

**EAST ASIAN GROWTH BASKET LIMITED**

**Report and Financial Statements**

**For the year ended 30 September 2016**

# EAST ASIAN GROWTH BASKET LIMITED

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# EAST ASIAN GROWTH BASKET LIMITED

## REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

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<b>DIRECTORS:</b>	C Hickling J Lewis D Stephenson
<b>ADMINISTRATOR, SECRETARY, CUSTODIAN AND REGISTRAR:</b>	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
<b>INVESTMENT ADVISER:</b>	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
<b>REGISTERED OFFICE:</b>	Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
<b>AUDITOR:</b>	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
<b>BANKERS:</b>	Investec Bank (Channel Islands) Limited PO Box 188 Gategny Court Gategny Esplanade St Peter Port Guernsey GY1 3LP
<b>COMPANY REGISTRATION NO:</b>	44743

# **EAST ASIAN GROWTH BASKET LIMITED**

## **REPORT OF THE DIRECTORS**

**For the year ended 30 September 2016**

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The Board of Directors presents its report and the audited financial statements ("the financial statements") for the year ended 30 September 2016.

### **Principal Activity**

The principal activity of the Company is investment holding.

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

### **Going Concern**

At an Extraordinary General Meeting of the Company held on 28 November 2016, shareholders approved a special resolution to extend the life of the Company for a further period of between 5 and 10 years from the Company's current termination date of 20 June 2017, and authorised the Directors to seek to raise additional capital through a secondary fund raising. Under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 28 November 2016, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate between July 2022 and July 2027. However, should insufficient capital be raised for the new investment term, the Company's shares will be redeemed and the Company will terminate on 20 June 2017. However, in the view of the Directors, the likelihood of sufficient capital being raised, and therefore the Company continuing in existence until at least July 2022, is extremely strong. As a result, 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, these financial statements have been prepared on a going concern basis.

### **Results and Dividends**

The Statement of Comprehensive Income is set out on page 7. The Directors do not propose a dividend for the year (2015: Nil).

### **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. David Stephenson and Chris Hickling are employees of PFSL. Janine Lewis and Chris Hickling are shareholders in Praxis Fund Holdings Limited, the 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, 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 4 and 8 to these Financial Statements.

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

# EAST ASIAN GROWTH BASKET LIMITED

## REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2016

### 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 2016	AUD 26,061,887	AUD 65,874	AUD 1,493,655
Year ended 30 September 2015	AUD 24,569,694	AUD 67,336	AUD (235,015)
Year ended 30 September 2014 (restated)	AUD 24,797,335	AUD 59,962	AUD 1,575,433
Year ended 30 September 2013	AUD 23,208,482	AUD 46,542	AUD 1,830,252
Year ended 30 September 2012	AUD 21,369,641	AUD 18,164	AUD (1,334,573)
Year ended 30 September 2011	US\$ 21,439,319	US\$ 54,477	US\$ (4,000,352)

### Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost AUD	Market Value AUD
Barclays plc Zero Coupon Bonds	77.7%	13,464,654	19,945,286
BNP Paribas Index Basket Option	22.3%	5,162,750	5,737,753
		<u>18,627,404</u>	<u>25,683,039</u>

Barclays plc and BNP Paribas 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.

## **EAST ASIAN GROWTH BASKET LIMITED**

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

**For the year ended 30 September 2016**

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

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information;
- 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 February 2017**

## **INDEPENDENT AUDITOR'S REPORT**

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

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We have audited the financial statements of East Asian Growth Basket Limited (the "Company") for the year ended 30 September 2016, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

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

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

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

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

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

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with International Financial Reporting Standards; and
- comply with The Companies (Guernsey) Law, 2008.

#### **Emphasis of Matter**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 of the financial statements with regard to the Company's ability to continue as a going concern. The Company's life is due to terminate on 20 June 2017. An Extraordinary General Meeting of the Company was held on 28 November 2016, where a special resolution was approved to extend the life of the Company for a further period of between 5 and 10 years. However, this extension is dependent on sufficient capital being raised for the new investment term. If the Company is unable to raise sufficient capital, then the Company's shares will be redeemed and the Company will terminate. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments, if any, that would result if the Company was unable to continue as a going concern.

