TWT Group Ltd.

APPENDIX 4E PRELIMINARY FINAL REPORT

Name of Entity: TWT GROUP LIMITED

ABN: 16 121 044 531

Period: Year Ended 30 June 2013

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.

30 August 2013

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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 2013**
Previous Corresponding Period (year ended)	**30 June 2012**

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	**2013**	**2012**	**% Change**
Revenue from ordinary activities	$17,140,742	$27,778,322	-38%
Profit after tax from ordinary activities attributable to members	($1,438,186)	($3,654,132)	61%

Dividends

The Directors have not declared a final dividend for the year ended 30 June 2013.

Net tangible assets per share

	2013 $/share	**2012 $/share**
Net tangible assets per share	0.244	0.237

Commentary on the results for the period

The year ended 30 June 2013 is the Group's sixth year of operation since its listing on the ASX on 12 April 2007.

For the 2013 financial year, the Company reported revenue of $17,140,742 and a net profit of $372,606 as compared to the previous year where revenue was $27,778,322 and net loss was $2,748,866.

The significant drop in revenues of $10,637,580 is the result of a continued decline in sales to our traditional markets in Europe and the United States. Orders received have been below expectations across all of the company's range of products.

Retailers of the company's products in overseas markets were holding excess stocks in 2012-13 because of the continuation of depressed economic conditions in these markets. The company is not expecting any pick-up in sales until accumulated inventories held by these retailers have been run down and new orders are placed.

The company was successful in increasing its operating margins during the year despite a drop in sales. The gross profit rate increased from 13.3% in 2011-2012 to 14.9% in 2012-2013.

Management has continued its efforts to control costs by making improvements in its production practices and in the sourcing 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.

The company has therefore been focussing renewed efforts on developing new products. A number of these new products are being launched at the SPOGA Outdoor Trade Fair in Germany in September 2013.

The company is also continuing in its endeavours to explore new markets and source new customers to increase sales including Australia and the domestic market of China.

The company's debt facilities were restructured during the year, which resulted in a reduction in short term borrowings.

There are some signs emerging of improvement in economic outlook in Europe and the housing market is beginning to show new signs of life in the United States. The company is hopeful that these improvements in economic conditions, if sustained, will translate into new sales for the company in the year ahead.

Status of audit

The 30 June 2013 financial report and accompanying notes for TWT Group Limited are currently in the process of being audited. No disputes have arisen during the course of the audit.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Group 30-June-2013 $	30-June-2012 $
Revenue	**3**	17,140,742	27,778,322
Cost of Sales		(14,592,351)	(23,909,769)
Gross Profit		2,548,391	3,868,553
Interest income	**3**	395,268	514,347
Other income	**3**	117,009	173,694
Distribution expenses		(1,051,341)	(1,701,380)
Operating and administration expenses		(2,650,793)	(5,655,868)
Finance costs		(713,155)	(730,654)
Loss before income tax		(1,354,621)	(3,531,308)
Income tax (expense)/benefit	**4**	(83,565)	(122,824)
Loss for the period from continuing operations		(1,438,186)	(3,654,132)
Other comprehensive income			
Exchange differences on translation of foreign operations		1,810,792	905,266
Total comprehensive income for the year attributable to members of the parent entity		**372,606**	**(2,748,866)**
Earnings per Share			
Basic earnings per share (cents)	**5**	(2.44)	(6.21)
Diluted earnings per share (cents	**5**	(2.44)	(6.21)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
AS AT 30 JUNE 2013

	Notes	Consolidated Group	
		30-June-2013	30-June-2012
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**6**	13,931,118	15,384,992
Trade and other receivables	**7**	14,590,935	10,160,936
Inventories	**8**	2,577,093	2,444,432
TOTAL CURRENT ASSETS		31,099,146	27,990,360
NON-CURRENT ASSETS			
Property, plant and equipment	**9**	3,292,161	3,183,776
TOTAL NON-CURRENT ASSETS		3,292,161	3,183,776
TOTAL ASSETS		34,391,307	31,174,136
CURRENT LIABILITIES			
Trade and other payables	**11**	13,274,553	9,220,034
Short term borrowing	**12**	6,695,794	7,919,600
Current tax liabilities		42,897	29,045
TOTAL CURRENT LIABILITIES		20,013,244	17,168,679
TOTAL LIABILITIES		20,013,244	17,168,679
NET ASSETS		14,378,063	14,005,457
EQUITY			
Issued capital	**13**	9,162,553	9,162,553
Reserves	**14**	2,633,450	822,658
Retained earnings		2,582,060	4,020,246
TOTAL EQUITY		14,378,063	14,005,457

