

**EAST ASIAN GROWTH BASKET LIMITED**

**Annual Report and Financial Statements**

**For the year ended 30 September 2022**

# EAST ASIAN GROWTH BASKET LIMITED

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# EAST ASIAN GROWTH BASKET LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

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<b>DIRECTORS:</b>	J Lewis D Stephenson K Lancaster-King
<b>ADMINISTRATOR, SECRETARY, CUSTODIAN AND REGISTRAR:</b>	Sanne Fund Services (Guernsey) Limited (formerly Praxis Fund Services Limited) 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
<b>INVESTMENT ADVISER:</b>	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
<b>REGISTERED OFFICE:</b>	1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
<b>INDEPENDENT AUDITOR:</b>	Grant Thornton Limited St James Place St James Street St Peter Port Guernsey GY1 2NZ
<b>BANKERS:</b>	Investec Bank (Channel Islands) Limited PO Box 188 Gategny Court Gategny Esplanade St Peter Port Guernsey GY1 3LP
<b>COMPANY REGISTRATION NO:</b>	44743

# EAST ASIAN GROWTH BASKET LIMITED

## REPORT OF THE DIRECTORS

For the year ended 30 September 2022

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The Directors present the annual report and the audited financial statements ("the financial statements") of East Asian Growth Basket Limited ("the Company") for the year ended 30 September 2022.

### Principal Activity

The principal activity of the Company is that of a limited life investment holding company.

The Company is a Guernsey Authorised closed-ended investment company and is subject to the Authorised Closed-Ended Investment Scheme Rules 2008. The Company is listed on the Bermuda Stock Exchange.

### Going Concern

At the Company's Annual General Meeting in January 2022, shareholders were asked to approve a special resolution to extend the life of the Company for a further period of between 5 and 10 years from the Company's fourth termination date of 30 June 2022, and authorised the Directors to seek to raise additional capital through a secondary fund raising. The fund raising closed on 7 July 2022 and was successful. Accordingly, under the terms of the Company's prospectus, 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 July 2027 and July 2032.

The Board considers that the Covid-19 pandemic has not had a significant impact on the Company's ability to continue as a going concern.

During the year, there has been considerable economic disruption as a result of geopolitical factors, principally the Russian invasion of Ukraine. This has affected national economies globally, and has had a significant impact upon financial markets, which has in turn impacted the valuation of the Company's equity-linked option investment. However, the Board does not consider that there will be any significant impact on the Company's ability to continue as a going concern, for the following reasons:

- The Company is closed-ended, as a result of which the Board has the power to decline requests to redeem shareholdings if it believes that such redemptions are not in the best interests of the Company;
- Should the Board agree to a redemption, it would be offered to the investor at a price that the assets can be redeemed in the market. The Company itself would not be exposed to any losses that may arise;
- The Company is less exposed to the risk of widespread investor sell-off, because of the defensive nature of the Company's investment profile. Other than through default or insolvency of the debt provider, investors will be aware that a key element of the Company's investment strategy is to provide capital protection, therefore limiting their exposure to falls in the markets of the kind that are currently being experienced; and
- During the year and subsequent to the reporting date, the Board has received no enquiries, either directly or via the Investment Adviser, from investors wishing to redeem their shareholdings at any other time other than at the predetermined planned date of redemption.

As a result of the above considerations, 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 10. The Directors do not propose a dividend for the year (2021: Nil).

### Directors

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

Janine Lewis

David Stephenson

Keri Lancaster-King

# EAST ASIAN GROWTH BASKET LIMITED

## REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2022

### Directors' and Other Interests

Janine Lewis is a Director of the Company and a director of Sanne Fund Services (Guernsey) Limited ("SFSGL") (formerly Praxis Fund Services Limited), the Company's Administrator, Secretary, Custodian and Registrar, David Stephenson is a Director of the Company and an employee of SFSGL, and Keri Lancaster-King was appointed as a Director of the Company on 2 December 2021 and is a director of SFSGL. Janine Lewis, David Stephenson and Keri Lancaster-King are shareholders in PraxisIFM Group Limited, which until 3 December 2021 was the ultimate parent company of SFSGL.

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 SFGSL and ICIB during the year are contained in notes 5, 9 and 17 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 Comprehensive Income
Year ended 30 September 2022	AUD 292,145,015	AUD 809,152	AUD 40,589,731
Year ended 30 September 2021	AUD 223,168,263	AUD 232,688	AUD 35,900,523
Year ended 30 September 2020	AUD 187,233,688	AUD 198,636	AUD 8,796,975
Year ended 30 September 2019	AUD 180,126,797	AUD 159,268	AUD 15,262,013
Year ended 30 September 2018	AUD 165,509,143	AUD 55,539	AUD 22,673,017

### Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost AUD	Carrying Value AUD
Investec Limited Series INLIX01 Callable Notes	82.1%	207,345,289	223,487,051
UBS AG Index Option	12.5%	38,150,477	34,061,894
BNP Paribas Index Option	5.4%	16,600,654	14,734,816
		<u>262,096,420</u>	<u>272,283,761</u>

Investec Limited, UBS AG and BNP Paribas are providers of financial services.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with The Companies (Guernsey) Law, 2008.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the profit or loss for the financial year.

