

EAST ASIAN GROWTH BASKET LIMITED

Annual Report and Financial Statements

For the year ended 30 September 2021

EAST ASIAN GROWTH BASKET LIMITED

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EAST ASIAN GROWTH BASKET LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

DIRECTORS: J Lewis
D Stephenson
K Lancaster-King (appointed 20 August 2021)
C Hickling (resigned 20 August 2021)

**ADMINISTRATOR, SECRETARY,
CUSTODIAN AND REGISTRAR:** Praxis Fund Services Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 1GR

INVESTMENT ADVISER: Investec Corporate and Institutional Banking
36 Hans Strijdom Avenue
Foreshore
Cape Town 8001
South Africa

REGISTERED OFFICE: Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 1GR

AUDITOR: Grant Thornton Limited
PO Box 31
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey
GY1 3TF

BANKERS: Investec Bank (Channel Islands) Limited
PO Box 188
Gategny Court
Gategny Esplanade
St Peter Port
Guernsey
GY1 3LP

COMPANY REGISTRATION NO: 44743

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS

For the year ended 30 September 2021

The Directors present the annual report and the audited financial statements ("the financial statements") of East Asian Growth Basket Limited ("the Company") for the year ended 30 September 2021.

Principal Activity

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

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

Going Concern

Under the terms of the Company's prospectus, and subject to exercise of the option to redeem on the part of the issuer of the Company's debt investment (the likelihood of which is considered to be high), the life of the Company is due to terminate on 30 June 2022. At the Company's Annual General Meeting in January 2022, shareholders will be asked to approve a special resolution to extend the life of the Company for a further period from the Company's current termination date, and to authorise the Directors to seek to raise additional capital through a secondary fund raising. Should shareholders not approve the resolution, or should insufficient capital be raised for the proposed new investment term, the Company will terminate on 30 June 2022 and its shares be redeemed. However, in the view of the Directors, the likelihood of the resolution being passed, and of sufficient capital being raised, and therefore the Company continuing in existence beyond 30 June 2022, is extremely strong.

The Board notes that the Covid-19 pandemic has had a significant disruptive impact on economies and financial markets worldwide, and has undertaken an assessment of the continuing effects that the pandemic may have on the Company's ability to operate as a going concern.

The Board considers that the Covid-19 pandemic will not have a significant impact on the Company's ability to continue as a going concern, for the following reasons:

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

As a result of the above considerations, and as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future, the Directors have determined that these financial statements should be prepared on a going concern basis.

Results and Dividends

The Statement of Comprehensive Income is set out on page 9. The Directors do not propose a dividend for the year (2020: Nil).

Directors

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

Janine Lewis

David Stephenson

Keri Lancaster-King (appointed 20 August 2021)

Chris Hickling (resigned 20 August 2021)

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2021

Directors' and Other Interests

Janine Lewis is a Director of the Company and a director of Praxis Fund Services Limited ('PFSL'), the Company's Administrator, Secretary, Custodian and Registrar, David Stephenson is a Director of the Company and an employee of PFSL, Keri Lancaster-King is a Director of the Company and a director of PFSL, and Chris Hickling served as a Director of the Company until his resignation on 20 August 2021 and is a director of Praxis Fund Holdings Limited, the immediate parent company of PFSL. Janine Lewis, Chris Hickling, David Stephenson and Keri Lancaster-King are shareholders in PraxisIFM Group Limited, the ultimate parent company of PFSL.

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

No Director of the Company, nor Investec Corporate and Institutional Banking ('ICIB'), the Investment Advisor to the Company, holds any right, either contingent or otherwise, to subscribe for shares in the Company.

Details of fees paid to PFSL and ICIB during the year are contained in notes 5, 9 and 17 to these Financial Statements.

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

Historical Results

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

	Total Assets	Total Liabilities	Total Comprehensive Income
Year ended 30 September 2021	AUD 223,168,263	AUD 232,688	AUD 35,900,523
Year ended 30 September 2020	AUD 187,233,688	AUD 198,636	AUD 8,796,975
Year ended 30 September 2019	AUD 187,233,688	AUD 198,636	AUD 8,796,975
Year ended 30 September 2018	AUD 165,509,143	AUD 55,539	AUD 22,673,017
Year ended 30 September 2017	AUD 142,798,183	AUD 17,596	AUD 163,205

Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost AUD	Carrying Value AUD
Investec Bank Limited Unsecured Subordinated Callable Notes	66.3%	111,345,981	146,431,414
Goldman Sachs Call Option	33.7%	20,833,392	74,527,442
		<u>132,179,373</u>	<u>220,958,856</u>

Investec Bank Limited and Goldman Sachs are providers of financial services.

