

**ASIA PACIFIC BASKET LIMITED**

**Report and Financial Statements**

**For the year ended 30 September 2015**

# ASIA PACIFIC BASKET LIMITED

## REPORT AND FINANCIAL STATEMENTS CONTENTS

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	Page
General Information	3
Report of the Directors	4-5
Independent Auditor's Report	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-22

# ASIA PACIFIC BASKET LIMITED

## REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

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<b>DIRECTORS:</b>	C Hickling J Lewis D Stephenson
<b>ADMINISTRATOR, SECRETARY AND REGISTRAR:</b>	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
<b>INVESTMENT ADVISER:</b>	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
<b>REGISTERED OFFICE:</b>	Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
<b>AUDITOR:</b>	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
<b>BANKERS:</b>	Investec Bank (Channel Islands) Limited PO Box 188 Glategny Court Glategny Esplanade St Peter Port Guernsey GY1 3LP
<b>COMPANY REGISTRATION NO:</b>	48918

# ASIA PACIFIC BASKET LIMITED

## REPORT OF THE DIRECTORS

For the year ended 30 September 2015

The Directors present their report and the audited financial statements ("the financial statements") for the year ended 30 September 2015.

### 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.

At an Extraordinary General Meeting of the Company held on 29 May 2013, shareholders approved a special resolution to extend the life of the Company for a further period up to 20 December 2017 from the Company's termination date of 4 September 2013. Under the terms of the Company's new prospectus, which replaced the old prospectus with effect from 29 May 2013, 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 20 December 2017.

### Results and Dividends

The Statement of Comprehensive Income is set out on page 7. The Directors do not propose a dividend for the year (2014: Nil).

### Directors

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

C Hickling

J Lewis

D Stephenson

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

### Historical Results

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

	Total Assets	Total Liabilities	Total Comprehensive Income/Loss)
	AUD	AUD	AUD
Year ended 30 September 2015	64,432,431	105,253	1,587,712
Year ended 30 September 2014 (restated*)	62,810,570	71,104	4,611,619
Year ended 30 September 2013	58,151,445	23,598	(308)
Year ended 30 September 2012	26,128,768	55,278	1,388,258
Year ended 30 September 2011	30,360,684	9,678	(2,879,865)

\* See note 19

### Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report, which complies with the requirements of The Companies (Guernsey) Law, 2008.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with The Companies (Guernsey) Law, 2008. The Directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs).

## **ASIA PACIFIC BASKET LIMITED**

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

**For the year ended 30 September 2015**

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

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

The Directors confirm that:

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

#### **Auditor**

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**

**14 March 2016**

## **INDEPENDENT AUDITOR'S REPORT**

### **To the members of Asia Pacific Basket Limited**

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We have audited the financial statements of Asia Pacific Basket Limited for the year ended 30 September 2015, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

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

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

In our opinion the financial statements:

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

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

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

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

**SAFFERY CHAMPNESS**

**Chartered Accountants**

**Guernsey**

**14 March 2016**

# ASIA PACIFIC BASKET LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2015

		2015	Restated *
	Notes	AUD	2014 AUD
<b>REVENUE</b>			
Interest income	5	<b>3,439,387</b>	3,627,198
<b>(LOSS)/GAIN ON INVESTMENTS</b>			
Investments at fair value through profit and loss	6	<b>(2,046,078)</b>	1,258,860
		<u><b>1,393,309</b></u>	<u>4,886,058</u>
Operating expenses	8	<b>(904,230)</b>	(906,495)
<b>NET PROFIT FOR THE YEAR</b>		<u><b>489,079</b></u>	<u>3,979,563</u>
<b>Earnings per share</b>			
Basic and diluted earnings per ordinary share	9	<u><b>AUD 8.81</b></u>	<u>AUD 71.69</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealised gain on available-for-sale investments	7	<b>1,098,633</b>	632,056
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>1,587,712</b></u>	<u>4,611,619</u>

\* See note 19

The notes on pages 11 to 22 are an integral part of these financial statements.

