



**ASF Group Limited**

A.B.N. 50 008 924 570

**Annual Report 2013**

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The financial statements are presented in Australian currency.

ASF Group Limited, a company limited by shares, is incorporated and domiciled in Australia.

A description of the nature of the entity's operations and its principal activities is included in the Directors' Report on pages 3 to 17, which is not part of the financial statements.

The financial report was authorised for issue on 30 September 2013. The Directors have the power to amend and reissue the financial report.

# CORPORATE DIRECTORY

## Directors

Ms Min Yang, *Chairman/Director*  
Mr Nga Fong Lao, *Vice Chairman/Non-Executive Director*  
Mr Quan (David) Fang, *Director*  
Mr Wai Sang Ho, *Non-Executive Director*  
Mr Geoff Baker, *Non-Executive Director*  
Mr Alan Humphris, *Non-Executive Director*  
Mr Xin Zhang, *Non-Executive Director*  
Mr Yong Jiang, *Non-Executive Director (appointed 30 November 2012)*

## Company secretary

Mr Chi Yuen (William) Kuan

## Registered office and principal place of business

Suite 2, 3B Macquarie Street  
Sydney NSW 2000  
Telephone: 02 9251 9088  
Facsimile: 02 9251 9066  
Website: [www.asfgroupltd.com](http://www.asfgroupltd.com)

## Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Telephone: 02 9290 9600  
Facsimile: 02 9279 0664

## Auditors

PricewaterhouseCoopers  
201 Sussex Street  
GPO Box 2650  
Sydney NSW 1171

## Solicitors

Thomsons Lawyers  
Level 25, 1 O'Connell Street  
Sydney NSW 2000

Clayton Utz  
1 Bligh Street  
Sydney NSW 2000

## Bankers

Commonwealth Bank of Australia  
363 George Street  
Sydney NSW 2000

Bank of China Limited, Sydney Branch  
39-41 York Street  
Sydney NSW 2000

## Stock Exchange listing

ASF Group Limited shares are listed on the Australian Securities Exchange (ASX) and the ASX code is "AFA"

## CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased on behalf of the Board of Directors to present the 2013 Annual Report of ASF Group Limited and its controlled entities ("ASF" or the "Company").

This year was one of consolidation where the Company has been in an investing phase compared with the previous year when significant gains were realised on certain investments. While we are very pleased with the investments completed during the year under review, we were required to write-down the value of a number of investments, particularly in Rey Resources Limited and ASF Resources Limited, in keeping with the lower market values being attributed to most resource assets not yet in production. This means we are reporting a significant loss for the year; details are set out in the accompanying Financial Statements for the Group.

As an Aus-Sino investment and trading house, ASF is focused principally on the identification, incubation and realisation of specific opportunities, especially in the resources sector. Through our investments we seek to transform early-stage Australian opportunities into deliverable projects through joint venturing or other forms of co-operation with the Company's expanding network of major Chinese mining, trading and strategic investor partners.

We are confident that there is ongoing Chinese investment interest in Australian resource and energy projects and growing interest in agriculture, renewable energy and real estate complementing Australia's ongoing need for foreign capital. Australia continues to be a stable and reliable supplier of high quality and high volume natural resources, including iron ore, copper, coal, and gas, which are needed as China's urbanisation trend continues and the gradual transition to cleaner energy takes place.

A new area in which ASF plans to participate in the current year is in the Significant Investor Visa program. This new program, which the Australian Government announced in late 2012, has already attracted over 200 applications for the AUD5 million investment class visas. Chinese migrant applicants represent a large proportion of this group. We believe that ASF's detailed understanding of the regulatory environment in Australia together with its wide relationships in China places us in a good position to grow shareholder value.

We will be working closely with Rey Resources Limited and ActivEX Limited in which we have significant investments, with a view to assisting the growth of their assets and unlocking value, thereby enhancing also ASF's investment value. We also plan to build upon and consolidate other assets within the Group which have been acquired over the past few years.

I wish to thank my fellow Directors and staff and consultants for their support and diligent work during the year. We are all striving to achieve successful outcomes in the current year.

Yours sincerely,



Min Yang  
Chairman

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity (hereafter referred to the “**Group**”) consisting ASF Group Limited (the “**Company**”) and the entities it controlled at the end of, or during, the year ended 30 June 2013.

### Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

Ms Min Yang  
Mr Nga Fong Lao  
Mr Quan (David) Fang  
Mr Wai Sang Ho  
Mr Geoff Baker  
Mr Alan Humphris  
Mr Xin Zhang  
Mr Yong Jiang (*appointed 30 November 2012*)

### Information on Directors

#### Ms Min Yang

*Director and Chairman*

Appointed a director on 9 September 2005 and Chairman on 16 February 2006.

*Experience:* Min Yang has extensive business connections in the Asia Pacific region including greater China. Min Yang has been involved in businesses and transactions across a number of sectors including resources, telecommunications, property, travel and media.

*Interest in shares:* Direct interest of 286,500 shares and indirect interest of 41,620,000 shares held by FY Holdings Limited. FY Holdings Limited is jointly controlled by Ms Min Yang and Mr David Fang, who is also a director of the Company.

*Other current directorships:* Ms Min Yang is a non-executive Chairman of ActivEX Limited and the non-executive Chairman of Rey Resources Limited.

#### Mr Nga Fong Lao

*Vice Chairman/Non-Executive Director*

Appointed as Vice Chairman and Non-Executive director on 30 November 2006.

*Experience:* Mr Lao is Managing Director of ASF Macau Multinational Holdings Limited in charge of the operations in Multinational Youth Travel Agency Limited. Mr Lao resides in Macau where he has business interests in the property, travel and retail industries and is Chairman of the Macau Travel Agency Association.

*Interest in shares:* 13,678,000 ordinary shares in the Company.

#### Mr Quan (David) Fang

*Director*

Appointed a director on 9 September 2005.

*Experience:* David Fang was born in Shanghai. He is multilingual, speaking Mandarin, Shanghai dialect, Cantonese and English. He has extensive experience in the property sector covering property sales/marketing, development, acquisition, and syndication.

*Interest in shares:* Direct interest of 10,000 shares and indirect interest of 41,620,000 shares held by FY Holdings Limited. FY Holdings Limited is jointly controlled by Mr David Fang and Ms Min Yang, who is also a director of the Company.

## DIRECTORS' REPORT (CONTINUED)

### **Mr Wai Sang Ho**

*Non-Executive Director*

Appointed a Non-Executive director on 30 November 2006.

*Experience:* Mr Ho is a Hong Kong resident and a large property developer in Southern China. He has substantial property interests in Hong Kong and China.

*Interest in shares:* 8,583,333 ordinary shares in the Company.

### **Mr Geoff Baker**

*Non-Executive Director*

Appointed a Non-Executive director on 30 November 2006.

*Qualifications:* Geoff Baker is a qualified lawyer in Australia and Hong Kong with a Commerce degree (Accounting and Financial management), a Law degree and MBA.

*Experience:* Geoff Baker assists in the international operations of the Group. He joined the Company after practising extensively for 30 years as a lawyer in Australia, Japan, Asia and China.

*Interest in shares:* 5,234,517 ordinary shares in the Company held by a related entity, Gold Star Industry Ltd.

*Other current directorship:* Mr Geoff Baker is a non-executive director of Rey Resources Limited and ActivEX Limited.

### **Mr Alan John Humphris**

*Non-Executive Director*

Appointed a Non-Executive director on 5 September 2007.

*Qualifications:* Alan Humphris holds degrees in science, economics and law and is an FCPA.

*Experience:* Alan Humphris is an independent investment banker with more than 30 years experience in Australian and international markets. He was Managing Director of Balmoral Capital Pty Limited, an investment banking firm specialising in providing M & A and other corporate advisory services which he founded in 1996 until 2010. Earlier he was an Executive Director of merchant banks, Hambros Australia Limited and JP Morgan Australia Limited.

*Interest in shares:* 1,700,000 ordinary shares in the Company held directly and jointly with his spouse.

*Other current directorships:* Alan Humphris is a non-executive director and Chairman of Zamia Metals Limited and a non-executive director of International Base Metals Limited. He was alternative director to Ms Min Yang on the board of ActivEX Limited in the period 20 February 2013 to 30 July 2013.

### **Mr Xin Zhang**

*Non-Executive Director*

Appointed a Non-Executive director on 8 February 2010.

*Experience:* Mr Xin Zhang is the sole shareholder and director of Suntimes International Limited, a substantial shareholder of the Company. Mr. Zhang is also the founder and controlling shareholder of China Glory International Investment Group (**CGIG**) which was established in Beijing 15 years ago. CGIG's investments are primarily engaged in real estate development that has developed billions of dollars of properties in China; CGIG also has investments in resources and trading. Mr Zhang has extensive business and government networks in China.

*Interest in shares:* 40,000,000 ordinary shares in the Company held by a related entity, Suntimes International Limited.

## DIRECTORS' REPORT (CONTINUED)

### Mr Yong Jiang

*Non-Executive Director*

Appointed a Non-Executive director on 30 November 2012.

*Experience:* Mr Jiang is the Founder and Chairman of a prestigious business club in Shenzhen. He is also the Founder and General Manager of a diversified media company focusing on the investment and production of films, TV and entertainment programmes based in Beijing. Over the years he has been serving in senior executive positions in a number of Chinese enterprises. Through his involvement in these areas Mr Jiang has established an extensive network of high net worth individuals with successful business experience in China.

### Company Secretary

#### Mr Chi Yuen (William) Kuan

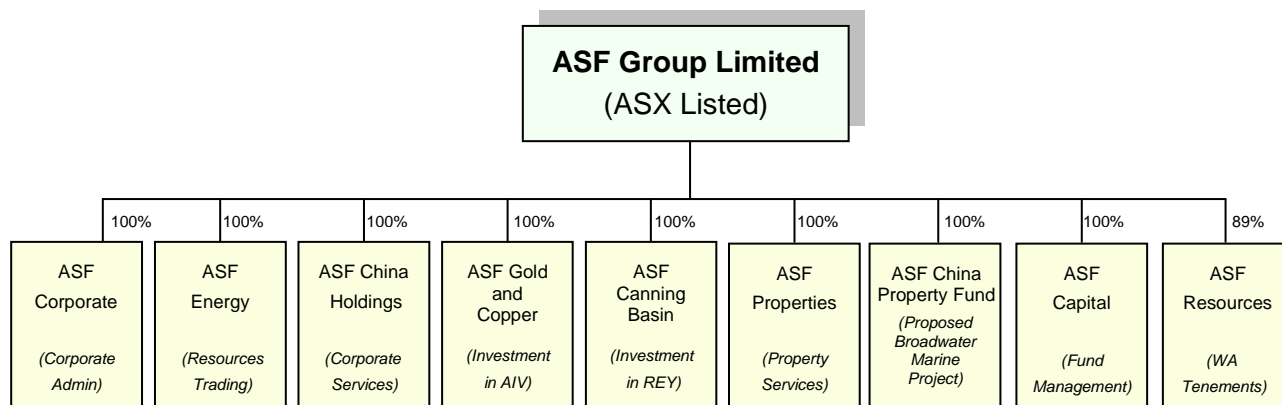
Appointed as Company Secretary on 26 February 2010.

*Qualifications:* Mr William Kuan is a CPA and a member of The Institute of Chartered Secretaries and Administrators (UK). He holds a Master Degree in International Accounting.

*Experience:* Mr Kuan has extensive experience in accounting, corporate finance and company secretarial areas. Prior to joining the ASF Group, he was company secretary for a number of different Hong Kong listed companies.

### Corporate structure

ASF Group Limited is incorporated and domiciled in Australia, the shares of which are listed on the Australian Securities Exchange (ASX code: AFA). The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. Below are principal subsidiaries of the Group:



### Principal activities

The principal continuing activities of the Group consisted of:

- Property Marketing and Services
- Mineral and Resources
- Resources Trading
- Corporate Services
- Funds Management and Advisory Services

There were no changes in the Group's principal activities during the course of the financial year.

### Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

- (a) Completion of subscription for 115 million new ordinary shares in Rey Resources Limited; the Group is currently holds a relevant interest in 20.5% of the issued share capital of Rey. A provision for impairment of investment in Rey of approximately \$6.5 million was made during the year.
- (b) Completion of on-market takeover bid for all the issued shares of ActivEX Limited at 1.5 cents per share. The Group currently holds a relevant interest in 42.75% of the issued share capital of ActivEX.
- (c) Placement of 5 million shares to professional investor at an issue price of \$0.22 per share.
- (d) Entered into a \$10 million convertible loan facility with Star Diamond Developments Limited. A total of \$9m was drawn down during the year.
- (e) Extension of on-market buyback proposal and re-purchase of 1,579,177 shares of the Company from the market during the year.
- (f) Sale of three wholly-owned subsidiaries which are holders of four tenements to Profit Achieve Holdings Limited for \$600,000.
- (g) ASFR's buy back of a 45% shareholding in ASFR from Longluck Investment (Australia) Pty Ltd for \$5.5 million. As a result, an impairment of investment in ASFR of approximately \$15 million was recognised. ASFR became a controlled entity of the Group during the year as a consequence of the buy-back.

### Dividends

No dividends have been declared in the 2013 financial year (2012: Nil).

