CHINA SEAS BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2016

CHINA SEAS BASKET LIMITED

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REPORT AND FINANCIAL STATEMENTS
GENERAL INFORMATION

DIRECTORS:	Chris Hickling Janine Lewis David Stephenson
ADMINISTRATOR, SECRETARY 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 Glategny Court Glategny Esplanade St Peter Port Guernsey GY1 3LP
COMPANY REGISTRATION NO:	51929

CHINA SEAS BASKET LIMITED

REPORT OF THE DIRECTORS
For the year ended 30 September 2016

The Directors present their report and the audited financial statements for the year ended 30 September 2016.

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 2015.

At an Extraordinary General Meeting of the Company held on 24 September 2015, shareholders approved a special resolution to extend the life of the Company for a further period of 4.3 years from the Company's previous termination date of 8 March 2016, and authorised the Directors to seek to raise additional capital through a secondary fund raising. Under the terms of the Company's new prospectus, which replaced the previous prospectus with effect from 24 September 2015, and in the absence of a special resolution to extend the life of the Company, the Company will terminate on 10 July 2020 and its shares be redeemed.

Results and Dividends

The statement of comprehensive income is set out on page 8. The Directors do not propose a dividend for the year (2015: Nil).

Going concern

These financial statements have been prepared on a going concern basis, 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.

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. David Stephenson and Chris Hickling are employees of PFSL. Janine Lewis and Chris Hickling are shareholders in Praxis Fund Holdings Limited, the parent company of PFSL.

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

No Director of the Company, or 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 and 15 to these Financial Statements.

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

Historical Results

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

	Total Assets	Total Liabilities	Total Recognised Gains/(Losses)
	AUD	AUD	AUD
Year ended 30 September 2016	64,314,619	(36,255)	(7,243,532)
Year ended 30 September 2015	39,165,997	(188,021)	(2,990,185)
Year ended 30 September 2014	47,204,901	(158,689)	636,059
Year ended 30 September 2013	47,699,414	(153,608)	1,310,379
Year ended 30 September 2012	47,744,958	(119,570)	5,600,177

Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost AUD	Market Value AUD
Investec Bank Limited Structured Deposit (including embedded derivative)	86.7%	56,963,632	52,474,948
JP Morgan Index Basket Options	13.3%	9,330,843	8,033,231
		66,294,475	60,508,179

Investec Bank Limited and JP Morgan 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; and
- 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.

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.

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

Chris Hickling
Director
8 March 2017

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 2016, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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
8 March 2017

CHINA SEAS BASKET LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2016

	Notes	**Year ended 30/09/2016 AUD**	Year ended 30/09/2015 AUD
REVENUE			
Interest income	5	**3,590,130**	2,577,554
GAIN/LOSS ON INVESTMENTS			
Investments at fair value through profit and loss	6	**(9,277,507)**	(4,399,543)
Available-for-sale investments - realised gains	7	**-**	73,432
Derivatives at fair value through profit and loss	8	**203,492**	-
		(5,483,885)	(1,748,557)
Loss on currency revaluation		**(320,957)**	-
Operating expenses	9	**(819,843)**	(643,912)
LOSS FOR THE YEAR		**(6,624,685)**	(2,392,469)
OTHER COMPREHENSIVE LOSS			
Items reclassifiable to profit and loss			
Unrealised loss on available-for-sale investments	7	**-**	(508,296)
Reclassification of prior year revaluation gains	7	**(618,847)**	(89,420)
TOTAL OTHER COMPREHENSIVE LOSS		**(618,847)**	(597,716)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(7,243,532)**	(2,990,185)
Loss per ordinary share			
Basic and diluted loss per ordinary share	10	**(119.42)**	(59.51)

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

The notes on pages 12 to 23 are an integral part of these financial statements.

