# EAST ASIAN GROWTH BASKET LIMITED

**Report and Financial Statements**

**For the year ended 30 September 2013**

# EAST ASIAN GROWTH BASKET LIMITED

## REPORT AND FINANCIAL STATEMENTS
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# EAST ASIAN GROWTH BASKET LIMITED

## REPORT AND FINANCIAL STATEMENTS
## GENERAL INFORMATION

| | |
|---|---|
| **DIRECTORS:** | C Hickling<br>J Lewis<br>D Stephenson |
| **ADMINISTRATOR, SECRETARY, CUSTODIAN AND REGISTRAR:** | Praxis Fund Services Limited<br>PO Box 296<br>Sarnia House<br>Le Truchot<br>St Peter Port<br>Guernsey<br>GY1 4NA |
| **REGISTERED OFFICE:** | Sarnia House<br>Le Truchot<br>St Peter Port<br>Guernsey<br>GY1 4NA |
| **AUDITOR:** | Saffery Champness<br>PO Box 141<br>La Tonnelle House<br>Les Banques<br>St Sampson<br>Guernsey<br>GY1 3HS |
| **BANKERS:** | Investec Bank (Channel Islands) Limited<br>PO Box 188<br>Glategny Court<br>Glategny Esplanade<br>St Peter Port<br>Guernsey<br>GY1 3LP |
| **COMPANY REGISTRATION NO:** | 44743 |

## REPORT OF THE DIRECTORS
**For the year ended 30 September 2013**

The Directors present their report and the audited financial statements for the year ended 30 September 2013.

**Principal Activity**

The principal activity of the Company is investment holding.

The Company is a Guernsey authorised closed-ended investment scheme and is subject to the Authorised Closed-Ended Investment Scheme Rules 2008.

At an Extraordinary General Meeting of the Company held on 14 December 2011, shareholders approved a special resolution to extend the life of the Company for a further period of 5.5 years from the Company's termination date of 26 January 2012. Under the terms of the Company's new prospectus, which replaced the old prospectus with effect from 26 January 2012, in the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 26 July 2017.

**Results and Dividends**

The statement of comprehensive income is set out on page 7. The Directors do not propose a dividend for the year (2012: Nil).

**Directors**

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

J Lewis

C Hickling

D Stephenson

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

**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.

### Statement of Directors' Responsibilities (continued)

The Directors confirm that:

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

### Auditor

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

By Order of the Board

**Janine Lewis**
**Director**
**19 March 2014**

# INDEPENDENT AUDITOR'S REPORT
## To the members of East Asian Growth Basket Limited

We have audited the financial statements of East Asian Growth Basket Limited (the "Company") for the year ended 30 September 2013, which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes to the financial statements. 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 page 4, 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 financial statements**

In our opinion the financial statements:

- give a true and fair view
- are in accordance with International Financial Reporting Standards; 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**
**19 March 2014**

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 30 September 2013**

| | Notes | 2013 AUD | 2012 AUD |
|---|---|---|---|
| **REVENUE** | | | |
| Interest income | 5 | **49,024** | 36,498 |
| Other income | | **-** | 3,546 |
| **GAINS/(LOSSES) ON INVESTMENTS** | | | |
| Investments at fair value through profit and loss | 6 | **1,395,559** | (1,529,621) |
| Available-for-sale investments - realised | 7 | **-** | 55,121 |
| | | **1,444,583** | (1,434,456) |
| Operating expenses | 8 | **(350,999)** | (315,521) |
| **GAIN/(LOSS) FOR THE YEAR** | | **1,093,584** | (1,749,977) |
| **Gain/(loss) per share** | | | |
| Basic and diluted gain/(loss) per ordinary share | 9 | **52.27** | (87.22) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Unrealised gain on available-for-sale investments | 7 | **736,668** | 2,496,486 |
| Unrealised foreign exchange difference on currency redenomination | | **-** | (2,081,082) |
| Total other comprehensive income for the year | | **736,668** | 415,404 |
| **TOTAL COMPREHENSIVE GAIN/(LOSS) FOR THE YEAR** | | **1,830,252** | (1,334,573) |

