

**CHINA SEAS BASKET LIMITED**

**Report and Financial Statements**

**For the year ended 30 September 2015**

# CHINA SEAS BASKET LIMITED

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# CHINA SEAS BASKET LIMITED

## REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

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<b>DIRECTORS:</b>	Chris Hickling Janine Lewis David Stephenson
<b>ADMINISTRATOR, SECRETARY AND REGISTRAR:</b>	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
<b>INVESTMENT ADVISER:</b>	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
<b>REGISTERED OFFICE:</b>	Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
<b>AUDITOR:</b>	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
<b>BANKERS:</b>	Investec Bank (Channel Islands) Limited PO Box 188 Glategny Court Glategny Esplanade St Peter Port Guernsey GY1 3LP
<b>COMPANY REGISTRATION NO:</b>	51929

# CHINA SEAS BASKET LIMITED

## REPORT OF THE DIRECTORS

For the year ended 30 September 2015

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The Directors present their report and the audited financial statements for the year ended 30 September 2015.

### Principal Activity

The principal activity of the Company is investment holding.

The Company is a Guernsey registered closed-ended investment company and is subject to the Registered Closed-Ended Investment Scheme Rules 2015.

At an Extraordinary General Meeting of the Company held on 24 September 2015, shareholders approved a special resolution to extend the life of the Company for a further period of 4.3 years from the Company's current termination date of 8 March 2016, and authorised the Directors to seek to raise additional capital through a secondary fund raising. Under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 24 September 2015, assuming that sufficient capital is raised in March 2016, and 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 in July 2020.

### Results and Dividends

The profit and loss statement is set out on page 7. The Directors do not propose a dividend for the year (2014: Nil).

### Directors

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

Chris Hickling

Janine Lewis

David Stephenson

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

### Statement of Directors' Responsibilities

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

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

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

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

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

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

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

# CHINA SEAS BASKET LIMITED

## REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2015

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### Statement of Directors' Responsibilities (continued)

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information; and
- the financial statements give a true and fair view and have been prepared in accordance with 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**

**1 March 2016**

## **INDEPENDENT AUDITOR'S REPORT**

### **To the members of China Seas Basket Limited**

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We have audited the financial statements of China Seas Basket Limited (the "Company") for the year ended 30 September 2015, which comprise the Profit and Loss account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is in accordance with applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

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

#### **Respective responsibilities of directors and auditor**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on the financial statements**

In our opinion the financial statements:

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

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

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

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

**SAFFERY CHAMPNESS**  
**CHARTERED ACCOUNTANTS**  
**GUERNSEY**  
**1 March 2016**

# CHINA SEAS BASKET LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2015

	Notes	Year ended 30/09/2015 AUD	Restated * Year ended 30/09/2014 AUD
<b>REVENUE</b>			
Interest income	3	2,577,554	2,594,041
<b>(LOSS)/GAIN ON INVESTMENTS</b>			
Investments at fair value through profit and loss	4	(4,399,543)	(577,290)
Available-for-sale investments - realised gains	5	73,432	83,077
		<u>(1,748,557)</u>	<u>2,099,828</u>
<b>OPERATING EXPENSES</b>	6	<u>(643,912)</u>	<u>(658,965)</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<u><b>(2,392,469)</b></u>	<u>1,440,863</u>
<b>(Loss)/earnings per ordinary share</b>			
Basic and diluted (loss)/earnings per ordinary share	7	<u>(59.51)</u>	<u>33.73</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September 2015

		Year ended 30/09/2015 AUD	Year ended 30/09/2014 AUD
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(2,392,469)</b>	1,440,863
<b>LOSSES ON INVESTMENTS</b>			
Available-for-sale investments - unrealised	5	(508,296)	(693,639)
Recycling of prior year revaluation gains	5	(89,420)	(111,165)
<b>TOTAL RECOGNISED (LOSS)/GAIN FOR THE YEAR</b>		<u><b>(2,990,185)</b></u>	<u>636,059</u>

All gains and losses are derived from continuing operations.