# **EAST ASIAN GROWTH BASKET LIMITED**

## **REPORT OF THE DIRECTORS (continued)**

**For the year ended 30 September 2022**

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### **Statement of Directors' Responsibilities (continued)**

Under that law, the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable appropriate accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 and with The Protection of Investors (Bailiwick of Guernsey) Law, 2020. 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, 2020.

### **Independent Auditor**

Grant Thornton Limited ('GT') has expressed its willingness to continue in office and a resolution to re-appoint GT as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Janine Lewis**

**Director**

**31 March 2023**

# **INDEPENDENT AUDITOR'S REPORT**

## **to the members of East Asian Growth Basket Limited**

### **Opinion**

We have audited the financial statements of East Asian Growth Basket Limited (the "Company") for the year ended 30 September 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and 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) as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- are in accordance with IFRSs as adopted by the IASB; and
- comply with the Companies (Guernsey) Law, 2008

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which 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; or
- the Company financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

## **INDEPENDENT AUDITOR'S REPORT**

### **to the members of East Asian Growth Basket Limited (continued)**

#### **Responsibilities of the Directors for the financial statements**

As explained more fully in the Directors' responsibilities statement set out on pages 5 and 6, the Directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRSs, 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## **INDEPENDENT AUDITOR'S REPORT**

### **to the members of East Asian Growth Basket Limited (continued)**

#### **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.

#### **Grant Thornton Limited**

Chartered Accountants  
St Peter Port, Guernsey

31 March 2023

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 September 2022

	Notes	2022 AUD	2021 AUD
<b>INCOME</b>			
Interest income	6	9,478,512	8,131,982
<b>GAINS ON INVESTMENTS</b>			
Net gains on investments at fair value through profit or loss	7	2,034,348	30,139,202
		<u>11,512,860</u>	<u>38,271,184</u>
Operating expenses	9	(2,485,819)	(2,074,351)
Foreign exchange (losses)/gains		(71,973)	14,578
<b>PROFIT FOR THE YEAR</b>		<u>8,955,068</u>	<u>36,211,411</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign exchange translation gains/(losses)		31,634,663	(310,888)
Total other comprehensive income/(loss) for the year		<u>31,634,663</u>	<u>(310,888)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>40,589,731</u>	<u>35,900,523</u>
<b>Earnings per share</b>			
Basic and diluted earnings per A Class share	10	<u>89.20</u>	<u>366.83</u>
Basic and diluted earnings per B Class share	10	<u>89.20</u>	<u>366.83</u>

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

The notes on pages 14 to 27 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF FINANCIAL POSITION At 30 September 2022

	Notes	2022 AUD	2021 AUD
<b>NON-CURRENT ASSETS</b>			
Investments at fair value through profit or loss	7	48,796,710	74,527,442
Investments at amortised cost	8	223,487,051	146,431,414
		<u>272,283,761</u>	<u>220,958,856</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	11	2,743,492	1,534,856
Cash and cash equivalents		17,117,762	674,551
		<u>19,861,254</u>	<u>2,209,407</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	(809,152)	(232,688)
<b>NET CURRENT ASSETS</b>			
		<u>19,052,102</u>	<u>1,976,719</u>
<b>NET ASSETS</b>			
		<u>291,335,863</u>	<u>222,935,575</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	1,461	1,259
Share premium	14	202,797,224	137,098,070
Retained earnings	15	51,931,894	73,673,544
Translation reserve	16	36,605,284	12,162,702
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		<u>291,335,863</u>	<u>222,935,575</u>
Number of fully paid Class A AUD shares		11,921.341	13,656.435
Number of fully paid Class B USD shares		96,730.702	84,225.997
Net Asset Value per Class A AUD share		AUD 2,681.37	AUD 1,910.81
Net Asset Value per Class B USD share		USD 1,715.81	USD 1,368.50

The financial statements were approved by the Board and authorised for issue on 31 March 2023 and signed on its behalf by:

**Janine Lewis**  
Director

The notes on pages 14 to 27 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF CHANGES IN EQUITY For the year ended 30 September 2022