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Issued share Capital $	Retained Earnings $	Share option reserve	Foreign Exchange Reserve $	Statutory Surplus Reserves $	Total $
Balance at 30 June 2011	**9,162,553**	**7,674,378**	**532,000**	**(1,361,264)**	**746,656**	**16,754,323**
Total comprehensive income	-	(3,654,132)	-	905,266	-	(2,748,866)
Balance at 30 June 2012	**9,162,553**	**4,020,246**	**532,000**	**(455,998)**	**746,656**	**14,005,457**
Total comprehensive income	-	(1,438,186)	-	1,810,792	-	372,606
Balance at 30 June 2013	**9,162,553**	**2,582,060**	**532,000**	**1,354,794**	**746,656**	**14,378,063**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Group 30-June-2013 $	30-June-2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		12,901,278	30,821,855
Payments to suppliers and employees		(14,052,116)	(31,921,210)
Interest paid		(713,155)	(730,636)
Interest received		395,268	514,347
Other income		117,008	173,675
Income taxes paid		(69,713)	(269,122)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(1,421,430)	(1,411,091)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(20,984)	(77,301)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(20,984)	(77,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(7,919,600)	(8,255,295)
Proceeds from borrowing		6,695,794	7,919,600
Short-term loans to non-related parties		(190,536)	(5,786,360)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(1,414,342)	(6,122,055)
NET DECREASE IN CASH HELD		(2,856,756)	(7,610,447)
Effect of exchange rates on cash holdings in foreign currencies		1,402,882	677,473
Cash and cash equivalents at beginning of period		15,384,992	22,317,966
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6**	**13,931,118**	**15,384,992**

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.

ASX Additional Information

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.

ASX Additional Information

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.

ASX Additional Information

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 (i.e. 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*.

ASX Additional Information

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 (i.e. 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.

ASX Additional Information

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 (e.g. 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.

ASX Additional Information

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.

ASX Additional Information

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.

ASX Additional Information

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.

ASX Additional Information

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 Reporting Period

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

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2015).

  AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

  These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

  - Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows;
  - Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss);
  - Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases;
  - Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
    - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;
    - The remaining change is presented in profit or loss.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

ASX Additional Information

- AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:
    - Tier 1: Australian Accounting Standards; and
    - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

  Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

  The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):
    - for-profit private sector entities that have public accountability; and
    - the Australian Government and state, territory and local governments.

  Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

  AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)

  AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

  The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

  When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

  AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.

ASX Additional Information

In addition, AASB 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The Group is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

- Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

  The AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

  The Group does not have any defined benefit plans. Therefore, these amendments will have no impact on the Group.

- AASB Interpretation 20 Stripping Costs in the Production Phase of Surface Mining.

  This interpretation clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories, if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, (if certain recognition criteria are met, as an addition to, or enhancement of, an existing asset).

ASX Additional Information

The Group does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted for reporting periods commencing from 1 January 2013.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.

  The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

  When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the Group.

- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

  This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

  This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

  When this AASB 2012-2 is first adopted for the year ended 30 June 2014, there will be no impact on the Group as the Group does not have any netting arrangements in place.

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.

  AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

  When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Group/Company/Scheme as this standard merely clarifies existing requirements in AASB 132.

- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36).

  These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

  When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

- IFRIC Interpretation 21 Levies.

  IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

ASX Additional Information

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the Group is not subject any levies addressed by this interpretation.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

  [The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

  This Standard is not expected to impact the Group.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

ASX Additional Information

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.

ASX Additional Information

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.