CHINA SEAS BASKET LIMITED

STATEMENT OF FINANCIAL POSITION
As at 30 September 2016

	Notes	**2016 AUD**	2015 AUD
NON-CURRENT ASSETS			
Investments at fair value through profit and loss	6	**60,304,687**	892,052
Available-for-sale investments	7	**-**	37,431,314
Derivatives at fair value through profit and loss	8	**203,492**	-
		60,508,179	38,323,366
CURRENT ASSETS			
Trade and other receivables	11	**472,388**	137,457
Unpaid share capital	11	**10**	10
Fixed deposits		**3,003,793**	313,522
Cash and cash equivalents		**330,249**	391,642
		3,806,440	842,631
CURRENT LIABILITIES			
Trade and other payables	12	**(14,537)**	(14,552)
NET CURRENT ASSETS		**3,791,903**	828,079
NON-CURRENT LIABILITIES			
Trade and other payables	12	**(21,718)**	(173,468)
		64,278,364	38,977,976
CAPITAL AND RESERVES			
Share capital	13	**712**	390
Share premium	14	**69,673,372**	37,129,774
Retained earnings		**(5,395,720)**	1,228,965
Revaluation reserve		**-**	618,847
EQUITY SHAREHOLDERS' FUNDS		**64,278,364**	38,977,976
Number of fully paid ordinary shares		**70,168.968**	37,959.677
Net Asset Value per ordinary share		**916.05**	1,026.83

The financial statements were approved and authorised for issue by the Board on 8 March 2017 and signed on its behalf by:

Chris Hickling
Director

The notes on pages 12 to 23 are an integral part of these financial statements.

CHINA SEAS BASKET LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2016

	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 2015						
At 30 September 2014	1	423	42,207,791	3,621,434	1,216,563	47,046,212
Redemption of shares	-	(43)	(5,078,017)	-	-	(5,078,060)
Issue of shares (see notes 13, 14)	9	-	-	-	-	9
Reclassification of prior year revaluation gains on investments disposed of during the year (see note 7)	-	-	-	-	(89,420)	(89,420)
Loss for the year	-	-	-	(2,392,469)	-	(2,392,469)
Revaluation of available-for-sale investments (see note 7)	-	-	-	-	(508,296)	(508,296)
At 30 September 2015	10	380	37,129,774	1,228,965	618,847	38,977,976
Year ended 30 September 2016						
Redemption of shares (see notes 13, 14)	**-**	**(184)**	**(18,595,192)**	**-**	**-**	**(18,595,376)**
Issue of shares (see notes 13, 14)	**-**	**506**	**51,150,150**	**-**	**-**	**51,150,656**
Launch costs (see note 14)	**-**	**-**	**(11,360)**	**-**	**-**	**(11,360)**
Reclassification of prior year revaluation gains on investments disposed of during the year (see note 7)	**-**	**-**	**-**	**-**	**(618,847)**	**(618,847)**
Loss for the year	**-**	**-**	**-**	**(6,624,685)**	**-**	**(6,624,685)**
At 30 September 2016	**10**	**702**	**69,673,372**	**(5,395,720)**	**-**	**64,278,364**

The notes on pages 12 to 23 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 September 2016

	Notes	**Year ended 30/09/2016 AUD**	Year ended 30/09/2015 AUD
Cash flows from operating activities			
Loss for the year		**(6,624,685)**	(2,392,469)
Less:			
Adjustments for:			
Interest income	5	**(3,589,018)**	(2,577,554)
Losses on investments at fair value through profit and loss	6	**9,277,507**	4,399,543
Gains on derivatives at fair value through profit and loss	8	**(203,492)**	-
Gains on available-for-sale investments	7	**-**	(73,432)
(Increase)/decrease in debtors and prepayments		**(300,273)**	1,614,256
(Decrease)/increase in creditors and accruals		**(151,765)**	29,332
Net cash (outflow)/inflow from operating activities		**(1,591,726)**	999,676
Cashflows from investing activities			
Interest income		**11,483**	7,497
Disposals of investments held at fair value through profit and loss	6	**-**	905,352
Acquisitons of investments held at fair value through profit and loss	6	**(66,294,475)**	-
Disposals of available-for-sale investments	7	**37,959,676**	2,926,435
Transfer to fixed deposit		**(2,690,271)**	(6,965)
Net cash (outflow)/inflow from investing activities		**(31,013,587)**	3,832,319
Cashflows from financing activities			
Issues of ordinary share capital	13,14	**51,150,656**	-
Redemptions of ordinary share capital	13,14	**(18,595,376)**	(5,078,060)
Capitalised launch costs	14	**(11,360)**	-
Net cash inflow/(outflow) from financing activities		**32,543,920**	(5,078,060)
Net decrease in cash and cash equivalents for the year		**(61,393)**	(246,065)
Cash and cash equivalents at the beginning of the year		**391,642**	637,707
Cash and cash equivalents at the end of the year		**330,249**	391,642