### Operating and financial review

#### *Financial results and commentary*

ASF Group Ltd ("ASF or the Company") is a Sino-Australian investment and trading house which focuses principally on the identification, incubation and realisation of opportunities in areas of synergy between China and Australia including resources, commodities trading and property sectors, alongside travel and financial services.

Revenue from continuing operations of the Company including its controlled entities for the financial year ended 30 June 2013 increased by 1.7% to \$1,681,818 (2012: \$1,653,349). The increase in revenue was contributed by the increase in provision of corporate services to associated companies and external clients. ASF Capital also provided contributions to the Group's revenue for the year. Fund management and advisory services recorded \$203,829 for the financial year ended 30 June 2013, compared with \$5,000 for 2012. With the participation in the recently introduced Significant Investor Visa (SIV) programme, it is expected that fund management services will provide significant contributions to the Group's results in the future.

Consolidated loss after tax attributable to members of the Company amounted to \$30,505,915, compared with a profit of \$21,243,999 for the previous year.

The loss for the year was mainly attributable to the following items:

- Impairment of investment in ASFR of approximately \$14.9 million following the buy-back from Longluck of its 45% shareholding in ASFR;
- Share of losses of investment in associates of approximately \$2.8 million;
- Approximately \$6.5 million arising from the provision of impairment of investment in Rey Resources Limited to its fair value;
- Impairment of investments in Kaili International Resource and China Coal Resources of approximately \$2 million in total.
- Finance cost of \$1m, mainly being interest payable on the convertible loan from Star Diamond Development Limited
- Other operating expenses of \$5.5m



## DIRECTORS' REPORT (CONTINUED)

On 28 May 2013 the Company issued a release to the ASX informing the market of an alleged fraud involving alleged misappropriated funds of which approximately \$0.1 million is from a controlled entity and approximately \$1.5 million from two associated companies of the Group. The Company immediately commenced actions to seek recovery of the funds. The misappropriated amounts are contained within the provisions for impairment that are referred to in the financial results presented in this Report.

A summary of consolidated revenues and results for the year by significant business segments is set out below:

	Segment revenues		Segment results	
	2013	2012	2013	2012
	\$	\$	\$	\$
Property marketing and services	<b>347,738</b>	836,734	<b>(209,774)</b>	44,631
Mineral and resources	-	-	<b>(23,485,344)</b>	24,629,941
Resources trading	-	-	<b>(117,885)</b>	11,694
Fund management and advisory services	<b>203,829</b>	5,000	<b>(694)</b>	(238,686)
Corporate services	<b>1,130,251</b>	811,615	<b>(6,726,078)</b>	(3,278,234)
Total segment revenue/result	<b>1,681,818</b>	1,653,349	<b>(30,539,775)</b>	21,169,346

### *Financial position*

Net assets for the year was \$1,159,129, compared to \$29,199,305 for the previous year. The decrease in net assets was predominantly due to:

- Impairment of investment in ASFR following the buy-back of 45% interest in ASFR;
- Impairment of investment in other associates
- The convertible loan of \$9.8 million (inclusive of interest) being shown as a liability on the Balance Sheet (2012: Nil).

On 28 February 2013, the Company announced the extension of its on-market share buyback program for another 12 months. In the year to 30 June 2013, the Company spent approximately \$0.3 million on the buy-back of its own shares.

As at the balance sheet date, the Company had outstanding convertible loans of \$9.8 million (inclusive of interest), which are convertible into either one or a combination of the Company's shares or into new shares of one or more of the Company's subsidiaries or investments held by such subsidiaries.

Subsequent to the year-end:

- The maturity date of the convertible loans has been extended to 30 September 2014; and
- The Company signed a Subscription Agreement to raise new capital of \$3.0 million by the placement of up to 13,636,364 fully paid ordinary shares of the Company to a professional investor at an issue price of \$0.22 per share. The first tranche of 10,545,222 were issued and allotted on 10 September 2013 and the balance of 3,091,142 shares were issued and allotted on 30 September 2013 upon receipt of the relevant subscription monies.

### *Going concern – emphasis of matter*

For the year ended 30 June 2013, the consolidated entity incurred a loss after income tax of \$30,539,716 and had net current liabilities at balance date of \$8,981,704.

This net current liability balance arises because of the requirement to classify Star Diamond Developments Limited convertible loan as a current liability, as at balance date the terms of the loan were such that the loan expired within 12 months from balance date. Post year end the Group entered into an amended deed effective on 28 August 2013 for the Convertible Loan such that the loan maturity date has been extended to 30 September 2014. As a result of these matters, along with the other matters set out in the Notes to the Accounts (especially Note 1(a)), the audit opinion for the year ended 30 June 2013 includes an emphasis of matter as it indicates there is material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

## DIRECTORS' REPORT (CONTINUED)

### ***Business Strategy (the "ASF business model")***

The Company's strategy is to identify and develop key early stage projects through joint ventures and strategic investments with the goal of maximising shareholder value.

The Company's investments have been made with a medium to long-term perspective with a view to assisting significant value creation in the investee companies, which in turn is expected to result in increased shareholder value in the Company. However, the Company anticipates realising investments from time to time when it is appropriate and beneficial to do so.

In the year to 30 June 2013, the Company was primarily in an investing phase compared with the previous year when significant gains were realised on certain investments.

A key advantage of the Company is its knowledge of both Chinese and Australian markets, industries, regulations and opportunities for growth. China has long been an investor in Australian property and resources. It is currently the ninth largest foreign direct investor in Australia and Chinese direct investment inflows have increased dramatically over recent years.

The ASF team has established a track record in identifying and developing early-stage investment opportunities which it seeks to transform into viable projects. This is done through matching these opportunities within its key contacts enabling the formation of joint ventures and strategic investments to be established from time to time.

The identification process is an ongoing strategic practice based on a number of factors including market conditions and other assessments which assist the Company to identify industries which are considered to be prospective for development and investment. These industries include:

- Property Marketing and Services
- Resources & Energy
- Resources Trading
- Corporate Services
- Funds Management & Investments
- Significant Investment Visa Program

There is ongoing Chinese investment interest in Australian resource and energy projects and growing interest in agriculture, renewable energy and real estate. Australia remains a stable and reliable supplier of high quality high volume natural resources: iron ore, copper, coal, gas which are needed as China's urbanisation trend continues and the gradual transition to cleaner energy takes place.

Another area in which ASF plans to participate is in the new Significant Investor Visa program. This program, which was announced in late 2012, has already attracted over 200 applications for the AUD5 million investment class visas. Chinese migrant applicants represent a large proportion of this group.

Overall, it is expected that investment in Australia is to remain a very attractive option for Chinese investment for the foreseeable future. However, this requires a thorough understanding of regulatory and other Australian market characteristics. ASF has a key advantage when it comes to streamlining this process due to its experience, knowledge and contacts to participate in major projects.

### ***Principal Investments***

#### **ActivEX Limited**

The Company, through its wholly-owned subsidiary, ASF Gold and Copper Pty Ltd ("**ASFGC**"), acquired through two private placements an equity interest of 19.9% in ActivEX Limited during 2012.

In May 2013, ASFGC announced an on-market takeover bid for all the shares of ActivEX at \$0.015 per share which closed on 28 June 2013. ASFGC is currently the largest shareholder holding 42.75% of the issued share capital of ActivEX.

## DIRECTORS' REPORT (CONTINUED)

ActivEX is an ASX listed mineral exploration company holding a number of prospective tenements, principally targeting copper-gold and gold mineralisation in Queensland. ActivEX also holds a potash project in Western Australia which has an established resource and a granted mining lease.

### Rey Resources Limited

At a general meeting of Rey held on 6 September 2012, the second tranche subscription for 90 million Rey shares was approved and this marked the completion of subscription of 115 million ordinary shares of Rey which was announced on 18 June 2012. The Company held approximately 20.5% of the issued share capital of Rey as at 30 June 2013.

Rey is an ASX-listed resource exploration and development company with a large tenement holding in the Canning Basin, Western Australia.

Rey owns the Duchess-Paradise coal project in the Canning Basin and on 30 June 2013 it entered into a sale agreement for the sale of the project for \$21 million on a staged basis.

In March 2013, Rey announced that it had entered into an agreement with Buru Energy Limited (ASX: BRU) to acquire an additional 15% stake in petroleum Exploration Permits EP457 and EP458 (the "Fitzroy Blocks") in the Canning Superbasin, Western Australia. Rey now holds a 25% interest in the Fitzroy Blocks, 10% being free carried, with the Operator, Buru Energy Limited, holding 37.5%.

At balance date the Company ultimately holds 20.51% of the share capital of Rey.

### ASF Resources Limited

Following the \$16 million subscription by Longluck for new shares of ASFR in the previous financial year, ASFR became owned 48.95% by the Company, 45% by Longluck and 6.05% by Yongbin International Holdings Limited ("Yongbin").

In the second half-year of 2012, ASFR engaged in exploration for coal on its Canning Basin tenements which are adjacent to the tenements held by Rey and on which Rey has established the Duchess-Paradise thermal coal project. From the exploration program to date ASFR has not established coal resources and recognises that the tenements have not yet been fully investigated. A review of the tenements and available data are being made before refining further exploration programs as part of an overall review of ASFR's strategy.

In accordance with the Shareholders Deed between ASFR and its shareholders, the Company was obligated to implement a demerger prior to 31 December 2012 by distributing at least 80% of the shares it held in ASFR to the Company's shareholders and seek listing of ASFR on the ASX. During the first half-year the Company actively worked on preparations for the demerger. However, the Company was concerned about the poor condition of the IPO market and did not want to implement the demerger unless it could be confident that a successful IPO and ASX listing would immediately follow on from the demerger. If the demerger but not the listing had been completed, the Company would have lost the value of ASFR shares distributed and the Company's shareholders would have held unlisted ASFR shares, an illiquid asset.

On 24 December 2012 the Board of ASFR approved the extension of the deadline for the demerger by 6 months to 30 June 2013. The Company continued with work on the demerger in accordance with its obligations under the Shareholders Deed but in the second half-year the parties commenced discussions on an alternative strategy for ASFR.

On 3 June 2013, after comprehensive negotiations, ASF, Longluck and ASFR entered into a Share Buy-back Deed whereby ASFR would acquire and cancel the shares of ASFR held by Longluck for the sum of \$5.5 million as consideration, the price being based primarily upon book values prevailing at the transaction date. The underlying assets of ASFR were subsequently impaired to a value materially below the transaction date book value. The buy-back was completed on 21 June 2013 and the Shareholders Deed and the Company's obligations pursuant to the Deed came to an end. An impairment loss of investment in ASFR of \$15 million was incurred.

At balance date ASFR was owned ultimately 89% by the Company and 11% by Yongbin.

## DIRECTORS' REPORT (CONTINUED)

### **ASF Kaili Resource Pty Ltd**

The Company owns ultimately 20% of the share capital of ASF Kaili Resource Pty Ltd (“**ASFK**”). ASFK holds two tenements in the Canning Basin, which have low level potential for the discovery of coal and other minerals.

A minor exploration program was carried out during the year under review. ASFK intends to acquire additional tenements and the Company may consider a demerger of its interest in ASFK at some future date.

An impairment of investment in ASFK of \$1.4 million was made as at 30 June 2013.

### **China Coal Resources Pty Ltd**

The Company holds ultimately a 25% interest in the share capital of China Coal Resources (“**CCR**”) which, in turn, holds two Exploration Permits and one Application for coal in Queensland, two exploration licences in Tasmania and one tenement in Western Australia.

The Company's investment in CCR was impaired by \$669,000 but there was no impact on the net asset value of CCR.

### **ASF Resources (WA) Pty Limited**

The Company owns 100% of the share capital of ASF Resources (WA) Pty Ltd which in turn holds two tenements which are considered to be prospective for coal in the Canning Basin.

## ***Operating Businesses***

### **Property**

ASF Properties Pty Ltd is 100% owned by the Company and continues to provide property and marketing services to investors in China.

In order to strengthen and extend our network in China the Company, during the year under review entered into a strategic partnering agreement with China Real Estate Association (the “**CREA**”), which is a peak association authorized by the Ministry of Construction of China and has a large network and significant influence in the Chinese real estate sector.

The Company also anticipates forming a long-term, and strategic cooperative ‘partnership’ with E-house (China) Holdings Limited (“**E-house**”), a leading real estate services company in China with a diverse range of services, strong brand recognition and a broad geographic presence. E-house is listed on the New York Stock Exchange and their clients include leading domestic and international real estate developers.

The Company believes that these strategic ‘partnerships’ will improve the ongoing sales of Australian property projects within China and also should enhance the position of the Company in promoting investment and trade between Australia and China in particular in the property sector.

ASF China Property Fund Pty Ltd, a wholly owned subsidiary of the Company, together with its strategic partners in China has been shortlisted by the Queensland Government and Gold Coast City Council for the development of a large integrated tourism project which could include a cruise ship terminal, casino, hotel, marina, and retail at Broadwater (“**The Broadwater Marine Project**”). The detailed proposal is expected to be submitted in October 2013.

### **Corporate Services**

Corporate service is principally provided by ASF Corporate Pty Ltd, a wholly owned subsidiary of the Company. Other than subsidiaries and associated companies within the ASF Group, ASF Corporate is also providing corporate management services to external clients.