	Management Shareholders	A and B Class Shareholders			Total	
	Share Capital AUD	Share Capital AUD	Share Premium AUD	Retained earnings AUD	Translation reserve AUD	AUD
<i>Year ended 30 September 2021</i>						
At 30 September 2020	10	1,249	137,098,070	37,462,133	12,473,590	187,035,052
Net profit for the year	-	-	-	36,211,411	-	36,211,411
<i>Other comprehensive loss</i>						
Foreign exchange translation losses	-	-	-	-	(310,888)	(310,888)
Total comprehensive income	-	-	-	36,211,411	(310,888)	35,900,523
At 30 September 2021	10	1,249	137,098,070	73,673,544	12,162,702	222,935,575
<i>Year ended 30 September 2022</i>						
Net profit for the year	-	-	-	8,955,068	-	8,955,068
<i>Other comprehensive income</i>						
Foreign exchange translation gains	-	-	-	-	31,634,663	31,634,663
Total comprehensive income	-	-	-	8,955,068	31,634,663	40,589,731
<i>Transactions with owners</i>						
Redemption of shares (notes 13,14,15)	-	(340)	(30,261,854)	(30,696,718)	(7,192,081)	(68,150,993)
Issue of shares	-	542	96,007,557	-	-	96,008,099
Share issue costs	-	-	(46,549)	-	-	(46,549)
At 30 September 2022	10	1,451	202,797,224	51,931,894	36,605,284	291,335,863

The notes on pages 14 to 27 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 30 September 2022

	Notes	2022 AUD	2021 AUD
<b>Cash flows from operating activities</b>			
Profit for the year		8,955,068	36,211,411
Adjustments for:			
Interest income	6	(9,478,512)	(8,131,982)
Interest expense	9	1,058	4,360
Net gains on investments at fair value through profit or loss	7	(2,034,348)	(30,139,202)
(Increase)/decrease in trade and other receivables		(1,208,636)	132,145
Increase in trade and other payables		90,755	31,118
<b>Net cash outflow from operating activities</b>		<b>(3,674,615)</b>	<b>(1,892,150)</b>
<b>Cash flows from investing activities</b>			
Bank interest		24	9,697
Proceeds of disposal of investments	7	252,781,561	-
Cost of purchases of investments	8	(262,096,420)	-
Transfer from long-term deposits		-	2,145,929
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(9,314,835)</b>	<b>2,155,626</b>
<b>Cash flows from financing activities</b>			
Redemptions of share capital		(67,519,411)	-
Issues of share capital		96,008,099	-
Share issue costs		(46,549)	-
Interest paid		(146,931)	-
<b>Net cash inflow from financing activities</b>		<b>28,295,208</b>	<b>-</b>
<b>Increase in cash and cash equivalents for the year</b>		<b>15,305,758</b>	<b>263,476</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>674,551</b>	<b>621,727</b>
<b>Foreign exchange translation gains/(losses)</b>		<b>1,137,453</b>	<b>(210,652)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>17,117,762</b>	<b>674,551</b>

The notes on pages 14 to 27 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2022

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### 1. GENERAL INFORMATION

East Asian Growth Basket Limited ("the Company") is a company incorporated and domiciled in Guernsey under The Companies (Guernsey) Law, 2008. The address of the registered office is given on page 3. The principal activity of the Company and its operations are detailed on page 4. These financial statements are presented in Australian Dollars (AUD). The functional currency of the Company is US Dollars (USD).

### 2. 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 the Company, 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").

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments measured at fair value.

#### **Going concern**

At the Company's Annual General Meeting in January 2022, shareholders were asked to approve a special resolution to extend the life of the Company for a further period of between 5 and 10 years from the Company's fourth termination date of 30 June 2022, and authorised the Directors to seek to raise additional capital through a secondary fund raising. The fund raising closed on 7 July 2022 and was successful. Accordingly, under the terms of the Company's prospectus, 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 July 2027 and July 2032.

The Board considers that the Covid-19 pandemic has not had a significant impact on the Company's ability to continue as a going concern.

During the year, there has been considerable economic disruption as a result of geopolitical factors, principally the Russian invasion of Ukraine. This has affected national economies globally, and has had a significant impact upon financial markets, which has in turn impacted the valuation of the Company's equity-linked option investment. However, the Board does not consider that there will be any significant impact on the Company's ability to continue as a going concern, for the following reasons:

- The Company is closed-ended, as a result of which the Board has the power to decline requests to redeem shareholdings if it believes that such redemptions are not in the best interests of the Company;
- Should the Board agree to a redemption, it would be offered to the investor at a price that the assets can be redeemed in the market. The Company itself would not be exposed to any losses that may arise;
- The Company is less exposed to the risk of widespread investor sell-off, because of the defensive nature of the Company's investment profile. Other than through default or insolvency of the debt provider, investors will be aware that a key element of the Company's investment strategy is to provide capital protection, therefore limiting their exposure to falls in the markets of the kind that are currently being experienced; and
- During the year and subsequent to the reporting date, the Board has received no enquiries, either directly or via the Investment Adviser, from investors wishing to redeem their shareholdings at any other time other than at the predetermined planned date of redemption.