The notes on pages 12 to 23 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

With effect from 1 October 2015, the Company has switched from reporting under United Kingdom Generally Accepted Accounting Practice ('UK GAAP') to International Financial Reporting Standards ('IFRS'). These financial statements, including the comparative figures, are in compliance with IFRS; no adjustments have been necessary to convert comparative information previously reported under UK GAAP to IFRS. The transition from UK GAAP to IFRS has not materially affected the Company's reported financial position, financial performance or cash flows.

Going concern

These financial statements have been prepared on a going concern basis, 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.

Adoption of new and revised Standards

There were no new standards relevant to the Company which became effective during the year.

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 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 latest Annual Improvements to IFRS project in September 2014 and its disclosure initiative in December 2014. These projects have amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2016 and 1 January 2017.

The Directors believe that none of these standards and interpretations will have a material effect on the financial statements of the Company, however IFRS 9 may require additional disclosure in future financial statements.

Foreign exchange

Foreign currency assets and liabilities are translated into Australian Dollars at the rate of exchange ruling on the year end 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 Statement of Comprehensive Income in the period in which they arise.

Revenue recognition

Revenue includes interest and other income 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. Interest and 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 have been charged against share premium.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Investments

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

The Company's Structured Deposit investment has been designated at inception as an investment at fair value through profit and loss.

The Company's Zero Coupon Bond investment, which was disposed of during the year, was classified as an available-for-sale investment.

All investments are measured initially at cost, which is the fair value of whatever was paid to acquire them. Transaction costs relating to the acquisition of investments at fair value through profit or loss are expensed as incurred in the Statement of Comprehensive Income. Transaction costs relating to the acquisition of available-for-sale investments are capitalised. 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 basis for its investments:

i) Held-for-trading investments and 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 Statement of Comprehensive Income, as are unrealised gains on investments at fair value through profit and loss. Unrealised gains on available-for-sale investments are recognised in Other Comprehensive Income. 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 relassified through the Statement of Comprehensive Income in the period in which the investments are disposed of.

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.

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 (2015: £1,200).

Reserves

Gains or losses arising on the revaluation of the Company's available-for-sale investments are taken to the revaluation 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.

The Directors have determined that the Company's Structured Deposit and its Option investment should be classified as investments at fair value through profit or loss. The methodologies for establishing the fair value of the Company's investments are detailed in notes 6 and 7.

4. 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% (2015: 0.15%) per annum of the Company's Funds for the year ended 15 March 2017 and 0.135% per annum in subsequent years (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 8, 10 and 11 for details of administration fees and interest paid in the year and balances outstanding at the year end.

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% (2015: 0.6%) per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). In addition the Investment Advisor is entitled to receive interest earned by the Company on the unpaid element of the fees. The Investment Advisor, Investec Corporate and Institutional Banking, is a part of the same global group of companies as Investec plc, the issuer of the Company's Zero Coupon Bond. See notes 8, 10 and 11 for details of investment advisory fees and interest paid 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 0.6% (2015: 0.7%) 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 8, 10 and 11 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.

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

	2016	2015
	AUD	AUD
Interest on available-for-sale investments	**1,147,209**	2,569,521
Interest on investments at fair value through profit and loss	**2,395,667**	-
Bank interest	**46,142**	8,033
Sundry income	**1,112**	-
	3,590,130	2,577,554

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2016	2015
	AUD	AUD
JP Morgan Index Basket Options		
Balance brought forward	**892,052**	6,196,948
Disposal during the year	**-**	(905,352)
Loss on disposal	**(892,052)**	(78,091)
Acquisition during the year	**9,330,843**	-
Fair value adjustment for the year	**(1,297,612)**	(4,321,452)
Fair value carried forward	**8,033,231**	892,052
Investec Bank Limited Structured Deposit		
Acquisitions during the year	**56,963,632**	-
Interest for the year	**2,395,667**	-
Fair value adjustment for the year	**(7,087,843)**	-
Fair value carried forward	**52,271,456**	-
Total	**60,304,687**	892,052

