

**CHINA SEAS BASKET LIMITED**

**Annual Report and Financial Statements**

**For the year ended 30 September 2025**

# CHINA SEAS BASKET LIMITED

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# CHINA SEAS BASKET LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

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<b>DIRECTORS:</b>	J Lewis D Stephenson K Lancaster-King
<b>ADMINISTRATOR, SECRETARY AND REGISTRAR:</b>	Apex Fund and Corporate Services (Guernsey) Limited (formerly Sanne Fund Services (Guernsey) Limited) 1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
<b>INVESTMENT ADVISER:</b>	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
<b>REGISTERED OFFICE:</b>	1 Royal Plaza Royal Avenue St Peter Port Guernsey GY1 2HL
<b>INDEPENDENT AUDITOR:</b>	Grant Thornton Limited St James Place St James Street St Peter Port Guernsey GY1 2NZ
<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>	51929

# CHINA SEAS BASKET LIMITED

## REPORT OF THE DIRECTORS

For the year ended 30 September 2025

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The Directors present the annual report and the audited financial statements (the "financial statements") of China Seas Basket Limited (the "Company") for the year ended 30 September 2025.

### Principal Activity

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

The Company is a Guernsey Registered closed-ended investment company and is subject to the Registered Collective Investment Scheme Rules 2018. The Company is listed on the Bermuda Stock Exchange.

### Going concern

Under the terms of the Company's prospectus, following a successful fund raising in June 2024, the life of the Company was extended for a period of five years from 3 June 2024. 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 on 5 July 2029.

During the year, the war in Ukraine and the heightened level of conflict in the Middle East have continued to impact upon financial markets. However, the Board does not consider that there will be any 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
- During the year and subsequent to 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 10. The Directors do not propose a dividend for the year (2024: 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

# CHINA SEAS BASKET LIMITED

## REPORT OF THE DIRECTORS (continued) For the year ended 30 September 2025

### Directors' and Other Interests

Janine Lewis and Keri Lancaster-King are Directors of the Company and, during the year, were directors of Sanne Fund Services (Guernsey) Limited ("SFSGL"). SFSGL served as the Company's Administrator, Secretary, Custodian and Registrar until its merger with Apex Fund and Corporate Services (Guernsey) Limited ("AFCSGL") on 31 January 2025. David Stephenson is a Director of the Company and, during the year, was an employee of SFSGL. With effect from 31 January 2025, AFCSGL is the Company's Administrator, Secretary, Custodian and Registrar. David Stephenson is an employee of AFCSGL. Keri Lancaster-King was an employee of AFCSGL until 18 November 2025, when she was appointed as a director of that company. Janine Lewis was an employee of AFCSGL from 31 January 2025 until her retirement on 7 July 2025.

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

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

Details of fees paid to AFCSGL and ICIB during the year are contained in notes 5, 10 and 18 to these Financial Statements.

With effect from her retirement as an employee of AFCSGL on 7 July 2025, Janine Lewis was engaged as an independent Director of the Company at an annual fee rate of £3,250 per annum. No other 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
	AUD	AUD	AUD
Year ended 30 September 2025	314,602,342	(365,251)	47,788,945
Year ended 30 September 2024	266,483,107	(34,961)	13,078,021
Year ended 30 September 2023	113,245,178	(671,071)	11,572,510
Year ended 30 September 2022	101,973,307	(971,710)	6,288,263
Year ended 30 September 2021	94,859,704	(146,370)	12,822,010

### Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost AUD	Carrying Value AUD
Citigroup Credit Linked Notes	35.4%	98,065,741	106,342,131
Merrill Lynch Credit Linked Notes	37.4%	102,987,801	112,108,520
Goldman Sachs option	27.2%	51,504,876	81,778,429
		<u>252,558,418</u>	<u>300,229,080</u>

Citigroup, Merrill Lynch 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.

# CHINA SEAS BASKET LIMITED

## REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2025

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### Statement of Directors' Responsibilities (continued)

Under that law, the Directors have prepared the financial statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. 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 IFRS 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 IFRS, with The Companies (Guernsey) Law, 2008 and with The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

### Independent Auditor

Grant Thornton Limited ('GT') has expressed its willingness to continue in office and a resolution to re-appoint GT as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Janine Lewis**

**Director**

**19 December 2025**

## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Opinion**

We have audited the financial statements of China Seas Basket Limited (the "Company") for the year ended 30 September 2025, 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 material accounting policies.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 September 2025, and of its financial performance and its cashflows for the year then ended;
- are in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (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.

