none"> <li>Recording and valuing of investments to the Fund Administrator.</li> <li>Maintaining custody and underlying records of investments to the Custodians.</li> <li>Initiating and executing the purchase and sale of investments to the Investment Manager.</li> </ul> <p>Valuation of Financial assets at fair value through profit or loss is a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>Size of the Scheme’s portfolio of investments. The investments represent 99.8% of the Scheme’s net assets as at year end; and</li> <li>Importance of the performance of the investments in driving the Scheme’s investment income and capital performance, as reported in the financial report.</li> </ul> <p>As a result, this was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>We assessed the appropriateness of the accounting policies applied by the Scheme, including those relevant to the fair value of investments, against the requirements of the accounting standards.</li> <li>We obtained and read the Scheme's Fund Administrator and Custodian’s GS007 (<i>Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services</i>) assurance report for the period from 1 April 2021 to 31 March 2022 to understand and assess the controls relevant to the: <ul style="list-style-type: none"> <li>Fund Administrator - to record and value the Scheme's investment; and</li> <li>Custodian - to maintain custody and underlying records of the Scheme's investment.</li> </ul> </li> <li>We obtained and read the Scheme’s Fund Administrator and Custodian’s bridging letter over the period not covered by the GS007 assurance report. We compared the controls in the bridging letter for consistency with those in the GS007 assurance reports.</li> <li>We assessed the reputation, professional competence and independence of the auditors of the GS007 assurance report.</li> <li>We checked the existence of investments being the ownership and quantity held to independent confirmations from the Custodian as at 30 June 2022.</li> <li>We checked the valuation of investments, as recorded in the general ledger, to externally quoted market prices from the relevant stock exchange as at 30 June 2022.</li> <li>We evaluated the Scheme’s disclosures using our understanding obtained from our testing, against the requirements of the accounting standards.</li> </ul>

**Other Information**

Other Information is financial and non-financial information in Cosmos Purpose Ethereum Access ETF’s annual reporting which is provided in addition to the Financial Report and the Auditor’s Report. The Directors of K2 Asset Management Ltd (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.



In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Financial Report

The Directors of K2 Asset Management Ltd (Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf). This description forms part of our Auditor's Report.

KPMG

Chris Wooden

*Partner*

Melbourne

12 September 2022