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

\* See note 17

The notes on pages 11 to 21 are an integral part of these financial statements.

# CHINA SEAS BASKET LIMITED

## BALANCE SHEET

As at 30 September 2015

	Notes	2015		Restated * 2014	
		AUD	AUD	AUD	AUD
<b>FIXED ASSETS</b>					
Investments at fair value through profit and loss	4	<b>892,052</b>		6,196,948	
Available-for-sale investments	5	<b>37,431,314</b>		38,312,512	
			<b>38,323,366</b>		44,509,460
<b>CURRENT ASSETS</b>					
Debtors and prepayments	8	<b>137,457</b>		1,751,176	
Unpaid share capital	8	<b>10</b>		1	
Fixed deposits		<b>313,522</b>		306,557	
Cash at bank		<b>391,642</b>		637,707	
		<b>842,631</b>		2,695,441	
<b>CREDITORS: amounts falling due within one year</b>					
Creditors and accruals	9	<b>(188,021)</b>		(12,512)	
<b>NET CURRENT ASSETS</b>					
			<b>654,610</b>		2,682,929
<b>CREDITORS: amounts falling due after one year</b>					
Creditors and accruals	9		-		(146,177)
			<b>38,977,976</b>		<b>47,046,212</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	10		<b>390</b>		424
Share premium	11		<b>37,129,774</b>		42,207,791
Profit and loss account			<b>1,228,965</b>		3,621,434
Revaluation reserve	12		<b>618,847</b>		1,216,563
<b>EQUITY SHAREHOLDERS' FUNDS</b>					
			<b>38,977,976</b>		<b>47,046,212</b>
Number of fully paid ordinary shares			<b>37,959,677</b>		42,271,131
Net Asset Value per ordinary share			<b>1,026.83</b>		<b>1,112.97</b>

\* See note 17

The financial statements were approved and authorised for issue by the Board on 1 March 2016 and signed on its behalf by:

**Janine Lewis**  
Director

The notes on pages 11 to 21 are an integral part of these financial statements.

# CHINA SEAS BASKET LIMITED

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 September 2015

	Management Shareholders		Ordinary Shareholders			Total
	Share capital AUD	Share capital AUD	Share premium AUD	Profit and loss account AUD	Revaluation reserve AUD	Total AUD
Restated *						
Year ended 30 September 2014						
At 30 September 2013 (as previously reported)	1	434	43,343,433	(4,788,605)	8,990,543	47,545,806
Prior year adjustment (see note 17)				6,969,176	(6,969,176)	-
At 30 September 2013 (restated *)	1	434	43,343,433	2,180,571	2,021,367	47,545,806
Redemption of shares (see notes 10, 11)	-	(11)	(1,135,642)	-	-	(1,135,653)
Recycling of prior year revaluation gains on investments disposed of during the year (see note 5)	-	-	-	-	(111,165)	(111,165)
Loss for the year	-	-	-	1,440,863	-	1,440,863
Revaluation of available-for-sale investments (see note 12)	-	-	-	-	(693,639)	(693,639)
At 30 September 2014	1	423	42,207,791	3,621,434	1,216,563	47,046,212
<b>Year ended 30 September 2015</b>						
<b>Redemption of shares (see notes 10, 11)</b>	-	(43)	(5,078,017)	-	-	(5,078,060)
<b>Issue of shares (see notes 10, 11)</b>	9	-	-	-	-	9
<b>Recycling of prior year revaluation gains on investments disposed of during the year (see note 5)</b>	-	-	-	-	(89,420)	(89,420)
<b>Loss for the year</b>	-	-	-	(2,392,469)	-	(2,392,469)
<b>Revaluation of available-for-sale investments (see note 12)</b>	-	-	-	-	(508,296)	(508,296)
<b>At 30 September 2015</b>	<b>10</b>	<b>380</b>	<b>37,129,774</b>	<b>1,228,965</b>	<b>618,847</b>	<b>38,977,976</b>

\* See note 17

The notes on pages 11 to 21 are an integral part of these financial statements.