## **INDEPENDENT AUDITOR'S REPORT**

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

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

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

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

**SAFFERY CHAMPNESS**

**Chartered Accountants**

**Guernsey**

**20 February 2017**



# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2016

	Notes	2016 AUD	2015 AUD
<b>REVENUE</b>			
Interest income	5	1,450,955	1,350,686
<b>GAINS/(LOSSES) ON INVESTMENTS</b>			
Investments at fair value through profit and loss	6	853,351	(963,850)
		<u>2,304,306</u>	<u>386,836</u>
Operating expenses	8	(334,697)	(337,509)
<b>PROFIT FOR THE YEAR</b>		<u>1,969,609</u>	<u>49,327</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to profit or loss</i>			
Revaluation of available-for-sale investments	7	(475,954)	(284,342)
Total other comprehensive loss for the year		<u>(475,954)</u>	<u>(284,342)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u>1,493,655</u>	<u>(235,015)</u>
<b>Earnings per share</b>			
Basic and diluted earnings per ordinary share	9	<u>94.14</u>	<u>2.36</u>

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

The notes on pages 13 to 22 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	30 September 2016 AUD	30 September 2015 AUD
<b>NON-CURRENT ASSETS</b>			
Investments at fair value through profit and loss	6	-	4,884,402
Available-for-sale investments	7	-	18,972,905
		<u>-</u>	<u>23,857,307</u>
<b>CURRENT ASSETS</b>			
Investments at fair value through profit and loss	6	5,737,753	-
Available-for-sale investments	7	19,945,286	-
Trade and other receivables	10	110,215	109,662
Cash and cash equivalents		268,633	602,725
		<u>26,061,887</u>	<u>712,387</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	(65,874)	(15,869)
<b>NET CURRENT ASSETS</b>		<u>25,996,013</u>	<u>696,518</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	11	-	(51,467)
<b>NET ASSETS</b>		<u>25,996,013</u>	<u>24,502,358</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	298	298
Share premium	13	27,366,190	27,366,190
Revaluation reserve		610,309	1,086,263
Retained earnings		877,330	(1,092,279)
Translation reserve		(2,858,114)	(2,858,114)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>25,996,013</u>	<u>24,502,358</u>
Number of fully paid ordinary shares		20,922.691	20,922.691
Net Asset Value per ordinary share		AUD 1,242.48	AUD 1,171.09

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

**Janine Lewis**  
Director

The notes on pages 13 to 22 are an integral part of these financial statements.

## EAST ASIAN GROWTH BASKET LIMITED

### STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2016

	Management Shareholders		Ordinary Shareholders				Total	
	Share Capital AUD	Share Capital AUD	Share Capital AUD	Share Premium AUD	Revaluation reserve AUD	Retained earnings AUD		Translation reserve AUD
At 30 September 2014	13	285	285	27,366,190	1,370,605	(1,141,606)	(2,858,114)	24,737,373
Year ended 30 September 2015								
Net profit for the year	-	-	-	-	-	49,327	-	49,327
Revaluation of available-for-sale investments (see note 7)	-	-	-	-	(284,342)	-	-	(284,342)
At 30 September 2015	13	285	285	27,366,190	1,086,263	(1,092,279)	(2,858,114)	24,502,358
Year ended 30 September 2016								
Net profit for the year	-	-	-	-	-	1,969,609	-	1,969,609
Revaluation of available-for-sale investments (see note 7)	-	-	-	-	(475,954)	-	-	(475,954)
At 30 September 2016	13	285	285	27,366,190	610,309	877,330	(2,858,114)	25,996,013

The notes on pages 13 to 22 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 30 September 2016