Statement of Directors' Responsibilities

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

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

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2021

Statement of Directors' Responsibilities (continued)

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 and with The Protection of Investors (Bailiwick of Guernsey) Law, 1987. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

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

Auditor

On 27 November 2020, Saffery Champness GAT LLP merged its business into Grant Thornton Limited and the Directors approved a proposal from Saffery Champness GAT LLP to novate the existing letter of engagement to Grant Thornton Limited. Grant Thornton Limited have expressed their willingness to continue in office and a resolution to re-appoint them as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Janine Lewis

Director

6 December 2021

INDEPENDENT AUDITOR'S REPORT

to the members of East Asian Growth Basket Limited

Opinion

We have audited the financial statements of East Asian Growth Basket Limited (the "Company") which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial statements framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 and of the Company's profit for the year then ended;
- are in accordance with IFRSs as adopted by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements which states that under the terms of the company prospectus, the life of the Company is due to terminate on 30 June 2022. As stated in Note 2, these events or conditions, along with other matters as set out in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the Company was unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

The key audit matter	How the matter was addressed in our audit
<p>Valuation of financial assets at fair value through profit or loss (2021: AUD74.5 million, 2020: AUD43.5 million)</p> <p>As at 30 September 2021, 33% of the carrying value of the Company's total assets were represented by investment at fair value through profit or loss.</p> <p>There is a risk that errors in the calculation of the investment value using designated inputs may occur and due to the financial significance of the investment balance, small errors in calculation or input factors could have a material misstatement on the reported value.</p> <p>Fair value is calculated using prices published on Bloomberg by the instrument issuer or other appropriate valuation models at the reporting date.</p> <p>The key inputs to the valuation are the notional value and the published prices per Bloomberg.</p> <p><i>Refer to the Accounting policies in Note 2 of the financial statements.</i></p>	<p>Our audit procedures consisted of:</p> <ul style="list-style-type: none">• Updating our understanding of the processes, policies and methodologies, and controls in relation to the valuation and measurement of the financial asset at fair value;• Assessing whether the accounting policy of the Company relating to the valuation of investment at fair value, is in line with the requirements of IFRS as issued by the IASB and consistently applied;• Agreeing key inputs to the valuation of all investments at fair value through profit or loss to independently sourced confirmations or publicly available information;• Recalculating the value of the investment from the independently verified key inputs;• Reviewing Management's decisions regarding the selection of valuation methods and data used when deriving at the fair value of the financial asset;• Comparing the valuation to reported to valuations derived from possible alternative valuation methods; and• Assessed the calculations and inputs for evidence of management bias. <p>Our result</p> <p>No material misstatements were noted as a result of our audit work on the valuation of financial assets at fair value through profit or loss.</p>

Other information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the annual report and audited financial statements, but does not include 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.

INDEPENDENT AUDITOR'S REPORT

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

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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the Company; or
- the Company's Financial Statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement set out on page 4, directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRSs as issued by the IASB and applicable law, and for such internal control as management determines 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

INDEPENDENT AUDITOR'S REPORT

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

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jeremy Ellis.

Use of our report

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

Grant Thornton Limited

Chartered Accountants
St Peter Port
Guernsey

6 December 2021

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2021

	Notes	Year ended 30 Sept 2021 AUD	Year ended 30 Sept 2020 AUD
INCOME			
Interest income	6	8,131,982	8,638,696
GAINS ON INVESTMENTS			
Net gains on investments at fair value through profit or loss	7	30,139,202	13,883,543
Realised loss on disposal of investments at amortised cost	8	-	(42,001)
		<u>38,271,184</u>	<u>22,480,238</u>
Operating expenses	9	(2,074,351)	(2,350,465)
Foreign exchange gains		14,578	18,374
		<u>36,211,411</u>	<u>20,148,147</u>
PROFIT FOR THE YEAR			
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Foreign exchange translation losses		(310,888)	(11,351,172)
Total other comprehensive loss for the year		<u>(310,888)</u>	<u>(11,351,172)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>35,900,523</u>	<u>8,796,975</u>
Earnings per share			
Basic and diluted earnings per A Class share	10	<u><u>366.83</u></u>	<u><u>204.11</u></u>
Basic and diluted earnings per B Class share	10	<u><u>366.83</u></u>	<u><u>204.11</u></u>