#### **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.

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.

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 5 and 6, the Directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 Directors' 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 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 the directors 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 the directors 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.

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.



### **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.

### **Grant Thornton Limited**

Chartered Accountants  
St Peter Port  
Guernsey

Date: 19 December 2025

# CHINA SEAS BASKET LIMITED

## STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 September 2025

	Notes	2025 AUD	2024 AUD
<b>INCOME</b>			
Interest income	6	13,455,419	7,000,445
<b>GAINS ON INVESTMENTS</b>			
Realised gains on investments at fair value through profit and loss	7	-	18,519,177
Unrealised gains on investments at fair value through profit and loss	7	26,585,839	4,163,178
Gains on derivatives at fair value through profit and loss	9	-	603,282
		<b>40,041,258</b>	30,286,082
Foreign exchange gains		-	4,967
Operating expenses	10	(4,097,664)	(2,055,832)
<b>PROFIT FOR THE YEAR</b>		<b>35,943,594</b>	28,235,217
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<i>Items reclassifiable to profit or loss</i>			
Foreign exchange translation gains/(losses)	17	11,845,351	(15,157,196)
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>11,845,351</b>	(15,157,196)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>47,788,945</b>	13,078,021
<b>Earnings per ordinary share</b>			
Basic and diluted earnings per A Class share	11	<b>249.63</b>	307.50
Basic and diluted earnings per B Class share	11	<b>249.63</b>	307.50

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

The notes on pages 14 to 29 are an integral part of these financial statements.

# CHINA SEAS BASKET LIMITED

## STATEMENT OF FINANCIAL POSITION As at 30 September 2025

	Notes	2025 AUD	2024 AUD
<b>NON-CURRENT ASSETS</b>			
Investments at fair value through profit and loss	7	81,778,429	53,361,729
Investments at amortised cost	8	218,450,651	196,555,058
		<b>300,229,080</b>	<b>249,916,787</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	2,621,898	2,556,879
Long-term deposits		11,096,227	9,872,220
Cash and cash equivalents		655,137	4,137,221
		<b>14,373,262</b>	<b>16,566,320</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	(21,345)	(17,963)
<b>NET CURRENT ASSETS</b>		<b>14,351,917</b>	<b>16,548,357</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	(343,906)	(16,998)
		<b>(343,906)</b>	<b>(16,998)</b>
		<b>314,237,091</b>	<b>266,448,146</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	2,050	2,050
Share premium	15	229,348,279	229,348,279
Retained earnings	16	79,378,147	43,434,553
Translation reserve	17	5,508,615	(6,336,736)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>314,237,091</b>	<b>266,448,146</b>
Number of fully paid A Class shares		<b>17,693.646</b>	17,693.646
Number of fully paid B Class shares		<b>126,295.344</b>	126,295.344
Net Asset Value per A Class share		<b>AUD 2,182.37</b>	AUD 1,850.48
Net Asset Value per B Class share		<b>USD 1,444.61</b>	USD 1,283.98

The financial statements were approved and authorised for issue by the Board on 19 December 2025 and signed on its behalf by:

**Janine Lewis**  
Director

The notes on pages 14 to 29 are an integral part of these financial statements.

