

**EAST ASIAN GROWTH BASKET LIMITED**

**Report and Financial Statements**

**For the year ended 30 September 2009**

# **EAST ASIAN GROWTH BASKET LIMITED**

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# EAST ASIAN GROWTH BASKET LIMITED

## REPORT AND FINANCIAL STATEMENTS

### GENERAL INFORMATION:

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<b>DIRECTORS:</b>	C Hickling J Lewis D Stephenson
<b>ADMINISTRATOR, SECRETARY</b>	Praxis Property Fund Services Limited PO Box 296 Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
<b>REGISTERED OFFICE:</b>	Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
<b>AUDITOR:</b>	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
<b>BANKERS:</b>	Investec Bank (Channel Islands) Limited PO Box 188 La Vielle Cour St Peter Port Guernsey GY1 3LP

# **EAST ASIAN GROWTH BASKET LIMITED**

## **REPORT OF THE DIRECTORS**

**For the year ended 30 September 2009**

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The Directors present their report and the audited financial statements for the year ended 30 September 2009.

### **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.

There have recently been a number of changes to the regulatory regime for Guernsey funds. A number of provisions which were contained in the Control of Borrowing (Bailiwick of Guernsey) Ordinance, 1959 to 2003 ('COBO') (which governed closed-ended funds) have been consolidated into the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (the 'POI Law') (which governed open-ended funds and licencees) so that the POI Law now governs both open-ended and closed-ended funds (as well as licencees).

Closed-ended funds are now Category 1 controlled investments under the POI Law. The changes have also codified in the POI Law a number of standard conditions and ongoing notification requirements imposed on the licencees of funds which were listed on the fund's COBO consent, but were not explicitly set out in COBO. It is intended that the changes will simplify Guernsey's investment fund regime by categorising all funds (whether open-ended or closed-ended) as either registered schemes or authorised schemes.

### **Results and Dividends**

The profit and loss statement is set out on page 7. The Directors do not propose a dividend for the period (2008: Nil).

### **Directors**

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

J Lewis (appointed 19 May 2008)

C Hickling (appointed 19 May 2008)

D Stephenson (appointed 4 March 2009)

R Banfield (resigned 31 December 2008)

B Garnham (appointed 31 December 2008, resigned 4 March 2009)

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

### **Directors' responsibilities**

Guernsey company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, 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 according to the United Kingdom accounting standards, subject to any material departure 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law 2008. 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.

# EAST ASIAN GROWTH BASKET LIMITED

## REPORT OF THE DIRECTORS

For the year ended 30 September 2009

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### Statement of Disclosure to Auditor

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.

### 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



**Chris Hickling**

**Director**

**10 February 2010**

## **INDEPENDENT AUDITOR'S REPORT**

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

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We have audited the financial statements on pages 7 to 18. These financial statements have been prepared in accordance with the financial policies set out therein.

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'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 described in the statement of directors' responsibilities on page 4, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with applicable law. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 30 September 2009 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.



**SAFFERY CHAMPNESS**  
**10 February 2010**

## EAST ASIAN GROWTH BASKET LIMITED

### PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2009

	Notes	2009 US\$	2008 US\$
<b>REVENUE</b>			
Interest income	3	10,936	34,412
<b>GAIN/(LOSS) ON INVESTMENTS</b>			
Investments at fair value through profit and loss	4	1,209,529	(10,961,311)
Gain on held-to-maturity investments	5	1,174,420	1,040,878
		<u>2,394,885</u>	<u>(9,886,021)</u>
<b>OPERATING EXPENSES</b>			
	7	(299,546)	(322,645)
<b>PROFIT/(LOSS) FOR THE YEAR</b>			
		<u>2,095,339</u>	<u>(10,208,666)</u>
<b>Earnings per share</b>			
Basic - ordinary shares	8	<u>US\$99.33</u>	<u>US\$(464.18)</u>

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 30 September 2009

	2009 US\$	2008 US\$
<b>PROFIT/(LOSS) FOR THE YEAR</b>	2,095,339	(10,208,666)
<b>GAIN ON INVESTMENTS</b>		
Available-for-sale investments	1,698,887	-
<b>TOTAL RECOGNISED GAINS/(LOSSES) FOR THE YEAR</b>	<u>3,794,226</u>	<u>(10,208,666)</u>

