

EAST ASIAN GROWTH BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2018

EAST ASIAN GROWTH BASKET LIMITED

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EAST ASIAN GROWTH BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

DIRECTORS: C Hickling
J Lewis
D Stephenson

**ADMINISTRATOR, SECRETARY,
CUSTODIAN AND REGISTRAR:** Praxis Fund Services Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 1GR

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 1GR

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
Gategny Court
Gategny Esplanade
St Peter Port
Guernsey
GY1 3LP

COMPANY REGISTRATION NO: 44743

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS

For the year ended 30 September 2018

The Board of Directors presents its report and the audited financial statements ("the financial statements") for the year ended 30 September 2018.

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 Collective Investment Scheme Rules 2015 (Registered Closed Ended Investment Scheme Rules 2018 as of 6 October 2018).

Going Concern

At an Extraordinary General Meeting of the Company held on 28 November 2016, shareholders approved a special resolution to extend the life of the Company for a further period of between 5 and 10 years from the Company's previous termination date of 20 June 2017, and authorised the Directors to seek to raise additional capital through a secondary fund raising. The fund raising closed on 30 June 2017 and was successful. Accordingly, under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 28 November 2016, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate between June 2022 and June 2027.

As a result of the extension of the life of the Company, and as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future, the Directors have determined that these financial statements should be prepared on a going concern basis.

Results and Dividends

The Statement of Comprehensive Income is set out on page 9. The Directors do not propose a dividend for the year (2017: Nil).

Directors

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

Chris Hickling

Janine Lewis

David Stephenson

Directors' and Other Interests

Janine Lewis is a director of Praxis Fund Services Limited ('PFSL'), the Company's Administrator, Secretary, Custodian and Registrar, and David Stephenson is an employee of PFSL. Janine Lewis, Chris Hickling and David Stephenson are shareholders in PraxisIFM Group Limited, the ultimate parent company of PFSL.

During the year, no Director had any beneficial interest in the shares of the Company.

No Director of the Company, nor Investec Corporate and Institutional Banking ('ICIB'), the Investment Advisor to the Company, holds any right, either contingent or otherwise, to subscribe for shares in the Company.

Details of fees paid to PFSL and ICIB during the year are contained in notes 4, 7 and 13 to these Financial Statements.

No fees were paid to the Directors by the Company during the year.

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2018

Historical Results

The results and assets and liabilities of the Company for the last 5 years are as follows:

	Total Assets	Total Liabilities	Total Comprehensive Income/(Loss)
Year ended 30 September 2018	AUD 165,509,143	AUD 55,539	AUD 22,673,017
Year ended 30 September 2017	AUD 142,798,183	AUD 17,596	AUD 163,205
Year ended 30 September 2016	AUD 26,061,887	AUD 65,874	AUD 1,493,655
Year ended 30 September 2015	AUD 24,569,694	AUD 67,336	AUD (235,015)
Year ended 30 September 2014 (restated)	AUD 24,797,335	AUD 59,962	AUD 1,575,433

Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost AUD	Market Value AUD
Investec Bank Limited Unsecured Subordinated Callable Notes	78.6%	112,483,695	123,260,419
Goldman Sachs Call Option	21.4%	21,046,264	33,620,067
		<u>133,529,959</u>	<u>156,880,486</u>

Investec Bank Limited and Goldman Sachs are providers of financial services.

Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report, which complies with the requirements of The Companies (Guernsey) Law, 2008.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with The Companies (Guernsey) Law, 2008. The Directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2018

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;
- 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; and
- the financial statements give a true and fair view and have been prepared in accordance with International Financial Reporting Standards, with The Companies (Guernsey) Law, 2008 and with 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

David Stephenson

Director

6 March 2019

EAST ASIAN GROWTH BASKET LIMITED

Independent auditor's report to the members

Opinion

We have audited the financial statements of East Asian Growth Basket Limited (the "Company") for the year ended 30 September 2018, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs").

