

**AFT CORPORATION LIMITED**

**ABN 33 004 701 062**

**And Controlled Entities**

**Annual Report**

**For the Financial Year**

**Ended 31 December 2013**

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

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and Controlled Entities

**CORPORATE INFORMATION**

|                           |   |
|---------------------------|---|
| <b>Directors:</b>         | Stone Wang – Executive Director<br>John Zhang – Executive Director<br>Neil Bourne – Non Executive Director  |
| <b>Secretary:</b>         | Maurice Watson  |
| <b>Registered Office:</b> | Unit 7, 6-8 Herbert St,<br>St Leonards, New South Wales 2065  |
| <b>Auditors:</b>          | Hayes Knight (NSW) Pty Ltd<br>Level 2, 115 Pitt St<br>Sydney, NSW, 2000   |
| <b>ASX Home Branch:</b>   | Australian Securities Exchange<br>2, The Esplanade<br>Perth, WA, 6000   |
| <b>Bankers:</b>           | ANZ Banking Group Limited<br>Cnr King & George Streets<br>Sydney, NSW, 2000<br><br>HSBC Bank Australia<br>28 Bridge Street<br>Sydney, NSW, 2000<br><br>National Australia Bank<br>Level 15, Ernst & Young Building<br>680 George Street,<br>Sydney NSW 2000 |
| <b>Share Registry:</b>    | Registries Limited<br>Level 7, 207 Kent Street<br>Sydney, NSW, 2000<br>Telephone: (02) 9290 9600, Facsimile: (02) 9279 0664   |
| <b>Solicitors:</b>        | Juris Bridge<br>Suite 1104, Level 11 265 Castlereagh Street<br>Sydney, NSW, 2000  |

**EXECUTIVE DIRECTOR'S REVIEW**

**The Year in Perspective**

Dear Shareholders,

The last 18 months have been a time of rebuilding for AFT Corporation Ltd. With the fall in prices and margin in the solar panel distribution business over the last 2 years, the board has undertaken a review and redirection of the business strategy of the group.

AFT has moved from being solely a solar panel distribution business into a broader energy solutions business. How necessary this has been is demonstrated by the fact that in the 2013 year, the group sold the same number of solar panels through its distribution business as it did in 2012, but for almost half the revenue and the corresponding impact on gross margin.

The strategy to broaden to an energy solutions business has seen AFT develop the capacity for the design and sale of complete solar power systems and the provision of customer finance to help facilitate the sales process.

The reliance on a solar panel distribution business also meant that AFT was reliant on the sales and marketing efforts of third parties often selling to residential users. Through our regional operations AFT has a direct influence on the sales and marketing effort and changed the focus to commercial users rather than residential.

AFT through its subsidiary Artemis Energy Solutions (AES), has been working throughout 2013 to develop this business model. And this has borne fruit in the second half of the year. Commercial projects are larger in size than residential projects but also have longer lead times as they go through a more diligent cost benefit analysis before committing to the installation. Commercial projects also have a larger gross margin than residential projects.

AES Lismore, our first regional operation in NSW has generated revenues of \$875,000 in the last four months of 2013 and produced a net profit. It has demonstrated to the board that the model does work and is now ready for expansion.

Shareholders are encouraged to visit our website [www.aes-au.com](http://www.aes-au.com). The website under the "projects" tab shows a number of completed projects in the regional Australia. This provides details and photos of the projects and the reports that AES uses to monitor the performance of each solar power installation.

AES uses these maintenance reports to determine if the installation is working optimally and where needed, AES can send a technician in the make any necessary adjustments to the system. The reports also show the power and energy being produced, the CO2 avoided and the total yield on a daily, monthly, annual and total basis.

The board and management team are excited by the results of the AES Lismore business and now plan to expand this model into other regional areas.

**The future**

With this change in the direction of the business towards the end of 2013, AFT has restructured its operations and is now focusing its additional resources into the expansion of the commercial and regional business.

The short term plan is to establish two additional regional operations based on the AES Lismore successful model over the coming months with the objective of having 10 regional operations by the end of calendar year 2015.

To achieve this objective the company will need additional capital to both develop the regional operations and also to provide the funding for the finance facility provided to customers. The board has been working actively to secure this additional capital in the first half of 2014.

The board has enormous confidence in renewable energy sector, especially solar power solutions. Around the world in major markets such as the US and China there has been a significant growth in the investment in solar power.



**EXECUTIVE DIRECTOR'S REVIEW**

In Australia we have also seen a dramatic increase of investment in solar power in both commercial and utility applications. In 2013 year there has been almost a doubling of investment both in terms of the total number of installed projects and in terms of installed capacity (MW) when compared to 2012. The board sees this as a great opportunity for AFT and its subsidiaries.

The last two years has been a time of investment to rebuild a viable business, and the board is confident that the next 18 months will produce a significant turnaround in the financial performance of the group.

I would like to ask all shareholders for their support and assistance in rebuilding the fortunes of AFT Corporation Ltd during 2014

Yours sincerely,



Stone Wang  
CEO and Managing Director

**CORPORATE GOVERNANCE STATEMENT**

**Corporate Governance**

The Board of Directors of AFT Corporation Ltd has adopted the following set of principles for the corporate governance of the Company and its controlled entities ("the Group"). The Board believes that, throughout the 2013 financial year and to the date of this report, it has complied with Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations except as noted below. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

**ASX Best Practice Recommendations**

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a group considers that a recommendation is inappropriate having regard to its particular circumstances, the group has the flexibility not to follow it. Where a group has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

Details have been included at the end of this statement setting out the ASX Best Practice Recommendations with which the Group has and has not complied in the reporting period.

Details of the Group's corporate governance practices in the relevant reporting period are set out below.

**The Board of Directors**

**Role of the Board**

The primary responsibilities of the Board include:

- The establishment of the long term goals of the Group and strategic plans to achieve those goals.
- Monitoring the achievement of those goals; the review of management accounts and reports to monitor the progress of the Group.
- The review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance.
- The review and approval of the annual and half-year financial reports.
- Nominating and monitoring the external auditor.
- Approving all significant business transactions.
- Appointing and monitoring senior management.
- All remuneration, development and succession issues.
- Ensuring that the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis. Of necessity, because of the size and scope of the Group's operations there is a substantial overlap between Board and management functions in all entities within the AFT Group.



**CORPORATE GOVERNANCE STATEMENT**

**Board Composition**

The Directors' report contains details of the directors' skills, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence. Therefore, the Board has an appropriate mix of commercial and industry experience.

The Board comprises three directors. Details of the Directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The majority of the shareholders must approve the selection of the directors.