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

The notes on pages 15 to 28 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	Notes	2021 AUD	2020 AUD
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	7	74,527,442	43,563,132
Investments at amortised cost	8	146,431,414	139,235,899
		220,958,856	182,799,031
CURRENT ASSETS			
Trade and other receivables	11	1,534,856	1,667,001
Long-term deposits		-	2,145,929
Cash and cash equivalents		674,551	621,727
		2,209,407	4,434,657
CURRENT LIABILITIES			
Trade and other payables	12	(232,688)	(20,882)
NET CURRENT ASSETS			
		1,976,719	4,413,775
NON-CURRENT LIABILITIES			
Trade and other payables	12	-	(177,754)
NET ASSETS			
		222,935,575	187,035,052
CAPITAL AND RESERVES			
Share capital	13	1,259	1,259
Share premium	14	137,098,070	137,098,070
Retained earnings	15	73,673,544	37,462,133
Translation reserve	16	12,162,702	12,473,590
EQUITY SHAREHOLDERS' FUNDS			
		222,935,575	187,035,052
Number of fully paid Class A AUD shares		13,656.435	13,656.435
Number of fully paid Class B USD shares		84,225.997	84,225.997
Net Asset Value per Class A AUD share		AUD 2,277.59	AUD 1,910.81
Net Asset Value per Class B USD share		USD 1,646.01	USD 1,368.50

The financial statements were approved by the Board and authorised for issue on 6 December 2021 and signed on its behalf by:

Janine Lewis
Director

The notes on pages 15 to 28 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 30 September 2021

	Management Shareholders	A and B Class Shareholders			Total	
	Share Capital AUD	Share Capital AUD	Share Premium AUD	Retained earnings AUD	Translation reserve AUD	AUD
<i>Year ended 30 September 2020</i>						
At 30 September 2019	10	1,259	138,370,642	17,770,856	23,824,762	179,967,529
Net profit for the year	-	-	-	20,148,147	-	20,148,147
<i>Other comprehensive income</i>						
Foreign exchange translation gains	-	-	-	-	(11,351,172)	(11,351,172)
Total comprehensive income	-	-	-	20,148,147	(11,351,172)	8,796,975
<i>Transactions with owners</i>						
Redemption of shares (notes 13,14,15,16)	-	(10)	(1,272,572)	(456,870)	-	(1,729,452)
At 30 September 2020	10	1,249	137,098,070	37,462,133	12,473,590	187,035,052
<i>Year ended 30 September 2021</i>						
Net profit for the year	-	-	-	36,211,411	-	36,211,411
<i>Other comprehensive income</i>						
Foreign exchange translation losses	-	-	-	-	(310,888)	(310,888)
Total comprehensive income	-	-	-	36,211,411	(310,888)	35,900,523
At 30 September 2021	10	1,249	137,098,070	73,673,544	12,162,702	222,935,575

The notes on pages 15 to 28 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 September 2021

	Notes	Year ended 30 Sept 2021 AUD	Year ended 30 Sept 2020 AUD
Profit for the year		36,211,411	20,148,147
Adjustments for:			
Interest income	6	(8,131,982)	(8,638,696)
Interest expense	9	4,360	43,360
Net gains on investments at fair value through profit or loss	7	(30,139,202)	(13,883,543)
Net losses on disposal of investments at amortised cost	8	-	42,001
Decrease in trade and other receivables		132,145	31,448
Increase in trade and other payables		31,118	6,681
Net cash outflow from operating activities		(1,892,150)	(2,250,602)
Cash flows from investing activities			
Bank interest		9,697	133,781
Disposals of investments held at fair value through profit or loss	7	-	370,280
Disposals of investments at amortised cost	8	-	1,442,988
Transfer from long-term deposits		2,145,929	885,729
Net cash inflow from investing activities		2,155,626	2,832,778
Cash flows from financing activities			
Payments for redemptions of shares		-	(1,729,452)
Net cash outflow from financing activities		-	(1,729,452)
Increase/(decrease) in cash and cash equivalents for the year		263,476	(1,147,276)
Cash and cash equivalents at the beginning of the year		621,727	2,059,412
Foreign exchange translation losses		(210,652)	(290,409)
Cash and cash equivalents at the end of the year		674,551	621,727

The notes on pages 15 to 28 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2021

1. GENERAL INFORMATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of the Company, have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