# CHINA SEAS BASKET LIMITED

## STATEMENT OF CHANGES IN EQUITY For the year ended 30 September 2025

	Management Shareholders	Ordinary Shareholders				Total
	Share capital AUD	Share capital AUD	Share premium AUD	Retained earnings AUD	Translation reserve AUD	Total AUD
Year ended 30 September 2024						
At 30 September 2023	10	887	79,342,351	23,258,726	9,972,133	112,574,107
Profit for the year	-	-	-	28,235,217	-	28,235,217
<i>Other comprehensive loss</i>						
Foreign exchange translation losses (note 17)	-	-	-	-	(15,157,196)	(15,157,196)
<i>Transactions with owners</i>						
Redemption of shares (notes 14, 15, 16, 17)	-	(157)	(14,173,120)	(8,059,390)	(1,151,673)	(23,384,340)
Issue of shares (notes 14, 15)	-	1,310	164,211,801	-	-	164,213,111
Share issue costs (note 15)	-	-	(32,753)	-	-	(32,753)
At 30 September 2024	10	2,040	229,348,279	43,434,553	(6,336,736)	266,448,146
<b>Year ended 30 September 2025</b>						
<b>At 30 September 2024</b>	<b>10</b>	<b>2,040</b>	<b>229,348,279</b>	<b>43,434,553</b>	<b>(6,336,736)</b>	<b>266,448,146</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,943,594</b>	<b>-</b>	<b>35,943,594</b>
<i>Other comprehensive income</i>						
Foreign exchange translation gains (note 17)	-	-	-	-	11,845,351	11,845,351
<b>At 30 September 2025</b>	<b>10</b>	<b>2,040</b>	<b>229,348,279</b>	<b>79,378,147</b>	<b>5,508,615</b>	<b>314,237,091</b>

The notes on pages 14 to 29 are an integral part of these financial statements.

# CHINA SEAS BASKET LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 30 September 2025

	Notes	2025 AUD	2024 AUD
<b>Cash flows from operating activities</b>			
Profit for the year		<b>35,943,594</b>	28,235,217
Adjustments for:			
Interest income	6	<b>(13,455,419)</b>	(7,000,445)
Interest paid	10	<b>335,457</b>	17,893
Gains on investments at fair value through profit and loss	7	<b>(26,585,839)</b>	(22,682,355)
Gains on derivatives at fair value through profit and loss	9	-	(603,282)
Foreign exchange gains		-	(4,967)
Increase in trade and other receivables		<b>(85,121)</b>	(1,588,836)
Increase/(decrease) in trade and other payables		<b>3,382</b>	(36,111)
<b>Net cash outflow from operating activities</b>		<b>(3,843,946)</b>	(3,662,886)
<b>Cash flows from investing activities</b>			
Interest income		<b>607,441</b>	15,221
Transfer to long-term deposit		<b>(1,224,007)</b>	(9,872,220)
Disposals of investments at fair value through profit and loss	7	-	39,431,449
Disposals of investments at amortised cost	8	-	90,525,677
Purchase of investments at fair value through profit and loss	7	-	(51,504,876)
Purchase of investments at amortised cost	8	-	(201,053,542)
<b>Net cash outflow from investing activities</b>		<b>(616,566)</b>	(132,458,291)
<b>Cash flows from financing activities</b>			
Issue of share capital		-	164,213,111
Redemptions of share capital		-	(23,384,340)
Share issue costs	15	-	(32,753)
Interest paid		-	(34,104)
<b>Net cash inflow from financing activities</b>		<b>-</b>	140,761,914
<b>Net (decrease)/increase in cash and cash equivalents for the year</b>		<b>(4,460,512)</b>	4,640,737
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,137,221</b>	187,912
<b>Foreign exchange translation gains/(losses)</b>		<b>978,428</b>	(691,428)
<b>Cash and cash equivalents at the end of the year</b>		<b>655,137</b>	4,137,221

The notes on pages 14 to 29 are an integral part of these financial statements.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2025

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### 1. GENERAL INFORMATION

China Seas 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. MATERIAL 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 IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

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, following a successful fund raising in June 2024, the life of the Company was extended for a period of five years from 3 June 2024. 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 on 5 July 2029.

During the year, the war in Ukraine and the heightened level of conflict in the Middle East have continued to impact upon financial markets. However, the Board does not consider that there will be any 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
- During the year and subsequent to 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 30 September 2025**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**Adoption of amended standards**

The following relevant amended standard has been applied in these Financial Statements:

- IAS 1 (amended), 'Presentation of Financial Statements' – (amendments relating to the classification of liabilities, effective for accounting periods commencing on or after 1 January 2024).

In the opinion of the Directors, the adoption of this amended standard has had no material impact on the Financial Statements of the Company.

**New and amended standards and interpretations not yet adopted**

The following relevant standards, which have not been applied in these Financial Statements, were in issue at the reporting date but not yet effective:

- IFRS 7 (amended), 'Financial Instruments: Disclosures' – (published in May 2024 and relating to the classification and measurement of financial instruments, effective for accounting periods commencing on or after 1 January 2026);
- IFRS 9 (amended), 'Financial Instruments' – (published in May 2024 and relating to the classification and measurement of financial instruments, effective for accounting periods commencing on or after 1 January 2026); and
- IFRS 18 "Presentation and Disclosures in Financial Statements", effective for periods commencing on or after 1 January 2027.