### **Fund Management and Advisory Services**

In January 2013, the Company acquired the remaining 25% shareholding interest in ASF Balmoral Pty Ltd which it did not already hold and changed the name to ASF Capital Pty Ltd (“**ASF Capital**”).

## DIRECTORS' REPORT (CONTINUED)

ASF Capital has continued its activities as a boutique investment banking firm specialising in M&A and corporate advisory services to selective clients and also with the distribution of selected offshore and onshore Funds to the wholesale investor market in Australia, including superannuation funds, industry funds, family offices, and charitable trusts.

During the year, ASF Capital applied for a modification to its Australian Financial Service Licence ("AFSL") and was granted a substantially expanded AFSL on 7 May 2013.

The new AFSL permits ASF Capital to undertake a wide range of activities within the Funds Management market sector.

The AFSL permits ASF Capital to:

- ❖ *Provide financial product advice with regard to:*
  - (i) Government debentures, stocks or bonds.
  - (ii) Interests in managed investment schemes, excluding IDPS.
  - (iii) Securities.

This enables ASF Capital to give advice to wholesale clients about investments in Australian government debentures, stocks or bonds, to promote interests in any future unregistered scheme and securities.

- ❖ *Dealing authorisations*

ASF Capital may deal in interests in managed investment schemes by the issue interests in the managed investment schemes; acquire or dispose of interests in; and to arrange for clients to acquire or dispose of interests in its unregistered schemes.
- ❖ *Securities (issue and apply for):*

As the AFSL holder ASF Capital may issue securities in investment companies established to facilitate specialised structuring requirements, acquire or dispose of securities in connection with the operation of its unregistered schemes; and to arrange for clients to acquire or dispose of securities.
- ❖ *Derivatives (issue and apply for):*

The intent here is for ASF Capital assist with the funding with respect to the acquisition of assets for the schemes it operates.
- ❖ *Foreign exchange contracts (issue and apply for)*

Given the underlying associations and principle of the ASF Group the aim would be where appropriate to hedge against currency fluctuations on either foreign debt facilities it obtains to help fund the acquisition of assets for the schemes it operates or on income it receives from off-shore assets.
- ❖ *Government debentures, stocks or bonds (apply for)*

This enables ASF Capital to acquire or dispose of government debentures, stocks or bonds in connection with the operation of its unregistered schemes or to arrange for its clients to acquire these products directly.
- ❖ *Custodial or depository services*

ASF Capital has the ability to provide a custodial or depository service as an operator of unregistered schemes. ASF Capital will either hold the financial products or the beneficial interests in the financial products on behalf of members of its schemes.

In May 2013, ASF Capital formed an investment fund known as The ASF Capital Investment Fund which is designed to provide Chinese entrepreneurs and other high net worth individuals who are interested in participating in the recently introduced Significant Investor Visa (SIV) programme announced by the Australian Government. The Fund will seek to make direct and indirect investments in infrastructure and real estate in Australia and in other assets permitted under the Significant Investor Visa programme.

### **Matters subsequent to the end of the financial year**

The maturity date of the convertible loans granted by Star Diamond Developments Limited has been extended to 30 September 2014.

The Company signed a Subscription Agreement to raise new capital of \$3.0 million by the placement of up to 13,636,364 fully paid ordinary shares of the Company to a professional investor at an issue price of \$0.22 per share. The first tranche of 10,545,222 were issued and allotted on 10 September 2013 and the balance of 3,091,142 shares were issued and allotted on 30 September 2013 upon receipt of the relevant subscription monies.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### **Environmental regulations**

The Group's operations are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the states of Tasmania, Western Australia and Queensland. The Group is at all times in full environmental compliance with the conditions of its licences.

### **Insurance of officers**

During the financial year, ASF Group Limited paid a premium of \$21,480 to insure the directors, company secretary and all executive officers of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### **Remuneration report**

The directors are pleased to present Company's 2013 remuneration report which sets out remuneration for ASF Group Limited's non-executive directors, executive directors and other key management personnel.

#### **Remuneration philosophy**

The performance of the Company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Establish appropriate performance hurdles in relation to variable executive remuneration.

While the Company does not have a remuneration committee, the board of directors is responsible for determining and reviewing compensation arrangements for the directors and the senior management team.

#### **Remuneration structure**

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors, senior executives and consultants.

The Board sets aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders.

## DIRECTORS' REPORT (CONTINUED)

### **Non-executive director remuneration policy**

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. Except for the directors as disclosed in this remuneration report, no other remuneration was paid to the non-executive directors of the Company.

### **Executive remuneration policy and framework**

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent
- aligned to the company's strategic and business objectives and the creation of shareholder value
- transparent, and
- acceptable to shareholders.

The executive remuneration framework has two components:

- base pay and benefits, including superannuation, and
- long-term incentives through participation in the Employee Share Plan.

#### *Base pay and benefits*

Executives are offered a competitive base which is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. Directors receive fixed annual fees for providing consulting services to the consolidated entity.

There are no guaranteed base pay increases included in any executives' contracts.

#### *Superannuation*

Contributions are made to the employee's designated Superannuation Funds. Other retirement benefits may be provided directly by the group if approved by shareholders.

#### *Long-term incentives*

Long-term incentives are provided to certain employees via the Employee Share Plan which was approved by shareholders at the 2007 annual general meeting. The Employee Share Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

### **Voting and comments made at the Company's 2012 Annual General Meeting**

The Company received more than 90% of 'for' votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## DIRECTORS' REPORT (CONTINUED)

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of the Group are set out on the following table.

### Remuneration - Key management personnel of the Group

2013	Base remuneration \$	Consulting fees \$	Super-annuation \$	Total \$
<b>Directors</b>				
Min Yang <sup>(a)</sup>	113,003	29,400	-	142,403
David Fang <sup>(a)</sup>	-	112,856	-	112,856
Geoff Baker <sup>(b)</sup>	85,380	114,000	-	199,380
Alan Humphris <sup>(c)</sup>	36,000	72,000	3,240	111,240
Xin Zhang	74,000	-	6,660	80,660
<b>Total directors</b>	<b>308,383</b>	<b>328,256</b>	<b>9,900</b>	<b>646,539</b>
<b>Other key management personnel</b>				
Chi Yuen (William) Kuan, <i>Company Secretary</i>	100,396	-	8,977	109,373
Sally Humphris, <i>Executive Director, ASF Capital</i> <sup>(d)</sup>	66,890	-	5,625	72,515
Justin Clarke, <i>Development and Operations Director, ASF Corporate</i> <sup>(e)</sup>	-	127,771	-	127,771
<b>Total other key management</b>	<b>167,286</b>	<b>127,771</b>	<b>14,602</b>	<b>309,659</b>

- (a) The consulting fees were paid to consulting company, Sincere Investments Group Ltd. Ms Min Yang and Mr David Fang are engaged by Sincere Investments Group Ltd to provide consulting services to ASF Group Limited. These directors have no beneficial interest in Sincere Investments Group Ltd. Payments made to Sincere Investments Group Ltd are considered indirect payments to Ms Min Yang and Mr David Fang. From October 2012, Ms Min Yang was employed by ASF (Hong Kong) Limited, a wholly owned subsidiary of the Company, with a base salary of HK\$100,000 per month.
- (b) The consulting fees were paid to Gold Star Industry Ltd in which Mr Geoff Baker has beneficial interest. From August 2012, Mr Geoff Baker was employed by ASF (Hong Kong) Limited with a base salary of HK\$40,000 per month plus housing allowance of HK\$40,000 per month.
- (c) The consulting fees were paid to Balmoral Development Corporation Pty Ltd which is controlled by the spouse of Mr Alan Humphris.
- (d) Ms Sally Humphris is a family member of Mr Alan Humphris. Ms Humphris resigned on 30 November 2012.
- (e) The consultancy agreement with Justin Clarke was terminated on 23 April 2013.
- (f) Mr Ning Shen and Mr Wei Jin did not participate in the management and decision making of the Group from this financial year. Accordingly, they are not considered as key management personnel of the Group and therefore not disclosed in the table above.

2012	Base remuneration \$	Consulting fees \$	Super-annuation \$	Total \$
<b>Directors</b>				
Min Yang <sup>(a)</sup>	-	117,600	-	117,600
David Fang <sup>(a)</sup>	-	58,800	-	58,800
Geoff Baker <sup>(b)</sup>	-	114,000	-	114,000
Alan Humphris <sup>(c)</sup>	36,000	72,000	3,240	111,240
<b>Total directors</b>	<b>36,000</b>	<b>362,400</b>	<b>3,240</b>	<b>401,640</b>
<b>Other key management personnel</b>				
Chi Yuen (William) Kuan, <i>Company Secretary</i>	93,253	-	8,325	101,578
Sally Humphris, <i>Investment Director, ASF Capital</i> <sup>(d)</sup>	152,019	-	13,500	165,519
Justin Clarke, <i>Development and Operations Director, ASF Corporate</i> <sup>(e)</sup>	-	146,369	-	146,369
Ning Shen, <i>General Manager - China Business Development, ASF Corporate</i>	80,000	-	7,200	87,200
Wei Jin, <i>Director, ASF Resources</i>	60,000	-	5,400	65,400
<b>Total other key management</b>	<b>385,272</b>	<b>146,369</b>	<b>34,425</b>	<b>566,066</b>

- (a) The consulting fees were paid to consulting company, Sincere Investments Group Ltd. Ms Min Yang and Mr David Fang are engaged by Sincere Investments Group Ltd to provide consulting services to ASF Group Limited. These directors have no beneficial interest in Sincere Investments Group Ltd. Payments made to Sincere Investments Group Ltd are considered indirect payments to Ms Min Yang and Mr David Fang.
- (b) The consulting fees were paid to Gold Star Industry Ltd in which Mr Geoff Baker has beneficial interest.
- (c) The consulting fees were paid to Balmoral Development Corporation Pty Ltd which is controlled by the spouse of Mr Alan Humphris.
- (d) Ms Sally Humphris is a family member of Mr Alan Humphris.
- (e) The consulting fees were paid to J Clarke Holdings Pty Ltd in which Mr Justin Clarke has beneficial interest.



## DIRECTORS' REPORT (CONTINUED)

### Service agreements

On appointment to the Board, directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms including compensation, relevant to the office of director.

Remuneration and other terms of employment for other key management personnel are also formalised in service agreements.

Details of these agreements are summarised below:

#### *Min Yang, Chairman*

- Term – monthly with consulting service company Sincere Investments Group Ltd until 30 September 2012. A new employment contract was signed with ASF (Hong Kong) Limited on 1 October 2012.
- Fee/salary – consulting fee of \$9,800 per month (plus the issue of a 3.8 million sign-on share issue at the commencement of the contract) until 30 September 2012 and a salary of HK\$100,000 per month commencing from 1 October 2012.
- Termination - may be terminated at any time by either party giving to the other party not less than 30 days prior written notice.

#### *David Fang, Director*

- Term - monthly with consulting service company Sincere Investments Group Ltd.
- Fee - HK\$80,000 per month.
- Termination - the agreement may be terminated at any time by either party giving to the other party not less than one month prior written notice.

#### *Geoff Baker, Non-Executive Director*

- Term – consultancy contract with the director's related party entity Gold Star Industry Ltd as well as an employment contract signed with ASF (Hong Kong) Limited on 12 June 2012.
- Fee – consulting fee of A\$9,500 per month plus a monthly salary of HK\$40,000 plus housing allowance of HK\$40,000 per month commencing from 1 August 2012.
- Termination - may be terminated at any time by either party giving to the other party not less than 30 days prior written notice.

#### *Alan Humphris, Non-Executive Director*

- Term - signed 1 June 2006 with Balmoral Capital Pty Ltd (now known as ASF Capital Pty Ltd and 100% owned by the Company) which was previously beneficially owned by Mr Alan Humphris. The Agreement was subsequently assigned to Balmoral Development Corporation Pty Limited on 22 September 2010.
- Fee - consulting fee of A\$6,000 per month and a monthly director fee of A\$3,000 plus superannuation.
- Termination - may be terminated at any time by either party giving to the other party not less than three months prior written notice.

#### *Xin Zhang, Non-Executive Director*

- Term – commencing 30 July 2012.
- Fee – A\$6,667 per month plus superannuation.
- Termination - may be terminated at any time by either party giving to the other party not less than four weeks prior written notice.

#### *Chi Yuen (William) Kuan, Company Secretary*

- Term - commencing 1 February 2010.
- Salary - A\$8,750 per month plus superannuation.
- Termination - may be terminated at any time by either party giving to the other party not less than 30 days prior written notice.

#### *Sally Humphris, Investment Director, ASF Capital*

- Term – commencing 1 June 2010.
- Fee - \$12,500 per month plus superannuation.
- Termination - Ms Humphris resigned on 30 November 2012.

## DIRECTORS' REPORT (CONTINUED)

### Share-based compensation

Executive directors and other executives may participate in the 'ASF Share Plan'. Shares issued under this plan are not issued based on performance criteria, but may be issued to all directors and executives of the Company to increase goal congruence among directors, executives and shareholders.

During the year ended 30 June 2013, no shares were issued as share-based compensation.