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

Going concern

Under the terms of the Company's prospectus, and subject to exercise of the option to redeem on the part of the issuer of the Company's debt investment (the likelihood of which is considered to be high), the life of the Company is due to terminate on 30 June 2022. At the Company's Annual General Meeting in January 2022, shareholders will be asked to approve a special resolution to extend the life of the Company for a further period from the Company's current termination date, and to authorise the Directors to seek to raise additional capital through a secondary fund raising. Should shareholders not approve the resolution, or should insufficient capital be raised for the proposed new investment term, the Company will terminate on 30 June 2022 and its shares be redeemed. However, in the view of the Directors, the likelihood of the resolution being passed, and of sufficient capital being raised, and therefore the Company continuing in existence beyond 30 June 2022, is extremely strong.

The Board notes that the Covid-19 pandemic has had a significant disruptive impact on economies and financial markets worldwide, and has undertaken an assessment of the continuing effects that the pandemic may have on the Company's ability to operate as a going concern.

The Board considers that the Covid-19 pandemic will not have a significant impact on the Company's ability to continue as a going concern, for the following reasons:

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

As a result of the above considerations, and as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future, the Directors have determined that these financial statements should be prepared on a going concern basis.

Adoption of new and revised standards

There were no new standards adopted by the Company during the year that had a material effect on the financial statements.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

New, revised and amended standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been issued by the IASB but are not effective for the year ended 30 September 2021 and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company's financial statements in future reporting periods.

Financial assets - classification

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

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

(i) To invest in a holding of Investec Bank Limited Callable Notes (the 'Notes'). Under IFRS 9, financial assets that are debt instruments may be classified as either (a) amortised cost, (b) fair value through other comprehensive income or (c) fair value through profit and loss. The purpose of the Company's investment in the Notes is to collect the contractual cashflows of solely payments of principal and interest arising on maturity, which will provide capital protection for investors in the Company, and accordingly, the Company has determined that this investment should be classified as an investment at amortised cost.

(ii) To invest in an option linked to a basket of indices, in order to provide investors with a potential upside on their investment. Under the terms of IFRS 9, the option is automatically classified as an investment at fair value through profit or loss.

Financial assets - recognition and subsequent measurement

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

All investments are measured initially at fair value net of transaction costs, except where the investment will subsequently be measured at fair value through profit or loss. 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.

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

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

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

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Liquid resources

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

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Trade and other receivables

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

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

Financial liabilities

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method.

Interest income

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

Foreign exchange

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (the "functional currency"). The Directors have determined that the functional currency of the Company is US Dollars, as it is the currency in which the Company's investments are denominated, the majority of capital raised and in which the majority of the Company's expenses are incurred. For consistency with previous years, the Directors have selected Australian Dollars as the presentation currency of the Company.

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

Expenses

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

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £1,200 (2020: £1,200).

3. SEGMENT REPORTING

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

The areas involving significant estimates or judgements are:

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

5. SIGNIFICANT AGREEMENTS

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

Administration, Custodian and Secretarial Agreement

Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.135% (2020: 0.135%) of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 9, 11, 12 and 17 for details of administration fees and interest paid in the year and balances outstanding at the year end.

Investment Advisory Agreement

Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.65% (2020: 0.65%) per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, which attract a redemption fee of 0.5% of the value of the redemption). In addition the advisor is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 9, 11, 12 and 17 for details of investment advisory fees and interest recognised in the year and balances outstanding at the year end.

Distribution Agreement

Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the distributors a fee of 0.65% (2020: 0.65%) per annum of that portion of the Company's funds that is derived from the subscription amount subscribed for by Subscribers introduced by the distributor (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date) or holders of existing issued Ordinary Shares introduced by the distributor and who elect to remain invested in the Company (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date). See notes 9, 11 and 12 for details of distribution fees paid in the year and balances outstanding at the year end. Investec Corporate and Institutional Banking, the Company's investment advisor, is also a distributor for the Company and has received distribution fees during the year.

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

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

6. INTEREST INCOME	2021	2020
	AUD	AUD
Interest on investments at amortised cost	8,122,285	8,559,799
Bank interest	9,697	78,897
	<u>8,131,982</u>	<u>8,638,696</u>

The effective interest rate used for calculating the interest on the Notes is 6.1244% (2020: 6.1244%).

