TWT Group Ltd.

APPENDIX 4E PRELIMINARY FINAL REPORT

Name of Entity: TWT GROUP LIMITED

ABN: 16 121 044 531

Period: Year Ended 30 June 2012

The following documents comprise the information required to be given to the ASX in accordance with Listing Rule 4.3A.

The Appendix 4E is subject to audit review.

29 August 2012

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Appendix 4E
Preliminary Final Report
Name of Entity

TWT GROUP LIMITED and its Controlled Entities Consolidated Entity

Reporting Period (year ended)	**30 June 2012**
Previous Corresponding Period (year ended)	**30 June 2011**

TWT Group Limited was incorporated in Australia on the 4th August 2006 and acquired the trading operations of TWT China.

TWT China commenced operations in 1989 and has grown to become a successful manufacturer and distributor of umbrellas and outdoor furniture. The results for the period ended the 30th June 2012 reflect the performance of the consolidated entities post-restructure, acquisition and capitalisation.

Results for announcement to the market.

The following documents comprise the information required to be given to the ASX in accordance with Listing Rule 4.3A.

Results for announcement to market

Key Information	**2012**	**2011**	**% Change**
Revenue from ordinary activities	$27,778,322	$33,862,692	-18%
Profit after tax from ordinary activities attributable to members	-$3,746,188	$4,930	-761%
Underlying earnings from China operating entity (in RMB)	-$456,678	$4,890,949	-109%

Dividends

The Directors have not declared a final dividend for the year ended 30 June 2012.

Net tangible assets per share

	2012 $/share	**2011 $/share**
Net tangible assets per share	0.237	0.285

Commentary on the results for the period

The year ended 30 June 2012 is the Group's fifth year of operation since its listing on the ASX on 12 April 2007.

For the 2012 financial year, the Company reported the revenue of $27,778,322 and a net loss of $3,746,186 as compared to the previous year where revenue was $33,862,692 and a net profit of $4,930.

The company had foreshadowed at the AGM last year that trading conditions would continue to be difficult in fiscal year 2012 due to the economic and trading uncertainties in the European zone, the potential effects on the global economy generally and export market for Chinese manufacturers specifically. It was also noted that sales to non-European regions, including Australia and domestic sales in China would be unlikely to compensate for the declining sales and significant contraction in orders from the major European and US markets.

That said, management expected that sales will be maintained at similar levels to the previous year.

However, the worsening of the trading conditions in the company's traditional markets of Europe and the US were significantly more severe than management's forecast. The company has found consumer sentiment in European markets to have worsened during the year, to the point where, in the company's experience, it is more serious than in the period after the GFC (Global Financial Crisis) in 2008/9. This has had a significant impact on orders received by the company across its range of products. Sales to the domestic market of China have also been below expectations in the second half due to the slow pace of the domestic economy, consumer confidence and economic uncertainties within China.

As a result of the cancellation of orders from major customers in Europe and the US, and losses incurred in some trading activities, the company has had to make provisioning of a number of bad debts. This provisioning accounted for around one-third of the trading loss result for the six months period to 30 June, 2012.

The company is not optimistic that revenue in the export and China markets will improve in this financial year. The Company is also cautious with its credit and sales policies in order to mitigate the heightened credit risks due to the global slowdown. Declining and thinning profit margins have also created additional pressure in marketing the company's products as orders for lower end products predominate repeat and new sales. The company is currently reviewing its product range, marketing policies and manufacturing and sourcing processes to eliminate redundancy, duplication and reduce costs.

Management has continued its efforts to control costs by making improvements in its production practices and in the sourcing of raw materials. To this end, the company has taken a number of initiatives, including:

- Introduced new automated processes to increase the efficiency of labour usage.
- Capitalised on collective purchasing with other business partners to reduce its cost of raw materials.

Further improvements in the company's cost structure are unlikely, given the changes which have already been made to reduce costs in all areas across the company and the longer term objective to improve product quality.

The Company will also look at other business opportunities within China and Australia to supplement its revenue and profitability as it navigates through these challenging trading and economic conditions.

Status of audit

The 30 June 2012 financial report and accompanying notes for TWT Group Limited are currently in the process of being audited. No issues have arisen during the course of the audit. Upon completion of the audit, an unmodified audit report is expected to be issued.

