

EURO ASIAN BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2011

EURO ASIAN BASKET LIMITED

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EURO ASIAN BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

DIRECTORS:	C Hickling J Lewis D Stephenson
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Praxis Property Fund Services Limited (up to 30 April 2011) PO Box 296 Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA Praxis Fund Services Limited (from 1 May 2011) PO Box 296 Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
REGISTERED OFFICE:	Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
AUDITOR:	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
BANKERS:	Investec Bank (Channel Islands) Limited PO Box 188 Gategny Court Gategny Esplanade St Peter Port Guernsey GY1 3LP
COMPANY REGISTRATION NO:	45960

EURO ASIAN BASKET LIMITED

REPORT OF THE DIRECTORS

For the year ended 30 September 2011

The Directors present their report and the audited financial statements for the year ended 30 September 2011.

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.

Under the terms of the Company's prospectus, in the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 19 September 2012.

Results and Dividends

The profit and loss account is set out on page 7. The Directors do not propose a dividend for the year (2010: Nil).

Directors

The Directors of the Company during the year are detailed below.

J Lewis
C Hickling
D Stephenson

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

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 ensuring that the financial statements comply with the requirements of The Companies (Guernsey) Law, 2008. The financial statements have been prepared in accordance with United Kingdom Accounting Standards (Generally Accepted Accounting Principles) ('UK GAAP').

In addition the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on 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.

EURO ASIAN BASKET LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2011

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; and
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- the financial statements give a true and fair view and have been prepared in accordance with UK GAAP and with The Companies (Guernsey) Law, 2008.

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

22 March 2012

INDEPENDENT AUDITOR'S REPORT

To the members of Euro Asian Basket Limited

We have audited the Company's financial statements on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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. 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 Generally Accepted Accounting Principles; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the Company, or
- 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
22 March 2012

EURO ASIAN BASKET LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2011

	Notes	2011 £	2010 £
REVENUE			
Interest income	3	3,120	6,416
(LOSSES)/GAINS ON INVESTMENTS			
Investments at fair value through profit and loss	4	(15,755)	(487,281)
Available-for-sale investments - realised	5	(26,834)	145,580
		<u>(39,469)</u>	<u>(335,285)</u>
OPERATING EXPENSES	6	(239,946)	(401,954)
LOSS FOR THE YEAR		<u>(279,415)</u>	<u>(737,239)</u>
Loss per share			
Basic and diluted loss per ordinary share	7	<u>(19.20)</u>	<u>(25.72)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 30 September 2011

	2011 £	2010 £
LOSS FOR THE YEAR	(279,415)	(737,239)
GAIN ON INVESTMENTS		
Available-for-sale investments - unrealised	86,893	1,454,343
TOTAL RECOGNISED (LOSSES)/GAINS FOR THE YEAR	<u>(192,522)</u>	<u>717,104</u>

All items of income and expenditure arise from continuing operations.

There are no recognised gains or losses for the year other than those reported above. All gains and losses derive from continuing operations.

The notes on pages 11 to 18 are an integral part of these financial statements.

EURO ASIAN BASKET LIMITED

BALANCE SHEET

As at 30 September 2011

	Notes	2011 £	£	2010 £	£
FIXED ASSETS					
Investments at fair value through profit and loss	4	-		15,761	
Available-for-sale investments	5	-		25,199,996	
			-		25,215,757
CURRENT ASSETS					
Investments at fair value through profit and loss		6		-	
Available-for-sale investments		7,854,896		-	
Debtors and prepayments	8	64,411		164,109	
Cash at bank	9	500,774		956,311	
		8,420,087		1,120,420	
CURRENT LIABILITIES					
Creditors and accruals	10	52,959		68,374	
NET CURRENT ASSETS					
		8,367,128		1,052,046	
		<u>8,367,128</u>		<u>26,267,803</u>	
CAPITAL AND RESERVES					
Share capital	11	90		269	
Share premium	12	8,442,175		26,150,149	
Profit and loss account		(1,180,096)		(3,185,298)	
Revaluation reserve	13	1,104,959		3,302,683	
EQUITY SHAREHOLDERS' FUNDS					
		<u>8,367,128</u>		<u>26,267,803</u>	
Number of fully paid Ordinary shares of £0.01 each		7,977		25,878	
Net Asset Value per Share		£1,048.91		£1,015.06	

The financial statements were approved by the Board on 22 March 2012 and signed on its behalf by:

Janine Lewis
Director

The notes on pages 11 to 18 are an integral part of these financial statements.