### Group performance

The following table shows the performance of the Consolidated Group over the past five financial years:-

FY	Sales Revenue	NPAT/(NLAT)	Basic EPS	Net Equity	NTA per share	Dividends	Average Share Price
	\$	\$	Cents	\$	\$	\$	\$
2009	113,834	(5,328,110)	(2.61)	2,704,663	0.01	-	0.09
2010	341,548	(2,756,515)	(1.02)	8,095,134	0.03	-	0.16
2011	1,517,834	(1,747,372)	(0.53)	8,667,822	0.028	-	0.115
2012	1,653,349	21,169,346	6.88	29,199,305	0.094	-	0.138
2013	1,681,818	(30,539,776)	(9.82)	1,159,129	0.004	-	0.205

There is at present no direct link between remuneration to directors and earnings except that the directors have decided that payments to directors for services rendered should be kept to a minimum.

### Shares under options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### Directors' meetings

The following table sets out the number of directors' meetings (including meeting of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year 5 board meetings were held.

	No. of Board Meetings held whilst in Office	No. of Board Meetings Attended	No. of Audit Committee Meetings held	No. of Audit Committee Meetings Attended
Min Yang	5	5	-	-
David Fang	5	4	-	-
Nga Fong Lao	5	2	-	-
Geoff Baker	5	5	2	2
Alan Humphris	5	5	2	2
Wai Sang Ho	5	5	-	-
Xin Zhang	5	2	-	-
Yong Jiang	2	0	-	-

### Proceedings on behalf of the Company

As disclosed in this report, the Company has commenced actions to seek recovery of funds in relation to the alleged fraud involving misappropriation of funds by Justin Clarke.

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditors for audit and non-audit services provided during the year are set out in note 26.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditor imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms during the year are disclosed in note 26.

### Auditor Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

### Auditor

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



Min Yang  
Chairman

Sydney  
30 September 2013



## Auditor's Independence Declaration

As lead auditor for the audit of ASF Group Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ASF Group Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'J Reilly'.

Jane Reilly  
Partner  
PricewaterhouseCoopers

Sydney  
30 September 2013

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## CORPORATE GOVERNANCE STATEMENT

ASF Group Limited is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (Second edition August 2007) for the entire financial year. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

		Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives.	Yes	1
1.2	Disclose the process of evaluating the performance of senior executives.	Yes	2
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	1-2
2.1	A majority of the Board should be independent directors.	No	3
2.2	The chair should be an independent director.	No	4
2.3	The roles of chair and chief executive officer are not exercised by the same individual.	No	5
2.4	The Board should establish a nomination committee.	No	6
2.5	Disclose the process for evaluating the performance of the Board, its committee and individual directors.	Yes	2
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	3-6
3.1	Establish a code of conduct and disclose the code or a summary of the code.	Yes	7
3.2	Establish a policy concerning diversity and disclosed the policy or a summary of that policy.	No	8
3.3	Disclose the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	9
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	10
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Yes	8-10
4.1	The Board should establish an audit committee.	Yes	11
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors;</li> <li>• consists of a majority of independent directors;</li> <li>• is chaired by an independent chair who is not chair of the Board;</li> <li>• has at least three members.</li> </ul>	Yes No No No	11
4.3	The audit committee should have a formal charter.	Yes	11
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	11
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	12
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	12
6.1	Has a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.	Yes	13
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	13
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	14
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	14

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

7.3	Disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	15
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	14-15
8.1	Establish a remuneration committee.	No	16
8.2	The remuneration committee is structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors;</li> <li>• is chaired by an independent chair;</li> <li>• has at least three members.</li> </ul>	No No No	16
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	17
8.4	Provide the information indicated in Guide to reporting on Principle 8.	Yes	16-17

### Notes

- The Directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company.

The key responsibilities of the Board are:

- the oversight of the Company including its control and accountability systems;
- establishing, monitoring and modifying corporate strategies and performance objectives;
- ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
- monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring of financial and other reporting;
- approving dividends, major capital expenditure, acquisitions and capital raising/restructures;
- appointment and removal of Directors, Company Secretary and senior management.

A copy of the ASF Board Charter can be viewed on the Company's website [www.asfgroupltd.com](http://www.asfgroupltd.com).

The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations.

Senior executives have a formal job description and letter of appointment describing their term of office, duties, rights and responsibilities.

- While no performance evaluation of the Board or management was carried out for the financial year ended 30 June 2013, this is continually monitored by the Chairman and the Board. The Chairman also speaks to each Director individually regarding their role as a Director.
- The Board assesses Directors against the criteria established by the ASX Corporate Governance Council to ensure they are in a position to exercise independent judgement. Directors are considered independent if they are independent of Management and free from any relationship that could materially interfere with, or could reasonably be perceived to interfere with independent judgement.

Any Director who considers that he/she has a conflict of interest in a matter before the Board must disclose that conflict, and, if necessary withdraw from any discussion on that matter, and not vote on that matter.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

At the reporting date of the 2013 Annual Report, one Board member – Mr Wai Sang Ho is independent Director. While there is not a majority of independent Directors on the Board, it is believed that the people on the Board can and do make independent judgements in the best interests of the Company and its shareholders at all times.

4. The Chairperson is not an independent director. The Board believes that even though the Chairperson is not an independent director she is able to make quality and independent judgements on all relevant issues falling within the scope of the role of a Chairman.
5. The roles of Chairperson and Chief Executive Officer are currently exercised by the same individual which is believed to be appropriate at this stage in the Company's development.
6. The Company does not have a nomination committee as the size of the Company and the Board does not warrant such a committee. All Board nomination matters are considered by the whole Board.

The Board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

The Board annually reviews the effectiveness of the functioning of the Board, individual directors, and senior executives.

7. The consolidated entity recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are required to act in accordance with the law and with the highest standard of propriety.

The Company has adopted a code of conduct to guide compliance with legal and other obligations to stakeholders of the Company. This code provides guidance to Directors and management on practices necessary to maintain confidence in the integrity of the Company.

8. The Company does not have a specific diversity policy. However, the Group always constantly pursuit the recruitment on the basis of competence and performance regardless of age, nationality, gender, race, religious beliefs or cultural background.
9. The Company will be considering the adaptation of a diversity policy and believe the following objectives will be the part of the measurable gender diversity objectives throughout the organisation:
  - (1) Develop a diverse and skilled workforce to continually pursuit the achievement of corporate goals;
  - (2) Build and maintain a safe work environment against inappropriate workplace and business behaviour (including sexual discrimination, harassment, sexual-bullying and victimisation);
  - (3) Develop flexible work practices to meet the different needs of our employees and especially to assist our female employees to achieve the life-work balance; and
  - (4) Provide employment and career development opportunities for women.
10. Of the eight directors, one is female who is the Chairman of the Board. Within the workforce of the Group, women comprise approximately 35% of the employees.
11. The Company has an established Audit Committee with Mr Geoff Baker, a non-executive Director as Chairman, and one other member, Mr Alan Humphris who is also a non-executive director. The Board believes that even though Mr Geoff Baker is not an independent director, he is able to make quality and independent judgements on all relevant issues falling within the scope of the role of a non-executive director and Audit Committee Chairman.

A formal charter of the audit and risk management committee has been approved by the Board.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

12. The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Established policies also ensure accountability at a senior management level for ASX compliance. The Board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

13. The Company has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

The policy on communication with shareholders is set out in the Company's 'Policy on stakeholder communication and continuous disclosure'.

14. The Board has established policies on risk oversight and management. To carry out this function the Board:

- oversees the establishment, implementation, and annual review of the Company's risk management system, including assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity;
- reviews the financial reporting process of the Company;
- discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
- reviews and assesses the independence of the external auditor.
- reviews with the external auditor any audit problems and the Company's critical accounting policies and practices.

Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the Board.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Practices have been established to ensure:

- prior Board approval is obtained for capital expenditure and revenue commitments above specified thresholds and limits as determined by the Board from time to time;
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

15. The Board has received from management an assurance that internal risk management and the internal control system is effective; and assurance from the Managing Director that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in respect to financial reporting risks.

16. Due to the small number of executives, the Company does not have a remuneration committee. The functions normally carried out by such a committee are currently handled by the whole Board.



## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

17. The remuneration policy, which sets the terms and conditions for the Chairman and other senior executives has been approved by the Board.

All executives receive fees and also may receive performance incentives in the form of shares. The Board reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies.

Executives may be entitled to participate in shares issued under the employee share plan.

Options may be issued to Directors and company executives as part of their remuneration. Its purpose is to provide Directors and company executives with an opportunity to share in the potential growth in value of the Company's shares and to encourage them to improve the performance of the Company and its return to shareholders.

The amount of remuneration of all Directors and executives, including all monetary and non-monetary components, is detailed in the Director's Report. All remuneration paid and shares issued to executives are valued at a cost to the Company and expensed.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 30 June 2013**

	Note	30 June 2013	30 June 2012
		\$	\$
<b>Revenue from continuing operations</b>	5	<b>1,681,818</b>	1,653,349
Other income	6	<b>66,441</b>	342,530
Cost of sales	7	<b>(168,231)</b>	(564,855)
Marketing expenses		<b>(402,599)</b>	(228,100)
Consultants expenses		<b>(1,346,327)</b>	(1,288,146)
Occupancy expenses	7	<b>(483,328)</b>	(354,105)
Professional fees		<b>(492,927)</b>	(166,347)
Administration expenses		<b>(471,271)</b>	(422,477)
Employment expenses		<b>(1,341,821)</b>	(934,712)
Corporate expenses		<b>(104,558)</b>	(90,951)
Depreciation and amortisation expense	7	<b>(46,472)</b>	(38,489)
Legal expenses		<b>(537,382)</b>	(94,154)
Finance (costs)/income	7	<b>(1,036,698)</b>	21,347
Impairment of goodwill	7	-	(141,792)
Impairment of available for sale financial assets	7	-	(657,491)
Impairment of Exploration Expenditure	7	<b>(20,474)</b>	-
Other expenses		<b>(81,195)</b>	(9,669)
Loss on disposal of fixed assets		<b>(1,054)</b>	-
Gain on loss of control over subsidiaries	7	<b>298,087</b>	24,535,698
Impairment of investment in associates	7	<b>(23,436,226)</b>	-
Share of net loss of associates	7	<b>(2,834,772)</b>	(173,076)
<b>(Loss)/Profit before income tax</b>		<b>(30,758,989)</b>	21,388,560
Income tax expense		<b>219,214</b>	(219,214)
<b>(Loss)/Profit for the year</b>		<b>(30,539,775)</b>	21,169,346
(Loss)/Profit is attributable to:			
Members of the parent entity		<b>(30,505,915)</b>	21,243,999
Non-controlling interest		<b>(33,860)</b>	(74,653)
		<b>(30,539,775)</b>	21,169,346
<b>Other Comprehensive income/(expense)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign currency		<b>270,736</b>	153,518
Reclassification of reserve for available-for-sale financial assets to profit or loss		<b>1,372,944</b>	(1,372,944)
<b>Other Comprehensive Income/(Expense) for the year</b>		<b>1,643,680</b>	(1,219,426)
<b>Total Comprehensive (Loss)/Profit for the year</b>		<b>(28,896,095)</b>	19,949,920
Total Comprehensive (loss)/profit for the year is attributable to:			
Members of the parent entity		<b>(28,862,235)</b>	20,024,573
Non-controlling interest		<b>(33,860)</b>	(74,653)
		<b>(28,896,095)</b>	19,949,920
<b>(Loss)/Earnings per share for (Loss)/Profit attribute to the ordinary equity holders of the Company:</b>			
Basic (cents per share)	34	<b>(9.82)</b>	6.88
Diluted (cents per share)	34	<b>(9.82)</b>	6.88

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	30 June 2013 \$	30 June 2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	2,410,257	7,103,469
Trade and other receivables	10	236,558	755,678
Held-for-distribution investment	11	-	14,015,555
Other current assets	12	86,797	87,464
<b>Total current assets</b>		<b>2,733,612</b>	21,962,166
<b>Non-current assets</b>			
Other receivables	13	197,545	159,616
Plant and equipment	14	115,120	128,028
Investments accounted for using the equity method	15	8,468,075	5,974,127
Available-for-sale financial asset	16	-	2,296,505
Mining exploration and evaluation expenditure	17	1,360,093	657,272
<b>Total non-current assets</b>		<b>10,140,833</b>	9,215,548
<b>Total assets</b>		<b>12,874,445</b>	31,177,714
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	1,910,549	1,745,715
Borrowings	19	9,775,931	-
Provisions	20	28,836	13,480
<b>Total current liabilities</b>		<b>11,715,316</b>	1,759,195
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	-	219,214
<b>Total non-current liabilities</b>		<b>-</b>	219,214
<b>Total liabilities</b>		<b>11,715,316</b>	1,978,409
<b>Net assets</b>		<b>1,159,129</b>	29,199,305
<b>EQUITY</b>			
Contributed equity	21	55,282,933	54,583,282
Reserves	22	4,352,626	2,932,944
Accumulated losses	22	(58,701,419)	(28,195,504)
Capital and reserves attributable to members of the parent entity		934,140	29,320,722
Non-controlling interest	23	224,989	(121,417)
<b>Total equity</b>		<b>1,159,129</b>	29,199,305