Consolidated Statement of Comprehensive Income
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	Consolidated Group	
		30-June-2012	30-June-2011
		$	$
Revenue	3	27,778,322	33,862,692
Cost of Sales		(23,909,769)	(29,429,862)
Gross Profit		3,868,553	4,432,830
Interest income	3	514,347	358,873
Other income	3	81,620	79,105
Distribution expenses		(1,701,380)	(1,704,539)
Operating and administration expenses	3	(5,655,868)	(2,054,995)
Finance costs		(730,636)	(806,195)
Profit before income tax		(3,623,364)	305,079
Income tax (expense)/benefit	4	(122,824)	(300,149)
Profit for the period from continuing operation		(3,746,188)	4,930
Other comprehensive income			
Exchange differences on translation of foreign operations		904,122	(2,426,599)
Total comprehensive income for the year attributable to members of the parent entity		**(2,842,066)**	**(2,421,669)**
Earnings per Share			
Basic earnings per share (cents)	5	(6.37)	0.01
Diluted earnings per share (cents	5	(6.37)	0.01

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
AS AT 30 JUNE 2012

	Notes	Consolidated Group	
		30-June-2012	30-June-2011
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	15,384,992	22,317,966
Trade and other receivables	7	10,160,936	6,045,472
Inventories	8	2,444,432	1,572,596
TOTAL CURRENT ASSETS		27,990,360	29,936,034
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,183,776	3,226,334
Trade and other receivables	7	-	1,372,637
TOTAL NON-CURRENT ASSETS		3,183,776	4,598,971
TOTAL ASSETS		31,174,136	34,535,005
CURRENT LIABILITIES			
Trade and other payables	11	9,313,234	9,350,044
Short term borrowing	12	7,919,600	8,255,295
Current tax liabilities		29,045	175,343
TOTAL CURRENT LIABILITIES		17,261,879	17,780,682
TOTAL LIABILITIES		17,261,879	17,780,682
NET ASSETS		13,912,257	16,754,323
EQUITY			
Issued capital	13	9,162,553	9,162,553
Reserves	14	821,514	(82,608)
Retained earnings		3,928,190	7,674,378
TOTAL EQUITY		13,912,257	16,754,323

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Issued share Capital $	Retained Earnings $	Share option reserve	Foreign Exchange Reserve $	Statutory Surplus Reserves $	Total $
Balance at 30 June 2010	**9,162,553**	**7,669,448**	**532,000**	**1,065,335**	**746,656**	**19,175,992**
Total comprehensive income		4,930		(2,426,599)		**(2,421,669)**
Balance at 30 June 2011	**9,162,553**	**7,674,378**	**532,000**	**(1,361,264)**	**746,656**	**16,754,323**
Total comprehensive income		(3,746,188)		904,122		**(2,842,066)**
Balance at 30 June 2012	**9,162,553**	**3,928,190**	**532,000**	**(457,142)**	**746,656**	**13,912,257**

Consolidated Statement of Cash Flows
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	Consolidated Group 30-June-2012 $	Consolidated Group 30-June-2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		30,821,855	34,152,295
Payments to suppliers and employees		(31,828,010)	(33,653,426)
Interest paid		(730,636)	(806,195)
Interest received		514,347	355,205
Other income		81,621	82,773
Income taxes paid		(269,122)	(223,843)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(1,409,945)	(93,191)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(77,301)	(271,611)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(77,301)	(271,611)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(8,255,295)	(10,075,523)
Proceeds from borrowing		7,919,600	8,255,295
Short-term loans to non-related parties		(5,786,360)	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(6,122,055)	(1,820,228)
NET DECREASE IN CASH HELD		(7,609,301)	(2,185,030)
Effect of exchange rates on cash holdings in foreign currencies		676,327	(1,775,282)
Cash and cash equivalents at beginning of period		22,317,966	26,278,278
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6**	**15,384,992**	**22,317,966**

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of TWT Group Limited and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, TWT Group Ltd, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

Note 1: Summary of significant accounting policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by TWT Group Ltd at the end of the reporting period. A controlled entity is any entity over which TWT Group Ltd has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 17 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

b. **Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

Note 1: Summary of significant accounting policies (cont.)

b. **Business combinations (cont.)**

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

c. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. **Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

e. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Note 1: Summary of significant accounting policies (cont.)

f. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(k) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Useful life**
Buildings	20 years
Machinery	10 -15 years
Vehicles	5 – 7 years
Furniture and fittings	5 – 10 years
Electronic Equipment	3 -6 years
Land Use Rights	25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1: Summary of significant accounting policies (cont.)

g. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

h. **Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

i. **Trade and other payables**

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

j. **Financial Instruments**

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Note 1: Summary of significant accounting policies (cont.)

j. **Financial Instruments (cont.)**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Note 1: Summary of significant accounting policies (cont.)

j. **Financial Instruments (cont.)**

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting in a year period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

k. **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Note 1: Summary of significant accounting policies (cont.)