# CHINA SEAS BASKET LIMITED

## CASH FLOW STATEMENT

For the year ended 30 September 2015

	Notes	Year ended 30/09/2015 AUD	Restated * Year ended 30/09/2014 AUD
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash flows from operating activities</b>			
Operating loss for the year		(2,392,469)	1,440,863
Less:			
Interest income	3	(2,577,554)	(2,594,041)
Adjustments for non-cash items:			
Losses on investments at fair value through profit and loss	4	4,399,543	577,290
Gains on available-for-sale investments		(73,432)	(83,077)
Working capital adjustments:			
Decrease/(increase) in debtors and prepayments		1,614,256	(1,177,655)
Increase in creditors and accruals		29,332	5,081
<b>Net cash inflow/(outflow) from operating activities</b>		<b>999,676</b>	<b>(1,831,539)</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash inflow/(outflow) from operating activities</b>		<b>999,676</b>	<b>(1,831,539)</b>
<b>Returns on investments and servicing of finance</b>			
Interest income		7,497	31,423
<b>Capital expenditure and financial investment</b>			
Disposals of investments held at fair value through profit and loss	4	905,352	127,951
Disposals of available-for-sale investments	5	2,926,435	2,199,052
		<b>3,831,787</b>	<b>2,327,003</b>
<b>Financing</b>			
Redemptions of ordinary share capital	10,11	(5,078,060)	(1,135,653)
<b>Management of liquid reserves</b>			
Transfer to fixed deposit		(6,965)	(306,557)
<b>Net decrease in cash</b>		<b>(246,065)</b>	<b>(915,323)</b>
<b>Cash at the beginning of the year</b>		<b>637,707</b>	<b>1,553,030</b>
<b>Cash at the end of the year</b>		<b>391,642</b>	<b>637,707</b>

\* See note 17

The notes on pages 11 to 21 are an integral part of these financial statements.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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### 1. PRINCIPAL ACCOUNTING POLICIES

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

#### **Basis of preparation**

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

#### **Going concern**

At an Extraordinary General Meeting of the Company held on 24 September 2015, shareholders approved a special resolution to extend the life of the Company for a further period of 4.3 years from the Company's current termination date of 8 March 2016, and authorised the Directors to seek to raise additional capital through a secondary fund raising. Under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 24 September 2015, and 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 in July 2020. However, should insufficient capital be raised for the new investment term, the Company's shares will be redeemed and the Company will terminate on 15 March 2016; hence these financial statements have been prepared on a break up basis. Should it occur, the Directors do not anticipate the costs of liquidation to be material.

The preparation of financial statements on a break up basis requires that assets are reduced to their recoverable amounts and that provisions are made for future losses. The Directors have considered whether there is any indication that the recoverable amount of the Company's assets is lower than the amount recorded as fair value at 30 September 2015. They have concluded that any post balance sheet changes in value reflect fair value changes and do not indicate a reduction in the recoverable amount at 30 September 2015 and, accordingly, that no adjustment is required to the carrying amount of the Company's assets or liabilities. In addition, the Directors have considered whether any provision is required for future losses. The Company will continue to incur expenses up to the date of redemption of the Shares. However, the anticipated excess of redemption value over the fair value at 30 September 2015 of the Company's investments is expected to exceed the Company's estimated future expenses and, accordingly, the Directors do not consider that a provision for future losses is required.

#### **Foreign exchange**

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

#### **Income**

Bank interest is accounted for on an accruals basis. Interest on available-for-sale investments is calculated on an effective interest rate basis.

#### **Expenses**

Expenses are accounted for on an accruals basis. All expenses are charged to the Profit and Loss Account, except for expenses incurred in relation to the launch of the Company, which have been charged against share premium.

#### **Investments**

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

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

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

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Investments (continued)

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

- i) Those so designated at inception: Fair value through profit and loss;
- ii) Available-for-sale investments: Fair value through equity.

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

#### Liquid resources

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

#### Debtors

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

#### Creditors and accruals

Creditors and accruals are stated at amortised cost. In the opinion of the Directors, there is no material difference between the carrying value of the creditors and their fair value.