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 30 June 2013**

	Note	Contributed equity	Reserves	Accumulated losses	Total	Non- controlling interest	Total equity
		\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>		<b>54,258,787</b>	<b>4,152,370</b>	<b>(49,439,503)</b>	<b>8,971,654</b>	<b>(303,832)</b>	<b>8,667,822</b>
Profit for the year		-	-	21,243,999	21,243,999	(74,653)	21,169,346
Exchange differences on translation of foreign currency		-	153,518	-	153,518	-	153,518
Fair value change in available-for-sale financial assets	22	-	(1,372,944)	-	(1,372,944)	-	(1,372,944)
<b>Total comprehensive profit for the year</b>		<b>-</b>	<b>(1,219,426)</b>	<b>21,243,999</b>	<b>20,024,573</b>	<b>(74,653)</b>	<b>19,949,920</b>
<b>Transaction with owners in their capacity as owners:</b>							
Contributions of equity, net of transaction costs	21	1,880,000	-	-	1,880,000	-	1,880,000
Share buy-back	21	(1,555,505)	-	-	(1,555,505)	-	(1,555,505)
Non-controlling interest	23	-	-	-	-	257,068	257,068
		324,495	-	-	324,495	257,068	581,563
<b>Balance at 30 June 2012</b>		<b>54,583,282</b>	<b>2,932,944</b>	<b>(28,195,504)</b>	<b>29,320,722</b>	<b>(121,417)</b>	<b>29,199,305</b>
<b>Balance at 1 July 2012</b>		<b>54,583,282</b>	<b>2,932,944</b>	<b>(28,195,504)</b>	<b>29,320,722</b>	<b>(121,417)</b>	<b>29,199,305</b>
(Loss) for the year		-	-	(30,505,915)	(30,505,915)	(33,860)	(30,539,775)
Exchange differences on translation of foreign currency		-	270,736	-	270,736	-	270,736
Reclassification of reserves for available-for-sale financial assets to profit or loss	22(a)	-	1,372,944	-	1,372,944	-	1,372,944
<b>Total comprehensive (loss) for the year</b>		<b>-</b>	<b>1,643,680</b>	<b>(30,505,915)</b>	<b>(28,862,235)</b>	<b>(33,860)</b>	<b>(28,896,095)</b>
<b>Transaction with owners in their capacity as owners:</b>							
Contributions of equity, net of transaction costs		1,045,000	-	-	1,045,000	-	1,045,000
Share buy-back		(345,349)	-	-	(345,349)	-	(345,349)
Acquisition of shares in subsidiary from non-controlling interests	22(a)	-	(223,998)	-	(223,998)	-	(223,998)
Non-controlling interest		-	-	-	-	380,266	380,266
		699,651	(223,998)	-	475,653	380,266	855,919
<b>Balance at 30 June 2013</b>		<b>55,282,933</b>	<b>4,352,626</b>	<b>(58,701,419)</b>	<b>934,140</b>	<b>224,989</b>	<b>1,159,129</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 30 June 2013**

	Note	30 June 2013	30 June 2012
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,947,756	1,646,727
Payments to suppliers and employees		(5,582,952)	(5,258,185)
Interest received		65,960	341,562
<b>Net cash outflow from operating activities</b>	32	<b>(3,569,236)</b>	<b>(3,269,896)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration expenditure		(213,608)	(578,347)
Payment for PP&E		(26,712)	(55,079)
Investment in associates		(12,751,110)	-
Investment in available-for-sale financial asset		-	(3,669,449)
Investment in subsidiaries		(75,000)	234
Proceeds from disposal of subsidiary		600,000	4,628,188
Payment for acquisition of subsidiary, net of cash acquired (note 24)		1,501,960	-
Loan to related parties		-	(311,069)
Repayment of loans by related parties		124,800	4,982,892
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(10,839,670)</b>	<b>4,997,370</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		9,000,000	-
Repayment of borrowings		-	(1,000,000)
Net proceeds from share issue		1,045,000	1,870,723
Payment for share buyback		(345,349)	(1,546,227)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>9,699,651</b>	<b>(675,504)</b>
Net (decrease)/increase in cash held		<b>(4,709,255)</b>	<b>1,051,970</b>
Cash and cash equivalents at the beginning of the financial year		<b>7,103,469</b>	<b>5,888,769</b>
Effect of exchange rate changes on cash and cash equivalents		<b>16,043</b>	<b>162,730</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>2,410,257</b>	<b>7,103,469</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of ASF Group Limited and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. ASF Group Limited is a for-profit entity for the purpose of preparing the financial statements.

#### Going concern

For the year ended 30 June 2013, the consolidated entity incurred a loss after income tax of \$30,539,775 and had net assets of \$1,159,129 at balance date compared with \$29,199,305 at 30 June 2012. Net current liabilities at balance date were \$8,981,704.

This net current liability balance arises because of the requirement to classify Star Diamond Developments Limited convertible loan as a current liability, as at balance date the terms of the loan were such that the loan expired within 12 months from balance date. Post year end the Group entered into an amended deed effective on 28 August 2013 for the Convertible Loan such that the loan maturity date has been extended to 30 September 2014. The Directors also consider that under the existing terms of the Convertible Loan, the Company in its sole election can satisfy the repayment of the loan and accrued interest by issuing new shares of the Company and/or of its subsidiaries and/or of investments held by such subsidiaries.

The mineral exploration industry faced adverse market conditions throughout the year. This factor impacted materially on the traded prices of securities of listed exploration companies and on the carrying values of exploration assets on the Group's consolidated balance sheet, and contributed to impairments referred to in this report. Although the Group is still planning to undertake exploration activities on its various tenements, it has currently only budgeted for those amounts that the financial position of the Group allows. Consistent with the nature of the Group's activities, its ongoing investment of funds into exploration projects, will only be possible as and when sufficient funds are available to the Group.

The continuing viability of the Group to continue as a going concern and to meet its commitments as and when they fall due is dependent upon on, or a combination of, the following factors and alternatives:

- (a) Raising additional equity funding in future to fund its activities. The Group has a good track record at raising equity. As of the date of this report the Company raised \$3 million by the placement of the Company's shares to a professional investor.
- (b) The Company anticipates that an increase in ASF Capital's transaction-based revenue will occur in the current financial year but the Directors recognise the speculative nature of these transactional opportunities and accordingly are not placing undue reliance upon a material increase in the occurrence of such inflows.
- (c) The Company also anticipates improved operating revenues in the current year but in the event that this does not materialise the Company would reduce its overhead costs.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe the Group has sufficient funds to settle its debts as and when they become due and payable.

On that basis, the Directors have prepared the financial report on a going concern basis.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2013. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

#### *(i) Compliance with IFRS*

The consolidated financial statements of the ASF Group Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *(ii) New and amended standards adopted by the Group*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements effective 1 July 2012* now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

In addition, the adoption of the revised AASB 124 *Related Party Disclosures* resulted in the disclosure of additional related party transactions and required the restatement of some comparative information in note 29.

#### *(iii) Early adoption of standards*

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(iv) Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

### *(v) Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

## **(b) Principles of consolidation**

### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ASF Group Limited ("company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. ASF Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

### *(ii) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### *(iii) Changes in ownership interests*

The Group treats transactions with non controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of ASF Group Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board which is the chief operating decision maker of the Group. The board is responsible for allocating resources and assessing performance of the operating segments.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is ASF Group Limited's functional and presentation currency.

#### (ii) Transactions and balance

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

#### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### (i) Resources trading

Revenue from the resources trading is recognised when the mineral resources are shipped and the vessel is departed from the port.

#### (ii) Commission revenue

Commission revenue from the sale of properties is recognised when a contract is exchanged and settlement has taken place.

#### (iii) Corporate services

Revenue from corporate services is recognised in the accounting period in which the services are rendered.

#### (iv) Fund management and advisory services

Revenue from fund management and advisory services is recognised in the accounting period in which the services are rendered.

#### (v) Interest income

Interest income is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ASF Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (g) Mining exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Exploration and evaluation expenditure assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount the impairment loss will be measured and disclosed in accordance with the Group's impairment policy note (j).

### (h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 28(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

As at 30 June 2013, there is no goodwill or intangible assets on the Group's Statement of Financial Position.

### (j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### (l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (m) Investments and other financial assets

#### *Classification*

The group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets and held-for-distribution investment. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Investments and other financial assets (continued)

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and other receivables (note 13) in the balance sheet.

#### (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

#### (iii) Available-for-sale financial assets

Available-for-sale financial assets comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium or long term.

#### (iv) Held-for-distribution investment

The held-for-distribution investment comprised the value of shares in ASF Resources Limited ("ASFR") which were intended to be distributed to shareholder by way of *in specie* distribution within 12 months of the end of the prior reporting period.

#### Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date-the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

#### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2(d).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Investments and other financial assets (continued)

#### **Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### *(i) Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit and loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit and loss.

Impairment testing of trade receivables is described in note 1(l).

#### *(ii) Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

### (n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is provided on plant and equipment and leasehold improvements. Depreciation is calculated on a diminishing value basis over the useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

Plant & equipment	25% - 37.5%
Leasehold improvements	37.5%
Motor vehicles	20.0%

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 (note 1(j)).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### (o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (r) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Employee benefits (continued)

#### (iii) Retirement benefit obligations

Contributions to superannuation funds by the consolidated entity are expensed in the year they are paid or become payable.

#### (iv) Share-based payments

Share-based compensation benefits are provided to employees via the ASF Group employee share scheme. Information relating to these schemes is set out in note 35.

Under the employee share scheme, shares issued by ASF Group Limited to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

### (s) 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.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of ASF Group Limited as treasury shares until the shares are cancelled or reissued.

### (t) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year (note 34).

#### (ii) Diluted earnings per share

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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flows.

### (v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, 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)* (effective from 1 January 2015) AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

The Group does not expect this to have a significant impact.

\*In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) New accounting standards and interpretations (continued)

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

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

There will be no impact on any of the amounts recognised in the financial statements as the Group does not have 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 investment.

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. There will be no impact on any of the amounts recognised in the financial statements as the Group does not have any joint ventures.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not expect the new standard to have a significant impact.

(iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013) In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) 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. There will be no impact on any of the amounts recognised in the financial statements as the Group does not have any defined benefit liabilities/assets.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (w) Parent entity financial information

The financial information for the parent entity, ASF Group Limited, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of ASF Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

#### (ii) Tax consolidation legislation

ASF Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, ASF Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

## 2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program, which is monitored by the board of directors on a continuing basis, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the board of directors. The Board and management provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

The Group holds the following financial instruments:

	2013 \$	2012 \$
<b>Financial assets</b>		
Cash and cash equivalents	2,410,257	7,103,469
Trade and other receivables	236,558	755,678
Available-for-sale financial assets	-	2,296,505
	<u>2,646,815</u>	<u>10,155,652</u>
<b>Financial liabilities</b>		
Trade and other payables	1,910,549	1,745,715
Borrowings	9,775,931	-
	<u>11,686,480</u>	<u>1,745,715</u>

### (a) Market risk

#### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK\$ (Hong Kong currency). However the exposure is limited due to the size of transactions in these foreign currencies.

The foreign exchange exposure is not hedged.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2013		30 June 2012	
	HK\$ in A\$		HK\$ in A\$	
	HK\$	A\$	HK\$	A\$
Cash	2,877,969	406,315	6,299,562	799,396
Trade and other receivables	315,305	44,515	424,798	53,905
Other non-current receivables	283,068	39,964	192,562	24,436
Trade and other payables	(1,651,079)	(233,101)	(3,650,218)	(463,202)
<b>Total net exposure</b>	<u>1,825,263</u>	<u>257,693</u>	<u>3,266,704</u>	<u>414,535</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 FINANCIAL RISK MANAGEMENT (continued)

#### *Sensitivity*

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% against the HK\$ with all other variables held constant, the Group's post-tax loss for the year would have been \$28,633 lower/\$23,427 higher (2012 – post-tax profit of \$46,059 higher/\$37,685 lower), mainly as a result of foreign exchange gains/losses on translation of HK\$ denominated financial instruments as detailed in the above table. The group's exposure to other foreign exchange movements is not material.

#### (ii) *Price risk*

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the balance sheet as available-for-sale financial assets or at fair value through profit or loss. The Group is not exposed to commodity price risk.

#### (iii) *Cash flow and fair value interest rate risk*

The Group has issued a convertible loan to fund its investment activities in mining sector during the financial year (refer to note 19 for more details of the loan). The loan is classified as a current liability and carried at its amortised cost as at 30 June 2013. The interest rate chargeable to the loan is fixed at 1% per month.

#### (b) **Credit risk**

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

For some trade receivables the Group may also obtain security in the form of letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

	2013 \$	2012 \$
<b>Cash at bank and short-term bank deposits</b>		
AAA	2,410,257	7,103,469
<b>Trade and other receivables</b>	236,558	755,678
	<b>2,646,815</b>	<b>7,859,147</b>

#### (c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits at call of \$2,410,257 (2012 – \$7,103,469) that are expected to readily generate cash inflows for managing liquidity risk.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

#### *Financing arrangements*

The Group has a convertible loan facility of \$10 million which can be converted into either one or a combination of an issue of the Company's new shares or into new shares of the Company's subsidiaries or investments held by such subsidiaries. As at 30 June 2013, a total of \$9 million of the loan facility has been drawdown. There is a fixed interest rate of 1% per month and will be settled when the loan matures.