	Notes	2016 AUD	2015 AUD
Profit for the year		<b>1,969,609</b>	49,327
Adjustments for:			
Interest income		<b>(1,450,955)</b>	(1,350,686)
(Gain)/loss on investments at fair value through profit and loss	6	<b>(853,351)</b>	963,850
(Increase)/decrease in trade and other receivables		<b>(553)</b>	680
(Decrease)/increase in trade and other payables		<b>(1,462)</b>	7,374
<b>Net cash outflow from operating activities</b>		<b><u>(336,712)</u></b>	<b><u>(329,455)</u></b>
<b>Cash flows from investing activities</b>			
Bank interest		<b>2,620</b>	19,190
Transfer from long-term fixed deposits		<b>-</b>	500,000
<b>Net cash inflow from investing activities</b>		<b><u>2,620</u></b>	<b><u>519,190</u></b>
<b>(Decrease)/increase in cash and cash equivalents for the year</b>		<b>(334,092)</b>	189,735
<b>Cash and cash equivalents at the beginning of the year</b>		<b>602,725</b>	412,990
<b>Cash and cash equivalents at the end of the year</b>		<b><u>268,633</u></b>	<b><u>602,725</u></b>

The notes on pages 13 to 22 are an integral part of these financial statements.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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### 1. PRINCIPAL ACCOUNTING POLICIES

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

#### **Basis of preparation**

The financial statements of East Asian Growth Basket Limited, with domicile in Guernsey, 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").

#### **Going concern**

At an Extraordinary General Meeting of the Company held on 28 November 2016, shareholders approved a special resolution to extend the life of the Company for a further period of between 5 and 10 years from the Company's current termination date of 20 June 2017, and authorised the Directors to seek to raise additional capital through a secondary fund raising. Under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 28 November 2016, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate between July 2022 and July 2027. However, should insufficient capital be raised for the new investment term, the Company's shares will be redeemed and the Company will terminate on 20 June 2017. However, in the view of the Directors, the likelihood of sufficient capital being raised, and therefore the Company continuing in existence until at least July 2022, is extremely strong. As a result, these financial statements have been prepared on a going concern basis.

#### **Adoption of new and revised Standards**

There were no new standards relevant to the Company which became effective during the year.

#### **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.

#### **Revenue recognition**

Revenue includes bank interest, bond 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. Bond interest is calculated on an effective interest rate basis. 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.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Foreign exchange

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

#### Investments

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

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

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

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

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

Fair value is the price at which an orderly transaction to sell the investment would take place between market participants at the measurement date, in the principal or most advantageous market for the asset. It may be 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. Unrealised gains on available-for-sale investments, after adjusting for interest accruals, are recognised in Other Comprehensive Income. All gains or losses are recognised in the period in which they arise. Prior year revaluation gains on available-for-sale investments disposed of during the year are reclassified to profit or loss in the period in which the investments are disposed of.

#### 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 trade and other receivables 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 trade and other payables 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 (2015: £1,200).

#### Reserves

Gains or losses arising on the revaluation of the Company's available-for-sale investments are taken to the revaluation reserve. Historical losses arising on the redenomination of the Company's reporting currency from US Dollar to Australian Dollar have been taken to the translation reserve.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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### 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 Zero Coupon Bonds should be classified as an available-for-sale investment and its Option investment 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 notes 6 and 7.

### 4. SIGNIFICANT AGREEMENTS

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

#### **Administration, Custodian and Secretarial Agreement**

Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, 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 recognised 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% 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 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 0.7% per annum of that portion of the Company's funds that is derived from the subscription amount subscribed for by Subscribers introduced by the distributor (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date), or holders of existing issued Ordinary Shares introduced by the distributor and who elect to remain invested in the Company (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date). See notes 8, 10 and 11 for details of distribution fees paid in the year and balances outstanding at the year end. Investec Corporate and Institutional Banking, the Company's investment advisor, is also a distributor for the Company and has received distribution fees during the year.

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

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

### 5. INTEREST INCOME

	2016	2015
	AUD	AUD
Interest on available-for-sale investments	1,448,335	1,339,844
Bank interest	2,620	10,842
	<u>1,450,955</u>	<u>1,350,686</u>

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

	2016	2015
	AUD	AUD
<b>BNP Paribas Index Basket Option</b>		
Fair value brought forward	4,884,402	5,848,252
Fair value adjustment for the year	853,351	(963,850)
Fair value carried forward	<u>5,737,753</u>	<u>4,884,402</u>

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

- Hang Seng China Enterprises Index 20%
- Hang Seng Index 25%
- Korea KOSPI 200 Index 15%
- Taiwan Capitalisation Weighted Stock Index 25%
- Nikkei 225 Index 15%

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

The Option has been classified as a Level 2 investment in the fair value hierarchy (see note 16 (iv)).

