CHINA SEAS BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2014

CHINA SEAS BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS
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CHINA SEAS BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS
GENERAL INFORMATION

DIRECTORS:	Chris Hickling Janine Lewis David Stephenson
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Praxis Fund Services Limited PO Box 296 Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
INVESTMENT ADVISER:	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
REGISTERED OFFICE:	Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
AUDITOR:	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
BANKERS:	Investec Bank (Channel Islands) Limited PO Box 188 Glategny Court Glategny Esplanade St Peter Port Guernsey GY1 3LP
COMPANY REGISTRATION NO:	51929

REPORT OF THE DIRECTORS
For the year ended 30 September 2014

The Directors present their report and the audited financial statements for the year ended 30 September 2014.

Principal Activity

The principal activity of the Company is investment holding.

The Company is a Guernsey registered closed-ended investment company and is subject to the Registered Closed-Ended Investment Scheme Rules 2008.

Under the terms of the Company's prospectus, in the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 15 March 2016.

Results and Dividends

The profit and loss statement is set out on page 7. The Directors do not propose a dividend for the year (2013: Nil).

Directors

The Directors of the Company during the period and to the date of this report are detailed below.

Chris Hickling

Janine Lewis

David Stephenson

No Director had any beneficial interest in the shares of the Company.

Statement of Directors' Responsibilities

The Directors are responsible for preparing a Directors' Report and the financial statements in acccordance with The Companies (Guernsey) Law, 2008 and applicable regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ('UK GAAP').

Under The Companies (Guernsey) Law, 2008 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for the year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Directors' Responsibilities (continued)

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- the financial statements give a true and fair view and have been prepared in accordance with The Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Auditor

A resolution to re-appoint Saffery Champness as auditor will be put to the members at the Annual General Meeting.

By Order of the Board

Chris Hickling
Director
25 March 2015

INDEPENDENT AUDITOR'S REPORT
To the members of China Seas Basket Limited

We have audited the financial statements of China Seas Basket Limited (the "Company") for the year ended 30 September 2014, which comprise the Profit and Loss account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is in accordance with applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with Generally Accepted Accounting Principles; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company;
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

SAFFERY CHAMPNESS
CHARTERED ACCOUNTANTS
GUERNSEY
25 March 2015

CHINA SEAS BASKET LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2014

	Notes	**Year ended 30/09/2014 AUD**	Year ended 30/09/2013 AUD
REVENUE			
Interest income	3	**31,653**	99,328
(LOSS)/GAIN ON INVESTMENTS			
Investments at fair value through profit and loss	4	**(577,290)**	(46,141)
Available-for-sale investments - realised gains	5	**566,782**	263,650
		21,145	316,837
OPERATING EXPENSES	6	**(658,965)**	(705,082)
LOSS FOR THE YEAR		**(637,820)**	(388,245)
Loss per ordinary share			
Basic and diluted loss per ordinary share	7	**(14.93)**	(8.75)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 September 2014

		Year ended 30/09/2014 AUD	Year ended 30/09/2013 AUD
LOSS FOR THE YEAR		**(637,820)**	(388,245)
GAINS ON INVESTMENTS			
Available-for-sale investments - unrealised	5	**1,768,313**	1,923,249
Recycling of prior year revaluation gains	5	**(494,434)**	(224,625)
TOTAL RECOGNISED GAIN FOR THE YEAR		**636,059**	1,310,379

All gains and losses are derived from continuing operations.

There are no recognised gains or losses for the year other than those reported above.

The notes on pages 11 to 18 are an integral part of these financial statements.

CHINA SEAS BASKET LIMITED

BALANCE SHEET
As at 30 September 2014

	Notes	2014 AUD	2014 AUD	2013 AUD	2013 AUD
FIXED ASSETS					
Investments at fair value through profit and loss	4	**6,196,948**		6,902,189	
Available-for-sale investments	5	**38,312,512**		38,670,903	
			44,509,460		45,573,092
CURRENT ASSETS					
Debtors and prepayments	8	**1,751,177**		573,292	
Fixed deposits		**306,557**		-	
Cash at bank		**637,707**		1,553,030	
		2,695,441		2,126,322	
CREDITORS: amounts falling due within one year					
Creditors and accruals	9	**(12,512)**		(11,725)	
NET CURRENT ASSETS			**2,682,929**		2,114,597
CREDITORS: amounts falling due after one year					
Creditors and accruals	9		**(146,177)**		(141,883)
			47,046,212		47,545,806
CAPITAL AND RESERVES					
Share capital	10		**424**		435
Share premium	11		**42,207,791**		43,343,433
Profit and loss account			**(5,426,425)**		(4,788,605)
Revaluation reserve	12		**10,264,422**		8,990,543
EQUITY SHAREHOLDERS' FUNDS			**47,046,212**		47,545,806
Number of fully paid ordinary shares			**42,271**		43,355
Net Asset Value per ordinary share			**1,112.97**		1,096.66

The financial statements were approved and authorised for issue by the Board on 25 March 2015 and signed on its behalf by:

Chris Hickling
Director

The notes on pages 11 to 18 are an integral part of these financial statements.