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	2021	2020
	AUD	AUD
Goldman Sachs Call Option		
Fair value brought forward	43,563,132	32,653,893
Proceeds of disposal	-	(370,280)
Gain on disposal	-	138,495
Fair value adjustment for the year	30,139,202	13,745,048
Translation difference	825,108	(2,604,024)
Fair value carried forward	<u>74,527,442</u>	<u>43,563,132</u>

The Goldman Sachs Call Option is a call option linked to a basket of indices comprising the following:

- S&P 500 Index 45%
- Euro Stoxx 50 Index 20%
- Nikkei 225 Index 20%
- iShares MSCI Emerging Markets Index 15%

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

The Option has been classified as a level 2 investment in the fair value hierarchy as the valuation is derived from observable inputs other than quoted prices in an active market (see note 18(iv)). The key inputs to the valuation were the notional value of the Option of USD 105,403,096 (2020: USD 105,403,096) and the published price of the Option (51.10% (2020: 29.60%)) as at 30 September 2021. The key inputs to the published price of the Option were the closing prices as at 30 September 2021 of the S&P 500 index (4,307.54 (2020: 3,363.00)), Euro Stoxx 50 index (4,048.08 (2020: 3,193.61)), Nikkei 225 index (29,452.66 (2020: 23,185.12)) and iShares MSCI Emerging Markets index 50.38 (2019: 44.09)).

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

8. INVESTMENTS AT AMORTISED COST

	2021	2020
	AUD	AUD
Investec Bank Limited Unsecured Subordinated Callable Notes		
Carrying value brought forward	139,235,899	140,628,501
Proceeds of disposal	-	(1,442,988)
Loss on disposal	-	(42,001)
Interest	8,122,285	8,559,800
Translation difference	(926,770)	(8,467,413)
Carrying value carried forward	<u>146,431,414</u>	<u>139,235,899</u>

The Investec Bank Limited Unsecured Subordinated Callable Notes (the "Notes") were acquired on 30 June 2017. The Notes function as zero coupon notes for a period of five years, and are redeemable at the option of the issuer on 30 June 2022. Should the Notes not be redeemed on 30 June 2022, they will subsequently be reclassified as Floating Rate Notes, paying interest quarterly at a rate of 3 month USD LIBOR plus 4.5%, with an ultimate compulsory maturity date of 30 June 2027.

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

The calculation of impairment, including expected credit losses, is based on assumptions about risk of default and expected loss rates. The Company uses judgments in making this assumption and selecting the inputs to the impairment calculation based on past history and existing market conditions (see note 18(ii)). The Company has assessed the investment in the Notes for impairment and expected credit losses at the reporting date and has concluded that as at the year end no impairment or credit losses are expected over the life of the investment (2020: no impairment or credit losses were expected over the life of the investment).

The fair value of the Notes, calculated by ICIB at 30 September 2021, was AUD153,508,134 (2020: AUD 145,077,918).

9. OPERATING EXPENSES

	2021	2020
	AUD	AUD
Auditor's remuneration	14,650	15,010
Administration fee	193,260	215,905
Distribution fees	914,608	1,021,549
Investment advisory fee	918,125	1,021,584
Licence fee	6,286	6,736
Listing fee	5,486	6,087
Sponsorship fee	9,284	10,357
Statutory fees	3,103	3,340
Interest expense	4,360	43,360
Professional indemnity insurance	2,297	2,062
Sundry expenses	2,892	4,475
	<u>2,074,351</u>	<u>2,350,465</u>

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:	2021 AUD	2020 AUD
Profit attributable to shares:		
Profit for the purpose of basic and diluted earnings per share being profit for the year attributable to ordinary shareholders	<u>36,211,411</u>	<u>20,148,147</u>
Number of shares:		
Weighted average number of shares for the purpose of basic and diluted earnings per share	<u>98,713</u>	<u>98,713</u>
Earnings per A Class share	<u>366.83</u>	<u>204.11</u>
Earnings per B Class share	<u>366.83</u>	<u>204.11</u>

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.

11. TRADE AND OTHER RECEIVABLES

	2021 AUD	2020 AUD
Prepaid administration fee	146,726	158,067
Prepaid distributor fees	678,090	737,416
Prepaid investment advisory fee	706,456	761,064
Other prepayments	3,584	10,454
	<u>1,534,856</u>	<u>1,667,001</u>

12. TRADE AND OTHER PAYABLES

	2021 AUD	2020 AUD
Current		
Audit fee	14,542	14,072
Sponsorship fee	2,494	-
Distributor fees	34,964	6,810
Interest payable	180,688	-
	<u>232,688</u>	<u>20,882</u>
Non-current		
Interest payable	-	177,754
Total	<u>232,688</u>	<u>198,636</u>

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

13. SHARE CAPITAL

Following the adoption of the Company's amended Articles of Incorporation, approved by special resolution on 28 December 2016, the Company no longer has a specified amount of authorised capital.