The Directors are currently assessing the impact that the adoption of these new and amended standards in future periods will have on the financial statements of the Company.

The International Sustainability Standards Board ("ISSB") published the following Sustainability Disclosure Standards in June 2023, effective for accounting periods commencing on or after 1 January 2024:

- IFRS S1, 'General requirements for Disclosure of Sustainability-related Financial Information'; and
- IFRS S2, 'Climate-related Disclosures'.

The purpose of both standards is to provide information that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

**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 debt instrument issued by Investec Bank Limited or another reputable financial institution. 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 ("FVTPL"). The purpose of the Company's investment in the debt instrument 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 one or more options 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 options are automatically classified as investments at FVTPL.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2025

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### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### **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 FVTPL. Transaction costs relating to the acquisition of investments at FVTPL are expensed as incurred in the Statement of Comprehensive Income.

After initial recognition, the Company's option investment is measured at FVTPL. 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 FVTPL are recognised in other gains/(losses) in profit or loss in the Statement of Comprehensive Income as applicable.

After initial recognition, the Company's debt instrument is 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.

#### **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 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 USD, as it is the currency in which the Company's investments are denominated, the majority of the Company's capital has been raised and in which the majority of the Company's expenses are incurred. For consistency with previous years, the Directors have selected AUD as the presentation currency of the Company.



# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 September 2025

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### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### Foreign exchange (continued)

Foreign currency assets and liabilities are translated into AUD at the rate of exchange ruling on the reporting date. Foreign currency transactions are translated into the functional currency of USD at the rate of exchange ruling on the date of the transaction and then translated into AUD 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 £1,600 (2024: £1,600).

### 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.

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 FVTPL – see note 7; and
- Impairment of financial assets measured at amortised cost - see notes 8 and 12.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 September 2025

### 5. SIGNIFICANT AGREEMENTS

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

#### Administration, Custodian and Secretarial

Under the Administration, Custodian and Secretarial Agreement, with effect from 11 June 2024, 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 0.11% (2024: 0.13%) per annum of the Company's funds thereafter (as reduced by any redemptions of 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 due to the date of termination. See notes 10, 12 and 18 for details of administration fees and interest paid in the year and balances outstanding at the year end.

Effective 31 January 2025, Sanne Fund Services (Guernsey) Limited ("SFSGSL") completed an amalgamation of corporate bodies pursuant to Part VI of the Companies (Guernsey) Law, 2008 with Apex Fund and Corporate Services (Guernsey) Limited (the "Amalgamation"). As a result of the Amalgamation, the name of the Administrator changed to Apex Fund and Corporate Services (Guernsey) Limited ("AFCSGL"). There are no further material changes arising from the Amalgamation and all pre-existing contractual arrangements in place between the Company and the Administrator remain in force.

#### Investment Advisory Agreement

Under the Investment Advisory Agreement, with effect from 11 June 2024, the Company has agreed to pay or procure to be paid to the Investment Advisor, for its services as Investment Advisor, a fee of 0.6% (2024: 0.6%) per annum of the Company's funds (as reduced by any redemptions of shares prior to the Redemption Date). In addition the Investment Advisor is entitled to receive interest earned by the Company on the unpaid element of the fees due to the date of termination. The Investment Advisor, Investec Corporate and Institutional Banking ("ICIB"), is a part of the same global group of companies as Investec Bank Limited ("IBL"), the issuer of the Company's Structured Deposit, which matured on 3 June 2024. See notes 10, 12 and 18 for details of investment advisory fees and interest paid in the year and balances outstanding at the year end.

#### Distribution Agreement

Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.6% (2024: 0.6%) 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 shares prior to the Redemption Date), or holders of existing issued shares introduced by the Distributor and who elect to remain invested in the Company (as reduced by any redemptions of such shares prior to the Redemption Date). See notes 10, 12 and 13 for details of distribution fees paid in the year and balances outstanding at the year end. ICIB, the Company's Investment Advisor, is also a Distributor for the Company.

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.