CHINA SEAS BASKET LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 30 September 2014

	Management Shareholders	Ordinary Shareholders				Total
	Share capital AUD	Share capital AUD	Share premium AUD	Retained earnings AUD	Revaluation reserve AUD	Total AUD
Year ended 30 September 2013						
At 30 September 2012	1	447	44,733,381	(4,400,360)	7,291,919	47,625,388
Redemption of shares (see notes 10, 11)	-	(13)	(1,389,948)	-	-	(1,389,961)
Recycling of prior year revaluation gains on investments disposed of during the year (see note 5)	-	-	-	-	(224,625)	(224,625)
Loss for the year	-	-	-	(388,245)	-	(388,245)
Revaluation of available-for-sale investments (see note 12)	-	-	-	-	1,923,249	1,923,249
At 30 September 2013	1	434	43,343,433	(4,788,605)	8,990,543	47,545,806
Year ended 30 September 2014						
Redemption of shares (see notes 10, 11)	**-**	**(11)**	**(1,135,642)**	**-**	**-**	**(1,135,653)**
Recycling of prior year revaluation gains on investments disposed of during the year (see note 5)	**-**	**-**	**-**		**(494,434)**	**(494,434)**
Loss for the year	**-**	**-**	**-**	**(637,820)**	**-**	**(637,820)**
Revaluation of available-for-sale investments (see note 12)	**-**	**-**	**-**	**-**	**1,768,313**	**1,768,313**
At 30 September 2014	**1**	**423**	**42,207,791**	**(5,426,425)**	**10,264,422**	**47,046,212**

The notes on pages 11 to 18 are an integral part of these financial statements.

CHINA SEAS BASKET LIMITED

CASH FLOW STATEMENT
For the year ended 30 September 2014

	Notes	**Year ended 30/09/2014 AUD**	Year ended 30/09/2013 AUD
RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES			
Cash flows from operating activities			
Operating loss for the year		**(637,820)**	(388,245)
Less:			
Interest income	3	**(31,653)**	(99,328)
Adjustments for non-cash items:			
Losses on investments at fair value through profit and loss	4	**577,290**	46,141
Gains on available-for-sale investments		**(566,782)**	(263,650)
Working capital adjustments:			
(Increase)/decrease in debtors and prepayments		**(1,177,655)**	18,337
Increase in creditors and accruals		**5,081**	34,038
Net cash outflow from operating activities		**(1,831,539)**	(652,707)

CASH FLOW STATEMENT

	Notes	**Year ended 30/09/2014 AUD**	Year ended 30/09/2013 AUD
Net cash outflow from operating activities		**(1,831,539)**	(652,707)
Returns on investments and servicing of finance			
Interest income		**31,423**	108,584
Capital expenditure and financial investment			
Disposals of investments held at fair value through profit and loss	4	**127,951**	132,976
Disposals of available-for-sale investments	5	**2,199,052**	1,207,003
		2,327,003	1,339,979
Financing			
Redemptions of ordinary share capital	10,11	**(1,135,653)**	(1,389,961)
Management of liquid reserves			
Transfer to fixed deposit		**(306,557)**	-
		(1,442,210)	(1,389,961)
Net decrease in cash		**(915,323)**	(594,105)
Cash at the beginning of the year		**1,553,030**	2,147,135
Cash at the end of the year		**637,707**	1,553,030

The notes on pages 11 to 18 are an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements of China Seas Basket Limited, with domicile in Guernsey, have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP), and on the historical cost basis, except for the revaluation of investments.

Going concern

In the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 15 March 2015, hence these financial statements have been prepared on a break up basis.The Directors do not anticipate the costs of liquidation to be material.