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Company as at 30 September 2018 and of the profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

EAST ASIAN GROWTH BASKET LIMITED

Independent auditor's report to the members (continued)

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:

- adequate accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

SAFFERY CHAMPNESS

Chartered Accountants

Guernsey

6 March 2019

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2018

	Notes	Year ended 30/09/2018 AUD	Year ended 30/09/2017 AUD
REVENUE			
Interest income	5	7,086,561	2,839,066
GAINS ON INVESTMENTS			
Net gains on investments at fair value through profit and loss	6	5,208,881	991,001
		12,295,442	3,830,067
Operating expenses	7	(2,133,469)	(791,358)
Foreign exchange gains/(losses)		21,464	(2,265,195)
		10,183,437	773,514
PROFIT FOR THE YEAR			
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Reclassification of prior year revaluation losses on disposal of available-for-sale investments		-	(610,309)
Foreign exchange translation gains		12,489,580	-
		12,489,580	(610,309)
Total other comprehensive income/(loss) for the year		12,489,580	(610,309)
		22,673,017	163,205
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Earnings per share			
Basic and diluted earnings per ordinary share	8	98.90	18.30

There are no recognised gains and losses other than those reported above.

The notes on pages 13 to 24 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	30/09/2018 AUD	30/09/2017 AUD
NON-CURRENT ASSETS			
Investments at fair value through profit and loss	6	156,880,486	132,744,941
		156,880,486	132,744,941
CURRENT ASSETS			
Trade and other receivables	9	1,615,170	3,235,293
Fixed deposits		6,273,135	6,420,096
Cash and cash equivalents		740,352	397,853
		8,628,657	10,053,242
CURRENT LIABILITIES			
Trade and other payables	10	(15,695)	(17,596)
NET CURRENT ASSETS			
		8,612,962	10,035,646
NON-CURRENT LIABILITIES			
Trade and other payables	10	(39,844)	-
NET ASSETS			
		165,453,604	142,780,587
CAPITAL AND RESERVES			
Share capital	11	1,322	1,322
Share premium	12	144,176,685	144,176,685
Retained earnings/(deficit)		8,786,017	(1,397,420)
Translation reserve		12,489,580	-
EQUITY SHAREHOLDERS' FUNDS			
		165,453,604	142,780,587
Number of fully paid Class A AUD shares		14,656.581	14,656.581
Number of fully paid Class B USD shares		88,310.631	88,310.631
Net Asset Value per Class A AUD share		AUD 1,606.86	1,386.66
Net Asset Value per Class B USD share		USD 1,160.57	1,086.08

The financial statements were approved by the Board and authorised for issue on 6 March 2019 and signed on its behalf by:

David Stephenson
Director

There are no recognised gains and losses other than those reported above.

The notes on pages 13 to 24 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 30 September 2018

	Management Shareholders	Ordinary Shareholders				Total	
	Share Capital AUD	Share Capital AUD	Share Premium AUD	Revaluation reserve AUD	Retained earnings AUD	Translation reserve AUD	AUD
<i>Year ended 30 September 2017</i>							
At 30 September 2016	13	285	27,366,190	610,309	877,330	(2,858,114)	25,996,013
Redemption of shares (see notes 11, 12)	-	(69)	(6,721,346)	-	(3,048,264)	-	(9,769,679)
Issue of shares (see notes 11, 12)	-	1,172	126,399,968	-	-	-	126,401,140
Launch costs (see note 12)	-	-	(10,092)	-	-	-	(10,092)
Net profit for the year	-	-	-	-	773,514	-	773,514
Reclassification of prior year revaluation gains on disposal of available-for-sale investments	-	-	-	(610,309)	-	-	(610,309)
Reclassification of prior year translation differences on reclassification of share capital	(3)	(76)	(2,858,035)	-	-	2,858,114	-
At 30 September 2017	10	1,312	144,176,685	-	(1,397,420)	-	142,780,587
<i>Year ended 30 September 2018</i>							
Net profit for the year	-	-	-	-	10,183,437	-	10,183,437
<i>Other comprehensive income</i>							
Foreign exchange translation gains	-	-	-	-	-	12,489,580	12,489,580
At 30 September 2018	10	1,312	144,176,685	-	8,786,017	12,489,580	165,453,604

There are no recognised gains and losses other than those reported above.