### 7. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	AUD	AUD
<b>Barclays plc Zero Coupon Bonds</b>		
Fair value brought forward	18,972,905	17,917,403
Interest for the year	1,448,335	1,339,844
Fair value adjustment for the year	(475,954)	(284,342)
Fair value carried forward	<u>19,945,286</u>	<u>18,972,905</u>

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

The Bonds have been classified as Level 2 investments in the fair value hierarchy (see note 16 (iv)).



# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

<b>8. OPERATING EXPENSES</b>	<b>2016</b>	<b>2015</b>
	<b>AUD</b>	<b>AUD</b>
Auditor's remuneration	15,330	15,592
Administration fee	32,116	31,594
Distribution fees	141,312	140,901
Investment advisory fee	122,776	122,776
Licence fee	6,708	6,210
Listing fee	3,633	2,916
Sponsorship fee	4,916	4,936
Statutory fees	3,510	3,038
Interest payable	1,212	4,448
Professional indemnity insurance	1,413	1,323
Sundry expenses	1,771	3,775
	<u>334,697</u>	<u>337,509</u>

## 9. EARNINGS PER SHARE

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

	<b>2016</b>	<b>2015</b>
	<b>AUD</b>	<b>AUD</b>
Profit attributable to Ordinary shares:		
Profit for the purpose of basic and diluted earnings per share being profit for the year attributable to ordinary shareholders	<u>1,969,609</u>	<u>49,327</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>20,923</u>	<u>20,923</u>
Earnings per ordinary share	<u>94.14</u>	<u>2.36</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.

<b>10. TRADE AND OTHER RECEIVABLES</b>	<b>2016</b>	<b>2015</b>
	<b>AUD</b>	<b>AUD</b>
Prepaid administration fee	11,184	11,184
Prepaid distributor fees	51,126	50,684
Prepaid investment advisory fee	44,738	44,738
Other prepayments	3,167	3,056
	<u>110,215</u>	<u>109,662</u>

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

11. TRADE AND OTHER PAYABLES	2016	2015
	AUD	AUD
<b>Current</b>		
Audit fee	12,692	14,552
Sponsorship fee	503	518
Distributor fees	-	799
Interest payable	52,679	-
	<u>65,874</u>	<u>15,869</u>
<b>Non-current</b>		
Interest payable	-	51,467

## 12. SHARE CAPITAL

	2016	2015
	AUD	AUD
<b>Authorised:</b>		
10 Management shares of AUD 1.00 each	10	10
999,000 Ordinary shares of AUD 0.01 each	9,990	9,990
	<u>10,000</u>	<u>10,000</u>
<b>Issued and fully paid:</b>		
10 Management shares of AUD 1.00 each	13	13
20,922.691 Ordinary shares of AUD 0.01 each	285	285
	<u>298</u>	<u>298</u>

No Ordinary or Management shares were issued or redeemed during the year.

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. The ordinary shares may be compulsorily redeemed on the termination date, 26 July 2017. 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 15) 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	2016	2015
	AUD	AUD
Balance brought forward	27,366,190	27,366,190
Balance carried forward	<u>27,366,190</u>	<u>27,366,190</u>

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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

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

PFSL is deemed to be a related party, as Janine Lewis is a director of PFSL and a shareholder in Praxis Fund Holdings Limited ('PFHL'), the immediate controlling party of PFSL; Chris Hickling is an employee of PFSL and a shareholder in PFHL; and David Stephenson is an employee of PFSL. During the year PFSL received AUD 32,116 (2015: AUD 31,594) for their services as administrator. At the year end date administration fees of AUD 11,184 had been paid to PFSL in advance (2015: AUD 11,184). At the year end date interest on outstanding fees of AUD 10,513 (2015: AUD 10,271) was payable to PFSL.