### 6. INTEREST INCOME

	2025	2024
	AUD	AUD
Interest on investments at amortised cost	12,852,358	6,855,349
Bank interest	603,061	145,096
	<u>13,455,419</u>	<u>7,000,445</u>

The effective interest rates used for calculating the interest on the investments at amortised cost are between 5.8701% and 6.1756% (2024: between 5.8701% and 6.1756%).

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 September 2025

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

	2025	2024
	AUD	AUD
<b>Goldman Sachs option</b>		
Fair value brought forward	53,361,729	-
Purchase	-	51,504,876
Fair value adjustment	26,585,839	4,163,178
Translation difference	1,830,861	(2,306,325)
Fair value carried forward	<b>81,778,429</b>	<b>53,361,729</b>

The Goldman Sachs option ("the option") is a call option which matures on 5 July 2029 and is referenced to a basket of indices comprising the following:

• S&P 500 Index	40%
• Euro Stoxx 50 Index	25%
• Nikkei 225 Index	15%
• FTSE 100 index	10%
• iShares MSCI Emerging Markets Index	10%

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 bid/ask price spread 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 19(iv)).

The key inputs to the valuation were the notional value of the option (USD 180,262,422 (2024: USD180,262,422)) and the published bid price of the option of 30.03% as at 30 September 2025 (2024: 20.54%).

The key inputs to the published bid price of the option were the closing prices as at 30 September 2025 of the S&P 500 index (6,688.46 (2024: 5,762.48)), Euro Stoxx 50 index (5,529.96 (2024: 5000.45)), Nikkei 225 index (44,932.63 (2024: 37,919.55)), FTSE 100 index (9,350.43 (2024: 8,236.95)) and iShares MSCI Emerging Markets index (53.40 (2024: 45.86)).

	2025	2024
	AUD	AUD
<b>Goldman Sachs Call Warrants</b>		
Balance brought forward	-	21,782,282
Disposal	-	(39,431,449)
Gain on disposal	-	18,519,177
Translation difference	-	(870,010)
Fair value carried forward	<b>-</b>	<b>-</b>

The Warrants were linked to the Euronext CDP Environmental World Index and matured on 3 June 2024.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 September 2025

### 8. INVESTMENTS AT AMORTISED COST

	2025	2024
	AUD	AUD
<b>Citigroup Credit Linked Notes (the "Citigroup CLNs")</b>		
Balance brought forward	95,824,812	-
Purchase	-	98,065,741
Interest	6,065,683	1,846,123
Translation difference	4,451,636	(4,087,052)
Carrying value carried forward	<u>106,342,131</u>	<u>95,824,812</u>
	2025	2024
	AUD	AUD
<b>Merrill Lynch Credit Linked Notes (the "Merrill Lynch CLNs")</b>		
Balance brought forward	100,730,246	-
Purchase	-	102,987,801
Interest	6,708,018	2,039,679
Translation difference	4,670,256	(4,297,234)
Carrying value carried forward	<u>112,108,520</u>	<u>100,730,246</u>

The Citigroup and Merrill Lynch CLNs have a maturity date of 5 July 2029 and are measured at amortised cost using the effective interest rate method. The effective interest rates used for calculating the interest income are 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 19(ii)). The Company has assessed the investments in the CLNs 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 investments (2024: no impairment or credit losses were expected over the life of the investment).

The fair value of the Citigroup CLNs and the Merrill Lynch CLNs, calculated by ICIB at 30 September 2025, were AUD 103,763,255 (2024: AUD 98,881,458) and AUD 113,122,816 (2024: AUD 105,038,106) respectively.

	2025	2024
	AUD	AUD
<b>Investec Bank Limited Structured Deposit</b>		
Balance brought forward	-	90,452,538
Interest	-	2,969,547
Disposal	-	(90,525,677)
Translation difference	-	(2,896,408)
Carrying value carried forward	<u>-</u>	<u>-</u>

### 9. DERIVATIVES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2025	2024
	AUD	AUD
Balance brought forward	-	(616,997)
Fair value adjustment	-	603,282
Translation difference	-	13,715
Fair value carried forward	<u>-</u>	<u>-</u>

Derivatives at fair value through profit and loss comprised an interest rate swap utilised to fix the interest rate on the accreting deposit component of the Structured Deposit (see note 8). The interest rate swap expired on 3 June 2024 with nil value.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2025