#### Taxation

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

### 2. SIGNIFICANT AGREEMENTS

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

#### Administration, Custodian and Secretarial

Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the Administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% of the Company's Funds per annum (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.

#### Investment Advisory Agreement

Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the Investment Advisor, for its services as Investment Advisor, a fee of 0.6% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). In addition the Investment Advisor is entitled to receive interest earned by the Company on the unpaid element of the fees. The Investment Advisor, Investec Corporate and Institutional Banking, is a part of the same global group of companies as Investec plc, the issuer of the Company's Zero Coupon Bond.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

### 2. SIGNIFICANT AGREEMENTS (continued)

#### 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).

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

### 3. INTEREST INCOME

	2015	Restated *
	AUD	2014
		AUD
Interest on available-for-sale investments	2,569,521	2,562,388
Bank interest	8,033	31,653
	<u>2,577,554</u>	<u>2,594,041</u>

\* See note 17

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

	2015	2014
	AUD	AUD
<b>JP Morgan Index Basket Option</b>		
Balance brought forward	6,196,948	6,902,189
Disposals during the year	(905,352)	(127,951)
Losses on disposals	(78,091)	(119,385)
Fair value adjustment for the year	(4,321,452)	(457,905)
Fair value carried forward	<u>892,052</u>	<u>6,196,948</u>

The Option is a Call Option referenced to a weighted basket of indices as follows:

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

The Directors determine the fair value of the Option based on valuations provided by JP Morgan. These valuations are calculated using a formula specified in the Option contract, which is based on the movements in the closing prices of the above Indices from the issue date of the Option to the reporting date.

The Option has been classified as a level 2 investment in the fair value hierarchy.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

5. AVAILABLE-FOR-SALE INVESTMENTS	2015	Restated *
	AUD	2014 AUD
<b>Zero Coupon Bonds issued by Investec plc</b>		
Balance brought forward	<b>38,312,512</b>	38,670,903
Disposals during the year	<b>(2,926,435)</b>	(2,199,052)
Gains on disposals	<b>73,432</b>	83,077
Recycling of prior year revaluation gains on disposals during the year	<b>(89,420)</b>	(111,165)
Interest for the year	<b>2,569,521</b>	2,562,388
Fair value adjustment for the year	<b>(508,296)</b>	(693,639)
Fair value carried forward	<b>37,431,314</b>	38,312,512

\* See note 17

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

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

6. OPERATING EXPENSES	2015	2014
	AUD	AUD
Auditor's remuneration	<b>15,377</b>	13,470
Administration fee	<b>63,785</b>	65,688
Distribution fees	<b>266,266</b>	298,606
GFSC licence fee	<b>6,210</b>	5,738
Investment advisory fee	<b>249,959</b>	259,527
Interest payable	<b>27,291</b>	4,294
Listing fee	<b>3,251</b>	2,774
Statutory fees	<b>3,015</b>	1,936
Sponsorship fee	<b>4,320</b>	3,849
Professional indemnity insurance	<b>1,323</b>	1,686
Sundry	<b>3,115</b>	1,397
	<b>643,912</b>	658,965

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

### 7. (LOSS)/EARNINGS PER ORDINARY SHARE

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

	2015 AUD	Restated * 2014 AUD
(Loss)/profit attributable to ordinary shares:		
(Loss)/profit for purpose of basic and diluted (loss)/earnings per share being (loss)/profit for the year attributable to ordinary shareholders	<u>(2,392,469)</u>	<u>1,440,863</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>40,205</u>	<u>42,714</u>
(Loss)/earnings per ordinary share	<u>(59.51)</u>	<u>33.73</u>

\* See note 17

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

### 8. DEBTORS AND PREPAYMENTS

	2015 AUD	2014 AUD
Outstanding bond disposal proceeds	-	1,214,980
Accrued interest	1,193	657
Prepaid administration fee	23,480	57,500
Prepaid distributor fees	13,610	243,242
Prepaid investment advisory fee	93,921	230,001
Other prepayments	5,253	4,796
Unpaid share capital	10	1
	<u>137,467</u>	<u>1,751,177</u>