# ASIA PACIFIC BASKET LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		30 September 2015 AUD	Restated * 30 September 2014 AUD	Restated * 1 October 2013 AUD
	Notes			
<b>NON-CURRENT ASSETS</b>				
Investments at fair value through profit and loss	6	9,768,207	11,814,285	10,555,425
Available-for-sale investments	7	52,522,850	48,042,199	43,864,953
		<u>62,291,057</u>	<u>59,856,484</u>	<u>54,420,378</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables	10	765,081	787,311	1,204,860
Fixed deposits		-	2,050,000	-
Cash and cash equivalents		1,376,293	116,775	2,526,207
		<u>2,141,374</u>	<u>2,954,086</u>	<u>3,731,067</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	11	(37,449)	(34,057)	(22,182)
		<u>2,103,925</u>	2,920,029	3,708,885
<b>NET CURRENT ASSETS</b>				
		<u>2,103,925</u>	2,920,029	3,708,885
<b>NON-CURRENT LIABILITIES</b>				
Trade and other payables	11	(67,804)	(37,047)	(1,416)
		<u>64,327,178</u>	<u>62,739,466</u>	<u>58,127,847</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	12	565	565	565
Share premium	13	57,878,978	57,878,978	57,878,978
Retained earnings		4,750,307	4,261,228	281,665
Revaluation reserve	14	1,697,328	598,695	(33,361)
		<u>64,327,178</u>	<u>62,739,466</u>	<u>58,127,847</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>				
		<u>64,327,178</u>	<u>62,739,466</u>	<u>58,127,847</u>
Number of fully paid Ordinary shares of AUD 0.01 each		55,510.64	55,510.64	55,510.64
Net Asset Value per Ordinary Share		AUD 1,158.83	AUD 1,130.22	AUD 1,047.15

\* See note 19

The financial statements were approved and authorised for issue by the Board on 14 March 2016 and signed on its behalf by:

**Chris Hickling**  
Director

The notes on pages 11 to 22 are an integral part of these financial statements.

# ASIA PACIFIC BASKET LIMITED

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2015

	Management Shareholders	Ordinary Shareholders			Total	
	Share Capital AUD	Share Capital AUD	Share Premium AUD	Retained Earnings AUD	Revaluation reserve AUD	Total AUD
Restated *						
At 30 September 2013 (as previously reported)	10	555	57,878,978	87,983	160,321	58,127,847
Prior year adjustment (see note 19)	-	-	-	193,682	(193,682)	-
At 30 September 2013 (restated *)	10	555	57,878,978	281,665	(33,361)	58,127,847
<u>Year ended 30 September 2014</u>						
Net profit for the year	-	-	-	3,979,563	-	434,373
Revaluation of available-for-sale investments (see notes 7,14)	-	-	-	-	632,056	4,177,246
At 30 September 2014	10	555	57,878,978	4,261,228	598,695	62,739,466
<u>Year ended 30 September 2015</u>						
Net profit for the year	-	-	-	489,079	-	489,079
Revaluation of available-for-sale investments (see notes 7,14)	-	-	-	-	1,098,633	1,098,633
<b>At 30 September 2015</b>	<b>10</b>	<b>555</b>	<b>57,878,978</b>	<b>4,750,307</b>	<b>1,697,328</b>	<b>64,327,178</b>

\* See note 19

The notes on pages 11 to 22 are an integral part of these financial statements.

# ASIA PACIFIC BASKET LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 30 September 2015

		2015	Restated *
		AUD	AUD
	Notes		
<b>Cash flows from operating activities</b>			
Net profit for the year		489,079	3,979,563
Adjustments for:			
Interest income	5	(3,439,387)	(3,627,198)
Loss/(gain) on investments at fair value through profit and loss	6	2,046,078	(1,258,860)
Decrease in trade and other receivables		17,927	411,655
Increase in trade and other payables		34,149	47,506
<b>Net cash outflow from operating activities</b>		<u>(852,154)</u>	<u>(447,334)</u>
<b>Cash flows from investing activities</b>			
Bank interest		61,672	87,902
Repayments of fixed deposits		2,050,000	-
Transfer to fixed deposits		-	(2,050,000)
Net cash inflow/(outflow) from investing activities		<u>2,111,672</u>	<u>(1,962,098)</u>
<b>Increase/(decrease) in cash and cash equivalents for the year</b>		<b>1,259,518</b>	<b>(2,409,432)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>116,775</b>	<b>2,526,207</b>
<b>Cash and cash equivalents at the end of the year</b>		<u><b>1,376,293</b></u>	<u><b>116,775</b></u>

\* See note 19

The notes on pages 11 to 22 are an integral part of these financial statements.