EURO ASIAN BASKET LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 30 September 2011

	Management Shareholders	Ordinary Shareholders				Total
	Share Capital £	Share Capital £	Share Premium £	Profit and loss account £	Revaluation Reserve £	Total £
At 1 October 2009	10	301	30,264,510	(2,807,591)	2,207,872	29,665,102
Net loss for the year	-	-	-	(737,239)	-	(737,239)
Redemptions (see notes 11,12)	-	(42)	(4,114,361)	-	-	(4,114,403)
Recycling of prior year revaluation gains on investments disposed of during the year	-	-	-	359,532	(359,532)	-
Revaluation of available-for- sale investments (see note 13)	-	-	-	-	1,454,343	1,454,343
At 30 September 2010	10	259	26,150,149	(3,185,298)	3,302,683	26,267,803
Net loss for the year	-	-	-	(279,415)	-	(279,415)
Redemptions (see notes 11,12)	-	(179)	(17,707,974)	-	-	(17,708,153)
Recycling of prior year revaluation gains on investments disposed of during the year	-	-	-	2,284,617	(2,284,617)	-
Revaluation of available-for- sale investments (see note 13)	-	-	-	-	86,893	86,893
At 30 September 2011	10	80	8,442,175	(1,180,096)	1,104,959	8,367,128

The notes on pages 11 to 18 are an integral part of these financial statements.

EURO ASIAN BASKET LIMITED

CASH FLOW STATEMENT

For the year ended 30 September 2011

	Notes	2011 £	2010 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES			
Operating loss		(279,415)	(737,239)
Less:			
Interest income	3	(3,120)	(6,416)
		<u>(282,535)</u>	<u>(743,655)</u>
Adjustments for non-cash items:			
Losses on investments at fair value through profit and loss	4	15,755	487,281
Losses/(gains) on available-for-sale investments	5	26,834	(145,580)
Adjustments for working capital movements:			
Decrease in debtors and prepayments		99,698	23,244
Decrease in creditors and accruals		(15,415)	(356,546)
Net cash outflow from operating activities		<u>(155,663)</u>	<u>(735,256)</u>
CASH FLOW STATEMENT			
Net cash outflow from operating activities		(155,663)	(735,256)
Investing activities			
Bank interest received	3	3,120	6,416
Management of liquid reserves			
Disposals of investments at fair value through profit and loss	4	-	9,836
Disposals of available-for-sale investments	5	17,405,159	4,012,346
		<u>17,405,159</u>	<u>4,022,182</u>
Financing activities			
Redemptions of ordinary share capital	11,12	(17,708,153)	(4,114,403)
Decrease in cash for the year		<u>(455,537)</u>	<u>(821,061)</u>
Cash at the beginning of the year		956,311	1,777,372
Cash at the end of the year	9	<u>500,774</u>	<u>956,311</u>

The notes on pages 11 to 18 are an integral part of these financial statements.

EURO ASIAN BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

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 Euro Asian Basket Limited, with domicile in Guernsey, have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Going concern

In the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 19 September 2012, hence these financial statements have been prepared on a break up basis. The Directors do not anticipate costs of liquidation to be material.

The preparation of financial statements in accordance with the break up basis requires that assets are reduced to their recoverable amounts and that provisions are made for future losses. The Directors have considered whether there is any indication that the recoverable amount of the Company's assets is lower than the amount recorded as fair value at 30 September 2011. They have concluded that any post balance sheet changes in value reflect fair value changes and do not indicate a reduction in the recoverable amount at 30 September 2011 and, accordingly, that no adjustment is required to the carrying amount of the Company's assets or liabilities. In addition the Directors have considered whether any provision is required for future losses. The Company will continue to incur expenses up to the date of redemption of the Shares. However, the anticipated excess of redemption value over the fair value at 30 September 2011 of the Company's investments is expected to exceed the Company's estimated future expenses and, accordingly, the Directors do not consider that a provision for future losses is required.

Foreign exchange

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

Income

Bank interest is accounted for on an accruals basis.

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

EURO ASIAN BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 (as amended) and is charged an annual exemption fee of £600.

2. 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 £25,000 per annum. This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares.

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 0.5% per annum of the Company's funds, payable in advance on the first Business Day of each year, until the Termination Date as defined above. In addition the advisor is entitled to receive interest earned by the Company on the unpaid element of the fees.

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 the Company's funds payable in advance on the first Business Day of each year, until the Termination Date.