2013	Umbrella Manufacturing $	Outdoor furniture Manufacturing $	Furniture Trading $	Unallocated $	Consolidated $
SEGMENT REVENUE					
Sales to external customer	16,115,860	1,024,882	-	-	17,140,742
SEGMENT RESULTS					
Segment Results [Profit/(Loss)]	41,982	(817,668)	(498,644)	(163,856)	(1,438,186)
Segment assets	30,560,340	3,558,757	265,407	6,803	34,391,307
Segment liabilities	(17,481,571)	(1,633,163)	(864,410)	(34,100)	(20,013,244)

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	(310,539)	(3,503,666)	(172,886)	(3,654,132)
Segment assets	27,055,165	3,155,673	910,804	52,494	31,174,136
Segment liabilities	14,652,628	1,980,207	479,410	56,434	17,168,679

ASX Additional Information

Note 3: Revenue and expenses

	CONSOLIDATED 2013 $	2012 $
(A) Revenue		
Sale of goods	17,140,742	27,778,322
(B) Other income		
Interest income	395,268	514,347
Government incentives	38,011	12,894
Sale of Raw Materials	71,198	38,206
Miscellaneous	7,800	122,594
	117,009	173,694
(C) Expenses – Depreciation of non-current assets		
Buildings	121,508	118,846
Land Use Rights	46,469	45,451
Plant and equipment	152,266	148,799
Motor Vehicles	267	34,555
Total depreciation	320,512	347,651
(D) Employee benefits expense		
Wages, salaries, directors fees and other remuneration expenses	1,241,559	1,258,889
(E) Other items		
Bad and doubtful debts – trade and other receivables	53,275	3,295,524
Provision for inventory	224,379	-
(F) Finance Costs		
Interest Expense	537,614	675,424

ASX Additional Information

Note 4: Income tax

The major components of income tax expense are:

	CONSOLIDATED	
	2013	2012
		$
Current income tax expense/(benefit)	83,565	122,824
Deferred tax expense/(benefit)		-
Income tax expense/(benefit) reported in the statement of profit or loss	83,565	122,824

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	
	2013	2012
	$	$
Accounting profit before income tax	(1,354,621)	(3,531,308)
At the Group's statutory income tax rate of 30% (2012 – 30%)	(406,387)	(1,059,392)
Difference in overseas tax treatment	(67,731)	(7,264)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income	371,396	1,167,613
Tax effect of unrecognised temporary differences		
- Current Year	19,157	21,867
Income tax expense/(benefit) reported in the income statement	83,565	122,824

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 and Zhejiang Aode Outdoor Products Co Ltd is subject to 25% (2012: 25%) corporate income tax rate

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.

ASX Additional Information

Note 5: Earnings per share (cont.)

	CONSOLIDATED	
	2013	2012
	$	$
Net Profit attributable to ordinary equity holders of the parent	(1,438,186)	(3,654,132)

	2013	2012
	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	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	58,821,610	58,821,610
Basic Earnings Per Share (cents)	(2.44)	(6.21)
Diluted Earnings Per Share (cents)	(2.44)	(6.21)

Note 6: Cash and cash equivalents

	CONSOLIDATED	
	2013	2012
	$	$
Cash at bank and on hand	11,995,502	15,307,803
Short-term bank deposits	1,935,616	77,189
	13,931,118	15,384,992

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% (2012: 3.3%) and are used as guarantees for the notes payable (Note 11).

Reconciliation of net profit after tax to net cash flows

	CONSOLIDATED	
	2013	2012
	$	$
Net Profit/(Loss) after tax	(1,438,186)	(3,654,132)
Adjustments for non-cash items:		
Depreciation	320,512	347,651
Changes in assets and liabilities		
(Increase)/decrease in inventories	(132,663)	(871,836)
(Increase)/decrease in trade and other receivables	(4,239,464)	3,043,535
(Decrease)/increase in trade and other payables	4,054,519	(130,011)
(Decrease)/increase in tax liabilities	13,852	(146,298)
Net cash from operating activities	(1,421,430)	(1,411,091)

ASX Additional Information

Note 7: Trade and other receivable

	CONSOLIDATED	
	2013	2012
	$	$
Trade receivables	10,336,938	5,398,828
Allowance for doubtful debts - Trade	(3,611,873)	(3,495,589)
Other receivables	124,403	78,655
Allowance for doubtful debts - Other	(20,928)	(18,413)
GST & VAT receivable	38,804	122,333
Loan to non-related parties	4,222,223	5,786,360
Related party receivables	1,877,499	-
Other current assets	1,623,869	2,288,762
	14,590,935	10,160,936

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.

Related party payables are interest free, unsecured and repayable on demand.

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	32,991,646	5,788,922
American Dollars (USD)	863,478	936,143
		6,725,065

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

As at 30 June 2013, current trade receivables of the Group amounting to $3,632,801 (2012: $3,514,002) were impaired and provided for. These relates to individual independent customers who are in unexpectedly difficult economic situations.