The notes on pages 13 to 24 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 September 2018

	Notes	Year ended 30/09/2018 AUD	Year ended 30/09/2017 AUD
Profit for the year		10,183,437	773,514
Adjustments for:			
Interest income		(7,086,561)	(2,839,066)
Interest expense		39,844	-
Gain on investments at fair value through profit and loss	6	(5,208,881)	(991,001)
Decrease/(increase) in trade and other receivables		1,620,462	(1,407,987)
Decrease in trade and other payables		(1,901)	(48,278)
Net cash outflow from operating activities		(453,600)	(4,512,818)
Cash flows from investing activities			
Bank interest		21,149	195
Disposals of investments held at fair value through profit and loss	6	-	9,224,620
Disposals of available-for-sale investments		-	20,463,000
Purchase of investments held at fair value through profit and loss	6	-	(133,529,959)
Transfer from/(to) fixed deposits		146,961	(6,420,096)
Net cash inflow/(outflow) from investing activities		168,110	(110,262,240)
Cash flows from financing activities			
Receipts from issue of shares		-	124,684,049
Payments for redemptions of shares		-	(9,769,679)
Capitalised launch costs	12	-	(10,092)
Net cash inflow from financing activities		-	114,904,278
(Decrease)/increase in cash and cash equivalents for the year		(285,490)	129,220
Cash and cash equivalents at the beginning of the year		397,853	268,633
Foreign exchange translation gains		627,989	-
Cash and cash equivalents at the end of the year		740,352	397,853

There are no recognised gains and losses other than those reported above.

The notes on pages 13 to 24 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2018

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 East Asian Growth Basket Limited, with domicile in Guernsey, have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

Going concern

At an Extraordinary General Meeting of the Company held on 28 November 2016, shareholders approved a special resolution to extend the life of the Company for a further period of between 5 and 10 years from the Company's previous termination date of 20 June 2017, and authorised the Directors to seek to raise additional capital through a secondary fund raising. The fund raising closed on 30 June 2017 and was successful. Accordingly, under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 28 November 2016, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate between June 2022 and June 2027.

As a result of the extension of the life of the Company, and as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future, the Directors have determined that these financial statements should be prepared on a going concern basis.

Adoption of new and revised Standards

No new or amended standards have been applied for the first time in these financial statements.

New, revised and amended standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following relevant standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 7 (amended), "Financial Instruments: Disclosures" (amendments effective for periods commencing on or after 1 January 2018, or on application of IFRS 9 if earlier);
- IFRS 9, "Financial Instruments - Classification and Measurement" (effective for periods commencing on or after 1 January 2018);
- IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2018).

In addition, the IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016 and its Annual Improvements 2015-2017 Cycle project in December 2017. These projects have amended certain existing standards and interpretations effective for accounting periods commencing on or after 1 January 2018 or 1 January 2019.

The adoption of IFRS 9 is not expected to have a material impact on these Financial Statements, principally for the following reasons:

- the classification and measurement methodology for all of the Company's assets and liabilities has remained the same under IFRS 9 as under IAS 39;
- the Company's investments are measured at fair value and so the changes in IFRS 9 relating to the assessment of credit losses do not apply to these instruments;
- the Company does not apply hedge accounting, and is therefore unaffected by the hedge accounting-related changes introduced in IFRS 9.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

New, revised and amended standards and interpretations not yet adopted (continued)

The adoption of IFRS 15 is not expected to have a material effect on these Financial Statements as the Company has no income within the scope of IFRS 15

Other than noted above, the Directors believe that none of these standards and interpretations will have a material effect on the financial statements of the Company.