3. INTEREST INCOME

	2011	2010
	£	£
Bank interest receivable	<u>3,120</u>	<u>6,416</u>

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2011	2010
	£	£
UBS AG equity option		
Balance brought forward	15,761	512,878
Disposals	-	(9,836)
Losses on disposals	-	(21,711)
Fair value adjustment for the year	<u>(15,755)</u>	<u>(465,570)</u>
Fair value carried forward	<u>6</u>	<u>15,761</u>

The investments at fair value through profit and loss are due to mature on 10 September 2012 and have therefore been classified as current assets in these financial statements.

EURO ASIAN BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

5. AVAILABLE-FOR-SALE INVESTMENTS	2011	2010
	£	£
Bonds issued by Investec plc		
Balance brought forward	25,199,996	27,612,419
Disposals	(17,405,159)	(4,012,346)
(Losses)/gains on disposals	(26,834)	145,580
Fair value adjustment for the year	86,893	1,454,343
Fair value carried forward	<u>7,854,896</u>	<u>25,199,996</u>

The available-for-sale investments are due to mature on 12 September 2012 and have therefore been classified as current assets in these financial statements.

6. OPERATING EXPENSES	2011	2010
	£	£
Administration fees	24,961	25,168
Auditor's remuneration	6,000	6,400
Distributors' fees	125,153	211,888
Guernsey Financial Services Commission licence fees	3,075	2,244
Investment advisory fees	89,529	151,292
Listing fees	1,616	1,178
Legal and professional fees	163	-
Sponsor fees	2,227	1,245
Statutory fees	949	974
Interest paid	(15,755)	(209)
Professional indemnity insurance	1,136	790
Sundry expenses	892	984
	<u>239,946</u>	<u>401,954</u>

7. LOSS PER ORDINARY SHARE

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

	2011	2010
	£	£
Loss attributable to Ordinary shares:		
Earnings for purpose of basic and diluted loss per share being loss for the year attributable to Ordinary shareholders	<u>(279,415)</u>	<u>(737,239)</u>
Number of shares:		
Weighted average number of Ordinary shares for the purpose of basic and diluted loss per share	<u>14,553</u>	<u>28,663</u>
Loss per share	<u>£ (19.20)</u>	<u>£ (25.72)</u>

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the loss 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.

EURO ASIAN BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

8. DEBTORS AND PREPAYMENTS	2011 £	2010 £
Bank interest receivable	507	282
Prepaid administration fees	10,861	10,822
Prepaid distributors' fees	29,190	87,570
Prepaid investment advisory fees	21,975	63,611
Other prepayments	1,878	1,824
	<u>64,411</u>	<u>164,109</u>
	<u>64,411</u>	<u>164,109</u>
9. CASH AT BANK	2011 £	2010 £
Balances at bank	<u>500,774</u>	<u>956,311</u>
	<u>500,774</u>	<u>956,311</u>
10. CREDITORS AND ACCRUALS	2011 £	2010 £
Audit fee	6,000	6,000
Interest payable	46,583	62,374
Sundry creditors	376	-
	<u>52,959</u>	<u>68,374</u>
	<u>52,959</u>	<u>68,374</u>
11. SHARE CAPITAL	2011 £	2010 £
Authorised:		
10 Management shares of £1 each	10	10
999,000 Ordinary shares of £0.01 per share	9,990	9,990
	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>
	2011 £	2010 £
Issued:		
10 Management shares of £1 each	10	10
7,977 Ordinary shares of £0.01 each (2010: 25,878)	80	259
	<u>90</u>	<u>269</u>
	<u>90</u>	<u>269</u>

17,901 Ordinary shares were redeemed during the year at an average redemption price of £989.23.

Ordinary shares are entitled to 1 vote each at a general meeting of the company. The Ordinary shares may be compulsorily redeemed on the Redemption Date, 19 September 2012.

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 14) or its nominee.

EURO ASIAN BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

12. SHARE PREMIUM	2011	2010
	£	£
Balance brought forward	26,150,149	30,264,510
Ordinary shares redeemed during the year	(17,707,974)	(4,114,361)
Balance carried forward	<u>8,442,175</u>	<u>26,150,149</u>

13. REVALUATION RESERVE	2011	2010
	£	£
Balance brought forward	3,302,683	2,207,872
Revaluation of available-for-sale investments in the year (see note 5)	86,893	1,454,343
Recycling of prior year unrealised gains on investments disposed of during the year	(2,284,617)	(359,532)
Balance carried forward	<u>1,104,959</u>	<u>3,302,683</u>

14. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The company's immediate controlling party is The Basket Trust, a trust administered by Praxis Fiduciaries Limited, and the ultimate controlling party is Praxis Holdings Limited, a company incorporated in Guernsey.