Provision for impairment of receivables	CONSOLIDATED	
	2013	2012
	$	$
At 1 July	3,514,002	508,873
Net movement in provision for the period	118,799	3,005,129
	3,634,295	3,514,002

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.

ASX Additional Information

Note 7: Trade and other receivable (cont.)

As at 30 June 2013, trade receivables of $348,997 (2012: $198,261) 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	
	2013	2012
		$
6 months to 1 year	236,005	198,261
1 to 2 years	108,128	-
more than 2 years	4,864	-
	348,997	198,261

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	
	2013	2012
	$	$
Prepayments of expenses	414,100	1,789,066
Advance payments to suppliers	1,202,364	499,696
Other current assets	7,405	499,696
	1,623,869	2,288,762

Note 8: Inventory

	CONSOLIDATED	
	2013	2012
	$	$
Stock held by third parties	1,283,211	1,245,379
Raw materials	490,450	838,002
Work-in-progress	11,123	31,925
Finished goods	792,309	329,126
Total inventories (at cost)	2,577,093	2,444,432

ASX Additional Information

Note 9: Property, plant and equipment

	CONSOLIDATED 2013 $	2012 $
BUILDINGS		
Cost		
Opening balance	2,108,906	1,968,110
Additions	-	-
Currency translation differences	288,078	140,796
	2,396,984	2,108,906
Accumulated depreciation		
Opening balance	616,334	462,893
Depreciation for the year	121,508	118,846
Currency translation differences	99,446	34,595
	837,288	616,334
Net book value of buildings	1,559,696	1,492,572
LAND USE RIGHTS		
Cost		
Opening balance	1,022,598	954,326
Currency translation differences	139,687	68,271
	1,162,285	1,022,597
Accumulated depreciation		
Opening balance	278,241	216,720
Depreciation for the year	46,469	45,451
Currency translation differences	43,842	16,070
	368,552	278,241
Net book value of land use rights	793,733	744,356

ASX Additional Information

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

	CONSOLIDATED	
	2013	2012
	$	$
MOTOR VEHICLES		
Cost		
Opening balance	254,113	237,148
Additions	-	-
Currency translation differences	34,712	16,965
	288,825	254,113
Accumulated depreciation		
Opening balance	228,470	180,567
Depreciation for the year	267	34,555
Currency translation differences	31,243	13,348
	259,980	228,470
Net book value of motor vehicles	28,845	25,643
PLANT AND EQUIPMENT		
Cost		
Opening balance	1,711,385	1,515,045
Additions	20,984	77,301
Currency translation differences	236,405	109,701
	1,968,774	1,702,047
Accumulated depreciation		
Opening balance	780,842	588,115
Depreciation for the year	152,267	148,799
Currency translation differences	125,778	43,928
	1,058,887	780,842
Net book value of plant and equipment	909,887	921 205
TOTAL NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT	3,292,161	3,183,776

ASX Additional Information

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.

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

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

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

  iv) 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 2013.

ASX Additional Information

Note 11: Trade and other payables (Current)

	CONSOLIDATED 2013 $	2012 $
Trade payables	6,486,487	5,242,353
Related party payables	-	1,404,874
Accrued expenses	1,325,745	883,964
Notes Payable	4,500,710	849,080
Advance payment from Customers	961,611	839,763
	13,274,553	9,220,034

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.

Notes Payable are short term 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 2013 $	2012 $
Short Term Loans	6,695,794	7,919,600
Total current borrowings	6,695,794	7,919,600

The borrowings are all denominated in Chinese Renminbi, with repayment terms ranging from July 2013 to June 2014. Interest is charged at 6.44% to 6.90% (2012: 7.216% to 8.200%) 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.

The following loan facilities are available to TWT Group Limited:

Loan Facilities

	CONSOLIDATED 2013 $	2012 $
Loan facilities	17,265,885	25,651,051
Amount utilised	(10,570,091)	(7,919,600)
	6,695,794	17,731,451

ASX Additional Information

Note 13: Issued Capital

(a) Ordinary shares

	2013		2012	
	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 rather than being paid by cash. The board of directors determines the discount to market price at every dividend issue. There was no dividends paid during the financial year and hence the reinvestment plan was not utilised.