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

# EAST ASIAN GROWTH BASKET LIMITED

## BALANCE SHEET at 30 September 2009

	Notes	2009		2008	
		US\$	US\$	US\$	US\$
<b>FIXED ASSETS</b>					
Investments at fair value through profit and loss	4	5,371,954		4,332,621	
Held-to-maturity investments	5	-		18,070,606	
Available-for-sale investments	6	19,572,186		-	
			24,944,140		22,403,227
<b>CURRENT ASSETS</b>					
Debtors and prepayments	9	217,255		238,486	
Cash and cash equivalents	10	626,859		953,530	
		844,114		1,192,016	
<b>CREDITORS: amounts falling due within one year</b>					
Creditors and accruals	11	59,781		71,968	
<b>NET CURRENT ASSETS</b>					
			784,333		1,120,048
			<u>25,728,473</u>		<u>23,523,275</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	12		215		230
Share premium	13		20,380,611		21,969,624
Revaluation reserve	14		1,698,887		-
Profit and loss account			3,648,760		1,553,421
<b>EQUITY SHAREHOLDERS' FUNDS</b>					
			<u>25,728,473</u>		<u>23,523,275</u>
Number of fully paid Ordinary shares			20,488		21,993
Net Asset Value per Ordinary share			US\$1,255.78		US\$1,069.58

The financial statements were approved by the Board and authorised for issue by:



**Chris Hickling**

**Director**

**10 February 2010**

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



## EAST ASIAN GROWTH BASKET LIMITED

### RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 30 September 2009

	Management	Ordinary				Total
	Shareholders	Share	Share	Share	Profit and	Revaluation
	Capital	Capital	Premium	loss account	reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$
At 1 October 2007	10	220	21,969,624	11,762,087	-	33,731,941
Net loss for the year	-	-	-	(10,208,666)	-	(10,208,666)
At 30 September 2008	10	220	21,969,624	1,553,421	-	23,523,275
Net profit for the year	-	-	-	2,095,339	-	2,095,339
Redemptions (see notes 12,13)	-	(15)	(1,589,013)	-	-	(1,589,028)
Revaluation of available for sale investments (see note 14)	-	-	-	-	1,698,887	1,698,887
At 30 September 2009	10	205	20,380,611	3,648,760	1,698,887	25,728,473

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

## EAST ASIAN GROWTH BASKET LIMITED

### CASH FLOW STATEMENT

For the year ended 30 September 2009

	Notes	2009 US\$	2008 US\$
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
<b>Reconciliation of operating profit to net cash outflow from operating activities</b>			
Operating profit/(loss)		2,095,339	(10,208,666)
Less:			
Interest income		(10,936)	(34,412)
Adjustments for non-cash items:			
(Gain)/loss on investments at fair value through profit and loss	4	(1,209,529)	10,961,311
Gain on held-to-maturity investments	5	(1,174,420)	(1,040,878)
Adjustments for working capital movements:			
Decrease in trade and other receivables		21,231	32,377
(Decrease)/increase in trade and other payables		(12,187)	18,675
<b>Net cash outflow from operating activities</b>		<b>(290,502)</b>	<b>(271,593)</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash outflow from operating activities</b>		<b>(290,502)</b>	<b>(271,593)</b>
<b>Investing</b>			
Bank interest		10,936	34,412
<b>Management of liquid reserves</b>			
Proceeds from disposal of investments through profit and loss	4	170,196	-
Proceeds from disposal of held-to-maturity investments	5	1,371,727	-
		<b>1,541,923</b>	<b>-</b>
<b>Financing</b>			
Payments for redemptions of shares	12,13	(1,589,028)	-
<b>Decrease in cash for the year</b>		<b>(326,671)</b>	<b>(237,181)</b>
<b>Cash at the beginning of the year</b>		<b>953,530</b>	<b>1,190,711</b>
<b>Cash at the end of the year</b>	10	<b>626,859</b>	<b>953,530</b>

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

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

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### 1. PRINCIPAL ACCOUNTING POLICIES

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

#### **Basis of preparation**

The financial statements of East Asian Growth Basket Limited, with domicile in Guernsey, have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

#### **Going concern**

The financial statements have been prepared on a going concern basis.

#### **Foreign exchange**

Foreign currency assets and liabilities are translated into US Dollars at the rate of exchange ruling on the balance sheet date. Foreign currency transactions are translated into US Dollars 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**

Under FRS 26, investments are measured initially at cost, which is the fair value of whatever was paid or received to acquire or incur them. Acquisition costs include transaction costs.

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

- (i) Investments held for trading and those designated to the category at inception: Fair value through profit and loss.
- (ii) Held-to-maturity investments: Amortised cost.
- (iii) 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 balance sheet date. Amortised cost is calculated using the effective interest method.