**Retirement and Re-election of Directors**

The Constitution of the Company requires one third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

**Independence of Directors**

The Board has reviewed the position and association of each of the three directors in office at the date of this report and considers that None of the directors is independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

Mr Stone Wang and Mr John Zhang's directorships are held in an executive capacity by the Group.

**Independent Professional Advice**

With the prior approval of the Board, each director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

**Board Performance Review**

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Group has not conducted a performance evaluation of the members of the Board during the reporting period, however the Board conducts a review of the performance of the Group against budgeted targets on an ongoing basis.

**CORPORATE GOVERNANCE STATEMENT**

**Directors' Remuneration**

Details of the Group's remuneration policies are included in the Remuneration Report section of the Directors' Report.

Non-executive directors will be remunerated by cash benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration and no termination payments will be agreed other than the period of notice of termination as detailed in the executive's employment contract. Equity-based remuneration to executives is approved by shareholders.

**Managing Business Risk**

The Group maintains policies and practices designed to identify and manage significant business risks, including:

- Regular budgeting and financial reporting; procedures and policy controls to manage financial exposures and operational risks.
- The Group's business plan which is revised annually.
- Corporate strategy guidelines and procedures to review and approve the Group's strategic plans.
- Insurance and risk management programmes which are reviewed periodically by the Board.

The Board reviews these systems and the effectiveness of their implementation regularly and considers the management of risk at its meetings as an ongoing function of the Board. The Group's risk profile is, as a consequence, reviewed regularly. The Board may consult with the Group's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Managing Director annually provides a formal statement to the Board that in all material respects and to the best of his knowledge and belief. The Group's financial report presents a true and fair view of the Group's financial condition and operational results and is in accordance with relevant accounting standards; and the Group's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

**Internal Controls**

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- Ensure appropriate follow-up of significant audit findings and risk areas identified.
- Review the scope of the external audit to align it with Board requirements.
- Conduct a detailed review of published accounts.

**Audit Committee**

Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. However, meetings are held throughout the year between the Managing Director, members of the board individually, the full board and the Group's auditors to discuss the Group's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice.

The Board has not formalised any procedures for the selection, appointment or rotation of its external auditor but reviews this matter on an ongoing basis and implements changes as required.



**CORPORATE GOVERNANCE STATEMENT**

**Ethical Standards**

The Directors are committed to establishing and maintaining practices throughout the AFT Group to maintain confidence in the Group's integrity. Public ownership corporate governance principles and controls are applied. All relevant policies are directed towards fair and ethical dealings with suppliers, customers and other stakeholders. All related party relationships are carefully monitored and disclosed and conflicts of interest dealt with appropriately.

**Trading in the Group's Securities by Directors and Employees**

Directors and employees are prohibited by law from dealing in the Group's securities whilst in possession of price sensitive information and all directors and employees are aware of this, and their obligations and responsibilities in relation to disclosure through the ASX of changes in director's shareholdings.

**Continuous Disclosure**

The Group's policies and procedures on continuous disclosure are designed to ensure that the Group and the Board comply with ASX Listing Rule requirements on disclosure. The procedure adopted by the Group is essentially that any information which may need to be disclosed is considered by the Managing Director and or individual Directors and any other appropriate personnel to determine whether disclosure is required. If an announcement is required it is made within the timeframe required under the ASX Listing Rule on disclosure. The written policy of the Group is as follows.

**Directors have the duty to immediately notify the ASX of material information**

The Group's policies require that all directors ensure compliance with continuous disclosure of the Corporations Act 2001. As such, once a director becomes aware of such information he/she needs to consult with other board members and forward the information to the secretary within 24 hours for disclosure with the ASX.

The ASX listing rules require companies to disclose to the market any information that might have a material effect on the company's share price.

There are however exceptions to this requirement and the rule and exceptions are as follows:

**General Rule – listing rule 3.1**

Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.

**Exceptions**

Listing rule 3.1 does not apply to particular information while all of the following are satisfied.

3.1A.1: A reasonable person would not expect the information to be disclosed.

3.1A.2: The information is confidential and ASX has not formed the view that the information has ceased to be confidential.

3.1A.3: One or more of the following applies.

- It would be a breach of law to disclose the information.
- The information concerns an incomplete proposal or negotiation.
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure.
- The information is generated for the internal management purposes of the entity.
- The information is a trade secret.

CORPORATE GOVERNANCE STATEMENT

**Shareholders**

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Group. Information is communicated to shareholders as follows:

- As the Group is a disclosing entity, regular announcements are made to the Australian Stock Exchange in accordance with the Group's continuous disclosure policy, including half-year reviewed accounts, year end audited accounts and an annual report.
- The Board ensures the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.
- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry.
- Any proposed major changes in the Group's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001.
- The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group.
- The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

**ASX Best Practice Recommendations**

Pursuant to the ASX Listing Rules, the Group details the extent to which it does comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council:

- Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.  
The role of the Board and its primary responsibilities are set out above.
- Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.  
The review process is disclosed above. The Group does not have a formal review process in place as two of the directors are executives and they comprise the entire management team.
- Recommendation 2.1: A majority of the Board should be independent directors.  
None of the Directors satisfies the test of independence. Mr Stone Wang and Mr John Zhang are both currently fulfilling an executive role and Mr Neil Bourne is a retired executive of AFT. Given the nature and size of the Group, its business interests and the stage of development, the Board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the Directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders. If a conflict of interest arises, the Director concerned abstains from any voting and absents himself from the discussion.
- Recommendation 2.2: The Chair should be an independent director.  
Due to the size of the Group, the number of executives and employees, the board does not view that a separate Chairperson warranted. The role of Chairperson is filled by Mr Stone Wang.



CORPORATE GOVERNANCE STATEMENT

- Recommendation 2.3: The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

The role of Chair and Chief Executive Officer is fulfilled by Mr Stone Wang. Given the size of the Group, the number of executives and employees the Board does not view a separation of the roles as warranted. As a matter of policy, key decisions are reviewed with Mr John Zhang and Mr Neil Bourne, both Board Members.

- Recommendation 2.4: The Board should establish a Nomination Committee.

The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances.

- Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

This is disclosed in the notes above. The executive directors are assessed against the performance of the Group against budget on an ongoing basis. Due to the current size of the Group and its financial position no other criteria is deemed necessary by the board in measuring board or individuals' performance.

- Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to :

- The practices necessary to maintain confidence in the Group's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders.
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

No formal code of conduct has been established as to practice necessary to maintain confidence in the Group's integrity or as to reporting and investigating unethical practices. Due to the size of the Group, it is not considered that a code of conduct or reporting guide is yet necessary.