	2021	2020
	AUD	AUD
Issued and fully paid:		
10 Management shares of AUD 1.00 each	10	10
13,656.435 Class A AUD shares of AUD 0.01 each	137	137
84,225.997 Class B USD shares of USD 0.01 each	1,112	1,112
	<u>1,259</u>	<u>1,259</u>

Class A and Class B shares are entitled to 1 vote each at a general meeting of the Company. Under the terms of the Company's prospectus, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate in June 2022, subject to exercise of the option to redeem on the part of the issuer of the Company's debt investment. Shareholders are entitled to receive any dividends or distributions from the Company and any surplus arising on the winding up of the Company after the payment of creditors and redemption of the Management shares at their nominal value.

Management shares are entitled to 10,000 votes each at a general meeting of the Company. Management shares may only be owned by The Basket Trust (see note 17) or its nominee. Management shareholders are not entitled to receive any dividends or distributions from the Company nor any surplus arising on the winding up of the Company in excess of the nominal value of the Management shares.

14. SHARE PREMIUM

2021	A Class AUD	B Class AUD	Total AUD
Balance brought forward	19,249,857	117,848,213	137,098,070
Balance carried forward	<u>19,249,857</u>	<u>117,848,213</u>	<u>137,098,070</u>
2020	A Class AUD	B Class AUD	Total AUD
Balance brought forward	20,522,429	117,848,213	138,370,642
Shares redeemed during the year	(1,272,572)	-	(1,272,572)
Balance carried forward	<u>19,249,857</u>	<u>117,848,213</u>	<u>137,098,070</u>

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

15. RETAINED EARNINGS

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

2021	A Class	B Class	Total
	AUD	AUD	AUD
Balance brought forward	5,062,450	32,399,683	37,462,133
Net profit for the year	5,052,171	31,159,240	36,211,411
Balance carried forward	<u>10,114,621</u>	<u>63,558,923</u>	<u>73,673,544</u>
2020	A Class	B Class	Total
	AUD	AUD	AUD
Balance brought forward	2,625,599	15,145,257	17,770,856
Shares redeemed during the year	(456,870)	-	(456,870)
Net profit for the year	2,893,721	17,254,426	20,148,147
Balance carried forward	<u>5,062,450</u>	<u>32,399,683</u>	<u>37,462,133</u>

16. TRANSLATION RESERVE

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

2021	A Class	B Class	Total
	AUD	AUD	AUD
Balance brought forward	1,814,543	10,659,047	12,473,590
Foreign exchange translation losses	(43,375)	(267,513)	(310,888)
Balance carried forward	<u>1,771,168</u>	<u>10,391,534</u>	<u>12,162,702</u>
2020	A Class	B Class	Total
	AUD	AUD	AUD
Balance brought forward	3,480,443	20,344,319	23,824,762
Foreign exchange translation gains	(1,665,900)	(9,685,272)	(11,351,172)
Balance carried forward	<u>1,814,543</u>	<u>10,659,047</u>	<u>12,473,590</u>

17. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The immediate controlling party at the year end date is PraxisIFM Trust Limited as trustee of The Basket Trust, which owns the Management shares in the Company. There is no ultimate controlling party of the Company.

The ultimate controlling party of PraxisIFM Trust Limited is PraxisIFM Group Limited ('PGL'). 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 (a Director of the Company) is a director of PFSL and a shareholder in PGL; David Stephenson (a Director of the Company) is an employee of PFSL and a shareholder in PGL; Keri Lancaster-King (a Director of the Company) is a director of PFSL and a shareholder in PGL; and Chris Hickling (a Director of the Company until his resignation on 20 August 2021) is a director of Praxis Fund Holdings Limited, the immediate parent of PFSL, and a shareholder in PGL. During the year PFSL earned AUD 193,260 (2020: AUD 215,905) for their services as administrator. At the year end date administration fees of AUD 146,726 had been paid to PFSL in advance (2020: AUD 158,067). At the year end date interest was due to PFSL on outstanding fees payable of AUD 30,728 (2020: AUD 30,280).

