OPTIMAL INVESTMENT GROWTH BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2017

OPTIMAL INVESTMENT GROWTH BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS
CONTENTS

OPTIMAL INVESTMENT GROWTH BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS
GENERAL INFORMATION

DIRECTORS:	Chris Hickling Janine Lewis David Stephenson
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
REGISTERED OFFICE:	Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
AUDITOR:	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
BANKERS:	Investec Bank (Channel Islands) Limited PO Box 188 Glategny Court Glategny Esplanade St Peter Port Guernsey GY1 3LP
COMPANY REGISTRATION NO:	42302

REPORT OF THE DIRECTORS
For the year ended 30 September 2017

The Directors present their report and the audited financial statements for the year ended 30 September 2017.

Principal Activity

The principal activity of the Company is investment holding.

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

At an extraordinary General Meeting of the Company held on 8 August 2014, shareholders approved a special resolution to extend the life of the Company for a further period of four years from the Company's termination date of 26 November 2018.

Results and Dividends

The Statement of Comprehensive Income is set out on page 8. The Directors do not propose a dividend for the year (2016: £ Nil).

Going concern

These financial statements have been prepared on a going concern basis, as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future.

Directors

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

Chris Hickling

Janine Lewis

David Stephenson

Directors' and Other Interests

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

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

No Director of the Company, or Investec Corporate and Institutional Banking ('ICIB'), the Investment Advisor to the Company, holds any right, either contingent or otherwise, to subscribe for shares in the Company.

Details of fees paid to PFSL and ICIB during the year are contained in notes 4 and 14 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/Loss)
	£	£	£
Year ended 30 September 2017	38,056,052	24,576	1,935,936
Year ended 30 September 2016	36,017,724	21,725	3,099,330
Year ended 30 September 2015	33,078,712	13,477	(1,978,462)
Year ended 30 September 2014 (restated*)	27,027,349	11,483	1,988,405
Year ended 30 September 2013	25,223,397	13,472	2,360,053

Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost £	Market Value £
Investec Bank Limited Structured Deposit (including embedded derivative)	87.7%	28,084,426	32,833,447
Merrill Lynch International Index Option	12.3%	4,613,946	4,619,823
		32,698,372	37,453,270

Investec Bank Limited and Merrill Lynch are providers of financial services.

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- 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, with The Companies (Guernsey) Law, 2008 and with The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

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

By Order of the Board

Janine Lewis
Director
20 December 2017

Independent auditor's report to the members

Opinion

We have audited the financial statements of Optimal Investment Growth Basket Limited (the "Company") for the year ended 30 September 2017, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs").

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Company as at 30 September 2017 and of the profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

SAFFERY CHAMPNESS GAT
Chartered Accountants
Guernsey
20 December 2017

OPTIMAL INVESTMENT GROWTH BASKET LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2017

	Notes	**Year ended 30/09/2017 £**	Year ended 30/09/2016 £
REVENUE			
Interest income	5	**2,238,994**	2,217,648
GAIN ON INVESTMENTS			
Investments at fair value through profit and loss	6	**301,136**	1,273,342
Derivatives at fair value through profit and loss	7	**(99,541)**	120,360
		2,440,589	3,611,350
Operating expenses	8	**(504,653)**	(512,020)
PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME		**1,935,936**	3,099,330
Earnings per ordinary share			
Basic and diluted earnings per ordinary share	9	**96.42**	154.36

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

The notes on pages 13 to 23 are an integral part of these financial statements.