Revenue recognition

Revenue includes bank interest and bond interest and is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Bond interest is calculated on an effective interest rate basis. Other revenues are accounted for on an accruals basis.

Expenses

Expenses are accounted for on an accruals basis. All expenses are charged to the Statement of Comprehensive Income, except for expenses incurred in relation to the launch of the Company, which were charged against share premium.

Foreign exchange

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (the "functional currency"). The Directors have determined that the functional currency of the Company is US Dollars, as it is the currency in which the majority of the Company's capital was raised and in which the Company's investments are denominated. For consistency with previous annual financial statements, the Directors have selected Australian Dollars as the presentation currency of the Company.

Foreign currency assets and liabilities are translated into Australian Dollars ('AUD') at the rate of exchange ruling on the year end date. Foreign currency transactions are translated into AUD at the rate of exchange ruling on the date of the transaction. Foreign exchange gains and losses are included in Other Comprehensive Income in the period in which they arise.

Investments

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

The Company's investment in Investec Bank Limited Notes has been designated at inception as an investment at fair value through profit or loss.

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 Statement of Comprehensive Income. Investments are derecognised when the rights to receive cash flows from the investments have expired or 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) Held-for-trading investments and those so designated at inception: Fair value through profit or loss;

Fair value is the price at which an orderly transaction to sell the investment would take place between market participants at the measurement date, in the principal or most advantageous market for the asset. It may be 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 Statement of Comprehensive Income, as are unrealised gains on investments at fair value through profit or loss. All gains or losses are recognised in the period in which they arise.

Liquid resources

Liquid resources comprise cash and cash equivalents and fixed deposits. Cash and cash equivalents comprises bank balances and short term deposits with an original maturity of three months or less. Deposits with an original maturity of greater than three months are classified as fixed deposits.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables are stated at amortised cost less any impairment. In the opinion of the Directors, there is no material difference between the carrying value of the trade and other receivables and their fair value.

Trade and other payables

Trade payables are stated at amortised cost. In the opinion of the Directors, there is no material difference between the carrying value of the trade and other payables and their fair value.

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 £1,200 (2017: £1,200).

Translation reserve

Gains or losses arising on translation from the Company's functional currency to the presentation currency are taken to the translation reserve.

2. SEGMENT REPORTING

The Board of Directors considers that the Company is engaged in a single segment of business, being the holding of investments. The Board considers that it is the Company's Chief Operating Decision Maker.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

For details of the Directors' judgements in relation to the determination of the Company's functional currency, please refer to note 1, 'Foreign exchange'.

The Directors have determined that the Company's investment in Investec Bank Limited Unsecured Subordinated Callable Notes and its Index Option investment should be classified as an investment at fair value through profit or loss. The methodologies for establishing the fair value of the Company's investments are detailed in note 6.

4. SIGNIFICANT AGREEMENTS

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

Administration, Custodian and Secretarial Agreement

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% (2017: 0.15%) per annum of the Company's funds for the period to 29 June 2018 and 0.135% per annum thereafter (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 7, 9, and 10 for details of administration fees and interest paid in the year and balances outstanding at the year end.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

4. SIGNIFICANT AGREEMENTS (continued)

Investment Advisory Agreement

Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.65% (2017: 0.6% until 28 June 2017, 0.65% thereafter) per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, which attract a redemption fee of 0.5% of the value of the redemption). In addition the advisor is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 7, 9 and 10 for details of investment advisory fees and interest recognised in the year and balances outstanding at the year end.

Distribution Agreement

Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the distributors a fee of 0.65% (2017: 0.7% until 28 June 2017, 0.65% thereafter) per annum of that portion of the Company's funds that is derived from the subscription amount subscribed for by Subscribers introduced by the distributor (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date) or holders of existing issued Ordinary Shares introduced by the distributor and who elect to remain invested in the Company (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date). See notes 7, 9 and 10 for details of distribution fees paid in the year and balances outstanding at the year end. Investec Corporate and Institutional Banking, the Company's investment advisor, is also a distributor for the Company and has received distribution fees during the year.