- Recommendation 3.2: Diversity Policy

Listed entities should establish a policy concerning diversity.

The policy or a summary of that is to be disclosed.

The policy should include a requirement for the board to:

Establish measurable objectives for gender diversity:

Assess annually the objectives set for achieving gender diversity ; and

Assess annually the progress made towards achieving the objectives set.

- Recommendation 3.3: Annual reporting on proportion of women:

Listed entities should disclose in each annual report the measurable objectives set by the board in accordance with the diversity policy. Listed entities should disclose in each annual report the progress made towards achieving the objectives that have been set.

CORPORATE GOVERNANCE STATEMENT

- Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

In relation to recommendations 3.2 to 3.4, the company has a total of 13 full time and part-time employees. There were 5 full time or part time female employees. There were no women in senior executive positions or on the board. Due the size of the company the board recognises that it is difficult to achieve gender diversity across all areas of the company's workforce.

However, the board has a policy not to discriminate against any person on the basis of gender.

- Recommendation 3.5: Guide to reporting on Principal 3

Listed entities should provide the information indicated in the Guide to reporting on Principle 3.

An explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4, or 3.5 should be included in the Corporate Governance statement in the Annual Report.

Any applicable code of conduct, and the diversity policy, or a summary of them, should be made publicly available, ideally on the entity's website in a clearly marked "Corporate Governance" section.

- Recommendation 4.1: The Board should establish an Audit Committee.
- Recommendation 4.2: Structure of the Audit Committee so that it consists of:
  - Only Non-Executive Directors;
  - A majority of Independent Directors;
  - An independent Chairperson, who is not chairperson of the Board;
  - At least three members.

- Recommendation 4.3 The Audit Committee should have a formal charter.

In relation to recommendations 4.1 to 4.3, the functions to be performed by an audit committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. As there are only 3 Board members, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, nor is it possible at this stage to comply with Recommendation 4.2. However, meetings are held between the Board and the auditors throughout the year to discuss the Group's ongoing activities, to discuss any proposed changes prior to their implementation, and to seek advice in relation thereto. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances.

- Recommendation 5.1: Companies should 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.

The Company's policy on continuous disclosure is included on the preceding pages.

- Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Group's communication policy is set out above and reflects policies that were in place during the reporting year.

As set out above, the Board has established policies on risk oversight and management.



CORPORATE GOVERNANCE STATEMENT

- Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

These policies are disclosed above.

- Recommendation 7.2: The Board should 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.

The Group's risk management and internal compliance and control system is being operated and supervised by the executive directors and so they have direct knowledge of the management of material business risks.

- Recommendation 7.3: The Board should 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 respects in relation financial reporting risks.

The board has received this assurance from the Managing Director.

- Recommendation 8.1: The Board should establish a Remuneration Committee
- Recommendation 8.2: The remuneration committee should be structured so that it:
  - Consists of a majority of independent directors
  - Is chaired by an independent chair
  - Has at least three members

- In relation to recommendations 8.1 and 8.2, the functions performed by a remuneration committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances.

- Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The distinction between non-executive and executive remuneration is detailed above.

**AFT CORPORATION LIMITED - ABN 33 004 701 062**

**and Controlled Entities**

**DIRECTORS' REPORT**

The Board of Directors of AFT Corporation Ltd has pleasure in submitting its report on the Company and its controlled entities (the "Group" or the "Consolidated Entity") in respect of the financial year ended 31 December 2013.

**Directors and Company Secretary**

The names of directors in office at any time during or since the end of the financial year and until the date of this report are:

| <b>Name</b> | <b>Role</b>            | <b>Date of Appointment</b> |
|-------------|------------------------|----------------------------|
| Stone Wang  | Executive Director     | 21 December 2007           |
| John Zhang  | Executive Director     | 6 April 2009               |
| Neil Bourne | Non-Executive Director | 14 February 2007           |

Mr Stone Wang graduated as a Master of Science from University of Sydney. He has extensive experience in business in both Australia and China. Mr Stone Wang does not hold any directorships in other listed companies and is currently the Chief Executive Officer and Chairman of the Group.

Mr John Zhang was educated in China at the Guangdong Foreign Trade College and has extensive experience in import/export between Australia and China. He worked in a public listed company in Hong Kong and has been residing in Australia for 10 years. Mr John Zhang does not hold any directorships in listed companies. He is currently an executive director of the group.

Mr Neil Bourne holds a Masters in Business Administration and Bachelor of Science in Electronic Engineering. Mr Neil Bourne does not hold any directorships in listed companies.

**Company Secretary**

Maurice Watson – CA

Maurice Watson is a member of the Institute of Chartered Accountants and has been in public practice as a principal for 18 years.

**Directors' Interest in Equity Instruments**

Relevant interests of the Directors in the shares and options of the Group, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, as at 31 December 2013, are:

| <b>Name</b> | <b>Ordinary Shares Number</b> |                    | <b>Unlisted Options over Ordinary Shares Number</b> |                    |
|-------------|-------------------------------|--------------------|---|--------------------|
|             | <b>1 Jan 2013</b>             | <b>31 Dec 2013</b> | <b>1 Jan 2013</b>                                   | <b>31 Dec 2013</b> |
| Stone Wang  | 613,405,340                   | 613,405,340        | -   | 240,000,000        |
| Neil Bourne | 40,000,000                    | 40,000,000         | -   | -                  |
| John Zhang  | -                             | -                  | -   | -                  |

## and Controlled Entities

## DIRECTORS' REPORT

**Directors' Meetings**

During the year, there were 7 meetings of directors, and 0 circulating resolutions pursuant to the Group's Constitution.

The attendance of directors was as follows:

|             | Held | Eligible | Attended |
|-------------|------|----------|----------|
| Stone Wang  | 7    | 7        | 7        |
| John Zhang  | 7    | 7        | 7        |
| Neil Bourne | 7    | 7        | 7        |

As at the date of this report, the Company does not have a separately constituted audit committee. The Company is not of a size, nor are the affairs of a complexity, sufficient to warrant the existence of a separate audit committee. All matters, which could be delegated to such a committee, are dealt with by the full Board.

**Principal Activity**

The principal activity of the Consolidated Entity during the year was the marketing and sales of solar panel products by Artemis Building Systems Pty Ltd, and supporting new developments with project finance under leasing and energy sale contracts through its subsidiary Artemis Energy Solutions.

**Operating Results**

The result for the financial year ended 31 December 2013 after income tax is a Loss of \$1,390,848.