OPTIMAL INVESTMENT GROWTH BASKET LIMITED

STATEMENT OF FINANCIAL POSITION
as at 30 September 2017

	Notes	**2017**	2016
		£	£
NON-CURRENT ASSETS			
Investments at fair value through profit and loss	6	**37,384,245**	34,845,943
Derivatives at fair value through profit and loss	7	**69,025**	168,566
		37,453,270	35,014,509
CURRENT ASSETS			
Trade and other receivables	10	**65,632**	70,725
Fixed deposits		**-**	975,000
Cash and cash equivalents		**606,175**	126,056
		671,807	1,171,781
CURRENT LIABILITIES			
Trade and other payables	11	**(8,454)**	(7,500)
NET CURRENT ASSETS		**663,353**	1,164,281
NON-CURRENT LIABILITIES			
Trade and other payables	11	**(16,122)**	(14,225)
		38,100,501	36,164,565
CAPITAL AND RESERVES			
Share capital	12	**210**	210
Share premium	13	**25,073,158**	25,073,158
Retained earnings		**13,027,133**	11,091,197
EQUITY SHAREHOLDERS' FUNDS		**38,100,501**	36,164,565
Number of fully paid ordinary shares		**20,078.284**	20,078.284
Net Asset Value per ordinary share		**£1,897.60**	£1,801.18

The financial statements were approved and authorised for issue by the Board on 20 December 2017 and signed on its behalf by:

Janine Lewis
Director

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

The notes on pages 13 to 23 are an integral part of these financial statements.

OPTIMAL INVESTMENT GROWTH BASKET LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2017

	Management Shareholders	Ordinary Shareholders			Total
	Share Capital £	Share Capital £	Share Premium £	Retained Earnings £	Total £
At 30 September 2015	10	200	25,073,158	7,991,867	33,065,235
Net profit for the year	-	-	-	3,099,330	3,099,330
At 30 September 2016	**10**	**200**	**25,073,158**	**11,091,197**	**36,164,565**
Net profit for the year	**-**	**-**	**-**	**1,935,936**	**1,935,936**
At 30 September 2017	**10**	**200**	**25,073,158**	**13,027,133**	**38,100,501**

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

The notes on pages 13 to 23 are an integral part of these financial statements.

OPTIMAL INVESTMENT GROWTH BASKET LIMITED

STATEMENT OF CASH FLOWS
For the year ended 30 September 2017

	Notes	**Year ended 30/09/2017 £**	Year ended 30/09/2016 £
Cash flows from operating activities			
Profit for the year		**1,935,936**	3,099,330
Adjustments for:			
Interest income	5	**(2,238,994)**	(2,217,648)
Adjustments for non-cash items:			
Gain on investments at fair value through profit and loss	6	**(301,136)**	(1,273,342)
(Loss)/gain on derivatives at fair value through profit and loss		**99,541**	(120,360)
Working capital adjustments:			
Decrease/(increase) in trade and other receivables		**1,002**	(656)
Increase in trade and other payables		**2,851**	8,248
Net cash outflow from operating activities		**(500,800)**	(504,428)
Cash flows from investing activities			
Bank interest		**5,919**	10,578
Transfer from fixed deposits		**975,000**	479,158
Net cash inflow from investing activities		**980,919**	489,736
Increase/(decrease) in cash and cash equivalents for the year		**480,119**	(14,692)
Cash and cash equivalents at the beginning of the year		**126,056**	140,748
Cash and cash equivalents at the end of the year		**606,175**	126,056

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

The notes on pages 13 to 23 are an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

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

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

Going concern
These financial statements have been prepared on a going concern basis, as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future.

Adoption of new and revised Standards
The following amended standard has been applied for the first time in these financial statements:

- IAS 1 (amended), "Presentation of Financial Statements" (amendments arising as a result of the disclosure initiative, effective for periods commencing on or after 1 January 2016).

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

- IFRS 9, "Financial Instruments - Classification and Measurement" (effective for periods commencing on or after 1 January 2018);
- IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2018).

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

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

Foreign exchange
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 Sterling, as it is the currency in which the Company's investments are denominated and capital has been raised. The Directors have selected Sterling as the presentational currency of the Company.

Foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling on the reporting date. Foreign currency transactions are translated into Sterling at the rate of exchange ruling on the date of the transaction. Foreign exchange gains and losses are recognised in the Statement of Comprehensive Income in the period in which they arise.