Praxis Property Fund Services Limited ('PPFSL') (the administrator of the Company until 30 April 2011) and Praxis Fund Services Limited ('PFSL') (the administrator of the Company with effect from 1 May 2011), are deemed to be related parties as Chris Hickling and Janine Lewis are Directors of the Company and of both PPFSL and PFSL, whilst David Stephenson is a Director of the Company and an employee of PFSL. During the year PPFSL received £14,442 (2010: £25,168) for their services as administrator, whilst PFSL received £10,548 (2010: £Nil) for their services as administrator. At the year end date administration fees of £10,861 had been paid to PFSL in advance (2010: £10,822 paid to PPFSL).

15. FINANCIAL INSTRUMENT RISK FACTORS

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

(i) Market risk

(a) Currency risk

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

The Company has no material currency exposures as at either 30 September 2011 or 30 September 2010.

EURO ASIAN BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as it invests cash and bank balances at short term interest rates. At 30 September 2011, the Company held cash on a call account of £500,774 (2010: £989,675), which earns interest at floating rates.

Had this balance existed for the whole of the period, the effect on the Income Statement of an increase/decrease in short term interest rates of 0.5% per annum would have been an increase/decrease in post-tax profit for the period of £2,504.

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 has no other interest rate exposures as at either 30 September 2011 or 30 September 2010.

(c) Price risk

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

Price risk is managed by investing in a call option on a basket of indices, with an international bank, UBS AG. The bank has a long-term credit rating by Fitch of A+ at the balance sheet date (2010: A+).

Price risk is managed by investing in a zero coupon bond, with an international bank, Investec plc. The bank has a long-term Fitch credit rating of BBB at the balance sheet date (2010: BBB).

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:

	2011	2010
	£	£
European call option with UBS AG	6	15,761
Investec plc Zero Coupon Bonds	7,854,896	25,199,996
	<u>7,854,902</u>	<u>25,215,757</u>

A 3 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2011 would have no material effect on the Net Asset Value of the Company (2010: increase/decrease of £473).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2011 would have increased/decreased the Net Asset Value of the Company by £235,647 (2010: £756,000).

EURO ASIAN BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(ii) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. These financial assets include cash and cash equivalents, debtors, available-for-sale investments and investments at fair value through profit and loss. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments. The Company aims to manage credit risk by holding assets with reputable banking institutions with a good credit rating.

The Company has determined to maintain its cash and cash equivalent balances with financial institutions which have a Fitch long-term credit rating of at least BBB. The Company monitors the placement of cash balances on an ongoing basis.

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

The available-for-sale investments are held with Investec plc, which has a Fitch long term rating of BBB at the balance sheet date (2010: BBB). The investments at fair value through profit and loss are held with UBS AG, which has a Fitch long-term rating of A+ at the balance sheet date (2010: 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 of the Company every quarter and will subsequently move monies from the direct reserve to the call account to meet its short-term obligations. At 30 September 2011 the cash on call was £500,774, which is considered by the Board as sufficient funds to meet all the Company's short-term obligations.

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

	Less than 6 months	6-12 months	1 - 5 years
	£	£	£
30 September 2011			
Creditors and accruals	52,959	-	-
Total exposure	52,959	-	-
	Less than 6 months	6-12 months	1 - 5 years
	£	£	£
30 September 2010			
Creditors and accruals	68,374	-	-
Net exposure	68,374	-	-

EURO ASIAN BASKET LIMITED

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15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iv) 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 to 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 matching the maturity profiles of assets and liabilities. The Company has no external borrowings.

(v) Fair value hierarchy

The table below analyses 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).

30 September 2011	Level 1	Level 2	Level 3	Total
	£	£	£	£
Investments at fair value through profit and loss	-	6	-	6
Available-for-sale investments	-	7,854,896	-	7,854,896
	<u>-</u>	<u>7,854,902</u>	<u>-</u>	<u>7,854,902</u>
30 September 2010	Level 1	Level 2	Level 3	Total
	£	£	£	£
Investments at fair value through profit and loss	-	15,761	-	15,761
Available-for-sale investments	-	25,199,996	-	25,199,996
	<u>-</u>	<u>25,215,757</u>	<u>-</u>	<u>25,215,757</u>

16. POST BALANCE SHEET EVENTS

Subsequent to the year end date a further 438 Ordinary shares have been redeemed at an average redemption price of £993.50.