All fees described above are payable annually in advance on the anniversary of the Trade Date (the date of investment of the Company's funds) each year until the Termination Date (the date of compulsory redemption of the Ordinary shares).

5. INTEREST INCOME

	2018 AUD	2017 AUD
Interest on investments at fair value through profit or loss	7,065,073	1,710,848
Interest on available-for-sale investments	-	1,128,023
Bank interest	21,488	195
	<u>7,086,561</u>	<u>2,839,066</u>

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 AUD	2017 AUD
BNP Paribas Index Basket Option		
Fair value brought forward	-	5,737,753
Disposal during the year	-	(9,224,620)
Gains on disposals and fair value adjustment for the year	-	3,486,867
Fair value carried forward	<u>-</u>	<u>21,645,295</u>
Goldman Sachs Call Option		
Fair value brought forward	21,645,295	21,046,264
Fair value adjustment for the year	9,633,375	599,031
Translation difference	2,341,397	-
Fair value carried forward	<u>33,620,067</u>	<u>21,645,295</u>

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The BNP Paribas Option matured on 20 June 2017. On 27 June 2017 the Company acquired an option issued by Goldman Sachs linked to a basket of indices comprising the following:

• S&P 500 Index	45%
• Euro Stoxx 50 Index	20%
• Nikkei 225 Index	20%
• iShares MSCI Emerging Markets Index	15%

The Directors determine the fair value of the Option based on valuations provided by Goldman Sachs. These valuations are calculated using a formula specified in the Option contract, which is based on the movements in the closing prices of the above Indices from the issue date of the Option to the reporting date. The Option has been classified as a Level 2 investment in the fair value hierarchy (see note 14 (iv)).

	2018 AUD	2017 AUD
Investec Bank Limited Unsecured Subordinated Callable Notes		
Fair value brought forward	111,099,646	112,483,695
Interest for the year	7,065,073	1,710,848
Fair value adjustment for the year	(4,424,494)	(3,094,897)
Translation difference	9,520,194	-
Fair value carried forward	<u>123,260,419</u>	<u>111,099,646</u>
Total	<u>156,880,486</u>	<u>132,744,941</u>

The Investec Bank Limited Subordinated Callable Notes (the "Notes") were acquired on 30 June 2017. The Notes function as zero coupon notes for a period of five years, and are redeemable at the option of the issuer on 30 June 2022. Should the Notes not be redeemed on 30 June 2022, they will subsequently be reclassified as Floating Rate Notes, paying interest quarterly at a rate of 3 month USD LIBOR plus 4.5%, with an ultimate compulsory maturity date of 30 June 2027.

The Directors determine the fair value of the Investec Bank Limited Notes based on valuations provided by Investec Bank Limited. These valuations are calculated on a discounted cash flow basis, taking into account credit risk and prevailing USD LIBOR rates at the date of valuation. The Notes have been classified as a Level 3 investment in the fair value hierarchy (see note 14 (iv)).

7. OPERATING EXPENSES

	2018 AUD	2017 AUD
Auditor's remuneration	14,453	14,918
Administration fee	217,648	91,679
Distribution fees	904,374	338,262
Investment advisory fee	933,946	323,835
Licence fee	6,087	5,971
Listing fee	4,371	3,374
Sponsorship fee	4,662	5,563
Statutory fees	3,064	3,061
Interest expense	39,844	-
Professional indemnity insurance	1,684	1,244
Sundry expenses	3,336	3,451
	<u>2,133,469</u>	<u>791,358</u>

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	2018	2017
	AUD	AUD

Profit attributable to Ordinary shares:

Profit for the purpose of basic and diluted earnings per share being profit for the year attributable to ordinary shareholders

	10,183,437	773,514
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Number of shares:

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share

	102,967	42,277
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Earnings per ordinary share

	98.90	18.30
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A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the earnings generated per 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.