Revenue recognition
Revenue includes interest and other income and is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Interest and other revenues are accounted for on an accruals basis.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Investments

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

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

All investments are measured initially at cost, which is the fair value of whatever was paid to acquire them. Transaction costs relating to the acquisition of investments at fair value through profit or loss are expensed as incurred in the Statement of Comprehensive Income. 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's investments are measured at fair value through profit or loss. Fair value is calculated using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the year end date. Gains arising on the disposal of investments are recognised in the Statement of Comprehensive Income, as are unrealised gains on investments at fair value through profit and loss. All gains or losses are recognised in the period in which they arise.

Liquid resources

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

Trade and other receivables

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

Trade and other payables

Trade payables are stated at amortised cost. In the opinion of the Directors, there is no material difference between the carrying value of the creditors and accruals 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 (2016: £1,200).

2. SEGMENT REPORTING

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

4. SIGNIFICANT AGREEMENTS

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

Administration, Custodian and Secretarial Agreement
Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the Administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% (2016: 0.15%) 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 Administrator is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 8, 10 and 11 for details of administration fees and interest paid in the year and balances outstanding at the year end.

Investment Advisory Agreement
Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the Advisor, for its services as advisor, a fee of 0.6% (2016: 0.6%) 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 8, 10 and 11 for details of investment advisory fees and interest paid in the year and balances outstanding at the year end.

Distribution Agreement
Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.65% (2016: 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). Investec Corporate and Institutional Banking, the Company's Investment Advisor, is also a Distributor for the Company. See notes 8 and 10 for details of distribution fees paid in the year and balances outstanding at the year end.

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

5. INTEREST INCOME

	2017	2016
	£	£
Structured Deposit interest	**2,237,166**	2,208,220
Bank interest receivable	**1,828**	9,428
	2,238,994	2,217,648

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2017	2016
	£	£
Merrill Lynch International Index Option		
Fair value brought forward	**3,764,213**	1,933,350
Gain on fair value adjustment for the year	**855,610**	1,830,863
Fair value carried forward	**4,619,823**	3,764,213
Investec Bank Limited Structured Deposit		
Fair value brought forward	**31,081,730**	29,431,031
Interest for the year	**2,237,166**	2,208,220
Fair value adjustment for the year	**(554,474)**	(557,521)
Fair value carried forward	**32,764,422**	31,081,730
Total	**37,384,245**	34,845,943

Merrill Lynch Index Option (the "Option") is a Call Option referenced to the FTSE 100 index.

The Directors have determined the fair value of the Option based on the valuation provided by Merrill Lynch International. This valuation is calculated using formulae specified in the Option contract, which is based on the movement in the closing price of the above index from the issue date of the Option to the reporting date.

The Option is classified as level 2 investment in the fair value hierarchy.

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

- A holding of Investec plc 9.625% bonds maturing in 2022 (the "Investec bonds"). The Investec bonds were purchased in the market, and, in order to guarantee investors' capital protection at the termination date of the Company, their sale proceeds are fixed by means of a Put Option Agreement entered into between the Company and Investec Bank Limited;
- An accreting bank deposit, which commences on the date of the first coupon payment from the Investec bonds, receives all subsequent coupon payments during the life of the Company, and earns interest on a quarterly compounding basis;
- An interest rate swap, which fixes the interest rate on the accreting deposit. Notwithstanding that the Company regards the interest rate swap as a fundamental part of the Structured Deposit, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", this instrument is now classified separately in the Statement of Financial Position under the heading 'Derivatives at fair value through profit and loss', and movements in the fair value thereof are recognised separately in the Statement of Comprehensive Income. For further details please refer to note 7.

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

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

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

7. DERIVATIVES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2017	2016
	£	£
Fair value brought forward	**168,566**	48,206
Fair value adjustment for the year	**(99,541)**	120,360
Fair value carried forward	**69,025**	168,566

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

The derivative is classified as a level 2 investment in the fair value hierarchy.