**Dividends**

Since the end of the previous financial year, no dividends have been paid or declared by the Group, and the directors of the Group recommend that no dividend be provided for the year ended 31 December 2013.



## Review of Operations

During the 2013 year the company has restructured its activities in the solar photovoltaic sector. AFT Corporation Ltd through its subsidiary Artemis Building Systems (ABS) has scaled back its activities in retail and wholesale supply in order to concentrate on commercial design and implementation projects with a particular focus on regional markets

AFT is focussing on the development of new commercial and utility scale solar PV projects working in partnership with local installation companies based in regional Australia. Through its subsidiary Artemis Energy Solution (AES) AFT is selectively supporting new developments with project finance under leasing and energy sale contracts. During 2013, a range of commercial projects were delivered under both 'upfront customer purchase' and AFT-financed Hire Purchase Agreements (HPA). AFT now has a strong pipeline of projects awaiting construction, and is currently seeking additional capital to accelerate the growth of this business.

Outside of Australia, AFT is partnering with Guangri Group Limited (GRP [www.guangrigroup.com](http://www.guangrigroup.com)) a major Chinese state owned entity based in Guangzhou. The AFT/GRP joint venture has been exploring opportunities to promote AFT solar leasing projects in Chinese market, whilst this venture is yet to deliver results our presence in China is helping us develop a range of relationships that we anticipate will benefit the Company in 2014 in its expansion plans.

## Financial Position

The net assets of the consolidated entity have decreased by \$1,338,708 from 31 December 2012 to \$1,732,574 in 2013. The decrease is largely due to the operating loss of \$1,390,848.

## Risk Management

Procedures have been established by the Board to ensure the Company's risk management and internal compliance and control system continues to operate efficiently and effectively in all material respects.

## Significant Changes in State of Affairs

The following matters significantly affected the state of affairs of the consolidated entity during the financial year:

- An unsecured loan of \$999,940 at an interest rate of 5% was obtained during the year

## Events Subsequent to Balance Date

There are no material subsequent events since the year ended 31 December 2013, that have significantly affected or may significantly affect either the entity's operation, the results of those operations and the entity's state of affairs in future financial years.

## Future Developments

Information relating to future developments has been covered in the Executive Directors review and review of operations above.

## Environmental Issues

The consolidated entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.



### Remuneration Report

The directors of AFT Corporation Limited present the remuneration report for non-executive directors, executive directors and other key management personnel prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001

a). Principles used to determine the nature and amount of remuneration. The principles of the Group are:

- To align rewards to business outcomes that deliver value to shareholders.
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals, and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

b). Use of remuneration consultants.

The company used an independent consultant to determine the salary package of Mr Stone Wang. Mr Wang's contract for a period of 3 years from 1 January 2012, with options to renew for a future 3 years.

Recognising the Group's requirement to preserve cash at this point, the Directors have voluntarily elected to increase the portion of their compensation packages paid in the form of options. These shares were issued under the Employee Share Based Loan Plan explained on pages 19 to 20.

**AFT CORPORATION LIMITED - ABN 33 004 701 062**

**and Controlled Entities**

**DIRECTORS' REPORT**

Details of the nature and amount of each element of the compensation of each key management personnel of the Group are shown below:

**2013**

**Key Management Personnel**

|              | Short-term Benefits          |                  | Post-employment Benefits | Share-based payment | Total          | % of remuneration that is performance based |
|--------------|------------------------------|------------------|--------------------------|---------------------|----------------|---|
|              | Cash, salary and commissions | Non-cash benefit | Super-annuation          | Options             |                |   |
|              | \$                           | \$               | \$                       | \$                  | \$             | %   |
| Stone Wang   | 289,503                      | -                | 46,470                   | 52,140              | 388,113        | -   |
| Neil Bourne  | 37,618                       | -                | 2,737                    | -                   | 40,355         | -   |
| John Zhang   | 143,759                      | -                | 9,581                    | -                   | 153,340        | -   |
| <b>Total</b> | <b>470,880</b>               | <b>-</b>         | <b>58,788</b>            | <b>52,140</b>       | <b>581,808</b> | <b>-</b>                                    |

**2012**

**Key Management Personnel**

|              | Short-term Benefits          |                  | Post-employment Benefits | Share-based payment | Total           | % of remuneration that is performance based |
|--------------|------------------------------|------------------|--------------------------|---------------------|-----------------|---|
|              | Cash, salary and commissions | Non-cash benefit | Super-annuation          | Options             |                 |   |
|              | \$                           | \$               | \$                       | \$                  | \$              | %   |
| Stone Wang   | 256,400                      | -                | 160,688                  | 68,867              | 485,955         | -   |
| Neil Bourne  | 30,000                       | -                | 2,700                    | -                   | 32,700          | -   |
| John Zhang   | 150,000                      | -                | 12,150                   | -                   | 162,150         | -   |
| <b>Total</b> | <b>436,400</b>               | <b>-</b>         | <b>175,538</b>           | <b>68,867</b>       | <b>680,805,</b> | <b>-</b>                                    |

## and Controlled Entities

|                          |
|--------------------------|
| <b>DIRECTORS' REPORT</b> |
|--------------------------|

**Description of Options Issued as Remuneration**

Details of the options granted as remuneration to directors as follows:

| Grant Date   | Number      | Value    | Exercise Price<br>(\$) | Vesting Date                              | % of remuneration the<br>Is performance based |
|--------------|-------------|----------|------------------------|---|---|
| 2 March 2013 | 240,000,000 | \$52,140 | 0.001                  | Over 2 years<br>commenced<br>2 March 2014 |   |

**Company Performance and Shareholder Wealth**

|  | 2009  | 2010   | 2011   | 2012     | 2013     | % |
|--|-------|--------|--------|----------|----------|---|
| Revenue \$'000                               | 7,391 | 14,136 | 17,211 | 6,001    | 3,535    | - |
| Net (Loss)/Profit \$'000                     | (419) | 1,004  | 971    | (1,128)  | (1,390)  | - |
| Share Price at Year-end<br>(Cents per share) | 0.001 | 0.002  | 0.001  | (0.0091) | (0.0112) | - |
| Dividends paid                               | -     | -      | -      | -        | -        | - |



### Employee and Director Share based Loan Plan

The Board introduced an employee/directors share plan in 2008 called the AFT Corporation Limited Employee Loan Plan (Loan Plan). The Board believes the introduction of the Loan Plan is in the best interests of AFT Corporation Limited (the "Company"). The purpose of the Loan Plan is to better align the interests of shareholders and the employees/directors of AFT Corporation Limited (Employees) by linking the rewards of Employees to the long-term success of the Company. The Loan Plan will facilitate a comprehensive remuneration strategy for the Employees.