The preparation of financial statements on a break up basis requires that assets are reduced to their recoverable amounts and that provisions are made for future losses. The Directors have considered whether there is any indication that the recoverable amount of the Company's assets is lower than the amount recorded as fair value at 30 September 2014. They have concluded that any post balance sheet changes in value reflect fair value changes and do not indicate a reduction in the recoverable amount at 30 September 2014 and, accordingly, that no adjustment is required to the carrying amount of the Company's assets or liabilities. In addition the Directors have considered whether any provision is required for future losses. The Company will continue to incur expenses up to the date of redemption of the Shares. However, the anticipated excess of redemption value over the fair value at 30 September 2014 of the Company's investments is expected to exceed the Company's estimated future expenses and, accordingly, the Directors do not consider that a provision for future losses is required.

Foreign exchange

Foreign currency assets and liabilities are translated into Australian Dollars at the rate of exchange ruling on the balance sheet date. Foreign currency transactions are translated into Australian Dollars at the rate of exchange ruling on the date of the transaction. Foreign exchange gains and losses are included in the profit and loss account in the period in which they arise.

Income

Bank interest is accounted for on an accruals basis.

Investments

The Company's option investments are designated as investments at fair value through profit or loss.

The Company's bond investments are designated as available-for-sale investments.

All investments are measured initially at cost, which is the fair value of whatever was paid to acquire them. Transaction costs are expensed as incurred in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired and the Company has transferred substantially all risks and rewards of ownership.

After initial recognition, the Company uses the following measurement bases for its investments:

i) Those so designated at inception: Fair value through profit and loss;

ii) Available-for-sale investments: Fair value through equity.

Fair value is calculated using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the year end date. Gains arising on the disposal of investments are recognised in the profit and loss account, as are unrealised gains on investment at fair value through profit and loss. Unrealised gains on available-for-sale investments are recognised in the statement of total recognised gains and losses. All gains or losses are recognised in the period in which they arise. Prior year revaluation gains on available-for-sale investments disposed of during the year are recycled through profit and loss in the period in which the investments are disposed of.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Liquid resources
Cash at bank comprises cash in hand and deposit accounts where monies can be withdrawn without penalty and with no more than 1 day's notice. Deposit accounts that do not satisfy the above criteria are classified as fixed deposits.

Taxation
The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £600 (£1,200 with effect from calendar year 2015).

2. SIGNIFICANT AGREEMENTS

The following significant agreements have been entered into by the Company:

Administration, Custodian and Secretarial
Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the Administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% of the Company’s Funds per annum, payable annually in advance until the Termination Date. In addition the Administrator is entitled to receive interest earned by the Company on the unpaid element of the fees.

Investment Advisory Agreement
Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the Investment Advisor, for its services as Investment Advisor, a fee of 0.6% per annum of the Company's funds payable in advance until the Termination Date. In addition the Investment Advisor is entitled to receive interest earned by the Company on the unpaid element of the fees.

Distribution Agreement
Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.7% per annum of the Company's funds payable annually in advance until the Termination Date.

3. INTEREST INCOME

	2014	2013
	AUD	AUD
Bank interest	**31,653**	99,328

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2014	2013
	AUD	AUD
JP Morgan Asian Call Option		
Balance brought forward	**6,902,189**	7,081,306
Disposals during the year	**(127,951)**	(132,976)
Losses on disposals and fair value adjustment for the year	**(577,290)**	(46,141)
Fair value carried forward	**6,196,948**	6,902,189

5. AVAILABLE-FOR-SALE INVESTMENTS

	2014 AUD	2013 AUD
Zero Coupon Bond issued by Investec plc		
Balance brought forward	**38,670,903**	37,915,632
Disposals during the year	**(2,199,052)**	(1,207,003)
Gains on disposals	**566,782**	263,650
Recycling of prior year revaluation gains on disposals during the year	**(494,434)**	(224,625)
Fair value adjustment for the year	**1,768,313**	1,923,249
Fair value carried forward	**38,312,512**	38,670,903

6. OPERATING EXPENSES

	2014 AUD	2013 AUD
Auditor's remuneration	**13,470**	11,705
Administration fees	**65,688**	67,361
Distribution fees	**298,606**	310,863
GFSC licence fees	**5,738**	4,976
Investment advisory fees	**259,527**	267,631
Interest payable	**4,294**	31,659
Listing fees	**2,774**	2,516
Statutory fees	**1,936**	1,699
Sponsorship fees	**3,849**	3,472
Professional indemnity insurance	**1,686**	1,660
Sundry	**1,397**	1,540
	658,965	705,082

7. LOSS PER ORDINARY SHARE

The calculation of basic and diluted loss per ordinary share is based on the following data:	2014 AUD	2013 AUD
Loss attributable to ordinary shares:		
Loss for purpose of basic and diluted loss per share being loss for the year attributable to ordinary shareholders	**(637,820)**	(388,245)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**42,714**	44,390
Loss per ordinary share	**(14.93)**	(8.75)

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the earnings generated per ordinary share through the year. The weighted average has been calculated with reference to the number of days shares have actually been in issue and hence their ability to influence income generated.