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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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 Asia Pacific Basket Limited, with domicile in Guernsey, have been prepared in accordance with International Financial Reporting Standards ('IFRS').

#### **Going concern**

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

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

The IASB completed its Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle in December 2013. These projects amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 July 2014.

The adoption of these amended standards has had no material impact on the financial statements of the Company.

#### **New, revised and amended standards and interpretations not yet adopted**

At the date of authorisation of these financial statements, the following relevant standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IAS 1, "Presentation of Financial Statements" (effective for periods commencing on or after 1 January 2016);
- IFRS 7 (amended), "Financial Instruments: Disclosures" (amendments effective for periods commencing on or after 1 January 2016, or on application of IFRS 9 if earlier);
- IFRS 9, "Financial Instruments - Classification and Measurement" (effective for periods commencing on or after 1 January 2018);
- IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2018).

In addition, the IASB completed its latest Annual Improvements to IFRS project in September 2014. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2016.

The Directors believe that none of these standards and interpretations will have an effect on the financial statements of the Company, with the exception of IFRS 9 "Financial Instruments – Classification and Measurement" which is not expected to significantly affect the financial position of the Company but may require additional disclosure in future financial statements.

#### **Revenue recognition**

Revenue includes interest and other income and is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Interest and other revenues are accounted for on an accruals basis.

#### **Expenses**

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

#### **Foreign exchange**

Foreign currency assets and liabilities are translated into Australian Dollars at the rate of exchange ruling on the balance sheet date. Foreign currency transactions are translated into Australian Dollars at the rate of exchange ruling on the date of the transaction. Foreign exchange gains and losses are recognised in the Statement of Comprehensive Income in the period in which they arise.

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Investments

The Company's Option investments are classified as investments at fair value through profit or loss.

The Company's Structured Deposit investment is classified as an available-for-sale investment.

All investments are measured initially at cost, which is the fair value of whatever was paid to acquire them. Transaction costs relating to the acquisition of investments at fair value through profit or loss are expensed as incurred in the Statement of Comprehensive Income. Transaction costs relating to the acquisition of available-for-sale investments are capitalised. 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 Statement of Comprehensive Income, as are unrealised gains on investments at fair value through profit and loss. Unrealised gains on available-for-sale investments are recognised in Other Comprehensive Income. All gains or losses are recognised in the period in which they arise. Prior year revaluation gains on available-for-sale investments disposed of during the year are recycled through the Statement of Comprehensive Income in the period in which the investments are disposed of.

#### Liquid resources

Cash at bank comprises cash in hand and deposit accounts where monies can be withdrawn without penalty and with no more than 1 day's notice. Deposit accounts that do not satisfy the above criteria are classified as fixed deposits.

#### Trade and other receivables

Trade receivables are stated at amortised cost less any impairment. In the opinion of the Directors, there is no material difference between the carrying value of the trade and other receivables and their fair value.

#### Trade and other payables

Trade payables are stated at amortised cost. In the opinion of the Directors, there is no material difference between the carrying value of the trade and other payables and their fair value.

#### Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £1,200 (2014 £600).

### 2. SEGMENT REPORTING

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

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

The Directors have determined that the Company's Structured Deposit investment should be classified as an available-for-sale investment and its Option investment classified as an investment at fair value through profit or loss. The methodologies for establishing the fair value of the Company's investments are detailed in notes 6 and 7.

### 4. SIGNIFICANT AGREEMENTS

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

#### Administration, Custodian and Secretarial Agreement

Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, which attract a redemption fee of 0.5% of the value of the redemption). In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 8, 10 and 11 for details of administration fees and interest paid in the year and balances outstanding at the year end.