As a result of the above considerations, 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 amended standards**

In August 2020, the IASB completed its 'Replacement issues in the context of the IBOR reform' project, which amended certain existing standards effective for periods commencing on or after 1 January 2021. In the opinion of the Directors, the adoption of these amended standards has had no material impact on the Financial Statements of the Company.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

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### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Amended standards and interpretations not yet adopted

The following relevant standards, which have not been applied in these Financial Statements, were in issue at the reporting date but not yet effective:

- IAS 1 (amended), 'Presentation of Financial Statements' – (amendments relating to the classification of liabilities and disclosure of accounting policies, effective for accounting periods commencing on or after 1 January 2023);
- IAS 8 (amended), 'Accounting Policies, Changes in Accounting Estimates and Errors' – (clarifying how companies should distinguish changes in accounting policies from changes in accounting estimates, effective for accounting periods commencing on or after 1 January 2023); and
- IAS 37 (amended), 'Provisions, Contingent Liabilities and Contingent Assets' – (relating to the costs to include when assessing whether a contract is onerous, effective for accounting periods commencing on or after 1 January 2022).

In addition, the IASB has issued its publication 'Annual Improvements to IFRS Standards 2018-2020', which has amended certain existing standards, effective for accounting periods commencing on or after 1 January 2022.

In the opinion of the Directors, the adoption of these amended standards will have no material impact on the Financial Statements of the Company.

#### Financial assets - classification

Under IFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristic of those financial assets.

The Company has determined that it has two distinct business models, as follows:

- To invest in a debt instrument issued by Investec Limited. Under IFRS 9, financial assets that are debt instruments may be classified as either (a) amortised cost, (b) fair value through other comprehensive income or (c) fair value through profit and loss ("FVTPL"). The purpose of the Company's investment in the debt instrument is to collect the contractual cashflows of solely payments of principal and interest arising on maturity, which will provide capital protection for investors in the Company, and accordingly, the Company has determined that this investment should be classified as an investment at amortised cost.
- To invest in one or more options linked to a basket of indices, in order to provide investors with a potential upside on their investment. Under the terms of IFRS 9, the options are automatically classified as investments at FVTPL.

#### Financial assets - recognition and subsequent measurement

Purchased financial assets are recognised on trade date, being the date on which the Company irrevocably commits to purchase the asset.

All investments are measured initially at fair value net of transaction costs, except where the investment will subsequently be measured at FVTPL. Transaction costs relating to the acquisition of investments at FVTPL are expensed as incurred in the Statement of Comprehensive Income.

After initial recognition, the Company's Option investment is measured at FVTPL. Fair value is calculated using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the reporting date. Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in profit or loss in the Statement of Comprehensive Income as applicable.

After initial recognition, the Company's debt instrument is measured at amortised cost using the effective interest rate method. Interest income from this financial asset is included in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses, including expected credit losses at initial recognition and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition, are presented as a separate line item in profit or loss in the Statement of Comprehensive Income.

All gains or losses are recognised in the period in which they arise.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

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### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Financial assets - recognition and subsequent measurement (continued)

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.

#### Liquid resources

Liquid resources comprise cash and cash equivalents and long-term 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 long-term deposits.

#### Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

#### Financial liabilities

Financial liabilities, other than those at FVTPL, are measured at amortised cost using the effective interest rate method.

#### Interest income

Interest income on financial assets at amortised cost is calculated using the effective interest rate method and recognised in profit or loss.

#### 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 Company's investments are denominated, the majority of capital raised and in which the majority of the Company's expenses are incurred. For consistency with previous years, the Directors have selected Australian Dollars as the presentation currency of the Company.

Foreign currency assets and liabilities are translated into Australian Dollars at the rate of exchange ruling on the reporting date. Foreign currency transactions are translated into the functional currency of US Dollars at the rate of exchange ruling on the date of the transaction and then translated into Australian Dollars for presentation purposes. Foreign exchange gains and losses relating to the functional currency are recognised in the Statement of Comprehensive Income in the period in which they arise. Differences arising on translation from the functional currency to the presentation currency are recognised in other comprehensive income in the period in which they arise and are taken to the translation reserve.

#### 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.

#### 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 (2021: £1,200).

### 3. 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.



# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

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### 4. 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 areas involving significant estimates or judgements are:

- Classification of and subsequent measurement basis of financial instruments – see note 2 (Financial assets – classification);
- Determination of the functional currency - see note 2 (Foreign exchange);
- Estimated fair value of financial assets measured at FVTPL – see note 7; and
- Impairment of financial assets measured at amortised cost - see notes 8 and 11.

### 5. 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 0.135% (2021: 0.135%) of the Company's funds (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 9, 11, 12 and 17 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 advisor, for its services as advisor, a fee of 0.65% (2021: 0.65%) 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 9, 11 and 17 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% (2021: 0.65%) 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 9 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 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.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 September 2022

6. INTEREST INCOME	2022 AUD	2021 AUD
Interest on investments at amortised cost	9,478,488	8,122,285
Bank interest	24	9,697
	<u>9,478,512</u>	<u>8,131,982</u>

The effective interest rate used for calculating the interest on the Notes is 6.2583% (2021: 6.1244%).