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

17. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS (continued)

The Investment Advisor, Investec Corporate and Institutional Banking ("ICIB"), a division of Investec Bank Limited, and Investec Bank Limited itself, are deemed to be related parties. During the year ICIB earned AUD 918,125 (2020 AUD 1,021,584) for its services as investment advisor. At the year end advisory fees of AUD 706,456 (2020: AUD 761,064) had been paid to ICIB in advance. At the year end date interest was due to ICIB on outstanding fees payable of AUD 149,960 (2020: AUD 147,474). The balances and transactions during the year with Investec Bank Limited related to the investments at amortised cost are disclosed in note 8.

18. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk and liquidity risk from the financial instruments it holds. The Company has a fixed modus operandi, as stated in its prospectus, which is to invest its capital in a zero coupon bond (or other structured product with similar characteristics) and an option or options on a specified index or basket of indices; and to retain a certain element of cash to cover expenses to be incurred over the specified period of its life. As a result of this, the Company's flexibility in dealing with the risks associated with these instruments is somewhat limited. However, the risk management policies that are employed by the Company to manage these risks are discussed below. There have been no changes to the Company's exposure to market risk, credit risk and liquidity risk; or its objectives, policies and procedures for managing such risks, since the prior year.

(i) Market risk

(a) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. As at 30 September 2021 the Company was exposed to foreign exchange risk in relation to the following assets and liabilities:

	Source currency	2021 AUD	2020 AUD
Cash and cash equivalents	Pound Sterling	340,909	351,891
Trade and other payables	Pound Sterling	(14,542)	(14,072)
Cash and cash equivalents	Australian Dollar	1,178	1,178
		<u>327,545</u>	<u>338,997</u>

At 30 September 2021, the foreign currency exposure of the Company against the measurement currency of US Dollars, principally to Sterling, represented 0.1% of Equity Shareholder's Funds (2020: 0.2%). The Company's policy is not to manage the Company's exposure to foreign exchange movements by entering into any foreign exchange hedging transactions. If the exchange rate of the US Dollar against other currencies at the year end date had been 10% (2020: 10%) higher/lower, this would have resulted in an increase/decrease in the year end net asset value of AUD 32,755 (2020: AUD 33,900). The sensitivity rate of 10% is regarded as reasonable as this approximates to the level of volatility of Pound Sterling against the US Dollar in the last year.

The Company had no other material currency exposures as at 30 September 2021 or 30 September 2020.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

18. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents and long-term deposits and on interest payable on outstanding future fees. At 30 September 2021, the Company held cash and cash equivalents of AUD 674,551 (2020: AUD 621,727), which earned interest at a weighted average rate of 0%, and had no long-term deposits (2020: AUD 2,145,929 on long-term deposit at an interest rate of 1.45%). At 30 September 2021, the Company had no outstanding future fees on which interest is payable (2020: outstanding future fees of AUD 1,168,503, on which interest at a rate of 1.45% was payable).

Had these balances existed for the whole of the period, and all other factors remained the same, the effect on the Statement of Comprehensive Income of an increase/decrease in short term interest rates of 0.25% per annum (2020: 0.25%) would have been an increase of AUD 1,686/decrease of AUD 10 in total comprehensive income for the year (2020: increase of AUD 3,998/decrease of AUD 2,444). The sensitivity rate of 0.25% is regarded as reasonable in relation to the current US base rate of 0.25% (2020: 0.25%) as interest rates on US Dollar bank accounts are not currently volatile and increases or decreases applied by the Federal Reserve to the base rate are usually applied in increments of 0.25%.

The Company had no other material interest rate exposures as at either 30 September 2021 or 30 September 2020. The Company's Notes are not interest-bearing, however, the Notes are measured using amortised cost, and the unwind of the discount over the life of the Notes is recognised as interest in the Statement of Comprehensive Income.

(c) Price risk

Price risk is the risk that the value of the instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company's investment in the Goldman Sachs Call Option (the "Option") is valued by reference to movements in the level of the underlying index, and so is directly affected by changes in market prices. The Company's investment in the Notes is measured at amortised cost, and is therefore no longer subject to price risk.

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 Notes acquired is calculated with the intention that the maturing amount will be sufficient to guarantee that all investors who remain in the Company to maturity will at minimum get back the amount that they invested. The 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 call option, whilst enjoying the capital protection afforded by the Notes. Therefore, whilst the Board monitors the performance of the Option and the Notes, it is unlikely that the Board would consider redeeming these at any stage, other than in relation to the redemption of investors' shares. As a result, the management of price risk effectively occurs at the inception of the Company in the selection of investments, and is not an active ongoing process during the remainder of the life of the Company.