8. OPERATING EXPENSES

	2017	2016
	£	£
Administration fees	**53,599**	52,694
Auditor's remuneration	**9,000**	9,750
Distribution fees	**220,240**	222,032
GFSC Licence fees	**3,318**	3,253
Investment advisory fees	**208,775**	208,775
Listing fees	**2,085**	1,688
Sponsorship fees	**2,701**	2,486
Statutory fees	**1,700**	1,700
Legal & professional fees	**-**	553
Interest payable	**1,897**	7,498
Sundry expenses	**1,338**	1,591
	504,653	**512,020**

9. EARNINGS PER ORDINARY SHARE

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

	2017	2016
Earnings attributable to Ordinary shares:		
Earnings for purpose of basic and diluted earnings per share being profit for the year attributable to Ordinary shareholders	**£1,935,936**	£3,099,330
Number of shares:		
Weighted average number of Ordinary shares for the purpose of basic and diluted earnings per share	**20,078**	20,078
Earnings per Ordinary share	**£96.42**	£154.36

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.

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	£	£
Bank interest receivable	647	4,738
Prepaid administration fees	7,017	6,864
Prepaid distributor fees	28,936	29,144
Prepaid investment advisory fees	27,455	27,455
Sundry debtors	-	643
Other prepayments	1,577	1,881
	65,632	70,725

11. TRADE AND OTHER PAYABLES

	2017	2016
	£	£
Current		
Sponsorship fees	954	-
Audit fee	7,500	7,500
	8,454	7,500
Non-current		
Interest payable	16,122	14,225

12. SHARE CAPITAL

	2017	2016
	£	£
Authorised:		
10 Management shares of £1 each	10	10
999,000 Ordinary shares of £0.01 per share	9,990	9,990
	10,000	10,000

	2017	2016
	£	£
Issued and fully paid:		
10 Management shares of £1 each	10	10
20,078 Ordinary shares of £0.01 each	200	200
	210	210

Ordinary shares are entitled to 1 vote each at a general meeting of the company. 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.

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 12) 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.

13. SHARE PREMIUM

	2017	2016
	£	£
Balance brought forward	**25,073,158**	25,073,158
Balance carried forward	**25,073,158**	25,073,158

14. ULTIMATE CONTROLLING PARTY & RELATED PARTY TRANSACTIONS

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

PFSL is deemed to be a related party, as Janine Lewis is a director of PFSL and a shareholder in PGL; Chris Hickling is a shareholder in PGL; and David Stephenson is an employee of PFSL and a shareholder in PGL. During the year PFSL received £53,599 (2016: £52,694) for their services as administrator. At the year end date administration fees of £7,017 had been paid to PFSL in advance (2016: £6,864). At the year end date interest of £3,198 (2016: £2,819) on outstanding fees was payable to PFSL.

The Investment Advisor, Investec Corporate and Institutional Banking, a division of Investec Bank Limited, the issuer of the Company's Structured Deposit, is deemed to be a related party. During the year Investec Corporate and Institutional Banking received £208,775 (2016: £208,775) for their services as investment advisor. At the year end date advisory fees of £27,455 (2016: £27,455) had been paid to Investec Corporate and Institutional Banking in advance and interest on outstanding fees of £12,924 (2016: £11,406) was payable to Investec Corporate and Institutional Banking.

15. 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.

(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 Sterling. The Company's management monitors exchange rate fluctuations on an ongoing basis.

The Company had no material currency exposures as at 30 September 2017 or 30 September 2016.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or 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 2017, the Company held cash on a call account of £606,175 (2016: £126,056), which earns interest at a floating rate. The company held no cash on fixed deposit at 30 September 2017 (2016: £975,000 held on fixed deposit). Fixed deposits earn interest at an agreed fixed rate over the term of the deposit.