During the year the Company disposed of a Call Option referenced to a weighted basket of indices as follows:

- MSCI Singapore Cash Index 25%
- Hang Seng Index 25%
- MSCI Taiwan Index 25%
- Korea KOSPI 200 Index 25%

The Company subsequently purchased a Call Option referenced to a weighted basket of indices as follows:

- MSCI Singapore Index 20%
- Hang Seng Index 20%
- MSCI Taiwan Index 20%
- Nikkei225 Index 20%
- Eurostoxx 50 Index 20%

The Directors determine the fair value of the Options based on valuations provided by JP Morgan. 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 Options have been classified as a level 2 investment in the fair value hierarchy.

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

The Investec Bank Limited Structured Deposit (the "Structured Deposit") is a hybrid instrument comprising the following components:

- A holding of Investec plc 9.625% bonds maturing in 2022 (the "Investec bonds"). The Investec bonds were purchased in the market, and, in order to guarantee investors' capital protection at the termination date of the Company, their sale proceeds are fixed by means of a Put Option Agreement entered into between the Company and Investec Bank Limited;
- An accreting bank deposit, which commences on the date of the first coupon payment from the Investec bonds, receives all subsequent coupon payments during the life of the Company, and earns interest on a quarterly compounding basis;
- An interest rate swap, which fixes the interest rate on the accreting deposit. Notwithstanding that the Company regards the interest rate swap as a fundamental part of the Structured Deposit, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", this instrument is now classified separately in the Statement of Financial Position under the heading 'Derivatives at fair value through profit and loss', and movements in the fair value thereof are recognised separately in the Statement of Comprehensive Income. For further details please refer to note 8.

The Directors regard the Structured Deposit as a single financial instrument, the fair value of which is determined according to the following methodologies:

- The capital element of the Investec bonds is measured on an amortising cost basis, apportioning the revaluation on a straight-line basis from the bonds' clean purchase cost to the clean closing value (as determined by the Put Option Agreement) over the life of the Company. Interest on the Investec bonds is calculated on an accruals basis;
- The value of the accreting deposit is determined as the balance of the deposit plus accrued interest;
- The interest rate swap is measured at its mark-to-market value, based on valuations provided by the swap issuer, less a provision for unwind costs, estimated by the Investment Advisor.

The Structured Deposit has been classified as a level 2 investment in the fair value hierarchy, as the main constituents of the product, being interest on the Investec bonds and interest on the accreting deposit account, have observable inputs.

7. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	AUD	AUD
Zero Coupon Bonds issued by Investec plc		
Balance brought forward	**37,431,314**	38,312,512
Disposals during the year	**(37,959,676)**	(2,926,435)
Gains on disposals	**-**	73,432
Reclassification of prior year revaluation gains on disposals during the year	**(618,847)**	(89,420)
Interest for the year	**1,147,209**	2,569,521
Fair value adjustment for the year	**-**	(508,296)
Fair value carried forward	**-**	37,431,314

The Directors determine the fair value of the Zero Coupon Bonds based on valuations provided by Investec plc. These valuations are calculated on a discounted cash flow basis, taking into account prevailing interest rates at the date of valuation.

The Bonds have been classified as a level 2 investment in the fair value hierarchy.

8. DERIVATIVES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2016 AUD	2015 AUD
Balance brought forward	**-**	-
Fair value adjustment for the year	**203,492**	-
Fair value carried forward	**203,492**	-

Derivatives at fair value through profit and loss comprises an interest rate swap utilised to fix the interest rate on the accreting deposit component of the Structured Deposit (see note 6). The interest rate swap is measured at its mark-to-market value, based on valuations provided by the swap issuer, less a provision for unwind costs, estimated by the Investment Advisor.

The derivatives are classified as level 2 investments in the fair value hierarchy.