l. **Share-based payment transactions**

The Group provides benefits to employees and consultants of the Group in the form of share-based payments, whereby employees or consultants receive option incentives (equity-settled transactions). There is currently one plan in place to provide these benefits, the Employee Share Option Plan (ESOP) which provides benefits to directors and employees. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model. The cost of equity-settled transactions is recognised as an expense in the statement of comprehensive income, together with a corresponding increase in the share option reserve, when the options are issued. Upon the exercise of options, the balance of the shared based payments reserve relating to those options is transferred to share capital.

m. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

– assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

– income and expenses are translated at average exchange rates for the period; and

– retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

n. **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Note 1: Summary of significant accounting policies (cont.)

o. **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

p. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

q. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax (GST) or Value Added Tax (VAT).

r. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Note 1: Summary of significant accounting policies (cont.)

s. **Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except:

- when the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and
- receivables and payables are stated inclusive of the amount of GST/VAT.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the tax authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Commitments and contingencies are disclosed net of the amount of GST and VAT recoverable from, or payable to, the taxation authority.

t. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

u. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) *Income taxes*

The group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(ii) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight line basis over their useful life. Management estimated the useful life of these assets to be within 3 to 25 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

v. **Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1: Summary of significant accounting policies (cont.)

w. **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period

a) **Recently issued accounting standards to be applied in future accounting periods**

The accounting standards that have not been early adopted for the year ended 30 June 2012, but will be applicable to the Group in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Group.

i) AASB 9 Financial Instruments (effective from 1 January 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

ii) Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

a. AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

b. AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

c. AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Note 1: Summary of significant accounting policies (cont.)

w. **New Accounting Standards for Application in Future Periods (cont.)**

iii) AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:

(a) will not be reclassified subsequently to profit or loss and

(b) will be reclassified subsequently to profit or loss when specific conditions are met.

It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

iv) Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

(a) eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period in other comprehensive income

(b) streamline the presentation of changes in plan assets and liabilities

(c) enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of AASB 119 is effective for financial years beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

v) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

vi) Other

In addition to the above recently issued accounting standards that are applicable in future years, we not the following new accounting standards that are applicable in future years:

- Amendments to IAS 32 "Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures";
- AASB Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine";
- Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128); and
- AASB 13 Fair Value Measurement (AASB 13).

We do not expect these standards to materially impact our financial results upon adoption.

Note 2: Operating segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

1) Umbrella manufacturing: Manufacture and sale of a range of umbrellas.
2) Outdoor Furniture manufacturing: Manufacture and sale of a range of outdoor furniture
3) Furniture trading: Buying and selling of furniture.

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. **Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Note 2: Operating segments (cont.)

e. **Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives;
- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets;
- discontinued operations; and
- retirement benefit obligations.

f. **Comparative information**

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this Standard.

2012	Umbrella Manufacturing $	Outdoor furniture Manufacturing $	Furniture Trading $	Unallocated $	Consolidated $
SEGMENT REVENUE					
Sales to external customer	20,837,479	6,940,843	-	-	27,778,322
SEGMENT RESULTS					
Segment Results [Profit/(Loss)]	332,959	(402,592)	(3,503,666)	(172,889)	(3,746,188)
Segment assets	27,055,165	3,155,673	910,804	52,494	31,174,136
Segment liabilities	14,652,628	2,073,407	479,410	56,434	17,261,879

2011	Umbrella Manufacturing $	Outdoor furniture Manufacturing $	Furniture Trading $	Unallocated $	Consolidated $
SEGMENT REVENUE					
Sales to external customer	26,172,430	5,061,262	2,629,000	-	33,862,692
SEGMENT RESULTS					
Segment Results [Profit/(Loss)]	844,504	(97,110)	(431,648)	(310,816)	4,930
Segment assets	27,221,944	2,734,103	4,473,660	105,298	34,535,005
Segment liabilities	15,996,295	1,309,436	438,602	36,349	17,780,682

Note 3: Revenue and expenses

	CONSOLIDATED	
	2012	2011
	$	$
(A) Revenue		
Sale of goods	27,778,322	33,862,692
(B) Other income		
Interest income	514,347	358,873
Government incentives	12,894	-
Sale of Raw Materials	38,206	(36,940)
Miscellaneous	30,520	116,045
	81,620	79,105
(C) Expenses – Depreciation of non-current assets		
Buildings	118,846	96,734
Land Use Rights	45,451	45,550
Plant and equipment	148,799	146,684
Motor Vehicles	34,555	39,757
Total depreciation	347,651	328,725
(D) Employee benefits expense		
Wages, salaries, directors fees and other remuneration expenses	1,258,889	979,829
(E) Other items		
Bad and doubtful debts – trade debtors	3,277,337	291,095
Bad and doubtful debts – other receivables	18,187	-
(F) Finance Costs		
Interest Expense	675,424	549,497