8. DEBTORS AND PREPAYMENTS

	2014 AUD	2013 AUD
Outstanding bond disposal proceeds*	**1,214,980**	-
Accrued interest	**657**	427
Prepaid administration fees	**57,500**	58,975
Prepaid distributor fees	**243,242**	273,477
Prepaid investment advisory fees	**230,001**	235,901
Other prepayments	**4,797**	4,512
	1,751,177	573,292

* In September 2014, the Company disposed of a holding of 1,300 units of Investec plc Zero Coupon Bonds, in anticipation of a redemption of 1,300 shares in the Company. However, the shareholder decided to defer the redemption, which was ultimately completed in December 2014. At the year end, the proceeds from the sale of the Bonds were held in a client monies account, separate from the Company's own bank accounts, and this amount is therefore shown as a receivable in these financial statements.

9. CREDITORS AND ACCRUALS

	2014 AUD	2013 AUD
Due within one year		
Audit fees	**12,512**	11,725
Due after more than one year		
Interest payable	**146,177**	141,883

10. SHARE CAPITAL

	2014 AUD	2013 AUD
Authorised:		
10 management shares of AUD 1 each	**10**	10
999,000 ordinary shares of AUD 0.01 each	**9,990**	9,990
	10,000	10,000

	2014 AUD	2013 AUD
Issued and fully paid:		
1 management share of AUD 1.00 (2013: 1 share)	**1**	1
42,271 ordinary shares of AUD 0.01 each (2013: 43,355 shares)	**423**	434
	424	435

During the year a total of 1,084.331 ordinary shares were redeemed at an average price of AUD 1,036.86 per share.

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. The ordinary shares may be compulsorily redeemed on the Redemption Date, 15 March 2016. Ordinary shareholders are entitled to receive any dividends or distributions from the Company and any surplus arising on the winding up of the Company after the payment of creditors and redemption of the management shares at their nominal value.

10. SHARE CAPITAL (continued)

Management shares are entitled to 10,000 votes each at a general meeting of the Company. Management shares may only be owned by The Basket Trust (see note 13) or its nominee. Management shareholders are not entitled to receive any dividends or distributions from the Company nor any surplus arising on the winding up of the Company in excess of the nominal value of the management shares.

11. SHARE PREMIUM

	2014	2013
	AUD	AUD
Balance brought forward	**43,343,433**	44,733,381
Ordinary shares redeemed during the year	**(1,135,642)**	(1,389,948)
Balance carried forward	**42,207,791**	43,343,433

12. REVALUATION RESERVE

	2014	2013
	AUD	AUD
Balance brought forward	**8,990,543**	7,291,919
Recycling of prior year revaluation gains	**(494,434)**	(224,625)
Revaluation of available-for-sale investments during the year	**1,768,313**	1,923,249
Balance carried forward	**10,264,422**	8,990,543

13. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The Company has no ultimate controlling party at the year end date.

Praxis Fund Services Limited ('PFSL') is deemed to be a related party, as Janine Lewis is a Director of the Company and a director of and shareholder in PFSL; Chris Hickling is a Director of the Company and a shareholder in PFSL; and David Stephenson is a Director of the Company and an employee of PFSL. During the year PFSL received AUD 65,688 (2013: AUD 67,361) for their services as administrator and AUD 1,554 in respect of interest on outstanding fees (2013: AUD 6,249). At the year end date administration fees of AUD 57,500 had been paid to PFSL in advance (2013: AUD 58,975) and interest on outstanding fees of AUD 29,141 was payable to PFS (2013: AUD 27,820).

14. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk and liquidity risk from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

(i) Market risk

(a) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is not materially exposed to foreign exchange risk as most transactions are in Australian Dollars. The Company's management monitors exchange rate fluctuations on an ongoing basis.

The Company has no material currency exposures at either 30 September 2014 or 30 September 2013.

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash at bank and fixed deposits. At 30 September 2014, the Company held cash on a call account of AUD 637,706 (2013: AUD 1,553,030), which earns interest at floating rates. The company held AUD 306,557 (2013: AUD Nil) in a fixed deposit, which at the year end earned interest at a fixed rate of 2.75%.