9. OPERATING EXPENSES

	2016 AUD	2015 AUD
Auditor's remuneration	**18,004**	15,377
Administration fee	**95,400**	63,785
Distribution fees	**335,379**	266,266
GFSC licence fee	**6,708**	6,210
Investment advisory fee	**325,926**	249,959
Interest payable	**21,718**	27,291
Listing fee	**2,994**	3,251
Statutory fees	**3,381**	3,015
Sponsorship fee	**4,922**	4,320
Professional indemnity insurance	**1,413**	1,323
Legal and professional fees	**804**	-
Sundry	**3,194**	3,115
	819,843	643,912

10. LOSS PER ORDINARY SHARE

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

	2016 AUD	2015 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	**(6,624,685)**	(2,392,469)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**55,472**	40,205
Loss per ordinary share	**(119.42)**	(59.51)

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.

11. TRADE AND OTHER RECEIVABLES

	2016 AUD	2015 AUD
Accrued interest	**35,852**	1,193
Prepaid administration fee	**48,383**	23,480
Prepaid distributor fees	**188,885**	13,610
Prepaid investment advisory fee	**193,531**	93,921
Other prepayments	**5,737**	5,253
Unpaid management share capital	**10**	10
	472,398	137,467

12. TRADE AND OTHER PAYABLES

	2016 AUD	2015 AUD
Current		
Audit fee	**12,692**	14,553
Distributors fees	**1,845**	-
	14,537	14,553
Non-current		
Interest payable	**21,718**	**173,468**

13. SHARE CAPITAL

	2016 AUD	2015 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

	2016 AUD	2015 AUD
Issued:		
10 Management shares of AUD 1.00 unpaid (2014: 1 share unpaid)	**10**	10
70,169 Ordinary shares of AUD 0.01 each fully paid (2015: 37,960 shares fully paid)	**702**	380
	712	390

During the year a total of 18,397.784 Ordinary shares were redeemed at an average price of AUD 1,010.74 per share, and a total of 50,607.075 Ordinary shares were issued at an average price of AUD 1,010.74 per share.

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. At an Extraordinary General Meeting of the Company held on 24 September 2015, shareholders approved a special resolution to extend the life of the Company for a further period of 4.3 years from the Company's previous termination date of 8 March 2016, and authorised the Directors to seek to raise additional capital through a secondary fund raising. Under the terms of the Company's new prospectus, which replaced the previous prospectus with effect from 24 September 2015, and in the absence of a special resolution to extend the life of the Company, the Company will terminate on 10 July 2020 and its shares be redeemed.

13. 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 15) 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.

14. SHARE PREMIUM

	2016	2015
	AUD	AUD
Balance brought forward	**37,129,774**	42,207,791
Ordinary shares issued during the year	**51,150,150**	(5,078,017)
Ordinary shares redeemed during the year	**(18,595,192)**	-
Capitalised launch costs	**(11,360)**	-
Balance carried forward	**69,673,372**	37,129,774

15. 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 Praxis Fund Holdings Limited ('PFHL'), the immediate controlling party of PFSL; Chris Hickling is an employee of PFSL and a shareholder in PFHL; and David Stephenson is an employee of PFSL. During the year PFSL received AUD 95,400 (2015: AUD 63,785) for their services as administrator. At the year end date administration fees of AUD 48,383 had been paid to PFSL in advance (2015: AUD 25,981) and interest on outstanding fees of AUD 3,978 was payable to PFS (2015: AUD 34,597).

The Investment Advisor, Investec Corporate and Institutional Banking, a division of Investec Bank Limited, the issuer of the Company's Structured Deposit, is deemed to be a related party. During the year Investec Corporate and Institutional Banking received AUD 325,926 (2015: AUD 249,959) for their services as investment advisor. At the year end date advisory fees of AUD 193,531 (2015: AUD 93,921) had been paid to Investec Corporate and Institutional Banking in advance and interest on outstanding fees of AUD 17,740 (2015: AUD 138,871) was payable to Investec Corporate and Institutional Banking.