#### Investment Advisory Agreement

Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.55% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, which attract a redemption fee of 0.5% of the value of the redemption). In addition the advisor is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 8, 10 and 11 for details of investment advisory fees and interest paid in the year and balances outstanding at the year end. The Investment Advisor, Investec Corporate and Institutional Banking, is a division of Investec Bank Limited, the issuer of the Company's Structured Deposit.

#### Distribution Agreement

Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the distributors a fee of 0.7% per annum of that portion of the Company's funds that is derived from the subscription amount subscribed for by Subscribers introduced by the distributor (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date), or holders of existing issued Ordinary Shares introduced by the Distributor and who elect to remain invested in the Company (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date). See notes 8, 10 and 11 for details of distribution fees paid in the year and balances outstanding at the year end. Investec Corporate and Institutional Banking, the Company's Investment Advisor, is also a Distributor for the Company.

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

### 5. INTEREST INCOME

		Restated *
	2015	2014
	AUD	AUD
Interest on available-for-sale investments	3,382,018	3,545,190
Bank interest	57,369	82,008
	<u>3,439,387</u>	<u>3,627,198</u>

\* See note 19

## ASIA PACIFIC BASKET LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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

	2015	2014
	AUD	AUD
<b>Credit Suisse Index Basket Option</b>		
Fair value brought forward	11,814,285	10,555,425
Fair value adjustment for the year	<b>(2,046,078)</b>	1,258,860
Fair value carried forward	<b>9,768,207</b>	11,814,285

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

• MSCI Singapore Cash Index	20%
• S&P/ASX 200 Index	20%
• MSCI Taiwan Index	20%
• Hang Seng Index	15%
• Nikkei 225 Index	15%
• Hang Seng China Enterprises Index	10%

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

The Option has been classified as a level 2 investment in the fair value hierarchy.

#### 7. AVAILABLE-FOR-SALE INVESTMENTS

	2015	Restated *
	AUD	2014 AUD
<b>Investec Bank Limited Structured Deposit</b>		
Fair value brought forward	48,042,199	43,864,953
Interest for the year	3,382,018	3,545,190
Fair value adjustment for the year	1,098,633	632,056
Fair value carried forward	<b>52,522,850</b>	48,042,199

\* See note 19

The Investec Bank Limited Structured Deposit (the "Structured Deposit") is a hybrid instrument comprising the following components:

- A holding of floating rate bonds originally issued by Investec Bank (Australia) Limited, which was acquired by the Bank of Queensland on 31 July 2014. These bonds (the "BoQ bonds") have a coupon rate of the Australian BBSW rate + 5.5%. The BoQ bonds were purchased in the market, and, in order to guarantee investors' capital protection at the termination date of the Company, their sale proceeds are fixed by means of a Put Option Agreement entered into between the Company and Investec Bank Limited;
- An accreting bank deposit, which commences on the date of the first interest payment from the BoQ bonds, receives all subsequent interest payments during the life of the Company, and earns interest on a monthly compounding basis;
- Two interest rate swaps: the first of which swaps the floating rate interest into fixed interest amounts on a monthly basis; and the second of which accretes that interest into a rolled up bullet payment payable on maturity.

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

### 7. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The Directors regard the Structured Deposit as a single financial instrument, the fair value of which is determined according to the following methodologies:

- The capital element of the BoQ bonds is measured on an amortising cost basis, apportioning the revaluation on a straight-line basis from the bonds' clean purchase cost to the clean closing value (as determined by the Put Option Agreement) over the life of the Company. Interest on the BoQ bonds is calculated on an accruals basis;
- The value of the accreting deposit is determined as the balance of the deposit plus accrued interest;
- The interest rate swap is measured at its mark-to-market value, based on valuations provided by the swap issuer.

The Structured Deposit has been classified as a level 2 investment in the fair value hierarchy, as the main constituents of the product, being interest on the BoQ bonds and interest on the accreting deposit account, have observable inputs.