There were no new loans provided to the employees and directors of the Company this year.

The Board believes the Loan Plan will:

1. create a stronger link between the shareholders, the Employees and the Company's overall financial performance as reflected by the performance of the Company's shares;
2. provide a direct remuneration linkage between any dividends received by shareholders and the rewards of Employees; and
3. increase productivity through increased participation in the Company by the Employees as shareholders.

Some of the key terms of the Loan Plan are set out below, the full Loan Plan Rules are available upon request from the Company Secretary.

#### *Maximum number of shares that can be issued*

The maximum number of shares subject to the Loan Plan rules shall not exceed 15% of the issued capital of the Company.

#### *Manner of acquisition*

The Employees will be invited to subscribe for a new issue of the Company's shares. Generally, shares will be issued to the Employees at an issue price set by the Board with reference to the market price at the date of the allocation, being the weighted average price at which those shares were traded on the ASX over the one week period before the date of allocation and if there were no transactions on the ASX during that one week period, the last price at which an offer was made on the ASX in that period to buy such a share. A Company provided loan as outlined below would fund the acquisition cost of the shares. The shares will be registered in the name of the Employees, but will remain subject to restrictions on dealing as specified by the Board (which may include applying a holding lock to the shares) until the Employees become entitled to withdraw the shares from the Loan Plan (see below).

#### *Performance hurdles*

The Board will specify the performance hurdles that will generally need to be satisfied before the Employees may withdraw their shares from the Loan Plan. Performance hurdles may include minimum tenure periods (Vesting Scale) and performance criteria specified by the Board at the time of the invitation. Generally, provided any loans outstanding have been repaid, the Employees may withdraw their shares from the Loan Plan once the applicable performance hurdles have been satisfied.



*Loan and security*

The Company may extend a loan to enable the Employees to acquire shares under the Loan Plan as determined by the Board. Generally speaking, the loan is repayable within five years.

Loans under the Loan Plan are limited recourse in nature, which means that if at the date that the loan becomes repayable, the Employee's shares are worth less than the outstanding balance of the loan, the Company cannot recover the difference from the Employee. If at the date that the loan becomes repayable the proceeds of sale of the shares exceeds the total amount of the loan owing to the Company by the Employee, then subject to satisfaction of any performance hurdles, the surplus proceeds shall be paid by the Company to the Employee. Interest will not be payable on the outstanding balance of the loan.

As security for the loan, the Employee will pledge the shares acquired under the Loan Plan to the Company at the time the financial assistance is provided and will grant a charge over any benefits attributable to those shares, including bonus shares, rights and dividends. Under the terms of the loan, the Employee authorises and directs the Company to:

1. sell, if possible, any rights or other tradeable benefits attributable to the shares held by the Employee under the Plan and pay the proceeds to the Company in reduction of the outstanding balance of the Employee's loan;
2. with the exception of dividends, pay any other payments attributable to Plan shares or any associated bonus shares, including any capital repayment, to the Company in reduction of the outstanding balance of the Employee's loan; and
3. hold any bonus shares as security until the Performance Hurdles have been satisfied and the loan is repaid in full.

Loans or other financial assistance will only be extended to the Employees as permitted by the Corporations Act. Dividends on the shares the subject of the Loan Plan will be paid to the Employees' nominated bank accounts.

**Indemnities given and insurance paid to auditors and officers**

During the year, the company paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors.

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 Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of 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 to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

**Proceedings on Behalf of the Company**

No person has applied for leave of court 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 the proceedings. The company was not a party to any such proceeding during the year.

**DIRECTORS' REPORT**

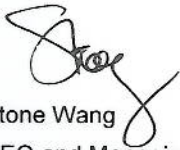
**Auditor's Independence Declaration**

The auditor's independence declaration required by section 307C of the Corporations Act 2001 is included immediately following this Director's Report and forms part of the Director's Report.

There were no non audit services provided by the auditors during the year.

Signed in accordance with a resolution of the directors made pursuant to Section 298(2)(a) of the Corporations Act 2001.

For and on behalf of the Board.



Stone Wang  
CEO and Managing Director

Sydney, New South Wales

Date: 28 March 2014





## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of AFT Corporation Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2013, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Pran Rathod - Director Audit Services  
Registered Company Auditor

Hayes Knight (NSW) Pty Ltd

Dated at Sydney, this 28th day of March 2014

**AFT CORPORATION LIMITED – ABN 33 004 701 062**  
**and Controlled Entities**

|   |
|---|
| <p><b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER<br/>         COMPREHENSIVE INCOME<br/>         FOR THE YEAR ENDED 31 DECEMBER 2013</b></p> |
|---|

|  | Note | Consolidated Entity |                    |
|--|------|---------------------|--------------------|
|  |      | 2013                | 2012               |
|  |      | \$                  | \$                 |
| <b>Continuing Operations</b>                                 |      |                     |                    |
| Revenue  | 2    | 3,535,836           | 6,001,858          |
| Other Income   | 2    | 355,741             | 427,316            |
| <b>Subtotal</b>  |      | <b>3,891,577</b>    | <b>6,429,174</b>   |
| Raw Materials/Consumables Used                               | 3    | (2,905,164)         | (5,148,549)        |
| Occupancy & Administration Expense                           |      | (238,061)           | (93,173)           |
| Audit & Accounting Fees                                      |      | (126,267)           | (180,956)          |
| Finance Costs  |      | (9,452)             | (13)               |
| Salaries and Wages   |      | (781,783)           | (761,663)          |
| Consulting expenses  |      | (147,388)           | -                  |
| Directors' Remuneration                                      |      | (529,668)           | (611,938)          |
| Depreciation and Amortisation Expense                        | 3    | (18,341)            | (21,056)           |
| Other Expenses   |      | (526,301)           | (740,363)          |
| <b>(Loss) Before Income Tax</b>                              |      | <b>(1,390,848)</b>  | <b>(1,128,537)</b> |
| Income Tax Expense   | 4    | -                   | -                  |
| <b>Total (Loss) for the year</b>                             |      | <b>(1,390,848)</b>  | <b>(1,128,537)</b> |
| <b>Other comprehensive income</b>                            |      | -                   | -                  |
| <b>Total comprehensive income for the year</b>               |      | <b>(1,390,848)</b>  | <b>(1,128,537)</b> |
| <b>Total comprehensive income for the year attributed to</b> |      |                     |                    |
| - Members of the parent entity                               |      | (1,397,242)         | (1,128,010)        |
| - Non-controlling interest                                   |      | 6,394               | (527)              |
|  |      | <b>(1,390,848)</b>  | <b>(1,128,537)</b> |
| <b>Earnings per share</b>                                    |      |                     |                    |
| From continuing operations:                                  | 20   |                     |                    |
| Basic and diluted (Loss)/earnings per share (cents)          |      | (0.0112)            | (0.0183)           |