16. 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. As at 30 September 2016, the Company's investments at fair value through profit or loss and one of its bank accounts are denominated in sterling, therefore the Company is exposed to foreign exchange risk in relation to these assets, as follows:

	2016	2015
	AUD	AUD
Investec Bank Limited Structured Deposit (including embedded derivative)	**52,678,440**	**-**
JP Morgan Index Basket Option	**8,033,231**	-
Investec plc - cash on call account	**204,026**	-
	60,915,697	-

At 30 September 2016, the foreign currency exposure of the Company represented 94.8% (2015: Nil) of Equity Shareholder's Funds. 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 Sterling/Australian Dollar exchange rate 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 12,183,139 (2015: Nil). The sensitivity rate of 20% is regarded as reasonable due to the recent volatility of sterling against other currencies.

The Company's management monitors exchange rate fluctuations on an ongoing basis. The Company has no other material currency exposures at either 30 September 2016 or 30 September 2015.

(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 2016, the Company held cash on a call account of AUD 330,249 (2015: AUD 391,642), which earns interest at floating rates. The company held AUD 1,000,000, AUD 1,500,000 and AUD 503,793 (2015: AUD 313,522) in fixed deposits, which at the year end earned interest at fixed rates of 2.50%, 2.58% and 1.34%.

Had these balances existed for the whole of the year, 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 16,670 (2015: AUD 3,526). The sensitivity rate of 0.5% is regarded as reasonable in relation to the current Australian base rate of 1.5% as interest rates on Australian Dollar bank accounts are not currently volatile.

The Investec Bank Limited Structured Deposit (2015: the available-for-sale investments) is 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 2016.

16. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(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 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 Fund. 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 Fund 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 Fund 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 Fund in the selection of investments, and is not an active ongoing process during the remainder of the life of the Fund.

The investments at fair value through profit and loss and the Investec Bank Limited structured deposit (2015: the available-for-sale investments) expose the Company to price risk. The details are as follows:

	2016	2015
	AUD	AUD
Investec Bank Limited Structured Deposit (including embedded derivative)	**52,474,948**	-
JP Morgan Index Basket Option	**8,033,231**	892,052
Investec plc Zero Coupon Bonds	**-**	37,431,314
	60,508,179	38,323,366

A 50 per cent increase/decrease in the value of the Index Option at 30 September 2016 would have increased/decreased the Net Asset Value of the Company by AUD 4,016,616 (2015: AUD 446,026). The sensitivity rate of 50% is regarded as reasonable due to the potential volatility of European stock markets, to which the Option is linked, which is magnified by the participation rate of 200% attached to the Option.

A 5 per cent increase/decrease in the value of the Structured Deposit at 30 September 2016/Zero Coupon Bonds as at 30 September 2015 would have increased/decreased the Net Asset Value of the Company by AUD 2,623,747 (2015: AUD 1,871,566). The lower sensitivity rate of 5% is regarded as reasonable, as the rate at which interest is earned on the instrument, which forms the main part of the annual uplift in value, is largely fixed, and the instrument is not significantly subject to the volatility of investment markets.

(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, the Investec Bank Limited structured deposit (2015: the 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.

16. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(ii) Credit risk (continued)

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 investments at fair value through profit and loss are held with JP Morgan and Investec plc , which have a Fitch long-term rating of A+ and BBB (2015: AA and BBB). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB (2015: 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 2016 the Company held AUD 330,249 (2015: AUD 391,642) cash on call and AUD 503,793 (2015: AUD 313,522) on a one month fixed deposit, which is considered by the Board as sufficient to meet all of 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 2016	**Less than 6 months AUD**	**6-12 months AUD**	**1 - 5 years AUD**
Trade and other payables	**14,537**	**-**	**21,718**
Net exposure	**14,537**	**-**	**21,718**

30 September 2015	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
Trade and other payables	14,552	-	173,468
Net exposure	14,552	-	173,468

16. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(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 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	AUD	**AUD**	**AUD**	**AUD**
Investments at fair value through profit and loss (including embedded derivative)	**-**	**60,508,179**	**-**	**60,508,179**
	-	**60,508,179**	**-**	**60,508,179**

As at 30 September 2015	Level 1	Level 2	Level 3	Total
	AUD	AUD	AUD	AUD
Investments at fair value through profit and loss	-	892,052	-	892,052
Available-for-sale investments	-	37,431,314	-	37,431,314
	-	38,323,366	-	38,323,366

There have been no transfers between levels of the fair value hierarchy during the year.

17. 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.

18. POST BALANCE SHEET EVENTS

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