### 8. OPERATING EXPENSES

	2015	2014
	AUD	AUD
Distributor fees	415,652	418,288
Investment advisory fees	329,926	329,926
Administration fees	91,660	90,637
Auditor's remuneration	15,527	13,186
Guernsey Financial Services Commission licence fees	6,210	5,738
Listing & sponsorship fees	7,272	6,790
Statutory fees	3,015	1,936
Professional indemnity insurance	1,323	1,691
Interest payable	30,757	35,631
Sundry expenses	2,888	2,672
	<u>904,230</u>	<u>906,495</u>

### 9. EARNINGS PER ORDINARY SHARE

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

	2015	Restated *
	AUD	AUD
Profit attributable to Ordinary shares:		
Profit for purpose of calculation of basic and diluted earnings per share being profit for the year attributable to Ordinary shareholders	<u>489,079</u>	<u>3,979,563</u>
Number of shares:		
Weighted average number of Ordinary shares for the purpose of basic earnings per share	55,510.64	55,510.64
Earnings per share attributable to Ordinary shares	<u>AUD 8.81</u>	<u>AUD 71.69</u>

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

\* See note 19

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

10. TRADE AND OTHER RECEIVABLES	2015	2014
	AUD	AUD
Bank interest receivable	-	4,303
Prepaid administration fee	83,817	83,817
Prepaid distributor fees	368,376	387,120
Prepaid investment advisory fee	307,327	307,328
Other prepayments	5,561	4,743
	<u>765,081</u>	<u>787,311</u>
	<u>765,081</u>	<u>787,311</u>
11. TRADE AND OTHER PAYABLES	2015	2014
	AUD	AUD
<b>Current</b>		
Distributor fees	22,550	21,105
Audit fee	14,552	12,512
Sponsorship fee	347	440
	<u>37,449</u>	<u>34,057</u>
	<u>37,449</u>	<u>34,057</u>
<b>Non-current</b>		
Interest payable	<u>67,804</u>	<u>37,047</u>
	<u>67,804</u>	<u>37,047</u>
12. SHARE CAPITAL	2015	2014
	AUD	AUD
<b>Authorised:</b>		
10 Management shares of AUD 1 each	10	10
999,000 Ordinary shares of AUD 0.01 per share	9,990	9,990
	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>
	2015	2014
	AUD	AUD
<b>Issued and fully paid:</b>		
10 Management shares of AUD 1 each	10	10
55,510.64 Ordinary shares of AUD 0.01 each	555	555
	<u>565</u>	<u>565</u>
	<u>565</u>	<u>565</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, 20 December 2017. Ordinary shareholders are entitled to receive any dividends or distributions from the Company and any surplus arising on the winding up of the Company after the payment of creditors and redemption of the Management shares at their nominal value.

Management shares are entitled to 10,000 votes each at a general meeting of the Company. Management shares may only be owned by The Basket Trust (see note 15) or its nominee. Management shareholders are not entitled to receive any dividends or distributions from the Company nor any surplus arising on the winding up of the Company in excess of the nominal value of the Management shares.

## ASIA PACIFIC BASKET LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

<b>13. SHARE PREMIUM</b>	<b>2015</b>	2014
	<b>AUD</b>	AUD
Balance brought forward	<b>57,878,978</b>	57,878,978
Balance carried forward	<b>57,878,978</b>	57,878,978

  

<b>14. REVALUATION RESERVE</b>	<b>2015</b>	Restated *
	<b>AUD</b>	AUD
Balance brought forward	<b>598,695</b>	160,321
Prior year adjustment (see note 19)	-	(193,682)
Revaluation of available-for-sale investments in the year	<b>1,098,633</b>	632,056
Balance carried forward	<b>1,697,328</b>	598,695

\* See note 19

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

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

PFSL is deemed to be a related party, as Janine Lewis is a director of PFSL and a shareholder in Praxis Fund Holdings Limited ('PFHL'), the immediate controlling party of PFSL; Chris Hickling is a shareholder in PFHL; and David Stephenson is an employee of PFSL. During the year PFSL received AUD 91,660 (2014: AUD 90,637) for their services as administrator. At the year end date administration fees of AUD 83,817 had been paid to PFSL in advance (2014: AUD 83,817). At the year end date interest on outstanding fees of AUD 14,485 (2014: AUD 7,920) was payable to PFSL.