*The above statement should be read in conjunction with the accompanying notes.*



**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

|                                      | Note | Consolidated Entity |                  |
|--------------------------------------|------|---------------------|------------------|
|                                      |      | 2013                | 2012             |
|                                      |      | \$                  | \$               |
| <b>CURRENT ASSETS</b>                |      |                     |                  |
| Cash and cash equivalents            | 6    | 2,097,043           | 2,246,627        |
| Trade and other receivables          | 7    | 658,302             | 698,627          |
| Inventories                          | 8    | 667,417             | 1,104,275        |
| Financial Assets                     | 9    | 30,239              |                  |
| Other assets                         | 10   | 204,401             | 59,107           |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>3,657,402</b>    | <b>4,108,636</b> |
| <b>NON-CURRENT ASSETS</b>            |      |                     |                  |
| Other Financial Assets               | 11   | 278,712             | 50,021           |
| Plant and equipment                  | 12   | 41,817              | 59,733           |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>320,529</b>      | <b>109,754</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>3,977,931</b>    | <b>4,218,390</b> |
| <b>CURRENT LIABILITIES</b>           |      |                     |                  |
| Trade and other payables             | 13   | 774,731             | 729,389          |
| Provisions                           | 16   | 127,282             | 86,039           |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>902,013</b>      | <b>815,428</b>   |
| <b>NON-CURRENT LIABILITIES</b>       |      |                     |                  |
| Provisions                           | 16   | 43,404              | 31,680           |
| Borrowings                           | 14   | 1,299,940           | 300,000          |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>1,343,344</b>    | <b>331,680</b>   |
| <b>TOTAL LIABILITIES</b>             |      | <b>2,245,357</b>    | <b>1,147,108</b> |
| <b>NET ASSETS</b>                    |      | <b>1,732,574</b>    | <b>3,071,282</b> |
| <b>EQUITY</b>                        |      |                     |                  |
| Issued capital                       | 17   | 103,126,740         | 103,126,740      |
| Reserves                             | 18   | 319,667             | 267,527          |
| Accumulated losses                   |      | (101,720,090)       | (100,322,848)    |
| Parent interest                      |      | 1,726,317           | 3,071,419        |
| Non-controlling interest             |      | 6,257               | (137)            |
| <b>TOTAL EQUITY</b>                  |      | <b>1,732,574</b>    | <b>3,071,282</b> |

*The above statement should be read in conjunction with the accompanying notes.*

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

|                             | Issued<br>Capital  | Accumulated<br>losses | Option<br>reserve | Non-Controlling<br>Interest | Total<br>equity  |
|-----------------------------|--------------------|-----------------------|-------------------|-----------------------------|------------------|
|                             | \$                 | \$                    | \$                | \$                          | \$               |
| <b>CONSOLIDATED ENTITY</b>  |                    |                       |                   |                             |                  |
| At 1 January 2013           | 103,126,740        | (100,322,848)         | 267,527           | (137)                       | 3,071,282        |
| <b>Comprehensive Income</b> |                    |                       |                   |                             |                  |
| (Loss) for the year         | -                  | (1,397,242)           | -                 | 6,394                       | (1,390,848)      |
| Transactions with owners    | -                  | -                     | -                 | -                           | -                |
| Share based payments        | -                  | -                     | 52,140            | -                           | 52,140           |
| <b>At 31 December 2013</b>  | <b>103,126,740</b> | <b>(101,720,090)</b>  | <b>319,667</b>    | <b>6,257</b>                | <b>1,732,574</b> |
| <b>CONSOLIDATED ENTITY</b>  |                    |                       |                   |                             |                  |
|                             | Issued<br>Capital  | Accumulated<br>losses | Option<br>reserve | Non-Controlling<br>Interest | Total<br>equity  |
|                             | \$                 | \$                    | \$                | \$                          | \$               |
| At 1 January 2012           | 103,126,740        | (99,194,838)          | 198,660           | -                           | 4,130,562        |
| <b>Comprehensive Income</b> |                    |                       |                   |                             |                  |
| (Loss) for the year         | -                  | (1,128,010)           | -                 | (137)                       | (1,128,147)      |
| Transactions with owners    | -                  | -                     | -                 | -                           | -                |
| Share based payments        | -                  | -                     | 68,867            | -                           | 68,867           |
| <b>At 31 December 2012</b>  | <b>103,126,740</b> | <b>(100,322,848)</b>  | <b>267,527</b>    | <b>(137)</b>                | <b>3,071,282</b> |

*The above statement should be read in conjunction with the accompanying notes.*



**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

|   | Note  | Consolidated Entity |                    |
|---|-------|---------------------|--------------------|
|   |       | 2013                | 2012               |
|   |       | \$                  | \$                 |
| <b>Cash Flows from Operating Activities</b>                 |       |                     |                    |
| Receipts from customers                                     |       | 4,245,899           | 7,243,304          |
| Payments to suppliers and employees                         |       | (5,317,861)         | (8,505,357)        |
| Interest received   | 2     | 68,328              | 102,032            |
| Finance costs   |       | (9,452)             | (13)               |
| <b>Net cash (used in) operating activities</b>              | 28(b) | <b>(1,013,086)</b>  | <b>(1,160,034)</b> |
| <b>Cash Flows from Investing Activities</b>                 |       |                     |                    |
| Payments for investments                                    |       | (109,590)           | (4,730)            |
| Payments for property, plant & equipment                    |       | (1,697)             | (2,502)            |
| Proceeds from property, plant & equipment                   |       | -                   | 508                |
| Loan advanced   |       | (22,088)            | -                  |
| <b>Net cash (used in) investing activities</b>              |       | <b>(133,375)</b>    | <b>(6,724)</b>     |
| <b>Cash Flows from Financing Activities</b>                 |       |                     |                    |
| Proceeds from borrowings                                    |       | 996,877             | 292,295            |
| <b>Net cash proceed by financing activities</b>             |       | <b>996,877</b>      | <b>292,295</b>     |
| <b>(Decrease) in cash and cash equivalents</b>              |       | <b>(149,584)</b>    | <b>(874,463)</b>   |
| Cash and cash equivalents at beginning of financial period  |       | 2,246,627           | 3,121,090          |
| <b>Cash and cash equivalents at end of financial period</b> | 28(a) | <b>2,097,043</b>    | <b>2,246,627</b>   |

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

|   |
|---|
| <b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b><br><b>FOR THE YEAR ENDED 31 DECEMBER 2013</b> |
|---|

**Note 1: Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report includes financial statements for the Consolidated Entity consisting of AFT Corporation Limited and its controlled entities ("Consolidated Entity"). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

AFT Corporation Limited is a company limited by shares incorporated & domiciled in Australia.