All of the Company's revenue and expenses derive from continuing operations.
The notes on pages 11 to 19 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF FINANCIAL POSITION
**at 30 September 2013**

| | Notes | **2013 AUD** | 2012 AUD |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investments at fair value through profit and loss | 6 | **5,177,074** | 3,781,515 |
| Available-for-sale investments | 7 | **16,697,808** | 15,961,140 |
| | | **21,874,882** | 19,742,655 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 10 | **155,035** | 113,078 |
| Cash and cash equivalents | | **1,178,565** | 1,513,908 |
| | | **1,333,600** | 1,626,986 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | **(11,725)** | (9,346) |
| **NET CURRENT ASSETS** | | **1,321,875** | 1,617,640 |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | **(34,817)** | (8,818) |
| | | **23,161,940** | 21,351,477 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 12 | **298** | 298 |
| Share premium | 13 | **27,366,190** | 27,385,979 |
| Revaluation reserve | 14 | **3,233,154** | 2,496,486 |
| Retained earnings | | **(4,579,588)** | (5,673,172) |
| Translation reserve | | **(2,858,114)** | (2,858,114) |
| **EQUITY SHAREHOLDERS' FUNDS** | | **23,161,940** | 21,351,477 |
| Number of fully paid ordinary shares | | **20,922.691** | 20,922.691 |
| Net Asset Value per ordinary share | | **AUD 1,107.02** | AUD 1,020.49 |

The financial statements were approved by the Board and authorised for issue on 19 March 2014 and signed on its behalf by:

**Janine Lewis**
**Director**

The notes on pages 11 to 19 are an integral part of these financial statements.

## EAST ASIAN GROWTH BASKET LIMITED

### STATEMENT OF CHANGES IN EQUITY
**For the year ended 30 September 2013**

| | Management Shareholders | Ordinary Shareholders | | | | | Total |
|---|---|---|---|---|---|---|---|
| | Share Capital | Share Capital | Share Premium | Revaluation reserve | Retained earnings | Translation reserve | |
| | AUD | AUD | AUD | AUD | AUD | AUD | AUD |
| At 30 September 2011 | 13 | 269 | 26,833,256 | 3,241,900 | 1,457,720 | (9,399,847) | 22,133,311 |
| Redemptions of shares (see note 13) | - | (143) | (14,942,558) | - | - | - | (14,942,701) |
| Issue of shares (see notes 12,13) | - | 159 | 15,543,142 | - | - | - | 15,543,301 |
| Launch costs capitalised | - | - | (47,861) | - | - | - | (47,861) |
| Net loss for the year | - | - | - | - | (1,749,977) | - | (1,749,977) |
| Recycling of prior year revaluation gains on investments disposed of during the year (see note 14) | - | - | - | (3,241,900) | 3,241,900 | - | - |
| Revaluation of available for sale investments (see note 14) | - | - | - | 2,496,486 | - | - | 2,496,486 |
| Recycling of prior year translation differences | - | - | - | - | (8,622,815) | 8,622,815 | - |
| Translation differences | - | - | - | - | - | (2,081,082) | (2,081,082) |
| At 30 September 2012 | 13 | 285 | 27,385,979 | 2,496,486 | (5,673,172) | (2,858,114) | 21,351,477 |
| **Launch costs capitalised** | **-** | **-** | **(19,789)** | **-** | **-** | **-** | **(19,789)** |
| **Net gain for the year** | **-** | **-** | **-** | **-** | **1,093,584** | **-** | **1,093,584** |
| **Revaluation of available-for-sale investments (see notes 7,14)** | **-** | **-** | **-** | **736,668** | **-** | **-** | **736,668** |
| **At 30 September 2013** | **13** | **285** | **27,366,190** | **3,233,154** | **(4,579,588)** | **(2,858,114)** | **23,161,940** |