### 16. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk and liquidity risk from the financial instruments it holds. The Company has a fixed modus operandi, as stated in its prospectus, which is to invest its capital in a zero coupon bond (or other structured product with similar characteristics) and an option or options on a specified index or basket of indices; and to retain a certain element of cash to cover expenses to be incurred over the specified period of its life. As a result of this, the Company's flexibility in dealing with the risks associated with these instruments is somewhat limited. However, the risk management policies that are employed by the Company to manage these risks are discussed below:

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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### 16. FINANCIAL INSTRUMENT RISK FACTORS

#### (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 exposed to currency risk because the Credit Suisse index basket call option is denominated in US dollar whilst the Company's measurement currency is Australian dollar. At 30 September 2015, the foreign currency exposure of the Company represented 15.20% (2014: 18.83%) of Equity Shareholder's Funds. 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 US Dollar/Australian Dollar exchange rate at the year end date had been 5% higher/lower, this would have resulted in an increase/decrease in the year end net asset value of AUD 488,410 (2014: AUD 590,714).

The Company had no other material currency exposures as at 30 September 2015 or 30 September 2014.

##### (b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as it invests cash and bank balances at short term interest rates. At 30 September 2015, the Company held cash on a call account of AUD 1,376,293 (2014: AUD 116,775), which earns interest at a floating rate, and held no cash on fixed deposit accounts (2014: AUD 2,050,000). Fixed deposits earn interest at an agreed fixed rate over the term of the deposit.

Had these balances existed for the whole of the period, the effect on the Statement of Comprehensive Income of an increase/decrease in short term interest rates of 0.5% per annum would have been an increase/decrease in the gain/loss for the year of AUD 6,881 (2014: AUD 10,834).

The investment in the Structured Deposit is exposed to fair value interest rate risk in respect of the interest rate swap that forms a part of the instrument. However, whilst changes in market interest rates may give rise to short-term fluctuations in fair value, if the Structured Deposit is held to maturity its maturity value is fixed and is therefore not subject to interest rate risk.

The Company had no other material interest rate exposures as at either 30 September 2015 or 30 September 2014

##### (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 fair value through profit and loss are directly affected by changes in market prices.

Price risk is managed at inception by investing in a combination of two financial instruments: a holding of zero coupon bonds (or other structured product with similar characteristics) that will provide capital protection for investors; and a call option on 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 bonds acquired is calculated to ensure that the maturing amount will be sufficient to guarantee that all investors who remain in the Company to maturity will at minimum get back the amount that they invested. The call option provides the potential for significant upside performance, should the relevant indices perform well, with the downside limited to loss of the initial option premium.

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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

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

##### (c) Price risk (continued)

The investment premise of the Company involves participation in the potential upside afforded by the Options, whilst enjoying the capital protection afforded by the Structured Deposit. Therefore, whilst the Board monitors the performance of the Option and Structured Deposit, it is unlikely that the Board would consider redeeming these at any stage, other than in relation to the redemption of investors' shares. As a result, the management of price risk effectively occurs at the inception of the Company in the selection of investments, and is not an active ongoing process during the remainder of the life of the Company.

The investments at fair value through profit and loss and available-for-sale investments expose the Company to price risk. The details are as follows:

	2015 AUD	2014 AUD
Credit Suisse index basket call option	9,768,207	11,814,285
Investec Bank plc zero coupon bond	52,522,850	48,042,199
	<u>62,291,057</u>	<u>59,856,484</u>

A 10 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2015 would have increased/decreased the Net Asset Value of the Company by AUD 976,821 (2014: AUD 1,181,429).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2015 would have increased/decreased the Net Asset Value of the Company by AUD 1,575,686 (2014: AUD 1,441,266).

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

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

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

The available-for-sale investments are held with Investec Bank Limited, which has a Fitch long-term rating of BBB (2014: BBB-). The investments at fair value through profit and loss are held with Credit Suisse, which has a Fitch long-term rating of A (2014: A). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB (2014: BBB-).