**a. Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Except for the cash flow, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue by the board on 28 March 2014.

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

**b. Principles of Consolidation**

The parent controls a subsidiary if it has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

A list of controlled entities is contained in Note 25 to the financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

**c. Foreign Currency Translation**

Both the functional and presentational currency of AFT Corporation Limited and its Australian subsidiaries is Australian dollars (A\$). The financial report is presented in Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange rate ruling at the balance sheet date. Unrealised exchange gain/lose is recognised in the statement of comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

d. **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

*Interest*

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

*Hire Purchase Sales*

Hire purchase sale is recognised as outright sale. The property in goods passes to the buyer only when the last instalment is paid and the other conditions of the hire purchase agreement are satisfied.

e. **Licence Fee/Royalty Income**

Royalty income is calculated based on a percentage of income derived from goods sold under licence agreement. This revenue crystallises on a specified date and is recognised at that time. Minimum licence fees are recognised in the period they become due and payable.

f. **Income Tax**

The charge for current income tax expense is based on the result for the period adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable and deductible temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes, except where the temporary difference relates to the initial recognition of an asset or a liability in a transaction other than a business combination, where neither accounting profit nor taxable profit or loss is affected at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.



|   |
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| <b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS<br/>FOR THE YEAR ENDED 31 DECEMBER 2013</b> |
|---|

**g. Other Taxes**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- Where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST payable or recoverable included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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

**h. Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

**i. Trade and Other Receivables**

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Non-current trade and other receivables consist of receivables from wholly owned entities. Settlement of these receivables is neither planned nor likely to occur in the foreseeable future.

**j. Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**k. Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated in a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 8 years.

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



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

*Impairment*

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**i. Recoverable Amount of Assets**

At each reporting date, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, a formal assessment of recoverable amount is made. The recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered to be impaired and the excess is written off to the Statement of Comprehensive Income.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

**m. Trade and Other Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

**n. Provisions**

Provisions are recognised when the Consolidated Entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of a past transaction or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted to their present values.

**o. Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cashflows to be made for those benefits.

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**p. Financial Instruments**

*Recognition*

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Impairment*

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income.

*Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains and losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

**q. Share-based payment transactions**

Where the Group provides benefits to a director or employee of the Group in the form of share-based payment transactions, the employees render services in exchange for share or rights over shares ('equity-settled transactions').

The cost of the equity-settled transaction is measured by reference to the fair value at the date at which it is granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AFT Corporation Ltd ('market conditions').

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**r. Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the parent entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.



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| <b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b><br><b>FOR THE YEAR ENDED 31 DECEMBER 2013</b> |
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**s. Critical accounting estimates, assumptions and judgements**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity. Other than as described below there are no other key estimates or judgements that require disclosure.

*Key Estimates - Impairment & Intangible assets*

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The estimates and assumptions used in the value-in-use calculations concern the future. The accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions have a significant risk of being different due to changes in economic or market conditions and/or due to events outside the control of management, and cause material adjustment to the carrying amounts of assets and liabilities in future periods.

*Share-based payment transactions*

The Consolidated Entity measures the cost of equity settled transactions with Directors and employees by reference to the fair value of the equity instruments at the date at which they are granted.

The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**t. Going Concern**

The financial statements have been prepared on a going concern basis. In the opinion of the Directors, based upon a review of the cashflow requirements of the Group's business plan, the operating loss for the year, current cash reserves and planned capital raising, the Company and its Controlled Entities are able to pay their debts as and when they fall due. The Directors are of the opinion that there is no material uncertainty in this regard.

**u. Operating Lease**

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that AFT Corporation Ltd will obtain ownership of the asset or over the term of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the leaser, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortized on a straight – line basis over the life of the lease term.

**V. Investments in Associates**

Investments in associate companies are recognized in the financial statements by applying the equity method of accounting. The equity method of accounting recognizes the company's share of post-acquisition reserves of its associates.

**w. New standards and Interpretations not yet adopted**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Groups accounting policies for the first period after the effective date of the pronouncement. Information on new standards, amendments

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and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

| Reference | Title                             | Summary  | Effective Date | Impact on Group financial report   |
|-----------|-----------------------------------|--|----------------|--|
| AASB 10   | Consolidated Financial Statements | Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 Consolidated and Separate Financial Statements and INT-112 Consolidation – Special Purpose Entities.<br><br>The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in "special purpose entities"). | 31 Dec 13      | Management have yet to assess the impact that this amendment is likely to have on the financial statements of the group. |
| AASB 11   | Joint Arrangements                | A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)  | 30 Jun 14      |  |

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

**Adoption of new accounting standards and interpretations**

The Group has adopted all new and amended Australian Accounting Standards and Interpretations which are effective from 1 January 2013. The adoption did not result in any significant changes to the Group's accounting policies.



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|  | Note | 2013             | 2012             |
|--|------|------------------|------------------|
| <b>Note 2: Revenues</b>                |      | <b>\$</b>        | <b>\$</b>        |
| Sale of goods and services             |      | 3,535,836        | 6,001,858        |
| <b>Other income</b>                    |      |                  |                  |
| Interest received                      |      | 68,328           | 102,032          |
| Government grant                       |      | -                | 181,358          |
| Compensation from Landlord             |      | 170,000          | -                |
| Licence fee                            |      | -                | 1,264            |
| Other                                  |      | 117,413          | 142,662          |
| Total other revenue                    |      | 355,741          | 427,316          |
| <b>Total revenues</b>                  |      | <b>3,891,577</b> | <b>6,429,174</b> |
| <br>                                   |      |                  |                  |
| <b>Note 3: Expenses</b>                |      |                  |                  |
| Cost of sales                          |      | 2,905,164        | 5,148,549        |
| Other Expenses include:                |      |                  |                  |
| - Bad and Doubtful Debts               |      | (15,000)         | 17,694           |
| - Rental expenses                      |      | 88,535           | 34,950           |
| Depreciation and amortisation expense: |      |                  |                  |
| - plant and equipment                  |      | 18,341           | 21,056           |

**Note 4: Income Tax Expense**

No income tax is payable by the Parent Company or any Subsidiary Company within the Consolidated Entity as the companies are either in a current year tax loss position or have sufficient prior year tax losses available to offset against current year taxable income. Deferred tax assets which may be derived from such losses have not been carried forward as an asset in the Statement of Financial Position since it is not considered probable that they will be utilised and will only be obtained if:

- (a) the relevant company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (b) the relevant company continue to comply with conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the relevant company in realising the benefit from the deduction of the loss.