### 10. OPERATING EXPENSES

	2025	2024
	AUD	AUD
Investment advisory fee	1,680,864	868,973
Distribution fees	1,672,652	866,521
Administration fee	353,311	240,395
Auditor's remuneration	19,960	23,359
Interest expense	335,457	17,893
Listing and sponsor fees	19,115	18,675
GFSC licence fee	8,358	9,522
Statutory fees	4,275	5,188
Professional indemnity insurance	1,994	3,406
Directors' fees	722	-
Sundry expenses	956	1,900
	<b>4,097,664</b>	<b>2,055,832</b>

### 11. EARNINGS PER SHARE

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

	2025	2024
	AUD	AUD
Profit attributable to shares:		
Profit for purpose of basic and diluted earnings per share being the profit for the year attributable to shareholders	<b>35,943,594</b>	<b>28,230,250</b>
Number of shares:		
Weighted average number of shares for the purpose of basic and diluted earnings per share	<b>143,988.990</b>	<b>91,822.490</b>
Earnings per share attributable to A Class shares	<b>249.63</b>	<b>307.44</b>
Earnings per share attributable to B Class shares	<b>249.63</b>	<b>307.44</b>

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

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 September 2025

### 12. TRADE AND OTHER RECEIVABLES

	2025	2024
	AUD	AUD
Share subscriptions receivable	-	15,722
Bank interest receivable	125,495	129,875
Prepaid investment advisory fee	1,137,032	1,084,723
Prepaid distributors' fees	1,136,188	1,078,267
Prepaid administration fee	208,456	235,023
Unpaid share capital	10	10
Other prepayments	14,717	13,259
	<b>2,621,898</b>	<b>2,556,879</b>

The balance of trade and other receivables principally comprises prepayments, therefore a provision for expected credit losses is not required.

### 13. TRADE AND OTHER PAYABLES

	2025	2024
	AUD	AUD
<b>Current</b>		
Audit fee	19,824	17,963
Directors' fees	1,521	-
	<b>21,345</b>	<b>17,963</b>
<b>Non-current</b>		
Interest payable	<b>343,906</b>	<b>16,998</b>

### 14. SHARE CAPITAL

#### Authorised:

Following the adoption of the Company's amended Articles of Association on 18 March 2020, the Company no longer has any defined authorised share capital.

	2025	2024
	AUD	AUD
<b>Issued:</b>		
10 Management shares of AUD 1.00 unpaid (2024: 10 shares unpaid)	10	10
17,693.646 A Class shares of AUD 0.01 each (2024: 17,693.646)	177	177
126,295.344 B Class shares of USD 0.01 each (2024: 126,295.344)	1,863	1,863
	<b>2,050</b>	<b>2,050</b>

There were no issues or redemptions of shares during the year ended 30 September 2025. On 11 June 2024, 4,442.116 A Class shares were redeemed at a price of AUD 1,880.87 per share; 321.128 A Class shares were issued at a price of AUD 1,880.87 per share; 7,990.610 B Class shares were redeemed at a price of US\$1,251.91 per share; and 86,985.869 B Class shares were issued at a price of US\$1,251.91 per share.

A Class and B Class 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 on 5 July 2029. A Class and B Class 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 18) 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.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2025

### 15. SHARE PREMIUM

<b>2025</b>	<b>A Class AUD</b>	<b>B Class AUD</b>	<b>Total AUD</b>
Balance brought forward	<b>16,605,958</b>	<b>212,742,321</b>	<b>229,348,279</b>
Balance carried forward	<b>16,605,958</b>	<b>212,742,321</b>	<b>229,348,279</b>
<b>2024</b>	<b>A Class AUD</b>	<b>B Class AUD</b>	<b>Total AUD</b>
Balance brought forward	21,069,943	58,272,408	79,342,351
Shares issued during the year	603,997	163,607,804	164,211,801
Shares redeemed during the year	(5,063,957)	(9,109,163)	(14,173,120)
Share issue costs	(4,025)	(28,728)	(32,753)
Balance carried forward	<b>16,605,958</b>	<b>212,742,321</b>	<b>229,348,279</b>