The notes on pages 11 to 19 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF CASH FLOWS
**For the year ended 30 September 2013**

| | Notes | **2013 AUD** | 2012 AUD |
|---|---|---|---|
| Operating gain/(loss) for the year | | **1,093,584** | (1,749,977) |
| Adjustments for: | | | |
| Interest income | | **(49,024)** | (36,498) |
| (Gain)/loss on investments at fair value through profit and loss | 6 | **(1,395,559)** | 1,529,621 |
| Gain on available-for-sale investments | 7 | **-** | (55,121) |
| Increase in trade and other receivables | | **(6,645)** | (17,365) |
| Increase/(decrease) in trade and other payables | | **28,378** | (38,220) |
| **Net cash outflow from operating activities** | | **(329,266)** | (367,560) |
| **Cash flows from investing activities** | | | |
| Bank interest | | **13,712** | 36,498 |
| Purchase of investments held at fair value through profit and loss | 6 | **-** | (5,162,750) |
| Disposals of investments held at fair value through profit or loss | 6 | **-** | 829,642 |
| Purchase of available-for-sale investments | 6 | **-** | (13,464,654) |
| Disposals of available-for-sale investments | 6 | **-** | 20,984,837 |
| **Net cash inflow from investing activities** | | **13,712** | 3,223,573 |
| **Cash flows from financing activities** | | | |
| Receipts from issue of shares | 12,13 | **-** | 15,543,301 |
| Payments for redemptions of shares | 12,13 | **-** | (14,942,701) |
| Capitalised launch costs | 13 | **(19,789)** | (47,861) |
| **Net cash inflow from financing activities** | | **(19,789)** | 552,739 |
| **(Decrease)/increase in cash and cash equivalents for the year** | | **(335,343)** | 3,408,752 |
| **Cash and cash equivalents at the beginning of the year** | | **1,513,908** | 186,238 |
| **Unrealised foreign exchange difference on currency redenomination** | | **-** | (2,081,082) |
| **Cash and cash equivalents at the end of the year** | | **1,178,565** | 1,513,908 |

The notes on pages 11 to 19 are an integral part of these financial statements.

### 1. PRINCIPAL ACCOUNTING POLICIES

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

**Basis of preparation**
The financial statements of East Asian Basket Limited, with domicile in Guernsey, have been prepared in accordance with International Financial Reporting Standards ('IFRS').

**Going concern**
The financial statements have been prepared on a going concern basis.

**New, revised amd amended standards and interpretations not yet adopted**
At the date of authorisation of these Financial Statements, the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IAS 27 (revised) "Separate Financial Statements" (revised version effective for periods commencing on or after 1 January 2013 on adoption of IFRS 10, IFRS 11 and IFRS 12);
- IAS 28 (revised) "Investments in Associates and Joint Ventures" (revised version effective for periods commencing on or after 1 January 2013 on adoption of IFRS 10, IFRS 11 and IFRS 12);
- IAS 32 (amended) "Financial Instruments: Presentation" (effective for periods commencing on or after 1 January 2013);
- IFRS 7 (amended), "Financial Instruments: Disclosures" (various amendments effective for periods commencing on or after 1 January 2013 and 1 January 2015);
- IFRS 9, "Financial Instruments - Classification and Measurement" (no mandatory effective date determined);
- IFRS 10, "Consolidated Financial Statements" (effective for periods commencing on or after 1 January 2013, amendment for investment entities effective for periods commencing on or after 1 January 2014);
- IFRS 11, "Joint arrangements" (effective for periods commencing on or after 1 January 2013);
- IFRS 12, "Disclosure of Interest in Other Entities" (effective for periods commencing on or after 1 January 2013, amendment for investment entities effective for periods commencing on or after 1 January 2014);
- IFRS 13, "Fair Value Measurement" (effective for periods commencing on or after 1 January 2013).