(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 adjusts 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 2013, 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 2013 and 30 June 2012 were as follows:

	CONSOLIDATED	
	2013	2012
	$	$
Total trade and other payables and borrowings	19,970,347	17,139,634
Less cash and cash equivalents	(13,931,118)	(15,384,992)
Net debt/(cash)	6,039,229	1,754,642
Total equity	14,378,063	14,005,457
Total capital	20,417,292	15,760,099
Gearing ratio	0.43	0.12

ASX Additional Information

Note 14: Reserves

	CONSOLIDATED	
	2013	2012
	$	$
Statutory surplus reserve **(a)**	746,656	746,656
Foreign currency translation reserve **(b)**	1,354,794	(455,998)
Share option reserve **(c)**	532,000	532,000
	2,633,450	822,658
(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	(455,998)	(1,361,264)
Net exchange difference on translation of foreign controlled entities	1,810,792	905,266
Balance at end of financial year	1,354,794	(455,998)
(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.

ASX Additional Information

Note 15: Commitments for expenditure

During the period, TWT Group Limited has entered into a contractual commitment for the rental of factory premises with TWT Umbrella Co. Ltd, total commitment amounts to $602,727.

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	
		2013	2012
		%	%
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:

<u>Directors</u>	
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
<u>Other Key Management Personnel</u>	
Frank R Kleinig	Joint Company Secretary
Guojun Zheng	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 2013 (2012: nil).

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

No compensation options were exercised during the period ended 30 June 2013 (2012: nil).

ASX Additional Information

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 2013
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.

(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 $nil (2012: nil).

The group leases warehouse premises from TWT Umbrella Co. Ltd, a company associated with Mr Xu. The amount paid was $777,315 (2012: $764,845) and is based on market rates of rent for similar properties in the area. During the period, a contractual commitment was been entered into with TWT Umbrella Co. Ltd for rental of factory premises. Refer to Note 15.

(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

	2013	2012
	$	$
Grant Thornton South Australian Partnership		
- Auditing and/or reviewing of the financial report	120,000	120,000

ASX Additional Information

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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	$000	$000	$000	$000	$000	$000	$000	$000
Financial Assets										
Cash and cash equivalents	3.25	3.30	13,931	15,308	-	77	-	-	13,931	15,385
Receivables	-	-	-	1,081	-	-	6,725	6,791	6,725	7,872
Other Current Assets	-	-	-	772	-	-	7,866	1,517	7,866	2,289
Total Financial Assets			13,931	17,161	-	77	14,591	8,308	28,522	25,546
Financial Liabilities										
Bank loans and overdrafts	7.00	6.67	-	-	6,696	7,920	-	-	6,696	7,920
Notes Payable	7.00	6.67	-	-	4,501	849	-	-	4,501	849
Trade and Sundry payables	-	-	-	-	-	-	8,773	8,372	8,773	8,372
Total Financial Liabilities			-	-	11,197	8,769	8,773	8,372	19,970	17,141

At 30 June 2013, 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 $27,340 more/less (2012: $84,690 more/less) as a result of higher interest income from cash and cash equivalents.

ASX Additional Information

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 2013 $	2012 $
RMB	USD	Trade Receivable	1,322,802	1,296,224
RMB	USD	Advance payment from customer	(664,735)	(790,125)

At 30 June 2013, 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 $65,806 higher/lower as a result of foreign exchange gain/loss on translation of US dollar denominated receivables to RMB (2012: $50,610 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 $13,931,118 (2012: $15,384,992) and the outstanding receivables of $14,590,935 (2012: $10,160,936).

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.

ASX Additional Information

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 2013, 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	7.00	2,660,069	4,035,725	-
Notes payable	-	4,500,710	-	-
Trade payables	-	6,486,487	-	-
Other short term financial liabilities	-	2,287,356	-	-
Total		15,934,622	4,035,725	-

(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 2013.

ASX Additional Information

Note 23: Parent Entity information

	2013	2012
	$	$
Parent entity		
Assets		
Current assets	6,803	52,494
Non-current assets	13,234,377	13,234,377
Total assets	13,241,180	13,286,871
Liabilities		
Current liabilities	781,547	763,380
Non-current liabilities	-	-
Total liabilities	781,547	763,380
Equity		
Issued capital	16,956,883	16,956,883
Retained earnings	(4,497,250)	(4,433,392)
Total Equity	12,459,633	12,523,491
Financial performance		
Profit /(loss) for the year	(63,858)	(72,887)
Other comprehensive income		-
Total comprehensive income	(63,858)	(72,887)

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.