Note 4: Income tax

The major components of income tax expense are:

	CONSOLIDATED	
	2012	2011
	$	$
Current income tax expense/(benefit)	122,824	300,149
Deferred tax expense/(benefit)	-	-
Income tax expense/(benefit) reported in the income statement	122,824	300,149

A reconciliation between tax expense and the products of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	CONSOLIDATED	
	2012	2011
	$	$
Accounting profit before income tax	(3,623,364)	305,079
At the Group's statutory income tax rate of 30% (2010 – 30%)	(1,087,009)	91,524
Difference in overseas tax treatment	(2,660)	(57,233)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	1,190,626	249,199
Tax effect of unrecognised temporary differences		
- Current Year	21,867	16,659
- Prior Year	-	-
Adjustments recognised in the year for current tax of prior years	-	-
Income tax expense/(benefit) reported in the income statement	122,824	300,149

The holding company in Australia is subject to income tax rate of 30%.

The China subsidiaries are subject to different tax rates and tax incentives. In accordance with the income tax law of China for Enterprise with foreign investment and approval documents issued by the tax bureau of China:

- Shaoxing Gaobo Tourism Products Co Ltd is subject to 25% (2011: 25%) corporate income tax rate
- Zhejiang Aode Outdoor Products Co Ltd is exempted from corporate tax rate of 25% for two years and has a 50% tax reduction for succeeding three years starting from the year it first makes profit. Zhejiang Aode Outdoor Products Co Ltd is in its fifth year of this tax incentive.

Note 5: Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Note 5: Earnings per share (cont.)

	CONSOLIDATED	
	2012	2011
	$	$
Net Profit attributable to ordinary equity holders of the parent	(3,746,188)	4,930

	2012	2011
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	58,821,610	58,821,610
Adjustments for calculation of diluted earnings per share - options	-	4,000,000
Weighted average number of ordinary shares adjusted for the effect of dilution	58,821,610	62,821,610
Basic Earnings Per Share (cents)	(6.37)	0.01
Diluted Earnings Per Share (cents)	(6.37)	0.01

Note 6: Cash and cash equivalents

	CONSOLIDATED	
	2012	2011
	$	$
Cash at bank and on hand	15,307,803	19,949,313
Short-term bank deposits	77,189	2,368,653
	15,384,992	22,317,966

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The short term deposits mature within 12 months from balance date with an annual interest rate of 3.3% (2011: 3.3%) and are used as guarantees for the notes payable (Note 11).

Reconciliation of net profit after tax to net cash flows

	CONSOLIDATED	
	2012	2011
	$	$
Net Profit/(Loss) after tax	(3,746,188)	4,930
Adjustments for non-cash items:		
Depreciation	347,651	328,725
Changes in assets and liabilities		
(Increase)/decrease in inventories	(871,836)	33,605
(Increase)/decrease in trade and other receivables	3,043,537	289,604
(Decrease)/increase in trade and other payables	(36,811)	(826,361)
(Decrease)/increase in tax liabilities	(146,298)	76,306
Net cash from operating activities	(1,409,945)	(93,191)

Note 7: Trade and other receivable

	CONSOLIDATED	
	2012	2011
	$	$
Trade receivables	5,398,828	5,254,915
Allowance for doubtful debts - Trade	(3,495,589)	(508,873)
Other receivables	78,655	306,072
Allowance for doubtful debts - Other	(18,413)	-
GST & VAT receivable	122,333	232,616
Loan to non-related parties	5,786,360	-
Other current assets	2,288,762	760,742
	10,160,936	6,045,472
Trade receivables (non-current)	-	1,372,637

Current trade receivables are non-interest bearing loans and generally on 180 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in the other expenses item. The amount of provision has been measured as the difference between the carrying amount of the trade receivable and the estimated future cash flows expected to be received from the relevant debtors.

Trade receivables are denominated in Australian Dollars (AUD), Chinese Renminbi (RMB) and American Dollars (USD). The following table outlines the trade receivables (after allowance for doubtful debt) amount in functional and presentation currency.

	Receivable currency	Presentation currency (AUD)
Australian Dollars	-	-
Chinese Renminbi	5,905,569	911,691
American Dollars (USD)	1,012,717	991,548
		1,903,239

Movement in the provision for impairment of receivables is as follows:

As at 30 June 2012, current trade receivables of the Group amounting to $3,514,002 (2011: $508,873) were impaired and provided for. These relates to individual independent customers who are in unexpectedly difficult economic situations.