At the year end date the Board determined that the Company's held-to-maturity investments should be reclassified as available-for-sale. Accordingly these investments were accounted for on an amortised cost basis for the period up to the year end date, and on that date were reclassified and revalued on a fair value basis.

#### **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 £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 0.1% per annum of the Company's funds. This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

### 2. SIGNIFICANT AGREEMENTS (continued)

#### 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. This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. 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

	2009 US\$	2008 US\$
Bank interest receivable	<u>10,936</u>	<u>34,412</u>

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

	2009 US\$	2008 US\$
<b>Societe Generale equity option</b>		
Balance brought forward	4,332,621	15,293,932
Disposals	(170,196)	-
Losses on disposals	(126,289)	-
Fair value adjustment for the year	1,335,818	(10,961,311)
Fair value carried forward	<u>5,371,954</u>	<u>4,332,621</u>

### 5. HELD-TO-MATURITY INVESTMENTS

	2009 US\$	2008 US\$
<b>Zero Coupon Bonds issued by Investec plc</b>		
Balance brought forward	18,070,606	17,029,728
Disposals	(1,371,727)	-
Gains on disposals	107,318	-
Amortisation gain for the year	1,067,102	1,040,878
Reclassification to available-for-sale	(17,873,299)	-
Amortised cost carried forward	<u>-</u>	<u>18,070,606</u>

### 6. AVAILABLE-FOR-SALE INVESTMENTS

	2009 US\$	2008 US\$
<b>Zero Coupon Bonds issued by Investec plc</b>		
Reclassification from held-to-maturity	17,873,299	-
Fair value adjustment for the year	1,698,887	-
Fair value carried forward	<u>19,572,186</u>	<u>-</u>

## EAST ASIAN GROWTH BASKET LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 September 2009

#### 7. OPERATING EXPENSES

	2009 US\$	2008 US\$
Auditor's remuneration	7,340	8,996
Administration fees	21,338	18,081
Distribution fees	152,194	154,036
Investment advisory fees	108,711	110,025
Licence fees	4,652	4,806
Listing fees	2,000	1,617
Sponsorship fees	3,500	2,125
Statutory fees	3,212	1,381
Interest payable	(5,953)	20,516
Professional indemnity insurance	1,978	-
Sundry expenses	574	1,062
	<u>299,546</u>	<u>322,645</u>

#### 8. EARNINGS PER ORDINARY SHARE

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

Earnings attributable to Ordinary shares:

	2009 US\$	2008 US\$
Earnings for purpose of basic earnings per share being profit/(loss) for the period attributable to Ordinary shareholders	<u>2,095,339</u>	<u>(10,208,665)</u>

Number of shares:

Weighted average number of Ordinary shares for the purpose of basic earnings per share

	<u>21,094</u>	<u>21,993</u>
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#### 9. DEBTORS AND PREPAYMENTS

	2009 US\$	2008 US\$
Bank interest receivable	192	1,874
Prepaid administration fees	16,591	16,677
Prepaid distributor fees	116,139	123,160
Prepaid investment advisory fees	82,956	87,972
Other prepayments	1,377	3,026
Sundry debtors	-	5,777
	<u>217,255</u>	<u>238,486</u>

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

### 10. CASH AND CASH EQUIVALENTS

	2009 US\$	2008 US\$
Balances at bank	<u>626,859</u>	<u>953,530</u>

### 11. CREDITORS AND ACCRUALS

	2009 US\$	2008 US\$
Audit fee	9,589	8,996
Interest payable	50,192	56,145
Sundry creditors	-	6,827
	<u>59,781</u>	<u>71,968</u>

### 12. SHARE CAPITAL

	2009 US\$	2008 US\$
Authorised:		
10 Management shares of US\$1 each	10	10
999,000 Ordinary shares of US\$0.01 each	9,990	9,990
	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
10 Management shares of US\$1 each	10	10
20,488 Ordinary shares of US\$0.01 each (2008: 21,993)	205	220
	<u>215</u>	<u>230</u>

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. The Ordinary shares will be compulsorily redeemed on the termination date, five years and six months after the closing date, 19 December 2011.