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

#### (i) Market risk

##### (a) Currency risk

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

The Company had no material currency exposures as at either 30 September 2016 or 30 September 2015.

##### (b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as it invests cash and bank balances at short term interest rates. At 30 September 2016, the Company held cash on a call account of AUD 268,633 (2015: AUD 602,725), which earns interest at a floating rate. The Company held no fixed deposit as at 30 September 2016 (2015: AUD Nil).

Had these balances existed for the whole of the year, the effect of an increase/decrease of 0.5% in short term annual interest rates would have been an increase/decrease of AUD 1,343 in the post-tax profit for the year (2015: AUD 3,014). The sensitivity rate of 0.5% is regarded as reasonable in relation to the current Australian base rate of 1.5% as interest rates on Australian Dollar bank accounts are not currently volatile.

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

The Company had no other material interest rate exposures as at either 30 September 2016 or 30 September 2015.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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

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

##### (c) Price risk

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

Price risk is managed 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 call option, whilst enjoying the capital protection afforded by the bonds. Therefore, whilst the Board monitors the performance of the call option and bonds, it is unlikely that the Board would consider redeeming these at any stage, other than in relation to the redemption of investors' shares. As a result, the management of price risk effectively occurs at the inception of the 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 and available-for-sale investments expose the Company to price risk. The details are as follows:

	2016 AUD	2015 AUD
European call option with BNP Paribas	5,737,753	4,884,402
Barclays plc Zero Coupon Bonds	19,945,286	18,972,905
	<u>25,683,039</u>	<u>23,857,307</u>

A 50 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2016 would have increased/decreased the Net Asset Value of the Company by AUD 2,868,877 (2015: AUD 2,442,201). 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 157% attached to the Option.

A 5 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2016 would have increased/decreased the Net Asset Value of the Company by AUD 997,264 (2015: AUD 948,645). The lower sensitivity rate of 5% is regarded as reasonable, as the rate at which interest is earned on the investment, 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.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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

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

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

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

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

The available-for-sale investments are held with Barclays Bank plc, which has a Fitch long-term rating of A (2015: A). The investments at fair value through profit and loss are held with BNP Paribas, which has a Fitch long-term rating of A+ (2015: A+). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB (2015: 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 2016 the cash on call was AUD 268,633 (2015: AUD 602,725), 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 contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Less than 6 months AUD</b>	<b>6-12 months AUD</b>	<b>1 - 5 years AUD</b>
<b>30 September 2016</b>			
Trade and other payables	<b>13,195</b>	<b>52,679</b>	-
Net exposure	<b>13,195</b>	<b>52,679</b>	-
	<b>Less than 6 months AUD</b>	<b>6-12 months AUD</b>	<b>1 - 5 years AUD</b>
30 September 2015			
Trade and other payables	15,070	799	51,467
Net exposure	15,070	799	51,467

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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

#### (iv) Fair value hierarchy

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

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

<b>30 September 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>
Investments at fair value through profit and loss	-	<b>5,737,753</b>	-	<b>5,737,753</b>
Available-for-sale investments	-	<b>19,945,286</b>	-	<b>19,945,286</b>
	<u>-</u>	<u><b>25,683,039</b></u>	<u>-</u>	<u><b>25,683,039</b></u>
<b>30 September 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>	<b>AUD</b>
Investments at fair value through profit and loss	-	4,884,402	-	4,884,402
Available-for-sale investments	-	18,972,905	-	18,972,905
	<u>-</u>	<u>23,857,307</u>	<u>-</u>	<u>23,857,307</u>

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

### 16. MANAGEMENT OF CAPITAL

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

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

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

### 17. POST BALANCE SHEET EVENTS

At an Extraordinary General Meeting of the Company held on 28 November 2016, shareholders approved a special resolution to extend the life of the Company for a further period of between 5 and 10 years from the Company's current termination date of 20 June 2017, and authorised the Directors to seek to raise additional capital through a secondary fund raising. Under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 28 November 2016, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate between July 2022 and July 2027.

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