Contractual maturities of financial liabilities	Less than 1 year	Between 2-5 years	Total contractual cashflows	Carrying Amount
	\$	\$	\$	\$
<b>At 30 June 2013</b>				
<b>Non-derivatives</b>				
Borrowing	-	9,775,931	9,775,931	9,775,931
Trade payables	1,910,549	-	1,910,549	1,910,549
	1,910,549	9,775,931	11,686,480	11,686,480
<b>At 30 June 2012</b>				
<b>Non-derivatives</b>				
Trade payables	1,745,715	-	1,745,715	1,745,715
	1,745,715	-	1,745,715	1,745,715

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 FINANCIAL RISK MANAGEMENT (continued)

#### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets measured and recognised at fair value at 30 June 2013 and 30 June 2012:

	Level 1	Level 2	Level 3
	\$	\$	\$
<b>At 30 June 2013</b>			
<b>Assets</b>			
Available-for-sale financial assets	-	-	-
Held-for-distribution investment	-	-	-
	-	-	-
	Level 1	Level 2	Level 3
	\$	\$	\$
<b>At 30 June 2012</b>			
<b>Assets</b>			
Available-for-sale financial assets	<b>2,296,505</b>	-	-
Held-for-distribution investment	-	-	<b>14,015,555</b>
	<b>2,296,505</b>	-	<b>14,015,555</b>

The investments in Rey Resources Limited and ActivEX Limited were reclassified from Available-for-sale financial assets to Associates during the year. Please refer to note 15.

Upon completion of buy-back of 45% interest in ASFR held by Longluck, the Company is no longer required under the Shareholder Deed to demerge ASFR by way of *in specie* distribution. Please refer to note 11.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Income tax

The Company is subject to income taxes in Australia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the normal course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company'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.

The Company's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences are recognised based on management's estimates of future income.

#### (ii) Capitalisation of mining tenements and exploration expenditure

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises direct costs plus overhead expenditure incurred which can be directly attributable to the development process.

All expenditure incurred prior to the commencement of commercial levels of production from each area of interest is carried forward to the extent which recoupment out of revenue to be derived from the sale of production from the area of interest, or by its sale, is reasonably assured.

This process necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether economically viable extraction operations can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is written off to profit or loss.

Expenditure on existing mining tenements have been fully capitalised as per note 17.

#### (iii) Impairment of investments in associates

In 2013, the Group made significant judgements about the impairment of a number of its investments in associates. The Group follows the guidance of AASB 136 Impairment of Assets to determine when an investment is impaired. This determination requires significant judgement. In making this judgement the Group evaluates the outlook of the investee, including factors such as industry performance and likely prospectivity of underlying exploration and evaluation assets.

### 4 SEGMENT INFORMATION

#### (a) Description of segments

Management has determined the operating segments based on the reports received by the Board that are used to make strategic decision. The Board considers the business from both a business and geographic perspective.

#### (b) Segment information – operating segments

The segment information provided to the Board for the year ended 30 June 2013 is as follows:

30 June 2013	Property marketing and services	Mineral and resources	Resources trading	Corporate services	Fund management and advisory services	Total
	\$	\$	\$	\$	\$	\$
Segment revenue						
Sales	347,738	-	-	1,130,251	203,829	1,681,818
Other income	59	1,047	54	64,894	387	66,441
Gain on loss of control over subsidiary	-	298,087	-	-	-	298,087
Total segment revenue	347,797	299,134	54	1,195,145	204,216	2,046,346
Depreciation and amortisation	-	(731)	(295)	(45,357)	(89)	(46,472)
Finance costs	(276)	(628)	(13,194)	(1,022,300)	(300)	(1,036,698)
Impairment of exploration assets	-	(20,474)	-	-	-	(20,474)
Impairment of investment in associate	-	(23,436,226)	-	-	-	(23,436,226)
Share of loss from associate	-	(2,834,772)	-	-	-	(2,834,772)
Segment result	(209,774)	(23,485,344)	(117,885)	(6,726,078)	(694)	(30,539,775)
Segment assets	149,785	10,821,565	65,785	1,604,403	232,907	12,874,445
Segment liabilities	33,402	254,782	22,366	11,386,933	17,833	11,715,316

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (b) Segment information – operating segments (continued)

30 June 2012						
Segment revenue						
Sales	836,734	-	-	811,615	5,000	1,653,349
Other income	41	1,177	69	339,353	1,890	342,530
Gain on loss of control over subsidiaries	-	-	-	24,535,698	-	24,535,698
Total segment revenue	836,775	1,177	69	25,686,666	6,890	26,531,577
Depreciation and amortisation	-	-	(393)	(37,986)	(110)	(38,489)
Finance costs	(291)	(1,279)	29,313	(6,059)	(337)	21,347
Share of loss from associate	-	(173,076)	-	-	-	(173,076)
Segment result	44,631	24,629,941	11,694	(3,278,234)	(238,686)	21,169,346
Segment assets	203,572	2,584,897	851,298	27,488,852	49,095	31,177,714
Segment liabilities	70,071	2,865	-	1,864,055	41,418	1,978,409

### (c) Segment information – geographical segments

	Segment revenues from sales to external customers		Segment assets	
	2013	2012	2013	2012
	\$	\$	\$	\$
Australia	1,007,844	1,163,681	12,363,654	28,742,043
China	673,974	489,668	510,791	2,435,671
TOTAL	1,681,818	1,653,349	12,874,445	31,177,714

### (d) Other segment information

Revenue for property marketing and services represents commission income received from the sale of properties owned by customers in Australia.

Revenue for corporate services mainly represents corporate fees charged to other subsidiaries. The corporate fees were based on the estimation of time spent and works undertaken by the management of the Group.

The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Revenues from external customers are derived from property marketing and services, provision of corporate advisory services and fund management and advisory services.

## 5 REVENUE

	2013	2012
	\$	\$
<b>Revenue from continuing operations</b>		
- Commission revenue	347,738	836,734
- Corporate services	1,130,251	811,615
- Fund management and advisory service	203,829	5,000
	<b>1,681,818</b>	<b>1,653,349</b>

Major revenue includes corporate service fee received from associates and commission income on marketing of property projects including Breakfast Point, Inmark and Hyde Park Residence.

## 6 OTHER INCOME

	2013	2012
	\$	\$
Interest received	65,960	341,563
Others	481	967
	<b>66,441</b>	<b>342,530</b>

The comparative for gain on loss of control of subsidiary has been restated and disclosed as a separate line item on the face of the income statement.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7 EXPENSES

	2013	2012
	\$	\$
<b>(Loss)/Profit before income tax includes the following specific expenses:</b>		
Cost of sales	168,231	564,855
Occupancy expenses	483,328	354,105
Depreciation expense	46,472	38,489
Finance costs/(income)	1,036,698	(21,347)
Impairment of goodwill	-	141,792
Impairment of available for sale financial assets	-	657,491
Impairment of exploration expenditure	20,474	-
Gain on loss of control over subsidiaries	(298,087)	(24,535,698)
Share of loss of associates		
- China Coal Resources Pty Ltd	50,912	55,381
- Kaili International Resource Ltd	313,676	42,469
- Rey Resources Limited	1,349,348	-
- ActivEX Limited	635,262	-
- ASF Resources Limited	485,574	75,226
Impairment of investment in associates (note 15)		
- China Coal Resources Pty Ltd	669,723	-
- Kaili International Resource Ltd	1,423,375	-
- Rey Resources Limited	6,470,652	-
- ASF Resources Limited	14,872,476	-

## 8 INCOME TAX

### (a) Tax losses

As at 30 June 2013, the Company has estimated unutilised tax losses of \$7,636,463 (2012: \$3,718,466) available for offsetting against future taxable income subject to relevant Tax legislation. The deferred income tax benefit on these unutilised tax losses has not been recognised in the financial statements as the realisation is not certain.

### (b) Tax consolidation legislation

ASF Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(f).

## 9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2013	2012
	\$	\$
Cash at bank and in hand	2,410,257	7,103,469
<b>Total cash and cash equivalents</b>	<b>2,410,257</b>	<b>7,103,469</b>

### (a) Interest rate exposure

The Group's exposure to interest rate risk is disclosed in Note 2(a)(iii).

## 10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2013	2012
	\$	\$
Trade receivables	166,298	394,502
Other receivables	70,260	361,176
	<b>236,558</b>	<b>755,678</b>

### (a) Impaired trade receivables

As at 30 June 2013, no trade receivables were impaired (2012: Nil).

### (b) Past due but not impaired

As at 30 June 2013, no trade receivables were past due but not impaired (2012: Nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

#### (c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

#### (d) Foreign exchange and interest rate risk

Information about the Group's exposure to interest rate risk in relation to trade and other receivables is disclosed in Note 2(a)(i).

#### (e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of other receivables mentioned above. Refer to Note 2(b) for further information on the risk management policy of the Group and the credit quality of the entity's trade receivables and other receivables.

### 11 CURRENT ASSETS – INVESTMENT HELD FOR DISTRIBUTION

	2013 \$	2012 \$
Investment held for distribution	-	14,015,555

Upon completion of buy-back of 45% interest in ASFR held by Longluck, the Company is no longer required under the Shareholder Deed to demerge ASFR by way of *in specie* distribution.

### 12 CURRENT ASSETS – OTHER CURRENT ASSETS

	2013 \$	2012 \$
Prepayments	85,547	74,647
Other assets	1,250	12,817
	<b>86,797</b>	<b>87,464</b>

### 13 NON-CURRENT ASSETS – OTHER RECEIVABLES

	2013 \$	2012 \$
Deposits	197,545	159,616
	<b>197,545</b>	<b>159,616</b>

### 14 NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Plant & Equipment \$	Leasehold Improvements \$	Motor Vehicles \$	TOTAL \$
<b>At 1 July 2011</b>				
Cost	89,407	134,632	54,545	278,584
Accumulated depreciation	(47,526)	(114,010)	(1,345)	(162,881)
Net book amount	41,881	20,622	53,200	115,703
<b>Year ended 30 June 2012</b>				
Opening net book amount	41,881	20,622	53,200	115,703
Deconsolidation of subsidiary	(5,053)	-	-	(5,053)
Additions	55,079	-	-	55,079
Disposals	-	-	-	-
Depreciation charge	(20,448)	(7,401)	(10,640)	(38,489)
Exchange difference	547	241	-	788
Closing net book amount	72,006	13,462	42,560	128,028
<b>At 30 June 2012</b>				
Cost	135,354	135,116	54,545	325,015
Accumulated depreciation	(63,348)	(121,654)	(11,985)	(196,987)
Net book amount	72,006	13,462	42,560	128,028

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 NON-CURRENT ASSETS – PLANT AND EQUIPMENT (continued)

	Plant & Equipment	Leasehold Improvements	Motor Vehicles	TOTAL
	\$	\$	\$	\$
<b>Year ended 30 June 2013</b>				
Opening net book amount	72,006	13,462	42,560	128,028
Acquisition of subsidiary	5,915	-	-	5,915
Additions	14,892	11,820	-	26,712
Disposals	(1,054)	-	-	(1,054)
Depreciation charge	(29,793)	(8,167)	(8,512)	(46,472)
Exchange difference	1,563	428	-	1,991
Closing net book amount	63,529	17,543	34,048	115,120
<b>At 30 June 2013</b>				
Cost	164,918	148,161	54,545	367,624
Accumulated depreciation	(101,389)	(130,618)	(20,497)	(252,504)
Net book amount	63,529	17,543	34,048	115,120

### 15 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2013 \$	2012 \$
Shares in associates:		
<i>Unlisted securities</i> <sup>(a)</sup>		
China Coal Resources Pty Ltd (“CCR”)	502,778	1,223,413
ASF Resources Ltd (“ASFR”)	-	3,213,663
Kailli International Resource Ltd (“Kailli”)	-	1,537,051
<i>Listed securities</i> <sup>(b)</sup>		
Rey Resources Limited (“Rey”)	5,980,000	-
ActivEX Limited (“AIV”)	1,985,297	-
	<b>8,468,075</b>	<b>5,974,127</b>

#### (a) Unlisted securities

In July 2012, China Coal Geology Engineering Corporation (“CCGEC”) increased in stakes in CCR by subscribing 800,000 new ordinary shares representing 20% of the enlarged issued capital of CCR for \$600,000 and, as a consequence, CCGEC is now holding 75% interest in CCR.

As a result of impairment tests performed at year end, an impairment of investments in Kailli and CCR of approximately \$2 million in total was recognised in profit and loss.

In June 2013, ASFR entered into a Share Buy-back Deed with Longluck whereby ASFR acquired and cancelled the shares of ASFR held by Longluck for the sum of \$5.5 million as consideration. The buy-back was completed on 21 June 2013 and the Shareholders’ Deed and the Company’s obligations pursuant to it came to an end. At balance date ASFR was owned ultimately 89% by the Company. As a result, ASFR became a subsidiary of the group and it was no longer accounted as an investment in associate since then. An impairment of investment in ASFR of approximately \$15 million was recognised in profit and loss (see note 7).

#### (b) Listed securities

In June 2012, ASF Canning Basin Energy Pty Ltd, a wholly owned subsidiary of the Company, entered into two subscription agreements with Rey for the subscriptions of 115 million shares in the capital of Rey by two tranches at \$0.12 per share. The first subscription of 25 million shares occurred on 18 June 2012 while the second subscription of 90 million shares for \$10.8 million were allotted on 11 September 2012 upon approval by Rey’s shareholders at its general meeting held on 6 September 2012. The Company now holds a relevant interest of approximately 20.51% in the issued capital of Rey.