792 Ordinary shares were redeemed on 13 November 2008 for a consideration of US\$986.42 per share.

253 Ordinary shares were redeemed on 19 March 2009 for a consideration of US\$1,015.60 per share.

209 Ordinary shares were redeemed on 7 July 2009 for a consideration of US\$1,171.30 per share.

101 Ordinary shares were redeemed on 10 August 2009 for a consideration of US\$1,214.00 per share.

150 Ordinary shares were redeemed on 18 September 2009 for a consideration of US\$1,220.90 per share.

## EAST ASIAN GROWTH BASKET LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

#### 13. SHARE PREMIUM

	2009 US\$	2008 US\$
Balance brought forward	21,969,624	21,969,624
Ordinary shares redeemed during the year	(1,589,013)	-
Balance carried forward	<u>20,380,611</u>	<u>21,969,624</u>

#### 14. REVALUATION RESERVE

	2009 US\$	2008 US\$
Revaluation of available-for-sale investments during the year	1,698,887	-
Balance carried forward	<u>1,698,887</u>	<u>-</u>

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

As at the Balance Sheet date the immediate controlling party was Investec Trust (Guernsey) Limited as trustee of The EAGBL Trust, and the ultimate controlling party was Investec plc, a company incorporated in the United Kingdom and listed on the London Stock Exchange. On 10 November 2009 the Company's management shares were transferred to The Basket Trust, a trust administered by Praxis Fiduciaries Limited, which is the immediate controlling party at the date of signing of these financial statements. At that same date the ultimate controlling party is Praxis Holdings Limited, a company incorporated in Guernsey.

Praxis Property Fund Services Limited ('PPFSL'), the administrator of the Company, is deemed a related party as Chris Hickling and Janine Lewis are Directors of the Company and PPFSL, whilst David Stephenson is a Director of the Company and an employee of PPFSL. During the year PPFSL received US\$21,338 (2008: US\$18,081) for their services as administrator. There were prepaid administration fees at the year end of US\$16,591 (2008: US\$16,667).

As at the Balance Sheet date Investec Capital Markets Limited ('ICM'), the investment advisor to the Company, was deemed to be a related party as it was a subsidiary of Investec Limited, a company incorporated in South Africa and listed on the Johannesburg Stock Exchange. During the year ICM received US\$108,711 (2008: US\$110,025) for their services as advisor. There were prepaid advisory fees at the year end of US\$82,956 (2008: US\$87,972). With effect from 10 November 2009 ICM ceased to be a related party.

#### 16. 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 US Dollars. The Company's management monitors the exchange rate fluctuations on an on-going basis.

The Company has no material currency exposures as at either 30 September 2009 or 30 September 2008.

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

### 16. 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 2009, the Company held cash on a call account of US\$226,525 (2008: US\$49,725), which earns interest at floating rates. At the previous year end the Company also held US\$903,805 on a direct reserve account, which earned interest at 0.35% above base rate and was subject to a 30 day notice period.

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 material interest rate exposures as at either 30 September 2009 or 30 September 2008.

##### (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 are directly affected by changes in market prices.

Price risk is managed by investing in a European call option on a basket of indices, with an international bank, Societe Generale. The bank has a Standard and Poor's long-term credit rating of A+ (2008: AA-).

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 BB+ (2008: 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:

	2009 US\$	2008 US\$
European call option with Societe Generale	5,371,954	4,332,621
Investec plc Zero Coupon Bonds	19,572,186	-
	<u>24,944,140</u>	<u>4,332,621</u>

A 3 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2009 would have increased/decreased the Net Asset Value of the Company by US\$161,159 (2008: US\$129,979).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2009 would have increased/decreased the Net Asset Value of the Company by US\$587,166 (2008: investments were classified as held-to-maturity).



# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

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

#### (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 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 credit risk of the Company is managed by the investment advisor and assets are held 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 Moody's credit rating of at least Prime - 2. The Company monitors the placement of cash balances on an ongoing basis.

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

The available-for-sale investments are held with Investec plc, which has a Fitch long term rating of BB+ (2008: BBB+). The investments at fair value through profit and loss are held with Societe Generale, which has a Standard and Poor's long-term rating of A+ (2008: AA-).

#### (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 every quarter and ensures that sufficient monies are held on call account to meet its short term obligations. At 30 September 2009 the cash on call was US\$226,525 (2008: US\$49,725), which is considered by the Board to be sufficient 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 US\$	6-12 months US\$	1 - 5 years US\$
<b>30 September 2009</b>			
Creditors and accruals	59,781	-	-
Net exposure	<u>59,781</u>	<u>-</u>	<u>-</u>
	Less than 6 months US\$	6-12 months US\$	1 - 5 years US\$
<b>30 September 2008</b>			
Creditors and accruals	71,968	-	-
Total exposure	<u>71,968</u>	<u>-</u>	<u>-</u>

# EAST ASIAN GROWTH BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2009

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

#### (iv) Capital risk management

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 matches the maturity profiles of assets and liabilities. The Company has no external borrowings.