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

	2021	2020
	AUD	AUD
Goldman Sachs Call Option	74,527,442	43,563,132
	<u>74,527,442</u>	<u>43,563,132</u>

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

18. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(c) Price risk (continued)

A 50 per cent decrease in the published price of the Option at 30 September 2021 would decrease the Net Asset Value of the Company by AUD 37,263,721 (2020: AUD 21,781,566). Due to the cap on the option contract, a 50 per cent increase in the published price of the Option would increase the Net Asset Value of the Company by AUD 10,355,085 (2020: AUD 21,781,566). The sensitivity rate of 50% is regarded as reasonable due to the potential volatility of the indices to which the Option is linked, magnified by the participation rate of 200% attached to the Option.

(ii) Credit risk

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

The Company states in its Prospectus that it will invest in subordinated debt instruments issued by Investec Bank Limited ('IBL') and an option linked to a specified index, and provides extensive disclosure to shareholders of those instruments and the risks attached thereto. As a result of this, the Company's policy for managing the credit risk attached to the Company's financial assets is to monitor the credit rating of the relevant counterparty for any significant deterioration, without reference to an absolute range of credit ratings. In the event of there being any significant deterioration in the perceived creditworthiness of the counterparty to a point where shareholders' interest may be at risk, the Directors in their absolute discretion would consider the following courses of action: selling the relevant securities to third party purchasers and reinvesting the proceeds in the purchase of securities of another issuer, such that the new securities would replicate as closely as possible the terms and conditions of the original securities; and transferring cash to another banking institution. At initial recognition of the Notes and the Option, the Directors considered the credit risk attached to these instruments to be low, and this remains their view. The Directors would only seek to sell the relevant securities or transfer cash if they (in consultation with the Investment Adviser) consider that such would be in the best interests of the Company and its shareholders.

In accordance with this policy, the Board (in consultation with the Investment Adviser) has noted that the Fitch long-term credit rating of IBL as at 30 September 2021 was BB- (30 September 2020: BB+). The year end rating of Investec plc, a sister company to IBL, was BBB+ (2020: BBB+). As a result, the Directors and the investment advisor believe that it is not in the best interest of shareholders to attempt to sell the Notes prior to their maturity date on 30 June 2022, as they believe firstly that there has been no significant deterioration in the creditworthiness of IBL, and secondly that obtaining an alternative investment with an institution with a higher credit rating could only be achieved on less favourable terms than those offered by the Notes, which could affect the Company's ability to offer capital protection to shareholders on their investment.

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

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

The Option is held with Goldman Sachs International, which has a Fitch long-term rating of A+ (2020: A). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB+ (2020: BBB+).

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

18. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(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 2021 the cash on call was AUD 674,551 (2020: AUD 621,727), which is considered by the Board to be 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 year end date to the contractual maturity date. The amounts disclosed in the table are the estimated contractual undiscounted cash flows.

	Less than 6 months AUD	6 to 12 months AUD	1 to 5 years AUD
2021			
Trade and other payables	52,000	180,688	-
Net exposure	<u>52,000</u>	<u>180,688</u>	<u>-</u>
	Less than 6 months AUD	6 to 12 months AUD	1 to 5 years AUD
2020			
Trade and other payables	20,882	-	177,754
Net exposure	<u>20,882</u>	<u>-</u>	<u>177,754</u>

(iv) Fair value hierarchy

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

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

2021	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit or loss	-	74,527,442	-	74,527,442
	<u>-</u>	<u>74,527,442</u>	<u>-</u>	<u>74,527,442</u>
2020	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit or loss	-	43,563,132	-	43,563,132
	<u>-</u>	<u>43,563,132</u>	<u>-</u>	<u>43,563,132</u>

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

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2021

19. CAPITAL RISK MANAGEMENT

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

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

In order to ensure that the Company will be able to continue as a going concern, the Board continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities. The Board has also considered the impact of the Covid-19 pandemic subsequent to the year end, and does not believe that this will have a significant impact on the Company's capital or its ability to continue as a going concern. The Company has no external borrowings.

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

20. POST BALANCE SHEET EVENTS

The impact of the Covid-19 pandemic subsequent to the year end on the Company's ability to continue as a going concern and on its investments has been assessed in notes 2 and 19.

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