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	2022 AUD	2021 AUD
<b>Goldman Sachs Call Option</b>		
Fair value brought forward	74,527,442	43,563,132
Proceeds of disposal	(90,146,366)	-
Gain on disposal	10,495,960	-
Fair value adjustment for the year	-	30,139,202
Translation difference	5,122,964	825,108
Fair value carried forward	<u>-</u>	<u>74,527,442</u>

The Goldman Sachs Call Option was a call option referenced to a basket of indices and matured on 30 June 2022.

The Directors determined the fair value of the Option based on valuations provided by Goldman Sachs. The valuation/price of the Option was calculated by Goldman Sachs using an option pricing model and a price was published daily on Bloomberg.

	2022 AUD	2021 AUD
<b>UBS AG Index Option</b>		
Purchase	38,150,477	-
Fair value adjustment for the year	(5,841,786)	-
Translation difference	1,753,203	-
Fair value carried forward	<u>34,061,894</u>	<u>-</u>

	2022 AUD	2021 AUD
<b>BNP Paribas ("BNPP") Index Option</b>		
Purchase	16,600,654	-
Fair value adjustment for the year	(2,619,826)	-
Translation difference	753,988	-
Fair value carried forward	<u>14,734,816</u>	<u>-</u>

The UBS AG and BNPP Options are call options referenced 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 Options were acquired during the year and have been classified as level 2 investments in the fair value hierarchy, as the valuations are derived from observable inputs other than quoted prices in an active market (see note 18(iv)).

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

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

The key inputs to the UBS AG Option valuation were the notional value of the Option of USD 134,961,026 and the published price of the Option of 16.15% at 30 September 2022 (at acquisition: 19.2362%).

The key inputs to the BNPP Option valuation were the notional value of the Option of USD 56,291,397 and the published price of the Option of 16.75% at 30 September 2022 (at acquisition: 20.0683%).

The key inputs to the published prices of both Options were the closing prices at 30 September 2022 of the S&P 500 index (3,585.62 (at acquisition: 3,899.38)), Euro Stoxx 50 index (3,318.20 (at acquisition: 3,506.55)), Nikkei 225 index (25,937.21 (at acquisition: 26,517.19)) and iShares MSCI Emerging Markets index (34.88 (at acquisition: 40.09)).

The Directors determined the fair value of the Options based on valuations provided by each counterparty. The valuations of the Option are calculated by UBS AG and BNPP using option pricing models and prices are published daily on Reuters.

### 8. INVESTMENTS AT AMORTISED COST

	2022 AUD	2021 AUD
<b>Investec Bank Limited Unsecured Subordinated Callable Notes</b>		
Carrying value brought forward	146,431,414	139,235,899
Disposal	(162,635,195)	-
Interest	6,798,411	8,122,285
Translation difference	9,405,370	(926,770)
Carrying value carried forward	<u>-</u>	<u>146,431,414</u>

The Investec Bank Limited Unsecured Subordinated Callable Notes (the "Notes") were redeemed on 30 June 2022.

The Notes were measured at amortised cost using the effective interest rate method. The effective interest used for calculating the interest income is disclosed in note 6.

The fair value of the Notes, calculated by ICIB at 30 September 2021, was AUD 153,508,134.

	2022 AUD	2021 AUD
<b>Investec Limited Series INLIX01 Callable Notes</b>		
Purchase	207,345,289	-
Interest	2,680,077	-
Translation difference	13,461,685	-
Carrying value carried forward	<u>223,487,051</u>	<u>-</u>

The Investec Limited Series INLIX01 Callable Notes (the "new Notes") were acquired on 13 July 2022. The new Notes function as zero coupon notes for a period of five years to the First Optional Redemption Date of 13 July 2027. Should the debt issuer not exercise its option to redeem the new Notes on the First Optional Redemption Date, the new Notes will convert to floating rate notes and will pay interest at a rate of the Secured Overnight Finance Rate ("SOFR") plus a margin of 3.16%, and are redeemable at the end of each subsequent 3 months until the Maturity Date of 13 July 2032.

The new Notes are measured at amortised cost using the effective interest rate method. The effective interest used for calculating the interest income is disclosed in note 6.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

### 8. INVESTMENTS AT AMORTISED COST (continued)

The calculation of impairment, including expected credit losses, is based on assumptions about risk of default and expected loss rates. The Company uses judgments in making this assumption and selecting the inputs to the impairment calculation based on past history and existing market conditions (see note 18(ii)). The Company has assessed the investment in the new Notes for impairment and expected credit losses at the reporting date and has concluded that as at the year end no impairment or credit losses are expected over the life of the investment (2021: no impairment or credit losses were expected over the life of the Notes).

The fair value of the new Notes, calculated by ICIB at 30 September 2022, was AUD 212,555,858.