In addition the IASB has completed its Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle, which have amended a number of existing standards and interpretations effective for accounting periods commencing on 1 January 2013 and 1 July 2014.

The Directors do not believe that the adoption of these standards and interpretations in future periods will have a material impact on the Financial Statements of the Company.

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

**Revenue recognition**
Revenue includes bank 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. Revenues are accounted for on an accruals basis.

### 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 bond investments are classified as available-for-sale investments.

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

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

i) Held-for-trading investments and those so designated at inception: Fair value through profit 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 investment 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 recycled through the income statement in the period in which the investments are disposed of.

**Taxation**

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989 and is charged an annual exemption fee of £600.

### 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 most critical judgements that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements are related to the carrying value of the available-for-sale investments and the investments designated to be at fair value through profit or loss (see note 1).

## 4. SIGNIFICANT AGREEMENTS

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

**Administration, Custodian and Secretarial Agreement**
Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees.

**Investment Advisory Agreement**
Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.6% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. In addition the advisor is entitled to receive interest earned by the Company on the unpaid element of the fees.

**Distribution Agreement**
Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.7% per annum of 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), payable in advance on the first Business Day of each year, until the Termination Date.

## 5. INTEREST INCOME

| | **2013** | 2012 |
|---|---|---|
| | **AUD** | AUD |
| Bank interest | **49,024** | 36,498 |

## 6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

| | **2013** | 2012 |
|---|---|---|
| | **AUD** | AUD |
| **Societe Generale equity option** | | |
| Balance brought forward | **-** | 978,028 |
| Disposals during the year | **-** | (829,642) |
| Loss on disposals during the year | **-** | (148,386) |
| Fair value carried forward | **-** | - |

| | **2013** | 2012 |
|---|---|---|
| | **AUD** | AUD |
| **BNP Paribas equity option** | | |
| Fair value brought forward | **3,781,515** | - |
| Purchases during the year | - | 5,162,750 |
| Fair value adjustment for the year | **1,395,559** | (1,381,235) |
| Fair value carried forward | **5,177,074** | 3,781,515 |

## 7. AVAILABLE-FOR-SALE INVESTMENTS

| | 2013 AUD | 2012 AUD |
|---|---|---|
| **Zero Coupon Bonds issued by Investec plc** | | |
| Fair value brought forward | - | 20,929,716 |
| Disposals during the year | - | (20,984,837) |
| Gain on disposals during the year | - | 55,121 |
| Fair value carried forward | - | - |
| **Zero Coupon Bonds issued by Barclays plc** | | |
| Fair value brought forward | 15,961,140 | - |
| Purchases during the year | - | 13,464,654 |
| Fair value adjustment for the year | 736,668 | 2,496,486 |
| Fair value carried forward | 16,697,808 | 15,961,140 |

## 8. OPERATING EXPENSES

| | 2013 AUD | 2012 AUD |
|---|---|---|
| Auditor's remuneration | 12,441 | 11,397 |
| Administration fees | 30,694 | 31,132 |
| Distribution fees | 142,929 | 138,002 |
| Investment advisory fees | 122,776 | 111,561 |
| Licence fees | 5,036 | 4,483 |
| Listing fees | 2,468 | 2,382 |
| Sponsorship fees | 3,530 | 1,703 |
| Statutory fees | 1,683 | 1,646 |
| Interest payable | 25,999 | 8,818 |
| Professional indemnity insurance | 1,659 | 1,601 |
| Sundry expenses | 1,784 | 2,796 |
| | 350,999 | 315,521 |

## 9. GAIN/(LOSS) PER ORDINARY SHARE

The calculation of basic and diluted gain/(loss) per share is based on the following data:

| | 2013 AUD | 2012 AUD |
|---|---|---|
| Gain/(loss) attributable to Ordinary shares: | | |
| Gain/(loss) for purpose of basic and diluted earnings per share being gain/(loss) for the year attributable to ordinary shareholders | 1,093,584 | (1,749,977) |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted gain/(loss) per share | 20,923 | 20,064 |
| Gain/(loss) per ordinary share | 52.27 | (87.22) |

## 9. GAIN/(LOSS) PER ORDINARY SHARE (continued)

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the gain/(loss) 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.