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	AUD	AUD
Bank interest receivable	339	-
Amounts due from shareholders	-	1,717,091
Prepaid administration fee	151,428	161,661
Prepaid distributor fees	736,421	664,636
Prepaid investment advisory fee	718,189	688,389
Other prepayments	4,062	3,516
Sundry debtors	4,731	-
	1,615,170	3,235,293

10. TRADE AND OTHER PAYABLES

	2018	2017
	AUD	AUD
Current		
Audit fee	13,532	12,830
Distributor fees	2,163	4,766
	15,695	17,596
Non-current		
Interest payable	39,844	-
Total	55,539	17,596

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

11. SHARE CAPITAL

Following the adoption of the Company's amended Articles of Incorporation, approved by special resolution on 28 December 2016, the Company no longer has a specified amount of authorised capital.

	2018	2017
	AUD	AUD
Issued and fully paid:		
10 Management shares of AUD 1.00 each (2017: USD 1.00 each)	10	10
14,656.581 Ordinary Class A AUD shares of AUD 0.01 each	147	147
88,310.631 Ordinary Class B USD shares of USD 0.01 each	1,165	1,165
	<u>1,322</u>	<u>1,322</u>

Ordinary Class A and Class B shares are entitled to 1 vote each at a general meeting of the Company.

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 14) 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.

12. SHARE PREMIUM

	2018	2017
	AUD	AUD
Balance brought forward	144,176,685	27,366,190
Ordinary shares issued during the year	-	126,399,968
Ordinary shares redeemed during the year	-	(6,721,346)
Capitalised launch costs	-	(10,092)
Reclassification of prior year translation differences on reclassification of share capital	-	(2,858,035)
Balance carried forward	<u>144,176,685</u>	<u>144,176,685</u>

13. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The immediate controlling party at the year end date is PraxisIFM Trust Limited as trustee of The Basket Trust, which owns the Management shares in the Company, and the ultimate controlling party is PraxisIFM Group Limited ('PGL'), a company incorporated in Guernsey. PGL is also the ultimate controlling party of Praxis Fund Services Limited ('PFSL'), the administrator of the Company.

PFSL is deemed to be a related party, as Janine Lewis is a director of PFSL and a shareholder in PGL; Chris Hickling is a shareholder in PGL; and David Stephenson is an employee of PFSL and a shareholder in PGL. During the year PFSL received AUD 217,648 (2017: AUD 91,679) for their services as administrator. At the year end date administration fees of AUD 151,428 had been paid to PFSL in advance (2017: AUD 161,661). At the year end date interest was due to PFSL on outstanding fees payable of AUD 6,842 (2017: Nil).

The Investment Advisor, Investec Corporate and Institutional Banking ("ICIB"), a division of Investec Bank Limited, is deemed to be a related party. During the year Investec Corporate and Institutional Banking received AUD 933,946 (2017: AUD 323,835) for their services as investment advisor. At the year end advisory fees of AUD 718,189 (2017: AUD 688,389) had been paid to Investec Corporate and Institutional Banking in advance. At the year end date interest was due to ICIB on outstanding fees payable of AUD 33,002 (2017: Nil).

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

14. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk and liquidity risk from the financial instruments it holds. The Company has a fixed modus operandi, as stated in its prospectus, which is to invest its capital in a zero coupon bond or other similar instrument and an option on a specified basket of indices, and to retain a certain element of cash to cover expenses to be incurred over the specified period of its life. As a result of this, the Company's flexibility in dealing with the risks associated with these instruments is somewhat limited. However, the risk management policies that are 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 of US Dollars. As at 30 September 2018, the Company is exposed to foreign exchange risk in relation to the following assets and liabilities:

	2018	2017
	AUD	AUD
Investec Bank (CI) Limited - cash and cash equivalents	380,872	397,851
Trade and other payables	(13,532)	(12,830)
	<u>367,340</u>	<u>385,021</u>

At 30 September 2018, the foreign currency exposure of the Company against the measurement currency of US Dollars, principally to Sterling, represented 0.2% of Equity Shareholder's Funds (2017: 0.3%). The Company's policy is not to manage the Company's exposure to foreign exchange movements by entering into any foreign exchange hedging transactions. If the exchange rate of the US Dollar against Sterling at the year end date had been 20% higher/lower, this would have resulted in an increase/decrease in the year end net asset value of AUD 73,468 (2017: AUD 77,004). The sensitivity rate of 20% is regarded as reasonable due to the recent volatility of sterling against other currencies.

The Company had no other material currency exposures as at either 30 September 2018 or 30 September 2017.

(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 and cash equivalents and fixed deposits and on interest payable on outstanding future fees. At 30 September 2018, the Company held cash and cash equivalents of AUD 740,352 which earn interest at floating rates (0.00% as at 30 September 2018 and 30 September 2017), and held AUD 6,273,135 on long-term deposit accounts denominated in US Dollars (2017: AUD 6,420,096) at a weighted average interest rate of 1.38% (2017: 0.24%).

Had these balances existed for the whole of the period, the effect on the Statement of Comprehensive Income of an increase/decrease in short term interest rates of 0.5% per annum would have been an increase of AUD 18,037/decrease of AUD 14,335 in total comprehensive income for the year (2017: increase of AUD 11,863/decrease of AUD 4,740). The sensitivity rate of 0.5% is regarded as reasonable in relation to the current US base rate of 2.5% as US interest rates are not currently volatile.

During the year the investment in Investec Bank Limited Notes was 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 therefore not subject to interest rate risk.

The Company had no other material interest rate exposures as at either 30 September 2018 or 30 September 2017.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

14. FINANCIAL INSTRUMENT RISK FACTORS (CONTINUED)

(i) Market risk (continued)

(c) Price risk

Price risk is the risk that the value of the instruments 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 investment in the Goldman Sachs Call Option is valued by reference to movements in the level of the underlying index, and so is directly affected by changes in market prices. The Company's investment in Investec Bank Limited Callable Notes is not directly affected by changes in market prices, as pricing information for the Notes is not based on published market prices.

Price risk is managed at inception by investing in a combination of two financial instruments: a holding of zero coupon bonds (or other structured product with similar characteristics) that will provide capital protection for investors; and a call option on a basket of indices that the investment advisor believes is most likely to provide positive performance during the life of the Company. In order to provide capital protection, the amount of bonds acquired is calculated to ensure that the maturing amount will be sufficient to guarantee that all investors who remain in the Company to maturity will at minimum get back the amount that they invested. The call option provides the potential for significant upside performance, should the relevant indices perform well, with the downside limited to loss of the initial option premium.

The investment premise of the Company involves participation in the potential upside afforded by the call option, whilst enjoying the capital protection afforded by the bonds. Therefore, whilst the Board monitors the performance of the call option and bonds, it is unlikely that the Board would consider redeeming these at any stage, other than in relation to the redemption of investors' shares. As a result, the management of price risk effectively occurs at the inception of the Company in the selection of investments, and is not an active ongoing process during the remainder of the life of the Company.

The investment in the Goldman Sachs Call Option exposes the Company to price risk. The details are as follows:

	2018	2017
	AUD	AUD
Goldman Sachs Call Option	33,620,067	21,645,295
	<u>33,620,067</u>	<u>21,645,295</u>

A 50 per cent increase/decrease in the value of the Goldman Sachs Call Option at 30 September 2018 would have increased/decreased the Net Asset Value of the Company by AUD 16,810,034 (2017: AUD 10,822,648). The sensitivity rate of 50% is regarded as reasonable due to the potential volatility of the Indices to which the Option is linked, magnified by the participation rate of 200% attached to the Option.