Provision for impairment of receivables	CONSOLIDATED	
	2012	2011
	$	$
At 1 July 2011	508,873	220,310
Reversal of provision	(290,395)	(2,532)
Provision for impairment recognised during the year	3,295,524	291,095
	3,514,002	508,873

Past due but not impaired

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

Note 7: Trade and other receivable (cont.)

As at 30 June 2012, trade receivables of $198,261 (2011: $2,356,654) were past due but not impaired as it consists of a number of independent customers for whom there is no recent history of default.

Past due but not impaired	CONSOLIDATED	
	2012	2011
	$	$
6 months to 1 year	198,261	226,478
1 to 2 years	-	2,130,176
more than 2 years	-	-
	198,261	2,356,654

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the nature and credit history of these other classes, it is expected that these amounts will be received when due.

Other current assets

Other current assets consist of the following:

	CONSOLIDATED	
	2012	2011
	$	$
Prepayments of expenses	1,789,066	627,816
Advance payments to suppliers	499,696	130,837
	2,288,762	758,653

Note 8: Inventory

	CONSOLIDATED	
	2012	2011
	$	$
Stock held by third parties	1,245,379	983,948
Raw materials	838,002	567,227
Work-in-progress	31,925	405
Finished goods	329,126	21,016
Total inventories (at cost)	2,444,432	1,572,596

Note 9: Property, plant and equipment

	CONSOLIDATED	
	2012	2011
	$	$
BUILDINGS		
Cost		
Opening balance	1,968,110	2,150,019
Additions		186,430
Currency translation differences	140,796	(368,339)
	2,108,906	1,968,110
Accumulated depreciation		
Opening balance	462,893	445,865
Depreciation for the year	118,846	96,734
Currency translation differences	34,595	(79,706)
	616,334	462,893
Net book value of buildings	1,492,572	1,505,217
LAND USE RIGHTS		
Cost		
Opening balance	954,326	1,144,769
Currency translation differences	68,271	(190,443)
	1,022,597	954,326
Accumulated depreciation		
Opening balance	216,720	208,453
Depreciation for the year	45,451	45,550
Currency translation differences	16,070	(37,283)
	278,241	216,720
Net book value of land use rights	744,356	737,606

Note 9: Property, plant and equipment (cont.)

	CONSOLIDATED	
	2012	2011
	$	$
MOTOR VEHICLES		
Cost		
Opening balance	237,148	284,472
Other additions	-	-
Currency translation differences	16,965	(47,324)
	254,113	237,148
Accumulated depreciation		
Opening balance	180,567	171,636
Depreciation for the year	34,555	39,758
Currency translation differences	13,348	(30,827)
	228,470	180,567
Net book value of motor vehicles	25,643	56,581
PLANT AND EQUIPMENT		
Cost		
Opening balance	1,515,045	1,721,046
Other additions	77,301	85,183
Currency translation differences	109,701	(291,184)
	1,702,047	1,515,045
Accumulated depreciation		
Opening balance	588,115	539,587
Depreciation for the year	148,799	146,683
Currency translation differences	43,928	(98,155)
	780,842	588,115
Net book value of plant and equipment	921 205	926,930
TOTAL NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT	3,183,776	3,226,334

Note 10: Share based payments

(a) Employee share options plan

The Company has established the TWT Group Ltd Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full and part time) will be eligible to participate in the Plan

- Options are granted under the Plan at the discretion of the board and if permitted by the board, may be issued to an employee's nominee.

- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue (provided all relevant vesting conditions, if applicable, have been met). Options will be issued for no consideration. The exercise price of options will be determined by the board. The total number of share options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.

- If prior to the expiry date of options, a person ceases to be an employee of the Group for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur:

  i) the expiry of the period of 6 months from the date of such occurrence, and

  ii) the expiry date.

If a person dies, the options held by that person will be exercisable by that person's legal personal representative.

- Options cannot be transferred other than to the legal personal representative of a deceased option holder.

- The Company will not apply for official quotation of any options.

- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.

- Option holders may only participate in new issues of securities by first exercising their options.

The board may amend the Plan Rules subject to the requirements of the Listing Rules. No options have been issued under the plan up to 30 June 2012.