## 10. TRADE AND OTHER RECEIVABLES

| | 2013 | 2012 |
|---|---|---|
| | AUD | AUD |
| Bank interest receivable | 43,035 | 7,724 |
| Prepaid administration fees | 11,184 | 11,184 |
| Prepaid distributor fees | 52,129 | 45,698 |
| Prepaid investment advisory fees | 44,738 | 44,738 |
| Other prepayments | 3,949 | 3,734 |
| | 155,035 | 113,078 |

## 11. TRADE AND OTHER PAYABLES

| | 2013 | 2012 |
|---|---|---|
| | AUD | AUD |
| **Current** | | |
| Audit fee | 11,725 | 9,346 |
| | 11,725 | 9,346 |
| **Non-current** | | |
| Interest payable | 34,817 | 8,818 |

## 12. SHARE CAPITAL

| | 2013 | 2012 |
|---|---|---|
| Authorised: | AUD | AUD |
| 10 Management shares of AUD 1 each (2011: 10 shares of US$1 each) | 10 | 10 |
| 999,000 Ordinary shares of AUD 0.01 each (2012: 999,000 shares of US$0.01 each) | 9,990 | 9,990 |
| | 10,000 | 10,000 |
| Issued and fully paid: | AUD | AUD |
| 10 Management shares of AUD 1 each (2012: 10 shares of US$1 each) | 13 | 13 |
| 20,922.691 ordinary shares of AUD 0.01 each (2012: 20,922.691 shares of US$0.01 each) | 285 | 285 |
| | 298 | 298 |

No ordinary shares were issued or redeemed during the year.

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. The Ordinary shares will be compulsorily redeemed on the termination date, 26 July 2017. Management shares are entitled to 10,000 votes each at a General Meeting of the Company.

## 13. SHARE PREMIUM

| | **2013** | 2012 |
|---|---|---|
| | **AUD** | AUD |
| Balance brought forward | **27,385,979** | 26,833,256 |
| Ordinary shares issued during the year | **-** | 15,543,142 |
| Ordinary shares redeemed during the year | **-** | (14,942,558) |
| Capitalised launch costs | **(19,789)** | (47,861) |
| Balance carried forward | **27,366,190** | 27,385,979 |

## 14. REVALUATION RESERVE

| | **2013** | 2012 |
|---|---|---|
| | **AUD** | AUD |
| Balance brought forward | **2,496,486** | 3,241,900 |
| Recycling of prior year revaluation gains on investments disposed of during the year | **-** | (3,241,900) |
| Revaluation of available-for-sale investments during the year | **736,668** | 2,496,486 |
| Balance carried forward | **3,233,154** | 2,496,486 |

## 15. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The company's immediate controlling party is The Basket Trust, a trust administered by Praxis Fiduciaries Limited, and the ultimate controlling party is Praxis Holdings Limited, a company incorporated in Guernsey.

Praxis Fund Services Limited ('PFSL') is deemed to be a related party, as Janine Lewis is a Director of the Company and of PFSL; Chris Hickling is a Director of the Company and an employee of PFSL and was a director of PFSL until his resignation on 26 June 2013; and David Stephenson is a Director of the Company and an employee of PFSL. During the year PFSL received AUD 30,694 (2012: AUD 31,132) for their services as administrator. At the year end date administration fees of AUD 11,184 had been paid to PFSL in advance (2012: AUD 11,184).