### 9. CREDITORS AND ACCRUALS

	2015 AUD	2014 AUD
<b>Due within one year</b>		
Audit fee	14,553	12,512
Interest payable	<u>173,468</u>	<u>-</u>
	<u>188,021</u>	<u>12,512</u>
<b>Due after more than one year</b>		
Interest payable	<u>-</u>	<u>146,177</u>

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

<b>10. SHARE CAPITAL</b>	<b>2015</b>	2014
	<b>AUD</b>	AUD
Authorised:		
10 Management shares of AUD 1 each	10	10
999,000 Ordinary shares of AUD 0.01 each	9,990	9,990
	<u>10,000</u>	<u>10,000</u>
Issued:		
10 Management shares of AUD 1.00 unpaid (2014: 1 share unpaid)	10	1
37,960 Ordinary shares of AUD 0.01 each fully paid (2014: 42,271 shares fully paid)	380	423
	<u>390</u>	<u>424</u>

During the year a total of 4,311.454 Ordinary shares were redeemed at an average price of AUD 1,177.81 per share.

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

During the year 9 Management shares were issued at a price of AUD 1.00 per share.

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

<b>11. SHARE PREMIUM</b>	<b>2015</b>	2014
	<b>AUD</b>	AUD
Balance brought forward	42,207,791	43,343,433
Ordinary shares redeemed during the year	(5,078,017)	(1,135,642)
Balance carried forward	<u>37,129,774</u>	<u>42,207,791</u>

<b>12. REVALUATION RESERVE</b>	<b>2015</b>	Restated *
	<b>AUD</b>	2014 AUD
Balance brought forward	1,216,563	8,990,543
Prior year adjustment (see note 17)	-	(6,969,176)
Recycling of prior year revaluation gains	(89,420)	(111,165)
Revaluation of available-for-sale investments during the year	(508,296)	(693,639)
Balance carried forward	<u>618,847</u>	<u>1,216,563</u>

\* See note 17

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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### 13. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

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

PFSL is deemed to be a related party, as Janine Lewis is a director of PFSL and a shareholder in Praxis Fund Holdings Limited ('PFHL'), the immediate controlling party of PFSL; Chris Hickling is an employee of PFSL and a shareholder in PFHL; and David Stephenson is an employee of PFSL. During the year PFSL received AUD 61,284 (2014: AUD 65,688) for their services as administrator and interest of AUD 5,456 was accrued on outstanding fees (2014: AUD 1,554). At the year end date administration fees of AUD 25,981 had been paid to PFSL in advance (2014: AUD 57,500) and interest on outstanding fees of AUD 34,597 was payable to PFS (2014: AUD 29,141).

### 14. FINANCIAL INSTRUMENT RISK FACTORS

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

#### (i) Market risk

##### (a) Currency risk

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

The Company has no material currency exposures at either 30 September 2015 or 30 September 2014.

##### (b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash at bank and fixed deposits. At 30 September 2015, the Company held cash on a call account of AUD 391,642 (2014: AUD 637,707), which earns interest at floating rates. The company held AUD 313,522 (2014: AUD 306,557) in a fixed deposit, which at the year end earned interest at a fixed rate of 2.21%.

Had these balances existed for the whole of the period, the effect on the Profit and Loss account of an increase/decrease in interest rates of 0.5% per annum would have been an increase/decrease in post-tax profit for the year of AUD 3,526 (2014: AUD 4,721).

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

The Company has no other material interest rate exposures at 30 September 2015.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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

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

##### (c) Price risk

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

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

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

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

	2015 AUD	2014 AUD
Asian call option with JP Morgan	892,052	6,196,948
Investec plc Zero Coupon Bonds	37,431,314	38,312,512
	<u>38,323,366</u>	<u>44,509,460</u>

A 10 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2015 would have increased/decreased the Net Asset Value of the Company by AUD 89,205 (2014: AUD 619,695).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2015 would have increased/decreased the Net Asset Value of the Company by AUD 1,122,939 (2014: AUD 1,185,845).