(b) Options issued pursuant to the prospectus

In accordance with an agreement dated 6 February 2007 options were granted in the company upon the successful completion of the TWT Group Ltd initial public offering. The number of holders and terms of the options on issue are as follows:

- 1,000,000 options exercisable by 6 February 2012 at $0.05 each, issued to each of Hainan Xu and Yajun Lian subject to the company meeting the 2006-7 profit forecast as disclosed in the prospectus.

- 1,000,000 options exercisable by 6 February 2012 at $0.05 each, issued to each of Hainan Xu and Yajun Lian subject to the company meeting the 2007-8 profit forecast as disclosed in the prospectus.

The options were not exercised by the exercise date and lapsed during the current year in February 2012.

Note 11:Trade and other payables (Current)

	CONSOLIDATED	
	2012	2011
	$	$
Trade payables	5,335,553	5,594,955
Related party payables	1,404,874	-
Accrued expenses	822,124	562,154
Sundry payables	61,840	142,803
Notes Payable	849,080	2,368,653
Advance payment from Customers	839,763	681,479
	9,313,234	9,350,044

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Related party payables are interest free, unsecured and repayable on demand. The related party payables consists the following:

- Payable amount to Director Lian of $825,427
- Payable amount to TWT Umbrella Co. Ltd. (company associated with Director Xu) of $555,761
- Advance payment from The Outdoor Zone (company associated with Director Xu and Director Lian) of $23,686.

Notes Payable are short term, non-interest bearing promissory notes with maturities and are secured by short term deposits placed with the bank (Note 6).

Note 12: Interest-Bearing Loans and Borrowings

	CONSOLIDATED	
	2012	2011
	$	$
Short Term Loans	7,919,600	8,255,295
Total current borrowings	7,919,600	8,255,295

The borrowings are all denominated in Chinese Renminbi, with repayment terms ranging from 16 November 2012 to 22 February 2013. Interest is charged at 7.216% to 8.200% (2011: 6.005% to 7.575%) per annum.

The borrowings are secured by properties belonging to a subsidiary and related party, TWT Umbrella Co Ltd, and non-related party, Zhejiang Wanfeng Construction Co Ltd and personal guarantees of directors, Hainan Xu and Yajun Lian.

Note 13: Issued Capital

(a) Ordinary shares

	2012		2011	
	NUMBER	$	NUMBER	$
Balance at beginning of financial year	58,821,610	9,162,553	58,821,610	9,162,553
Shares issued during the period	-	-	-	-
Balance at end of financial year	58,821,610	9,162,553	58,821,610	9,162,553

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

Dividend reinvestment plan

The Group has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares other than being paid by cash. The board of directors determines the discount to market price at every dividend issue. There was no dividend reinvestment plan in operation which occurred during the financial year.

(b) Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group’s capital by assessing the Group’s financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. Management monitors the capital on the basis of gearing ratio. Gearing ratio is calculated as net debt (total liabilities in statement of financial position less cash and cash equivalents) divided by total capital (total equity in statement of financial position). Management assess the group’s financial risks and adjusting its capital structure in response to changes in these risks and in the market. These include the management of debt levels, distributions to shareholders and share issues.

The group do not have externally imposed capital requirements.

During 2012, the group respond to the uncertainties of the market by reducing its debts. This resulted in a negative gearing ratio as group has more cash and cash equivalents than total borrowings. The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	CONSOLIDATED	
	2012	2011
	$	$
Total trade and other payables and borrowings	17,232,834	17,605,339
Less cash and cash equivalents	(15,384,992)	(22,317,966)
Net debt/(cash)	1,847,842	(4,712,627)
Total equity	13,912,257	16,754,323
Total capital	15,760,099	12,041,696
Gearing ratio	0.12	(0.39)

Note 14: Reserves

	CONSOLIDATED	
	2012	2011
	$	$
Statutory surplus reserve **(a)**	746,656	746,656
Foreign currency translation reserve **(b)**	(457,142)	(1,361,264)
Share option reserve **(c)**	532,000	532,000
	821,514	(82,608)
(a) Statutory surplus reserve		
Balance at beginning of financial year	746,656	746,656
Balance at end of financial year	746,656	746,656
(b) Foreign currency translation reserve		
Balance at beginning of financial year	(1,361,264)	1,065,335
Net exchange difference on translation of foreign controlled entities	904,122	(2,426,599)
Balance at end of financial year	(457,142)	(1,361,264)
(c) Share options reserve		
Balance at beginning of financial year	532,000	532,000
Balance at end of financial year	532,000	532,000

Statutory surplus reserve

Pursuant to the current PRC Company Law, the company is required to transfer between 10% and 50% of its profit after taxation to statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Share option reserve

The share option reserve records items recognised as expenses on valuation of employee share options.