### 16. RETAINED EARNINGS

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

<b>2025</b>	<b>A Class AUD</b>	<b>B Class AUD</b>	<b>Total AUD</b>
Balance brought forward	<b>15,950,303</b>	<b>27,484,250</b>	<b>43,434,553</b>
Net profit for the year	<b>4,416,818</b>	<b>31,526,776</b>	<b>35,943,594</b>
Balance carried forward	<b>20,367,121</b>	<b>59,011,026</b>	<b>79,378,147</b>
<b>2024</b>	<b>A Class AUD</b>	<b>B Class AUD</b>	<b>Total AUD</b>
Balance brought forward	11,314,190	11,944,536	23,258,726
Shares redeemed during the year	(2,879,557)	(5,179,833)	(8,059,390)
Net profit for the year	7,515,670	20,719,547	28,235,217
Balance carried forward	<b>15,950,303</b>	<b>27,484,250</b>	<b>43,434,553</b>

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 September 2025

### 17. TRANSLATION RESERVE

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

2025	A Class AUD	B Class AUD	Total AUD
Balance brought forward	873,471	(7,210,207)	(6,336,736)
Foreign exchange translation gains	1,455,580	10,389,771	11,845,351
Balance carried forward	2,329,051	3,179,564	5,508,615
2024	A Class AUD	B Class AUD	Total AUD
Balance brought forward	3,147,501	6,824,632	9,972,133
Shares redeemed during the year	(411,484)	(740,189)	(1,151,673)
Foreign exchange translation losses	(1,862,546)	(13,294,650)	(15,157,196)
Balance carried forward	873,471	(7,210,207)	(6,336,736)

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

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

Sanne Fund Services (Guernsey) Limited ('SFSGL'), served as the Company's Administrator, Secretary, Custodian and Registrar until its merger with Apex Fund and Corporate Services (Guernsey) Limited ("AFCSGL") on 31 January 2025. SFSGL was deemed to be a related party, as Janine Lewis and Keri Lancaster-King are Directors of the Company and were also directors of SFSGL until 31 January 2025. AFCSGL is deemed to be a related party, as David Stephenson is an employee of AFCSGL; Keri Lancaster-King was an employee of AFCSGL until 18 November 2025, when she was appointed a director of that company; and Janine Lewis was an employee of AFCSGL until 7 July 2025. During the year AFCSGL earned AUD 353,311 (2024: AUD 240,395) for its services as administrator. At the year end date administration fees of AUD 208,456 had been paid to AFCSGL in advance (2024: AUD 235,023) and interest on outstanding fees of AUD 67,451 was payable to AFCSGL (2024: AUD 16,152).

With effect from 7 July 2025 Janine Lewis is an independent, non-executive Director of the Company and is due a Director's fee of £3,250 per annum, of which £1,750 per annum is reimbursed to the Company by AFCSGL. During the year Janine Lewis received a Director's fee of £748. At the year end date £748 was payable by the Company to Janine Lewis and a reimbursement of £403 was due to the Company from AFCSGL.

The Investment Advisor, ICIB, a division of IBL, and IBL itself, are deemed to be related parties. During the year ICIB earned AUD 1,680,864 (2024: AUD 868,973) for its services as investment advisor. At the year end date advisory fees of AUD 1,137,032 (2024: AUD 1,084,723) had been paid to ICIB in advance and interest on outstanding fees of AUD 276,455 (2024: AUD 846) was payable to ICIB.

### 19. 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 debt instrument and a holding of an option or warrants 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.



# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 September 2025

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

#### (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 2025, the Company was exposed to foreign exchange risk in relation to the following assets and liabilities:

	Source currency	2025 AUD	2024 AUD
Trade and other receivables	Pound Sterling	821	-
Trade and other payables	Pound Sterling	(21,345)	(17,963)
		<u>(20,524)</u>	<u>(17,963)</u>

At 30 September 2025, the foreign currency exposure of the Company against the measurement currency of USD, entirely to Pound Sterling ("GBP"), represented -0.01% of Equity Shareholder's Funds (2024: -0.01%). 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 USD against GBP at the year end date had been 10% higher/lower (2024: 10% higher/lower), this would have resulted in an decrease/increase in the year end net asset value of AUD 2,052 (2024: increase/decrease of AUD 1,796). The sensitivity rate of 10% is regarded as reasonable as this is the approximate volatility of GBP against USD during the year.

The Company has no other material currency exposures at either 30 September 2025 or 30 September 2024.