## 16. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk, liquidity risk and capital management 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 and an option on a specified basket of indices, and to retain a certain element of cash to cover expenses to be incurred over the specified period of its life. As a result of this, the Company's flexibility in dealing with the risks associated with these instruments is somewhat limited. However, the risk management policies that are employed by the Company to manage these risks are discussed below:

### (i) Market risk

#### (a) Currency risk

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

The Company had no material currency exposures as at either 30 September 2013 or 30 September 2012.

## 16. FINANCIAL INSTRUMENT RISK FACTORS

### (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 as it invests cash and bank balances at short term interest rates. At 30 September 2013, the Company held cash on a call account of AUD 178,565 (2012: AUD 1,513,908), which earns interest at a floating rate. The Company held AUD 1,000,000 (2012: AUD nil) in a fixed deposit, which earned interest at a fixed rate of 4.65%.

Had these balances existed for the whole of the year, the effect of an increase/decrease of 0.5% in short term annual interest rates would have been an increase/decrease of AUD 5,893 in the post-tax profit for the year (2012: AUD 7,570).

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

The Company had no other material interest rate exposures as at either 30 September 2013 or 30 September 2012.

#### (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 at fair value through profit and loss are directly affected by changes in market prices.

Price risk is managed by investing in a European call option on a basket of indices, with an international bank, BNP Paribas. The bank has a Fitch long-term credit rating of A+ (2012: A+).

Price risk is managed by investing in a zero coupon bond, with an international bank, Barclays plc. The bank has a Fitch long-term credit rating of A (2012: A).

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

| | **2013** | 2012 |
|---|---|---|
| | **AUD** | AUD |
| European call option with BNP Paribas | **5,177,074** | 3,781,515 |
| Barclays plc Zero Coupon Bonds | **16,697,808** | 15,961,140 |
| | **21,874,882** | 19,742,655 |

A 3 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2013 would have increased/decreased the Net Asset Value of the Company by AUD 155,312 (2012: AUD 113,445).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2013 would have increased/decreased the Net Asset Value of the Company by AUD 472,804 (2012: AUD 478,834).

### (ii) Credit risk

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

## 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, having consulted with 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 debtors and prepayments balance consists of prepayments and there is no credit risk associated with these balances.

### (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 every quarter and ensures that sufficient monies are held on call to meet its short term obligations. At 30 September 2013 the cash on call was AUD 178,565 (2012: AUD 1,513,908), which is considered by the Board to be sufficient to meet all the Company's short term obligations.

The following table analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the year end 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 2013** | **Less than 6 months AUD** | **6-12 months AUD** | **1 - 5 years AUD** |
|---|---|---|---|
| Creditors and accruals | **11,725** | - | **34,817** |
| Net exposure | **11,725** | - | **34,817** |

| 30 September 2012 | Less than 6 months AUD | 6-12 months AUD | 1 - 5 years AUD |
|---|---|---|---|
| Creditors and accruals | 9,346 | - | 8,818 |
| Net exposure | 9,346 | - | 8,818 |

## 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).

| **30 September 2013** | **Level 1 AUD** | **Level 2 AUD** | **Level 3 AUD** | **Total AUD** |
|---|---|---|---|---|
| Investments at fair value through profit and loss | **-** | **5,177,074** | **-** | **5,177,074** |
| Available-for-sale investments | **-** | **16,697,808** | **-** | **16,697,808** |
| | **-** | **21,874,882** | **-** | **21,874,882** |

| 30 September 2012 | Level 1 AUD | Level 2 AUD | Level 3 AUD | Total AUD |
|---|---|---|---|---|
| Investments at fair value through profit and loss | - | 3,781,515 | - | 3,781,515 |
| Available-for-sale investments | - | 15,961,140 | - | 15,961,140 |
| | - | 19,742,655 | - | 19,742,655 |

### (v) Capital risk management

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

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

## 17. POST YEAR END EVENTS

There were no significant post year end events requiring disclosure in these financial statements.