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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

#### (iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial liability obligations as they fall due, which may cause financial losses to the Company. The Company places its cash and cash equivalents with financial institutions on a short-term basis in order to maintain a high level of liquidity. This ensures that the Company is able to complete transactions in a timely manner, thus minimising the Company's exposure to such losses.

The Board reviews the cash resources of the Company on an ongoing basis to ensure that sufficient monies are held on call account to meet the Company's short-term obligations. At 30 September 2015 the cash on call was AUD 1,376,293 (2014: AUD 116,775), which is considered by the Board to be sufficient to meet all the Company's short-term obligations.

The following table analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the 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 AUD	6-12 months AUD	1 - 5 years AUD
<b>30 September 2015</b>			
Trade and other payables	37,449	-	67,804
Net exposure	<u>37,449</u>	<u>-</u>	<u>67,804</u>
	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
<b>30 September 2014</b>			
Trade and other payables	34,057	-	37,047
Net exposure	<u>34,057</u>	<u>-</u>	<u>37,047</u>

#### (iv) Fair value hierarchy

The following table analyses instruments carried at fair value, by level of the fair value hierarchy. 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).

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

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

#### (iv) Fair value hierarchy

30 September 2015	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit and loss	-	9,768,207	-	9,768,207
Available-for-sale investments	-	52,522,850	-	52,522,850
	<u>-</u>	<u>62,291,057</u>	<u>-</u>	<u>62,291,057</u>
<b>30 September 2014</b>	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit and loss	-	11,814,285	-	11,814,285
Available-for-sale investments	-	48,042,199	-	48,042,199
	<u>-</u>	<u>59,856,484</u>	<u>-</u>	<u>59,856,484</u>

### 17. 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 Company has no external borrowings.

### 18. POST BALANCE SHEET EVENTS

There were no significant post year end events requiring disclosure in these financial statements.

### 19. PRIOR YEAR ADJUSTMENT

During the year, it was noted that the Company had not applied certain provisions of IAS 18 "Revenue" in relation to the recognition of the interest component of the movements in the value of the Company's available-for-sale investment. As a result, the Company has, from inception, recognised the entire movement in value of the available-for-sale investment as a fair value movement through equity, whereas the interest component of this movement, calculated on an effective interest rate basis, should have been recognised separately in the Statement of Comprehensive Income.

This error has had no effect on the value of the Company's available-for-sale asset, merely the manner in which the movements in value of this asset have been recognised.

The error has been corrected in these financial statements, as a result of which a prior year adjustment of AUD 227,618 has been made between the revaluation reserve and retained earnings as at the start of the comparative period; and certain comparative period figures in the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements have been restated, as detailed in the following tables.

# ASIA PACIFIC BASKET LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

### 19. PRIOR YEAR ADJUSTMENT (continued)

#### Effect on the Statement of Comprehensive Income

	Year ended 30 September 2014		
	Originally reported amount AUD	Correction AUD	Restated amount AUD
Interest income	<u>82,008</u>	<u>3,545,190</u>	<u>3,627,198</u>
Revaluation of available-for-sale investments	<u>4,177,246</u>	<u>(3,545,190)</u>	<u>632,056</u>
Profit for the year	<u>434,373</u>	<u>3,545,190</u>	<u>3,979,563</u>
Total other comprehensive loss	<u>4,177,246</u>	<u>(3,545,190)</u>	<u>632,056</u>
Basic and diluted earnings per ordinary share	<u>7.83</u>	<u>63.86</u>	<u>71.69</u>

#### Effect on the Statement of Financial Position

	As at 30 September 2014		
	Originally reported amount AUD	Correction AUD	Restated amount AUD
Revaluation reserve	<u>4,337,567</u>	<u>(3,738,872)</u>	<u>598,695</u>
Retained earnings	<u>522,356</u>	<u>3,738,872</u>	<u>4,261,228</u>

	As at 30 September 2013		
	Originally reported amount AUD	Correction AUD	Restated amount AUD
Revaluation reserve	<u>160,321</u>	<u>(193,682)</u>	<u>(33,361)</u>
Profit and loss account	<u>87,983</u>	<u>193,682</u>	<u>281,665</u>