### 9. OPERATING EXPENSES

	2022	2021
	AUD	AUD
Investment advisory fee	1,090,859	918,125
Distribution fees	1,088,204	914,608
Administration fee	261,043	193,260
Auditor's remuneration	15,439	14,650
Licence fee	6,652	6,286
Listing fee	5,785	5,486
Sponsorship fee	9,818	9,284
Statutory fees	2,829	3,103
Interest expense	1,058	4,360
Professional indemnity insurance	2,451	2,297
Sundry expenses	1,681	2,892
	<b>2,485,819</b>	<b>2,074,351</b>

### 10. EARNINGS PER SHARE

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

	2022	2021
	AUD	AUD
Profit attributable to shares:		
Profit for the purpose of basic and diluted earnings per share being profit for the year attributable to ordinary shareholders	<b>8,955,068</b>	36,211,411
Number of shares:		
Weighted average number of shares for the purpose of basic and diluted earnings per share	<b>100,390</b>	98,713
	<b>AUD</b>	<b>AUD</b>
Earnings per A Class share	<b>89.20</b>	366.83
Earnings per B Class share	<b>89.20</b>	366.83

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.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

11. TRADE AND OTHER RECEIVABLES	2022	2021
	AUD	AUD
Prepaid administration fee	-	146,726
Prepaid distributor fees	1,365,982	678,090
Prepaid investment advisory fee	1,375,646	706,456
Other prepayments	1,864	3,584
	<u>2,743,492</u>	<u>1,534,856</u>

The balance of trade and other receivables principally comprises prepayments, therefore a provision for expected credit losses is not required.

12. TRADE AND OTHER PAYABLES	2022	2021
	AUD	AUD
<b>Current</b>		
Share redemptions payable	631,582	-
Administration fee	121,736	-
Audit fee	14,488	14,542
Interest payable	34,815	180,688
Distributor fees	-	34,964
Other payables	6,531	2,494
	<u>809,152</u>	<u>232,688</u>

### 13. 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.

Issued and fully paid:	2022	2021
	AUD	AUD
10 Management shares of AUD 1.00 each	10	10
11,921.341 (2021: 13,656.435) Class A AUD shares of AUD 0.01 each	119	137
96,730.702 (2021: 84,225.997) Class B USD shares of USD 0.01 each	1,332	1,112
	<u>1,461</u>	<u>1,259</u>

On 7 July 2022, 2,419.537 A Class shares were redeemed at a price of AUD 2,586.64 per share; 684.443 A Class shares were issued at a price of AUD 2,586.64 per share; 23,927.768 B Class shares were redeemed at a price of USD 1,760.21 per share; and 36,432.473 B Class shares were issued at a price of US\$1,760.21 per share.

Class A and Class B shares are entitled to 1 vote each at a general meeting of the Company. Under the terms of the Company's prospectus, 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 in July 2027, subject to exercise of the option to redeem on the part of the issuer of the Company's debt investment. Shareholders are entitled to receive any dividends or distributions from the Company and any surplus arising on the winding up of the Company after the payment of creditors and redemption of the Management shares at their nominal value.

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 17) 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.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

### 14. SHARE PREMIUM

Movements in share premium during the year are attributable to A Class and B Class shareholders as follows:

<b>2022</b>	<b>A Class</b>	<b>B Class</b>	<b>Total</b>
	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>
Balance brought forward	19,249,857	117,848,213	137,098,070
Shares issued during the year	1,770,401	94,237,156	96,007,557
Shares redeemed during the year	(2,771,144)	(27,490,710)	(30,261,854)
Capitalised launch costs	(5,107)	(41,442)	(46,549)
Balance carried forward	<u>18,244,007</u>	<u>184,553,217</u>	<u>202,797,224</u>
2021	A Class	B Class	Total
	AUD	AUD	AUD
Balance brought forward	19,249,857	117,848,213	137,098,070
Balance carried forward	<u>19,249,857</u>	<u>117,848,213</u>	<u>137,098,070</u>

### 15. RETAINED EARNINGS

Movements in retained earnings during the year are attributable to A Class and B Class shareholders as follows:

<b>2022</b>	<b>A Class</b>	<b>B Class</b>	<b>Total</b>
	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>
Balance brought forward	10,114,621	63,558,923	73,673,544
Shares redeemed during the year	(2,818,954)	(27,877,764)	(30,696,718)
Net profit for the year	<u>1,182,144</u>	<u>7,772,924</u>	<u>8,955,068</u>
Balance carried forward	<u>8,477,811</u>	<u>43,454,083</u>	<u>51,931,894</u>
2021	A Class	B Class	Total
	AUD	AUD	AUD
Balance brought forward	5,062,450	32,399,683	37,462,133
Net profit for the year	5,052,171	31,159,240	36,211,411
Balance carried forward	<u>10,114,621</u>	<u>63,558,923</u>	<u>73,673,544</u>

### 16. TRANSLATION RESERVE

Movements in the translation reserve during the year are attributable to A Class and B Class shareholders as follows:

<b>2022</b>	<b>A Class</b>	<b>B Class</b>	<b>Total</b>
	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>
Balance brought forward	1,771,168	10,391,534	12,162,702
Shares redeemed during the year	(668,348)	(6,523,733)	(7,192,081)
Foreign exchange translation gains	<u>4,176,039</u>	<u>27,458,624</u>	<u>31,634,663</u>
Balance carried forward	<u>5,278,859</u>	<u>31,326,425</u>	<u>36,605,284</u>
2021	A Class	B Class	Total
	AUD	AUD	AUD
Balance brought forward	1,814,543	10,659,047	12,473,590
Foreign exchange translation losses	(43,375)	(267,513)	(310,888)
Balance carried forward	<u>1,771,168</u>	<u>10,391,534</u>	<u>12,162,702</u>

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

### 17. 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. There is no ultimate controlling party of the Company.

The ultimate controlling party of PraxisIFM Trust Limited is PraxisIFM Group Limited ('PGL'). Until 3 December 2021, PGL was also the ultimate controlling party of Sanne Fund Services (Guernsey) Limited ('SFSGL') (formerly Praxis Fund Services Limited), the administrator of the Company. SFSGL is deemed to be a related party, as Janine Lewis (a Director of the Company) is a director of SFSSL; David Stephenson (a Director of the Company) is an employee of SFSGL; Keri Lancaster-King (a Director of the Company) is a director of SFSGL. During the year SFSGL earned AUD 261,043 (2021: AUD 193,260) for their services as administrator. At the year end date administration fees of AUD 121,736 were payable to SFSGL (2021: AUD 146,726 paid in advance). At the year end date interest was due to SFSGL on outstanding fees payable of AUD 34,815 (2021: AUD 30,728).

The Investment Advisor, Investec Corporate and Institutional Banking ("ICIB"), a division of Investec Bank Limited, and Investec Bank Limited itself, are deemed to be related parties. During the year ICIB earned AUD 1,090,859 (2021 AUD 918,125) for its services as investment advisor. At the year end advisory fees of AUD 1,375,646 (2021: AUD 706,456) had been paid to ICIB in advance. At the year end date no interest (2021: AUD 149,960) was due to ICIB on outstanding fees payable. The balances and transactions during the year with Investec Bank Limited and Investec Limited related to the investments at amortised cost are disclosed in note 8.

### 18. 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 structured product with similar characteristics) and an option or options on a specified index or 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. There have been no changes to the Company's exposure to market risk, credit risk and liquidity risk; or its objectives, policies and procedures for managing such risks, since the prior year.

#### (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 functional currency. As at 30 September 2022 the Company was exposed to foreign exchange risk in relation to the following assets and liabilities:

	Source currency	2022 AUD	2021 AUD
Cash and cash equivalents	Pound Sterling	298,982	340,909
Trade and other payables	Pound Sterling	(18,201)	(14,542)
Cash and cash equivalents	Australian Dollar	184,838	1,178
		<u>465,619</u>	<u>327,545</u>

At 30 September 2022, 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 (2021: 0.1%). 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 other currencies at the year end date had been 10% (2021: 10%) higher/lower, this would have resulted in an increase/decrease in the year end net asset value of AUD 46,562 (2021: AUD 32,755). The sensitivity rate of 10% is regarded as reasonable as this approximates to the level of volatility of Pound Sterling and the Australian Dollar against the US Dollar in the last year.

The Company had no other material currency exposures as at 30 September 2022 or 30 September 2021.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

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### 18. FINANCIAL INSTRUMENT RISK FACTORS (continued)

#### (i) Market risk (continued)

##### (b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents and long-term deposits and on interest payable on outstanding future fees. At 30 September 2022, the Company held cash and cash equivalents of AUD 17,117,762 (2021: AUD 674,551), which earned interest at a weighted average rate of 0%, and had no long-term deposits (2021: no long-term deposits). At 30 September 2022, the Company had outstanding future fees of AUD 5,680,137 on which interest is payable (2021: no outstanding future fees on which interest was payable).

Had these balances existed for the whole of the period, and all other factors remained the same, the effect on the Statement of Comprehensive Income of an increase of 1%/decrease of 0.5% per annum in short term interest rates (2021: increase/decrease of 0.25%) would have been an increase of AUD 114,376/increase of AUD 28,401 in total comprehensive income for the year (2021: increase of AUD 1,686/decrease of AUD 10). The sensitivity rates of a 1.0% increase and a 0.5% decrease are regarded as reasonable following the recent trend of significant hikes in interest rates globally and in the context of the current US Fed Rate of 3.25%, the majority of the Company's cash being held in US Dollars.

The Company had no other material interest rate exposures as at either 30 September 2022 or 30 September 2021. The Company's new Notes are not interest-bearing, however, the new Notes are measured using amortised cost, and the unwind of the discount over the life of the new Notes is recognised as interest in the Statement of Comprehensive Income.

##### (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 investments in the UBS AG and BNPP Options ("the Options") is valued by reference to movements in the level of the underlying indices, and so are directly affected by changes in market prices. The Company's investment in the new Notes is measured at amortised cost, and is therefore not subject to price risk.