ASF Gold and Copper Pty Ltd (“ASFGC”), a wholly owned subsidiary of the Company, acquired through two private placements an equity interest of 19.9% in AIV during 2012. On 13 May 2013 ASFGC announced an on-market takeover bid for AIV which closed on 28 June 2013 at which time ASFGC’s holding was 42.75% of the issued share capital of AIV. The aggregate amount spent on acquisition of AIV during the year was approximately \$2 million.

As the Company has nominated two directors to the board of both Rey and AIV, the Company is regarded as having significant influence over these companies under the Australian Accounting Standards. The investments in Rey and AIV were accordingly reclassified as associates of the Company and equity accounted.

On 30 June 2013, due to the existence of certain indicators of impairment in associates, the company performed an impairment test accordingly. As a result, approximately \$6.5 million arising from the provision of impairment of investment in Rey to its fair value was recognised for the year ended 30 June 2013.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

#### (a) Summarised financial information of associates

The Group's share of the results of its principal associate and its aggregated assets and liabilities are as follows:

	Group's share of				
	Ownership Interest %	Assets \$	Liabilities \$	Revenues \$	Profit/ (loss) \$
<b>2013</b>					
China Coal Resources Pty Ltd	25	508,772	5,993	-	(50,912)
Kaili International Resource Ltd	20	469,340	431,831	4,820	(313,676)
Rey Resources Limited	20.51	8,245,840	208,792	-	(1,349,348)
ActivEX Limited	42.75	2,668,974	118,594	-	(635,262)
<b>2012</b>					
China Coal Resources Pty Ltd	45	765,824	39,182	-	(55,381)
ASF Resources Ltd	9.25	1,225,100	36,300	-	(75,226)
Kaili International Resource Ltd	20	201,388	202,085	-	(42,469)

### 16 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSET

	2013 \$	2012 \$
Investment in ActivEX Limited	-	421,505
Investment in Rey Resources Limited	-	1,875,000
	-	2,296,505

Rey and AIV were reclassified as associates during the year. Refer to note 15 above.

### 17 NON-CURRENT ASSETS – MINING EXPLORATION AND EVALUATION EXPENDITURE

	2013 \$	2012 \$	2011 \$
Exploration and evaluation expenditure	1,360,093	657,272	2,848,516

As at 30 June 2013, the Group has interests in eight tenements in Western Australia of which six are held by ASFR, two are held by ASF Resources (WA) Pty Ltd. Tenements E04/1428 and E04/1435 reached their eighth anniversary date in April 2013, E04/1670 and E04/1774 reached their third anniversary date in October 2012 and E04/1887 also reached its third anniversary date in April 2013. E04/1886 also reached its second anniversary date in October 2012. E04/2146 was granted in June 2012 and therefore reached its first anniversary date. E04/2147 was granted in October 2012. E04/1512 was relinquished in March 2013.

The Tasmanian tenement EL14/2007 is held by ASF Metals Pty Ltd, a wholly owned subsidiary of the Company, reached its sixth anniversary date in July 2013. This tenement also reached expiry date in July 2013; a renewal application has been lodged and is still in progress.

The Group currently has interests in two tenements in Queensland. Tenement EPC 1508 under ASF Coal Pty Ltd reached its fourth anniversary date in May 2013 and EPC 2210 held by Victory Coal Pty Ltd reached its second anniversary date in January 2013.

During the year, the Group sold two Tasmanian tenements EL23/2011 and EL44/2011 and two Queensland Tenement EPC 1506 and EPC 1539 to Profit Achieve Holdings Limited.

No penalties were imposed on any of the tenements in 2012/13 and no penalties are envisaged for the current year.

Minimum expenditure requirements for the 2013/14 financial year for all the tenements of ASF Group amount to \$665,260. Refer to note 28 below.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17 NON-CURRENT ASSETS – MINING EXPLORATION AND EVALUATION EXPENDITURE (continued)

Movement of mining exploration and evaluation expenditure:

	\$
Balance 1 July	657,272
Addition	213,608
Acquisition of ASF Resources Limited (note 24)	780,000
Impairment	(20,474)
Disposal of subsidiaries	<u>(270,313)</u>
Balance 30 June	<u>1,360,093</u>

### 18 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2013	2012
	\$	\$
Trade payables	350,208	45,789
Sundry payables and accrued expenses	<u>1,560,341</u>	1,699,926
	<u>1,910,549</u>	<u>1,745,715</u>

#### (a) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in Note 2.

### 19 CURRENT LIABILITIES – BORROWINGS

	2013	2012
	\$	\$
Borrowings	<u>9,775,931</u>	-
	<u>9,775,931</u>	-

The Company entered into a Loan Agreement with Star Diamond on 23 August 2012 pursuant to which Star Diamond agreed to grant a Convertible Loan Facility of \$7 million which can be converted into either one or a combination of the Company's shares or into new shares of the Company's subsidiaries or investments held by such subsidiaries. The Convertible Loan Facility was subsequently increased to \$10 million and the expiry date extended to 30 September 2014. Borrowings at balance date represented \$9 million of loan principal and \$0.77 million of accrued interest.

#### (a) Risk exposure

Information about the Group's and the parent entity's exposure to liquidity risk is provided in Note 2

### 20 CURRENT LIABILITIES – PROVISIONS

	2013	2012
	\$	\$
Employee benefits	<u>28,836</u>	13,480
	<u>28,836</u>	<u>13,480</u>

#### (a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits relates to accrued annual leave. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for this obligation. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2013	2012
	\$	\$
Leave obligations expected to be settled after 12 months	<u>1,308</u>	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 CONTRIBUTED EQUITY

	Notes	2013 Shares	2012 Shares	2013 \$	2012 \$
Fully paid ordinary shares	(a), (b)	295,824,532	292,403,709	55,282,933	54,583,282

#### (a) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	\$
1 July 2011	Opening balance		291,324,401		54,258,787
27 April 2012	Share placement		10,000,000	0.20	1,880,000
March-June 2012	Shares bought back on-market and cancelled		(8,920,692)		(1,555,505)
30 June 2012	Balance		292,403,709		54,583,282
4 March 2013	Share placement		5,000,000	0.22	1,045,000
July 2012-June 2013	Shares bought back on-market and cancelled		(1,579,177)		(345,349)
30 June 2013	Balance		295,824,532		55,282,933

#### (b) Ordinary shares

A total of 17,467,645 ordinary shares representing an aggregate amount of \$2,235,261 were issued as share based payments in prior years which had been classified as share based payments reserve. Refer to note 22 below.

On 16 February 2012, the Company announced a share buy-back proposal pursuant to which the Company is able to purchase on the ASX market up to 10% of its issued shares within 12 months from 2 March 2012. The buy-back proposal was thereafter extended for another 12 months from 15 March 2013. The Company had repurchased a total of 1,579,177 shares during the financial year ended 30 June 2013.

On 4 March 2013, the Company raised new capital of \$1.0 million by the placement of 5.0 million fully paid ordinary shares of the Company to a professional investor at an issue price of \$0.22 per share. The shares issued under the placement are subject to a voluntary escrow agreement with the Company restricting their transfer for a period of 12 months from the date of issue.

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

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

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

#### (c) Capital risk management

The Group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide reasonable returns for shareholders and benefits for other stakeholders and to maintain a capital structure that minimises the cost of capital to the extent achievable.

In order to maintain or adjust the capital structure, the Group may issue new shares to raise funds in the equity market, farmout interests in its tenement licences to fund exploration expenditure, sell assets and reduce debt.

There were no changes to the Group's approach to capital management during the year.

### 22 RESERVES AND ACCUMULATED LOSSES

#### (a) Reserves

	2013 \$	2012 \$
Share based payments	2,235,261	2,235,261
Foreign currency translation	334,922	64,186
Transactions with non-controlling interests	1,782,443	2,006,441
Revaluation reserve	-	(1,372,944)
	<b>4,352,626</b>	<b>2,932,944</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22 RESERVES AND ACCUMULATED LOSSES (continued)

#### (a) Reserves (continued)

	2013 \$	2012 \$
<b>Movements:</b>		
<i>Share-based payments</i>		
Balance 1 July	2,235,261	2,235,261
Balance 30 June	2,235,261	2,235,261
<i>Foreign currency translation</i>		
Balance 1 July	64,186	(89,332)
Exchange differences on translation of foreign currency	270,736	153,518
Balance 30 June	334,922	64,186
<i>Transactions with non-controlling interests</i>		
Balance 1 July	2,006,441	2,006,441
Acquisition of shares in subsidiary from non-controlling interests	(223,998)	-
Balance 30 June	1,782,443	2,006,441
<i>Revaluation reserve</i>		
Balance 1 July	(1,372,944)	-
Revaluation of available-for-sale financial assets	-	(1,372,944)
Transfer to profit or loss	1,372,944	-
Balance 30 June	-	(1,372,944)

#### (b) Accumulated losses

	2013 \$	2012 \$
Balance 1 July	(28,195,504)	(49,439,503)
Net (loss)/profit for the year	(30,505,915)	21,243,999
Balance 30 June	(58,701,419)	(28,195,504)

### 23 NON-CONTROLLING INTERESTS

	2013 \$	2012 \$
Interest in:		
Share capital	-	-
Retained earnings	224,989	(121,417)
	224,989	(121,417)

### 24 ACQUISITION OF ASSETS

#### (a) Summary of acquisition

As a result of the share buy-back referred to note 15, the Group acquired control of ASFR. No purchase consideration was paid by the Group for the ASFR buy-back as it was funded from the internal cash resources of ASFR.

The assets and liabilities recognised as a result of the acquisition are as follows:		\$
Cash and cash equivalents		1,501,960
Other receivables (GST paid)		18,461
Plant and equipment (net of depreciation)		5,915
Other financial assets (guarantee)		48,000
Other non-current assets (exploration and development costs)		780,000
Trade creditors		(216,068)
Other payables		(35,832)
		2,102,436
Less: non-controlling interest		(231,268)
		1,871,168

#### (b) Purchase consideration – cash inflow

Inflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration		-
Cash acquired		1,501,960
Inflow of cash – investing activities		1,501,960

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25 KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Key management personnel compensation

	2013 \$	2012 \$
Short-term employee benefits	931,696	930,041
Superannuation	24,502	37,665
	<b>956,198</b>	<b>967,706</b>

Details of key management personnel remuneration are included in the remuneration report on pages 12-16.

Directors may be classified as employees or contractors depending on their employment arrangement and contracts.

#### (b) Shareholdings

The number of shares in the company held during the financial year by each director of ASF Group Limited including their related parties are set out below.

2013		Balance at start of the year		Received during the year	Other changes during the year	Balance at end of the year	
Name	Notes	Direct Interests	Indirect Interests			Direct Interests	Indirect Interests
<b>Directors of ASF Group Limited</b>							
Min Yang	1	286,500	41,620,000	-	-	286,500	41,620,000
David Fang		10,000	-	-	-	10,000	-
Nga Fong Lau		13,678,000	-	-	-	13,678,000	-
Geoff Baker	2	-	5,234,517	-	-	-	5,234,517
Alan Humphris		1,700,000	-	-	-	1,700,000	-
Wai Seng Ho		8,583,333	-	-	-	8,583,333	-
Xin Zhang	3	-	40,000,000	-	-	-	40,000,000
		24,257,833	86,854,517	-	-	24,257,833	86,854,517
<b>2012</b>							
2012		Balance at start of the year		Received during the year	Other changes during the year	Balance at end of the year	
Name	Notes	Direct Interests	Indirect Interests			Direct Interests	Indirect Interests
<b>Directors of ASF Group Limited</b>							
Min Yang	1	286,500	41,620,000	-	-	286,500	41,620,000
David Fang		10,000	-	-	-	10,000	-
Nga Fong Lau		13,678,000	-	-	-	13,678,000	-
Geoff Baker	2	-	5,234,517	-	-	-	5,234,517
Alan Humphris		1,700,000	-	-	-	1,700,000	-
Wai Seng Ho		8,583,333	-	-	-	8,583,333	-
Xin Zhang	3	-	40,000,000	-	-	-	40,000,000
<b>Other key management personnel of the Group</b>							
Wei Jin		1,510,138	-	-	-	1,510,138	-
		25,767,971	86,854,517	-	-	25,767,971	86,854,517

Notes:

- (1) The indirect interests represented 41,620,000 shares held by FY Holdings Limited which is jointly controlled by Ms Min Yang and Mr David Fang.
- (2) The indirect interests represented 5,234,517 shares held by Gold Star Industry Ltd which is controlled by Mr Geoff Baker.
- (3) The indirect interests represented 40,000,000 shares held by Suntimes International Limited which is controlled by Mr Xin Zhang.

#### (c) Other transactions with key management personnel

Rent paid on the operating lease of the Head Office of the Group of A\$196,743 was paid to SPC Investments Pty Ltd, an entity in which the director, Ms Min Yang, has beneficial interest. The rent is payable under a lease signed with SPC Investments on 30 March 2012 with a term of 3 years from 1 April 2012 to 31 March 2015 (Note 28(b)).