Note 15: Commitments for expenditure

At 30 June 2011, TWT has entered into a contractual commitment for the rental of factory premises with TWT Umbrella Co. Ltd, total commitment amounts to $153,606.

Other than those mentioned above, the Group is not aware of any commitments that should be disclosed.

Note 16: Contingent liabilities and contingent assets

At the date of signing this report, the Group is not aware of any contingent assets and liabilities that should be disclosed in accordance with AASB137.

Note 17: Controlled entities

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2012	2011
		%	%
Parent entity			
- TWT Group Ltd	Australia		
Subsidiaries			
- China TWT Holdings Co., Ltd	British Virgin Islands	100%	100%
- Shaoxing Gaobo Tourism Products Co., Ltd	China	100%	100%
- Zhejiang Aode Outdoor Products Co., Ltd	China	100%	100%

The ultimate parent company is Full Power Global Ltd, a company incorporated in the British Virgin Islands.

Note 18: Related party disclosure and key management personnel remuneration

(a) The names of and positions held by directors and key management personnel of the group during the financial year are:

Directors	
Hainan Xu	Executive Chairman and Managing Director
Yajun Lian	Executive Director and Deputy Managing Director
Prof. Jianpeng Yao	Non-Executive Director and Joint Company Secretary
Xiyao Jin	Non-Executive Director
Fai-Peng Chen	Non-Executive Director
Roger Sexton	Non-Executive Director
Other Key Management Personnel	
Frank R Kleinig	Joint Company Secretary
Guojun Zheng (Appointed 1/7/2011)	Chief Finance Officer

Directors and key management personnel remuneration has been included in the remuneration report section of the Director's Report.

(b) Compensation Options – Granted and vested during the year (Consolidated)

No compensation options were granted or vested for the year ended 30 June 2012 (2011: nil).

(c) Shares issued on exercise of compensation options (Consolidated)

No compensation options were exercised during the period ended 30 June 2012 (2011: nil).

Note 18: Related party disclosure and key management personnel remuneration (cont.)

(d) Shareholdings of key management personnel (Consolidated)

	BALANCE OF BEGINNING OF PERIOD	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	BALANCE 30 JUNE 2012
DIRECTORS				
Hainan Xu	36,810	-	-	36,810
Yajun Lian	-	-	-	-
Prof. Jianpeng Yao	3,429	-	-	3,429
Dr Roger Sexton	-	-	-	-
Xiyao Jin	3,429	-	-	3,429
Fai-Peng Chen	20,311	-	-	20,311
EXECUTIVES				
Frank Raymond Kleinig	63,233	-	-	63,233

In addition to the above listed interests, Full Power Global Co. Ltd, an entity in which Hainan Xu and Yajun Lian are Directors, holds 47,735,635 (2011: 47,735,635) ordinary fully paid shares in TWT Group Ltd of which 37,600,201 were subject to a 2 year escrow period from TWT Group Ltd's listing on 12 April 2007. The escrow period expired on 11 April 2009, and the shares have been released.

(e) Related party transactions

A director of TWT Group Ltd, Mr Fai-Peng Chen had an interest as an associate of Minter Ellison. This firm provides legal and consulting advice to TWT Group Ltd in the ordinary course of business. The value of transactions during the year amounted to $2,990 (2011: nil).

The group leases warehouse premises from TWT Umbrella Co. Ltd, a company associated with Mr Xu. The amount paid was $764,845 (2011: $225,486) and is based on market rates of rent for similar properties in the area.

Sales were made during the year between TWT Group Limited subsidiary, Zhejiang Aode Outdoor Products Co., Ltd and The Outdoor Zone, an entity in which Hainan Xu and Yajun Lian are Directors. The value of transactions during the year amounted to $164,243 (2011: $nil).

(f) Related party balance

Related party payables balances are disclosed Note 11 Trade and Other Payables.

(g) Guarantees

A related party, TWT Umbrella Co. Ltd., a company associated with Mr. Xu, has provided its properties and land-use rights as security for the group's borrowings.

Note 19: Auditors remuneration

	2012	2011
	$	$
Grant Thornton South Australian Partnership		
- Auditing and/or reviewing of the financial report	120,000	120,000

Note 20: Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely in the opinion of the directors, to effect significantly the operations, results of those operations, or the state of affairs of TWT Group Ltd and controlled entities, in future financial years.

Note 21: Financial instruments

The Group's activities expose it to a variety of financial risks: Market risk (Foreign exchange risk, Interest rate and Price risk) Credit risk and Liquidity risk.

A committee consisting of senior management meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the group in meeting its financial targets, whilst minimising potential adverse effects on the financial performance.