15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(b) Interest rate risk (continued)

Had these balances existed for the whole of the year, the effect of an increase/decrease of 0.25% in short term annual interest rates would have been an increase/decrease of £1,515 in the post-tax profit for the year (2016: £2,753). The sensitivity rate of 0.25% is regarded as reasonable in relation to the current sterling base rate of 0.25%, as interest rates on sterling bank accounts are not currently volatile.

The Structured Deposit investment is exposed to fair value interest rate risk in respect of the interest rate swap that forms a part of the instrument. However, whilst changes in market interest rates may give rise to short-term fluctuations in fair value, if these investments are held to maturity their maturity value is fixed and therefore not subject to interest rate risk.

The Company had no other interest rate exposures as at either 30 September 2017 or 30 September 2016.

(c) Price risk

Price risk is the risk that the value of a financial 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 Option is 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 Company. In order to provide capital protection, the amount of bonds acquired is calculated to ensure that the maturing amount will be sufficient to guarantee that all investors who remain in the Company to maturity will at minimum get back the amount that they invested. The call option provides the potential for significant upside performance, should the relevant indices perform well, with the downside limited to loss of the initial option premium.

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

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

	2017	2016
	£	£
Merrill Lynch International Index Option	**4,619,823**	3,764,213
Investec Bank Limited Structured Deposit (including embedded derivative)	**32,833,447**	31,250,296
	37,453,270	35,014,509

15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(c) Price risk (continued)

A 50 per cent increase/decrease in the value of the Option at 30 September 2017 would have increased/decreased the Net Asset Value of the Company by £2,309,912 (2016: £1,882,107). The sensitivity rate of 50% is regarded as reasonable due to the potential volatility of the FTSE 100 Index, to which the Option is linked, which is magnified by the participation rate of 147% attached to the Option.

A 5 per cent increase/decrease in the value of the Structured Deposit at 30 September 2017 would have increased/decreased the Net Asset Value of the Company by £1,641,672 (2016: £1,562,515). The lower sensitivity rate of 5% is regarded as reasonable, as the rate at which interest is earned on the instrument, which forms the main part of the annual uplift in value, is largely fixed, and the instrument is not significantly subject to the volatility of investment markets.

(ii) Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the year end date. These financial assets include cash and cash equivalents, debtors, 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.

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, i.e. 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 Board notes that the rating of Investec Bank Limited has fallen to BB+ during the course of the year, however the Board and the investment advisor believe that it is not in the best interest of shareholders to atempt to dispose of these investments prior to their maturity date of 26 November 2018.

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

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

The Structured Deposit investment is held with Investec Bank Limited, which has a Fitch long term rating of BB+ (2016: BBB). The Option is held with Merrill Lynch International, which has a Fitch long-term rating of A (2016: A). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB+ (2016: 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 2017 the cash on call was £606,175 (2016: £126,056), which is considered by the Board to be sufficient to meet all of the Company's short term obligations.

15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iii) Liquidity risk (continued)

The table below 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 period 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.

	Less than 6 months	**6-12 months**	**1-5 years**
30 September 2017	**£**	**£**	**£**
Trade and other payables	**8,454**	**-**	**16,122**
Net exposure	**8,454**	**-**	**16,122**

	Less than 6 months	6-12 months	1-5 years
30 September 2016	£	£	£
Trade and other payables	7,500	-	14,225
Net exposure	7,500	-	14,225

(iv) Fair value hierarchy

The table below analyses instruments carried at fair value, by level of the fair value hierarchy. 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).

30 September 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investments at fair value through profit and loss (including embedded derivative)	**-**	**37,453,270**	**-**	**37,453,270**
	-	**37,453,270**	**-**	**37,453,270**

30 September 2016	Level 1	Level 2	Level 3	Total
	£	£	£	£
Investments at fair value through profit and loss (including embedded derivative)	-	35,014,509	-	35,014,509
	-	35,014,509	-	35,014,509

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

16. CAPITAL RISK MANAGEMENT

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

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

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

Shareholders may be able to redeem their Ordinary 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.

17 POST BALANCE SHEET EVENTS

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