Price risk is managed at inception by investing in a combination of two financial instruments: a debt instrument that will provide capital protection for investors; and one or more call options referenced to 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 holding of the debt instrument acquired is calculated with the intention 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 Options provide the potential for significant upside performance, should the relevant indices perform well, with the downside limited to loss of the initial option premiums.

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 new Notes. Therefore, whilst the Board monitors the performance of the Options and the new Notes, 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.



# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

### 18. FINANCIAL INSTRUMENT RISK FACTORS (continued)

#### (i) Market risk (continued)

##### (c) Price risk (continued)

The investment in the Options exposes the Company to price risk. The details are as follows:

	<b>2022</b>	2021
	<b>AUD</b>	AUD
Goldman Sachs Call Option	-	74,527,442
UBS AG Option	<b>34,061,894</b>	-
BNPP Option	<b>14,734,816</b>	-
	<b><u>48,796,710</u></b>	<b><u>74,527,442</u></b>

A 50 per cent decrease in the published prices of the Options at 30 September 2022 would decrease the Net Asset Value of the Company by AUD 24,398,355 (2021: AUD 37,527,442). A 50 per cent increase in the published prices of the Options at 30 September 2022 would increase the Net Asset Value of the Company by AUD 24,398,355 (2021: 10,355,085, due to the cap on the Goldman Sachs Option contract). The sensitivity rate of 50% is regarded as reasonable due to the potential volatility of the indices to which the Options are linked, magnified by the participation rates of 151.89% attached to the UBS AG Option and 162.68% attached to the BNPP Option (2021: 200% attached to the Goldman Sachs 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, long-term deposits, trade and other receivables, investments at FVTPL and investments at amortised cost. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments.

The Company states in its Prospectus that it will invest in a debt instrument issued by Investec Limited ('IL') and one or more options linked to a basket of indices, 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. At initial recognition of the new Notes and the Options, the Directors considered the credit risk attached to these instruments to be low, and this remains their view. The Directors would only seek to sell the relevant securities or transfer cash if they (in consultation with the Investment Adviser) consider that such would be in the best interests of the Company and its shareholders.

In accordance with this policy, the Board (in consultation with the Investment Adviser) has noted that the Fitch long-term credit rating of IL as at 30 September 2022 was BB- (30 September 2021: BB-). The year end rating of Investec plc, a sister company to IL, was BBB+ (2021: 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 Notes prior to their expected maturity date on 13 July 2027, as they believe firstly that there has been no significant deterioration in the creditworthiness of IL, 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 new Notes, which could affect the Company's ability to offer capital protection to shareholders on their investment.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

### 18. FINANCIAL INSTRUMENT RISK FACTORS (continued)

#### (ii) Credit risk (continued)

The Company monitors the creditworthiness of its counterparties on an ongoing basis and considers a financial asset to be in default when the counterparty fails to make contractual payments within 60 days of when they fall due. No instances of default or significant changes to the Company's credit risk or expected loss rates have been identified in the last 12 months.

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

The Options are held with UBS AG and BNPP, which have Fitch long-term ratings of AA- and A+ respectively (2021: Goldman Sachs International, which has a Fitch long-term rating of A+). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB+ (2021: 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 2022 the cash on call was AUD 17,117,762 (2021: AUD 674,551), which is considered by the Board to be sufficient to meet all of the Company's short-term obligations. A substantial portion of the Company's cash and cash equivalents were transferred to long-term deposits shortly after the Company's year end.

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.

	<b>Less than 6 months AUD</b>	<b>6 to 12 months AUD</b>	<b>1 to 5 years AUD</b>
<b>2022</b>			
Trade and other payables	<b>809,152</b>	-	-
Net exposure	<b>809,152</b>	-	-
	Less than 6 months AUD	6 to 12 months AUD	1 to 5 years AUD
<b>2021</b>			
Trade and other payables	52,000	180,688	-
Net exposure	52,000	180,688	-

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2022

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

2022	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at FVTPL	-	48,796,710	-	48,796,710
	-	48,796,710	-	48,796,710
2021	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at FVTPL	-	74,527,442	-	74,527,442
	-	74,527,442	-	74,527,442

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

### 19. 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 Board has also considered the impact of the Covid-19 pandemic subsequent to the year end, and does not believe that this will have a significant impact on the Company's capital or its ability to continue as a going concern. The Company has no external borrowings.

Shareholders may be able to redeem their Shares prior to the Redemption Date, however such redemptions are wholly at the discretion of the Directors, and any request for redemption may be refused in whole or in part. No early redemptions will be permitted unless the Directors are satisfied that they have complied with all applicable law, including satisfaction of the solvency test as required by the Companies (Guernsey) Law, 2008. There have been no changes to the Company's objectives or policies and procedures for managing capital since the previous year end.

### 20. POST BALANCE SHEET EVENTS

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