##### (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 interest payable on outstanding future fees. At 30 September 2025, the Company held cash on call accounts of AUD 655,137 (2024: AUD 4,137,221), which earned no interest (2024: no interest), and a long-term deposit of AUD 11,096,227 (2024: AUD 9,872,220), which earned interest at a rate of 4.2% (2024: 4.95%). At 30 September 2025, the Company had outstanding future fees of AUD 5,800,431 on which interest of 4.2% is payable (2024: outstanding future fees of AUD 7,378,108 on which interest of 4.95% is payable).

Had these balances existed for the whole of the year, and all other factors remained the same, the effect on the Profit and loss account of an increase/decrease of 2.0% in interest rates (2024: increase/decrease of 2.0%) per annum would have been an increase of AUD 119,019/decrease of AUD 105,916 in post-tax profit for the year (2024: increase of AUD 132,627/decrease of AUD 49,882). The sensitivity rate of 2% is regarded as reasonable following the increase in global interest rates during the year and in the context of the current US Fed Rate of 4.0%, the majority of the Company's cash being held in USD.

The Company had no other material interest rate exposures at 30 September 2025 or at 30 September 2024. The Company's debt instruments are interest-bearing, however they earn interest at a fixed rate and are therefore not subject to interest rate risk.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2025

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

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

##### (c) Price risk

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

Price risk is managed at inception by investing in a combination of financial instruments: one or more debt instruments, that should provide capital protection for investors; and a call option (or other product with similar characteristics) linked to an index or 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 the debt instrument(s) acquired is calculated with the intention that the maturing amount of the debt instrument(s) 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 index or indices perform well, with the downside limited to loss of the initial option premium.

The investment premise of the Company involves participation in the potential upside afforded by the option, whilst enjoying the capital protection afforded by the debt instrument(s). Therefore, whilst the Board monitors the performance of the option and debt instruments, 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 FVTPL expose the Company to price risk. The details are as follows:

	2025 AUD	2024 AUD
Goldman Sachs option	81,778,429	53,361,729
	<u>81,778,429</u>	<u>53,361,729</u>

As at 30 September 2025 a 50 per cent increase/decrease in the value of the option would increase/decrease the Net Asset Value of the Company by AUD 40,889,215 (2024: AUD 26,680,865). 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 143.90% (2024: 143.9%) 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, receivables and investments at FVTPL. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2025

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

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

The Company states in its Prospectus that it will invest in a USD-denominated senior debt instrument and an option-type investment linked to a specified index or basket of indices, 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 debt instruments 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 and the investment advisor have noted that the Fitch long-term credit rating of Citigroup and Merrill Lynch as at 30 September 2025 were A+ and AA respectively (2024: A+ and AA respectively). As a result, the Directors and the Investment Adviser believe that it is not in the best interest of shareholders to attempt to unwind the debt instruments prior to their maturity date on 5 July 2029, as they believe firstly that there has been no significant deterioration in the creditworthiness of Citigroup or Merrill Lynch, and secondly that obtaining alternative investments with institutions with a higher credit rating could only be achieved on less favourable terms than those offered by the debt instruments, 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 investments at FVTPL are held with Goldman Sachs, which has a Fitch long-term rating of A+ (2024: A+). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of A- (2024: A-).

#### (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 cash and cash equivalents are held to meet the Company's short-term obligations. At 30 September 2025 the Company held cash and cash equivalents of AUD 655,137 (2024: AUD 4,137,221), which is considered by the Board as sufficient to meet all of the Company's short-term obligations.

# CHINA SEAS BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2025

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

#### (iii) Liquidity risk (continued)

The following table analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
<b>2025</b>			
Trade and other payables	21,345	-	343,906
Net exposure	21,345	-	343,906
	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
<b>2024</b>			
Trade and other payables	17,963	-	16,998
Net exposure	17,963	-	16,998

#### (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>2025</b>	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at FVTPL	-	81,778,429	-	81,778,429
	-	81,778,429	-	81,778,429
<b>2024</b>	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at FVTPL	-	53,361,729	-	53,361,729
	-	53,361,729	-	53,361,729

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

## **CHINA SEAS BASKET LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 30 September 2025**

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#### **20. 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 war in Ukraine and conflict in the Middle East subsequent to the year end, and does not believe that these 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.

#### **21. POST BALANCE SHEET EVENTS**

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