(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 and investments at fair value through profit or 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.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(ii) Credit risk (continued)

The Company states in its Prospectus that it will invest in subordinated debt instruments issued by Investec Bank Limited ('IBL') and an option linked to a specified index, and provides extensive disclosure to shareholders of those instruments and the risks attached thereto. As a result of this, the Company's policy for managing the credit risk attached to the Company's financial assets is to monitor the credit rating of the relevant counterparty for any significant deterioration, without reference to an absolute range of credit ratings. In the event of there being any significant deterioration in the perceived creditworthiness of the counterparty to a point where shareholders' interest may be at risk, the Directors in their 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.

In accordance with this policy, the Board and the investment advisor have noted that the credit rating of IBL as at 30 September 2018 was BB+ (30 September 2017: BB+), and also notes Fitch's comment that IBL's rating is constrained by the sovereign rating of South Africa of BB+. The year end rating of Investec plc, a sister company to IBL, was BBB+ (2017: BBB+). As a result, the Directors and the investment advisor believe that it is not in the best interest of shareholders to attempt to sell the Callable Notes prior to their maturity date on 30 June 2022, as they believe firstly that there has been no significant deterioration in the creditworthiness of IBL, and secondly that obtaining an alternative investment with an institution with a higher credit rating could only be achieved on less favourable terms than those offered by the Callable Notes, which could affect the Company's ability to offer capital protection to shareholders on their investment.

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

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

The Callable Notes are held with Investec Bank Limited, which has a Fitch long-term rating of BB+ (2017: BB+). The option is held with Goldman Sachs, which has a Fitch long-term rating of A (2017: A). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB+ (2017: BBB+).

(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 resources of the Company on an ongoing basis to ensure that sufficient monies are held on call account to meet the Company's short-term obligations. At 30 September 2018 the cash on call was AUD 1,988,975 (2017: AUD 397,853), which is considered by the Board to be sufficient to meet all of the Company's short-term obligations.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iii) Liquidity risk (continued)

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 year end date to the contractual maturity date. The amounts disclosed in the table are the estimated contractual undiscounted cash flows.

	Less than 6 months AUD	6 to 12 months AUD	1 to 5 years AUD
30 September 2018			
Trade and other payables	13,532	-	220,298
Net exposure	<u>13,532</u>	<u>-</u>	<u>220,298</u>
	Less than 6 months AUD	6 to 12 months AUD	1 to 5 years AUD
30 September 2017			
Trade and other payables	12,830	3,863	-
Net exposure	<u>12,830</u>	<u>3,863</u>	<u>-</u>

(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).

30 September 2018	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit or loss	-	33,620,067	123,260,419	156,880,486
	<u>-</u>	<u>33,620,067</u>	<u>123,260,419</u>	<u>156,880,486</u>
30 September 2017	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit or loss	-	132,744,941	-	132,744,941
	<u>-</u>	<u>132,744,941</u>	<u>-</u>	<u>132,744,941</u>

During the year the Company's investment in Investec Bank Limited Callable Notes has been reclassified from Level 2 to Level 3 of the fair value hierarchy, as none of the inputs to the valuation of the Notes are derived from market prices.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2018

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iv) Fair value hierarchy (continued)

The valuations of the Company's Level 3 investments are calculated on a discounted cash flow basis, using a rate calculated by combining a discount for credit risk and the quarterly compounding equivalent of the USD LIBOR rate for the period most closely approximating the remaining life of the investment (as at 30 September 2018, 4 year USD LIBOR). The following table shows the best estimate of the sensitivity of the Level 3 investments to changes in the discount rate used, with all other variables held constant.

Unobservable input	Possible reasonable change in input	Effect on net assets and profit or loss AUD
Discount rate	+0.5%	(2,275,647)
	-0.5%	2,321,403

15 MANAGEMENT OF CAPITAL

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.

16. POST BALANCE SHEET EVENTS

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