Had these balances existed for the whole of the period, the effect on the Profit and Loss account of an increase/decrease in interest rates of 0.5% per annum would have been an increase/decrease in post-tax profit for the year of AUD 4,721 (2013: AUD 7,765).

The available-for-sale investments are exposed to fair value interest rate risk. However, whilst changes in market interest rates may give rise to short-term fluctuations in fair value, if the bonds are held to maturity their maturity value is fixed and they are therefore not subject to interest rate risk.

The Company has no other material interest rate exposures at 30 September 2014.

(c) Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company's investments at fair value through profit and loss are directly affected by changes in market prices.

Price risk is managed by investing in an Asian call option on a basket of indices, with an international bank, JP Morgan. JP Morgan has a Fitch long-term credit rating of A+ (2013: A+).

Price risk is also managed by investing in a zero coupon bond, with an international bank, Investec plc. The bank has a long-term Fitch credit rating of BBB- (2013: BBB-).

The investments at fair value through profit and loss and available-for-sale investments expose the Company to price risk. The details are as follows:

	2014 **AUD**	2013 AUD
Asian call option with JP Morgan	**6,196,948**	6,902,189
Investec plc Zero Coupon Bonds	**38,312,512**	38,670,903
	44,509,460	45,573,092

A 10 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2014 would have increased/decreased the Net Asset Value of the Company by AUD 619,695 (2013: AUD 690,219).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2014 would have increased/decreased the Net Asset Value of the Company by AUD 1,185,845 (2013: AUD 1,158,514).

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(ii) Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the year end date. These financial assets include cash and cash equivalents, debtors, available-for-sale investments and investments at fair value through profit and loss. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments.

The Company aims to manage credit risk by holding its securities and cash assets with reputable banking institutions with an investment grade long-term credit rating, ie a Fitch rating in the range AAA+ to BBB-. In the event of any downgrading in the long-term credit rating of any issuer below this level, the Company in its absolute discretion would consider the following courses of action: selling the relevant securities to third party purchasers and reinvesting the proceeds in the purchase of securities of another issuer, such that the new securities would replicate as closely as possible the terms and conditions of the original securities; and transferring cash to another banking institution. The Directors would only seek to sell the relevant securities or transfer cash if they consider on the advice of the investment advisor that such would be in the best interests of the Company and its shareholders.

The Company monitors the creditworthiness of its counterparties on an ongoing basis.

The majority of the Company's trade and other receivables consists of prepayments and there is no credit risk associated with these balances.

The available-for-sale investments are held with Investec plc, which has a Fitch long term rating of BBB- (2013: BBB-). The investments at fair value through profit and loss are held with JP Morgan, which has a Fitch long-term rating of A+ (2013: A+).

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial liability obligations as they fall due, which may cause financial losses to the Company. The Company places its cash and cash equivalents with financial institutions on a short-term basis in order to maintain a high level of liquidity. This ensures that the Company is able to complete transactions in a timely manner, thus minimising the Company's exposure to such losses.

The Board reviews the cash of the Company every quarter and will subsequently move monies from fixed deposit to the call account to meet its short-term obligations. At 30 September 2014 the Company held AUD 637,707 (2013: AUD 1,553,030) cash on call and AUD 306,557 (2013: AUD Nil) on a one month fixed deposit, which is considered by the Board as sufficient to meet all the Company's short term obligations.

The following table analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 September 2014	**Less than 6 months AUD**	**6-12 months AUD**	**1 - 5 years AUD**
Trade and other payables	**12,512**	**-**	**146,177**
Net exposure	**12,512**	**-**	**146,177**

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iii) Liquidity risk (continued)

30 September 2013	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
Trade and other payables	11,725	-	141,883
Net exposure	11,725	-	141,883

(iv) Fair value hierarchy

The following tables analyse instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 (ie as prices) or indirectly (ie derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 September 2014	**Level 1 AUD**	**Level 2 AUD**	**Level 3 AUD**	**Total AUD**
Investments at fair value through profit and loss	**-**	**6,196,948**	**-**	**6,196,948**
Available-for-sale investments	**-**	**38,312,512**	**-**	**38,312,512**
	-	**44,509,460**	**-**	**44,509,460**

As at 30 September 2013	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit and loss	-	6,902,189	-	6,902,189
Available-for-sale investments	-	38,670,903	-	38,670,903
	-	45,573,092	-	45,573,092

(v) Capital risk management

The Company's capital comprises the funds it has raised through the issue of share capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to ensure that the Company will be able to continue as a going concern, the Board continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities. The Company has no external borrowings.

15. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events requiring disclosure in these financial statements.