(a) Market risk

Interest rate risk

The interest rate risk that financial instruments value will fluctuate as a result of changes in market interest rate, and the effective weighted average interest rate on classes of financial liability is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Maturing Within 1 Year		Non-interest Bearing		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	%	%	$000	$000	$000	$000	$000	$000	$000	$000
Financial Assets										
Cash and cash equivalents	3.30	3.30	15,308	19,949	77	2,368	-	-	15,385	22,317
Receivables	3.30	-	1,081	-	-	-	6,791	6,118	7,872	6,118
Other Current Assets	3.30	-	772	-	-	-	1,517	1,301	2,289	1,301
Total Financial Assets			17,161	19,949	77	2,368	8,308	7,419	25,545	29,736
Financial Liabilities										
Bank loans and overdrafts	7.48	6.43	-	-	7,920	8,255	-	-	7,920	8,255
Notes Payable	-	-	-	-	-	-	849	2,368	849	2,368
Trade and Sundry payables	-	-	-	-	-	-	8,464	6,982	8,464	6,982
Total Financial Liabilities			-	-	7,920	8,255	9,313	9,350	17,233	17,605

At 30 June 2012, if interest rate had changed by +/- 100 basis points from the year end rates with all other variables held constant, the group's post tax profit would have been $63,180 more/less (2011: $140,620 more/less) as a result of higher interest income from cash and cash equivalents.

Note 21: Financial instruments (cont.)

(a) Market risk (cont.)

Price risk

The group's financial instruments are not exposed to changes in commodity prices or equity prices.

Foreign exchange risk

The group is exposed to foreign currency risk on sales that are denominated in a currency other than the functional currency, primarily with respect to the US dollar.

At the reporting date, the Group had the following balances denominated in foreign currency.

Functional currency of subsidiary	Foreign currency denominated in	Account	AUD equivalent 2012 $	2011 $
RMB	USD	Trade Receivable	1,296,224	1,179,891
RMB	USD	Advance payment from customer	(790,125)	(668,920)

At 30 June 2012, if the RMB had weakened/strengthened against the US dollar by 10%, with all other variables held constant, the Group's post tax profit would have been $50,610 higher/lower as a result of foreign exchange gain/loss on translation of US dollar denominated receivables to RMB (2011: $51,814 higher/lower)

(b) Credit risk

Credit risk represents the loss that would be recognised if the counterparties to financial instruments fail to perform as contracted. The credit risk on financial assets of the consolidated entity, which have been recognised on the balance sheet, is the carrying amount, net of any provisions for doubtful debts.

The Group's credit risk exposure are the balances held with banks of $15,384,992 (2011: $22,317,966) and the outstanding receivables of $10,160,936 (2011: $7,418,109).

The Group minimized credit risk exposure by depositing with licensed and reputable banks and financial institutions, and assessing credit quality of customers, taking into account their financial position, past experience and other factors before credit is given.

No significant concentration of credit risk is placed with any single counterparty.

Note 21: Financial instruments (cont.)

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flow, and ensuring that adequate unutilised borrowing facilities are maintained.

As at 30 June 2012, the Group's liabilities have contractual maturities which are summarised below:

Consolidated Group	Interest rate %	Current		Non-Current
		Not later than 6 months	6 months to 1 year	More than 1 year
		$	$	$
Bank loans	7.48	4,832,037	3,087,563	-
Notes payable	-	849,080	-	-
Trade payables	-	5,335,553	-	-
Other short term financial liabilities	-	3,128,601		-
Total		14,145,271	3,087,563	-

(d) Fair value

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair value due to their short term nature.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Note 22: Dividends

The board has not recommended the payment of any dividend for the financial year ended 30 June 2012.

Note 23:Parent Entity information

	2012	2011
	$	$
Parent entity		
Assets		
Current assets	52,494	105,297
Non-current assets	13,234,377	13,234,377
Total assets	13,286,871	13,339,674
Liabilities		
Current liabilities	763,380	743,296
Non-current liabilities	-	-
Total liabilities	763,380	743,296
Equity		
Issued capital	16,956,883	16,956,883
Retained earnings	(4,433,392)	(4,360,505)
Total Equity	12,523,491	12,596,378
Financial performance		
Profit /(loss) for the year	(72,887)	(55,529)
Other comprehensive income	-	-
Total comprehensive income	(72,887)	(55,529)

Contingent liabilities

The company is not aware of any contingent liabilities that should be disclosed in accordance with AASB 137.

Commitments for expenditure

At the date of signing this report, the company is not aware of any commitments that should be disclosed.