Commissions on property sales of A\$13,625 and HK\$119,731 (equivalent to A\$14,820) were paid to Sino Property Network Ltd, an entity in which the director, Ms Min Yang, has beneficial interest.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

#### (c) Other transactions with key management personnel (continued)

Consulting fees of A\$114,000 were paid to Gold Star Industry Ltd, an entity in which the director, Mr Geoff Baker, has beneficial interest.

The Company acquired the remaining 25% shareholding interest ASF Capital Pty Ltd from Mr Alan Humphris and his associates for \$75,000.

Consulting fees of A\$72,000 were paid to Balmoral Development Corporation Pty Ltd which is controlled by the spouse of Mr Alan Humphris.

Aggregate amounts of each of the above types of other transactions with key management personnel of ASF Group Limited:

	2013 \$	2012 \$
<b>Amounts recognised as expense</b>		
Rent paid on operating lease	196,743	187,374
Commission, referral and marketing fees on property sales	28,445	96,782
Consulting fees	186,000	332,369
	<u>411,188</u>	<u>616,525</u>

The terms and conditions of the above transactions are no more favourable than those which it is reasonable to expect would have been adopted if dealing with an unrelated individual at arm's length in the same circumstances.

### 26 REMUNERATION OF AUDITORS

	2013 \$	2012 \$
<b>(a) PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	356,181	136,341
Total remuneration for audit and other assurance services	<u>356,181</u>	<u>136,341</u>
Total remuneration of PricewaterhouseCoopers	<u>356,181</u>	<u>136,341</u>
<b>(b) Non-PricewaterhouseCoopers audit firm</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	10,923	12,463
Total remuneration for audit and other assurance services	<u>10,923</u>	<u>12,463</u>
<i>Taxation services</i>		
Tax compliance services	4,000	12,900
Tax consulting and advice	69,171	11,215
Total remuneration for taxation services	<u>73,171</u>	<u>24,115</u>
Total remuneration of non-PricewaterhouseCoopers audit firm	<u>84,094</u>	<u>36,578</u>
<b>Total auditors' remuneration</b>	<u>440,275</u>	<u>172,919</u>

### 27 CONTINGENT LIABILITIES

There were no contingent liabilities at balance sheet date.

### 28 COMMITMENTS

#### (a) Capital commitments

The Company's subsidiaries, ASF Resources Limited, ASF Resources (WA) Pty Ltd, ASF Metals Pty Ltd, ASF Coal Pty Ltd, Victory Coal Pty Ltd and Basin Coal Pty Ltd hold exploration licenses for tenements in Western Australia, Tasmania, Queensland and Victoria the terms of which require minimum annual expenditure as a condition of these licences.

	2013 \$	2012 \$
Minimum expenditure requirements	<u>665,260</u>	<u>853,568</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28 COMMITMENTS (continued)

#### (b) Non-cancellable operating leases

The Group leases its Sydney Head Office. The lease was signed on 31 March 2009 and is non-cancellable with a 3 years term with rent payable monthly in advance. The lease expired on 31 March 2012 and was renewed for another term of three years. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 5% per annum.

	2013 \$	2012 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	206,580	196,743
Later than one year but not later than five years	160,673	367,253
	<b>367,253</b>	<b>563,996</b>

### 29 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### (a) Parent entity

The parent entity within the Group is ASF Group Limited.

#### (b) Subsidiaries

Interests in subsidiaries are set out in Note 30.

#### (c) Key management personnel

Disclosures relating to key management personnel are set out in Note 25.

#### (d) Transaction with related entities

Other than the disclosures relating to transaction with key management personnel set out in Note 25, the Group's transaction with related parties are disclosed as below:

- corporate service fee of \$144,000 was paid by ASF Kaili Resource Pty Ltd to ASF Corporate Pty Ltd;
- corporate service fee of \$210,685 was paid by ASF Resources Limited to ASF Corporate Pty Ltd;
- corporate service fee of \$161,619 was paid by ASF Resources Limited to ASF China Holdings Ltd;
- a share placement fee of \$23,051 was paid by ActivEX Limited to ASF Capital Pty Ltd; and
- a share placement fee of \$151,250 was payable by Rey Resources Limited to ASF Capital Pty Ltd.

### 30 SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

#### (a) Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2013 %	2012 %
ASF Canning Pty Ltd	Australia	Ordinary	100%	-
ASF Canning Basin Energy Pty Ltd	Australia	Ordinary	100%	100%
ASF Capital Pty Ltd	Australia	Ordinary	100%	75%
ASF China Holdings Limited	BVI	Ordinary	100%	100%
ASF China Property Fund Pty Ltd	Australia	Ordinary	100%	100%
ASF Coal Pty Ltd	Australia	Ordinary	100%	100%
ASF Corporate Pty Ltd	Australia	Ordinary	100%	100%
ASF Energy Pty Ltd	Australia	Ordinary	100%	100%
ASF Gold and Copper Pty Ltd	Australia	Ordinary	100%	100%
ASF (Hong Kong) Ltd	Hong Kong	Ordinary	100%	100%
ASF Infrastructure Group Pty Ltd	Australia	Ordinary	100%	100%
ASF Metals Pty Ltd	Australia	Ordinary	100%	100%
ASF Properties Pty Ltd	Australia	Ordinary	100%	100%
ASF Resources Ltd **	Australia	Ordinary	89%	48.95%
ASF Resources (WA) Pty Ltd	Australia	Ordinary	100%	100%
ASF Technologies Ltd	Hong Kong	Ordinary	80%	80%
Aushome China Pty Ltd	Australia	Ordinary	100%	100%
Basin Coal Pty Ltd	Australia	Ordinary	100%	100%
Victory Coal Pty Ltd	Australia	Ordinary	100%	100%

\* The proportion of ownership interest is equal to the proportion of voting power held.

\*\* Upon completion of the buy-back from Longluck of 45% interest in ASFR on 21 June 2013, the Company is now interested in 89% of ASFR.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30 SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

#### (b) Transactions with non-controlling interests

During the year, the Company acquired the remaining 25% shareholding interest in ASF Balmoral Pty Ltd (currently known as ASF Capital Pty Ltd) from Mr Alan Humphris (a non-executive director of the Company) and his associates for \$75,000. The effect of changes in the ownership interest of ASF Capital Pty Ltd on the equity attributable to owners of ASF Group Limited during the year is summarised as follows:

	2013 \$	2012 \$
Carrying amount of non-controlling interests acquired	(148,998)	-
Consideration paid for the non-controlling interests	75,000	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(223,998)	-

There were no transactions with non-controlling interests in 2012.

### 31 EVENTS OCCURRING AFTER THE REPORT PERIOD

The maturity date of the convertible loans granted by Star Diamond Developments Limited has been extended to 30 September 2014.

The Company raised new capital of \$3.0 million by the placement of 13,636,364 fully paid ordinary shares of the Company to a professional investor at an issue price of \$0.22 per share. The first tranche of 10,545,222 were issued and allotted on 10 September 2013 and the balance of 3,091,142 shares were issued and allotted on 30 September 2013 upon receipt of the relevant subscription monies.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### 32 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 \$	2012 \$
(Loss)/Profit for the year	(30,505,915)	21,243,999
Gain on loss of control over subsidiaries	(298,087)	(24,535,698)
Impairment of goodwill	-	141,792
Impairment of available for sale financial assets	-	657,491
Impairment of investment in associates	23,436,226	-
Impairment of exploration expenditure	20,475	-
Loss on disposal of plant and equipment	1,054	-
Depreciation and amortisation	46,472	38,489
Share of loss of associates	2,834,772	173,076
Income tax expenses	(219,214)	219,214
Change in operating assets and liabilities		
Decrease/(Increase) in receivables	129,058	52,085
(Decrease)/Increase in payables	(46,291)	(1,214,489)
Finance cost	1,032,214	(45,855)
Net cash (outflow) from operating activities	(3,569,236)	(3,269,896)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 33 PARENT ENTITY FINANCIAL INFORMATION

#### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2013 \$	30 June 2012 \$
<b>Balance Sheet</b>		
Current assets	17,068,766	9,146,148
Non-current assets	3,467,220	19,895,308
Total assets	<u>20,535,986</u>	<u>29,041,456</u>
Current liabilities	12,521,872	960,000
Non-current liabilities	-	219,214
Total liabilities	<u>12,521,872</u>	<u>1,179,214</u>
Net assets	<u>8,014,114</u>	<u>27,862,242</u>
<i>Shareholders' equity</i>		
Issued capital	55,282,933	54,583,282
Reserves	10,235	(237,709)
Share based payment reserve	2,235,261	2,235,261
Retained losses	(49,514,315)	(28,718,592)
Total equity	<u>8,014,114</u>	<u>27,862,242</u>
<b>(Loss)/profit for the year</b>	<b>(20,795,722)</b>	19,157,731
Exchange differences on translation of foreign operations	-	153,518
<b>Total comprehensive (loss)/profit</b>	<b>(20,795,722)</b>	19,311,249

#### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

### 34 (LOSS)/EARNINGS PER SHARE

	2013 Cents	2012 Cents
Basic (loss)/earning per share	<u>(9.82)</u>	6.88
Diluted (loss)/earning per share	<u>(9.82)</u>	6.88

#### Reconciliations of earnings used in calculating earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:-

	2013 \$	2012 \$
Earnings (i)	<u>(30,505,915)</u>	21,243,999
Weighted average number of ordinary shares	<u>310,552,466</u>	308,848,130

(i) Earnings used in the calculation of basic and diluted earnings per share are net (loss)/profit after tax attributable to members of the parent entity as per the income statement.

(ii) At balance sheet date there were no potential shares and therefore no dilutive shares.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35 SHARE-BASED PAYMENTS

#### (a) Employee share plan

An employee share plan (the "Plan") under which shares may be issued by the Company to employees was approved by shareholders at the annual general meeting held on 8 November 2007. The terms of the Plan are summarised below:

- (i) The Board may in its discretion invite any directors, executives, managers, consultants, officers or employees to apply for shares or rights in the Company pursuant to the Plan. These shares or rights will be issued on such terms and conditions prescribed by the Board in accordance with the terms of the Plan.
- (ii) The Company may not invite participation in the Plan other than in accordance with the requirements of the Corporations Act or by fulfilling the conditions and requirements of an applicable exemption from the Corporations Act.
- (iii) Shares or rights will be subject to such escrow requirement as may be imposed by the ASX, but otherwise listing of shares will be subject to policy adopted by the directors.
- (iv) The Plan may be amended by the Board subject to the ASX Listing Rules, the Corporations Act and all other applicable laws.

During the year ended 30 June 2013, no shares were issued under the Plan.

#### (b) Expenses arising from share-based payment transactions

During the year ended 30 June 2013, no shares were issued as share-based payment expenses (2012: Nil).

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 24 to 55 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chairman and finance manager who performs a chief financial officer function required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Min Yang  
Chairman

Sydney  
30 September 2013



## **Independent auditor's report to the members of ASF Group Ltd**

### ***Report on the financial report***

We have audited the accompanying financial report of ASF Group Ltd (the company), which comprises the consolidated balance sheet as at 30 June 2013, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for ASF Group Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



### *Auditor's opinion*

In our opinion:

- (a) the financial report of ASF Group Ltd is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1(a) to the financial report, which comments on the ongoing funding requirements of the consolidated entity. These conditions, along with the other matters set out in Note 1(a) indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

### ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 12 to 16 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of ASF Group Ltd for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over a faint, larger version of the same text.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Jane Reilly'.

Jane Reilly  
Partner

Sydney  
30 September 2013

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 September 2013.

## A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Number of ordinary shareholders
1 – 1,000	1,425
1,001 – 5,000	1,112
5,001 – 10,000	404
10,001 – 100,000	445
100,001 – and over	93
	3,479

There are 2,044 holders holding less than a marketable parcel based on the market price at 26 September 2013.

## B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
FY HOLDINGS LIMITED	41,620,000	12.860
SUNTIMES INTERNATIONAL LTD	40,000,000	12.359
LI ZHEN	29,159,008	9.010
NGA FONG LAO	13,678,000	4.226
WELL SMART CAPITAL HOLDINGS (BVI 1557182)	12,000,000	3.708
RISING GAIN HOLDINGS LIMITED	10,890,000	3.365
JIANYING WANG *	10,545,222	3.258
BETTER FUTURE CAPITAL INVESTMENT LIMITED	10,000,000	3.090
GLORY RESOURCES INTERNATIONAL INVESTMENT LIMITED	10,000,000	3.090
RUITONG WANG	10,000,000	3.090
MR JIANZHONG YANG	10,000,000	3.090
FOREVER GRAND GROUP LIMITED	9,816,666	3.033
XING MAO LIMITED	8,640,515	2.670
WAI SANG HO	8,583,333	2.652
YING BIAO HUANG	7,200,000	2.225
STAND MORAL INTERNATIONAL LIMITED	7,141,909	2.207
GOLD STAR INDUSTRY LIMITED	5,150,000	1.591
MR YIMING DU & MS LI CHEN **	5,000,000	1.545
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,860,939	1.502
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	4,778,226	1.476
	259,063,818	80.047

\* under escrow until 27 September 2014

\*\* under escrow until 4 March 2014

## C. Substantial holders

Substantial holders in the Company are set out below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
FY HOLDINGS LIMITED	41,620,000	12.860
SUNTIMES INTERNATIONAL LTD	40,000,000	12.359
LI ZHEN	29,159,008	9.010

## D. Voting right

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