#### (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.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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

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

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

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

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

The available-for-sale investments are held with Investec plc, which has a Fitch long term rating of BBB (2014: BBB-). The investments at fair value through profit and loss are held with JP Morgan, which has a Fitch long-term rating of AA (2014: A+). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB (2014: 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 2015 the Company held AUD 391,642 (2014: AUD 637,707) cash on call and AUD 313,522 (2014: AUD 306,557) on a one month fixed deposit, which is considered by the Board as sufficient to meet all of the Company's short-term obligations.

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

	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
<b>30 September 2015</b>			
Trade and other payables	188,021	-	-
Net exposure	<u>188,021</u>	<u>-</u>	<u>-</u>
	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
30 September 2014			
Trade and other payables	12,512	-	146,177
Net exposure	<u>12,512</u>	<u>-</u>	<u>146,177</u>

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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

#### (iv) Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 September 2015	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit and loss	-	892,052	-	892,052
Available-for-sale investments	-	37,431,314	-	37,431,314
	<u>-</u>	<u>38,323,366</u>	<u>-</u>	<u>38,323,366</u>
As at 30 September 2014	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit and loss	-	6,196,948	-	6,196,948
Available-for-sale investments	-	38,312,512	-	38,312,512
	<u>-</u>	<u>44,509,460</u>	<u>-</u>	<u>44,509,460</u>

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

### 15. MANAGEMENT OF CAPITAL

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

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

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

### 16. POST BALANCE SHEET EVENTS

At the date of signing of these financial statements, the value of the Company's Option investment had reduced to nil, a decline in value from the year end of AUD 892,052.

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

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

### 17. PRIOR YEAR ADJUSTMENT

During the year, it was noted that the Company had previously incorrectly applied certain provisions of FRS 26 "Financial Instruments: Recognition and Measurement" in relation to the recognition of the interest component of the movements in the value of the Company's available-for-sale investment. As a result, the Company has, from inception, recognised the entire movement in value of the available-for-sale investment as a fair value movement through equity, whereas the interest component of this movement, calculated on an effective interest rate basis, should have been recognised separately through profit and loss.

This error has had no effect on the value of the Company's available-for-sale asset, merely the manner in which the movements in value of this asset have been recognised.

The error has been corrected in these financial statements, as a result of which a prior year adjustment of AUD 6,969,176 has been made between the revaluation reserve and the profit and loss account as at the start of the comparative period; and certain comparative period figures in the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement and the notes to the financial statements have been restated, as detailed in the following tables.

#### Effect on the Profit and Loss account

	Year ended 30 September 2014		
	Originally reported amount AUD	Correction AUD	Restated amount AUD
Interest income	<u>31,653</u>	<u>2,562,388</u>	<u>2,594,041</u>
Available-for-sale investments - realised gains	<u>566,782</u>	<u>(483,705)</u>	<u>83,077</u>
Revaluation of available-for-sale investments	<u>1,768,313</u>	<u>(2,461,952)</u>	<u>(693,639)</u>
Recycling of prior year revaluation gains	<u>(494,434)</u>	<u>383,269</u>	<u>(111,165)</u>
(Loss)/profit for the year	<u>(637,820)</u>	<u>2,078,683</u>	<u>1,440,863</u>
Basic and diluted (loss)/earnings per ordinary share	<u>(14.93)</u>	<u>48.66</u>	<u>33.73</u>

#### Effect on the Balance Sheet

	As at 30 September 2014		
	Originally reported amount AUD	Correction AUD	Restated amount AUD
Revaluation reserve	<u>10,264,422</u>	<u>(9,047,859)</u>	<u>1,216,563</u>
Profit and loss account	<u>(5,426,425)</u>	<u>9,047,859</u>	<u>3,621,434</u>

	As at 30 September 2013		
	Originally reported amount AUD	Correction AUD	Restated amount AUD
Revaluation reserve	<u>8,990,543</u>	<u>(6,969,176)</u>	<u>2,021,367</u>
Profit and loss account	<u>(4,788,605)</u>	<u>6,969,176</u>	<u>2,180,571</u>