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**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Note 4 Con't.....**

*Numerical reconciliation of accounting profit to tax expense*

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

|   | <b>Consolidated Entity</b> |             |
|---|----------------------------|-------------|
|   | <b>2013</b>                | <b>2012</b> |
|   | <b>\$</b>                  | <b>\$</b>   |
| (Loss)before income tax                                       | (1,390,848)                | (1,128,537) |
| At the consolidated entity's statutory income tax rate of 30% | (417,254)                  | (338,561)   |
| Tax losses not booked   | 417,254                    | 338,561     |
| Income tax expense reported                                   | -                          | -           |

**Tax losses**

The Group has tax losses of approximately \$15,883,756 for which no deferred tax asset has been recognised in the Statement of Financial Position on the basis of, at this stage it is not being considered probable that these losses will be utilised.

|  | <b>2013</b>   | <b>2012</b>   |
|--|---------------|---------------|
|  | <b>\$</b>     | <b>\$</b>     |
| <b>Note 5: Auditors' Remuneration</b>      |               |               |
| <b>Auditor of the parent entity</b>        |               |               |
| Auditing or reviewing the financial report | 32,454        | 34,895        |
|  | <u>32,454</u> | <u>34,895</u> |

**Note 6: Cash and Cash Equivalents**

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Cash and cash equivalents at bank | 2,097,043        | 2,246,627        |
|                                   | <u>2,097,043</u> | <u>2,246,627</u> |

**Note 7: Trade and Other Receivables**

**Current**

|                             |                |                |
|-----------------------------|----------------|----------------|
| Trade and other receivables | 658,302        | 698,627        |
|                             | <u>658,302</u> | <u>698,627</u> |

All receivable balances are 0-90 days old, there are no balances past due, impaired or not within trade terms.

There are no balances within the trade and other receivables that contain assets that are impaired and are past due. Impaired assets are provided for in full.

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|   | Consolidated Entity |                  |
|---|---------------------|------------------|
|   | 2013                | 2012             |
| <b>Note 8: Inventories</b>                      | \$                  | \$               |
| At cost   |                     |                  |
| Finished goods                                  | 667,417             | 1,104,275        |
|   | <u>667,417</u>      | <u>1,104,275</u> |
| <b>Note 9: Financial Assets(Current)</b>        |                     |                  |
| Commerical HP Receivable                        | 47,555              | -                |
| Unearned Interest Revenue                       | (17,316)            | -                |
|   | <u>30,239</u>       | <u>-</u>         |
| <b>Note 10: Other Assets</b>                    |                     |                  |
| Prepayment                                      | 182,313             | 59,107           |
| Loan to related entities (Unsecured)            | 22,088              | -                |
|   | <u>204,401</u>      | <u>59,107</u>    |
| <b>Note 11: Financial Assets(Non-current)</b>   |                     |                  |
| Due from other entities                         | 9,652               | 6,102            |
| Commercial HP Receivable                        | 245,740             | 80,400           |
| Unearned Interest Revenue                       | (91,000)            | (41,211)         |
| Investments accounted for using equity method   |                     |                  |
| Investments relate to 49% interest in:          |                     |                  |
| GA (HK)   | 4,730               | 4,730            |
| GA (Guangzhou)                                  | 109,590             | -                |
| (These entities have not yet commenced trading) |                     |                  |
| <b>Total non-current investments</b>            | <u>278,712</u>      | <u>50,021</u>    |
| <b>Note 12: Plant And Equipment</b>             |                     |                  |
| <b>Plant and equipment</b>                      |                     |                  |
| - at cost                                       | 147,901             | 147,476          |
| - accumulated depreciation                      | (106,084)           | (87,743)         |
|   | <u>41,817</u>       | <u>59,733</u>    |

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| <p><b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b><br/> <b>FOR THE YEAR ENDED 31 DECEMBER 2013</b></p> |
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**Note 12 Cont'd.....**

**Movements in Carrying Amounts**

Movements in the carrying amounts for plant and equipment between the beginning and the end of the financial period:

|   | 2013          | 2012          |
|---|---------------|---------------|
|   | \$            | \$            |
| Balance at the beginning of the period          | 59,733        | 78,973        |
| Additions                                       | 1,698         | 2,502         |
| Disposals                                       | (1,273)       | (686)         |
| Depreciation expense                            | (18,341)      | (21,056)      |
| <b>Carrying amount at the end of the period</b> | <b>41,817</b> | <b>59,733</b> |

**Note 13: Trade and Other Payables**

**Current**

|                  |                |                |
|------------------|----------------|----------------|
| Trade payables   | 673,064        | 649,307        |
| Other payables   | 30,259         | 17,832         |
| Accrued expenses | 71,408         | 62,250         |
|                  | <b>774,731</b> | <b>729,389</b> |

**Note 14: Borrowings**

**Non-current**

|                        |           |         |
|------------------------|-----------|---------|
| Borrowings (unsecured) | 1,299,940 | 300,000 |
|------------------------|-----------|---------|

Non-current borrowings - Advance loan \$1,299,940 from Ms Jing Yun Yang to Artemis Energy Solutions Pty Ltd is unsecured, repayable at end of 3 years in 2015. The loan amount of \$999,940 is subject to 5% pa interest rate and the balance is non-interest bearing.

**Note 15: Commitments**

(a) Lease

Non-cancellable operating lease contracted for but not capitalised in financial statements.

|                                    | 2013           | 2012     |
|------------------------------------|----------------|----------|
|                                    | \$             | \$       |
| Payable - not later than 12 months | 82,242         | -        |
| - between 12 months and 5 years    | 186,000        | -        |
| - Greater than 5 years             | -              | -        |
|                                    | <b>268,242</b> | <b>-</b> |

(b) Capital Expenditure

There is no capital expenditure commitment at balance date.



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|  | 2013           | 2012           |
|--|----------------|----------------|
| <b>Note 16: Provisions</b>               | <b>\$</b>      | <b>\$</b>      |
| <b>Current</b>                           |                |                |
| Annual Leave                             | 127,282        | 86,039         |
| <b>Non-Current</b>                       |                |                |
| Long Service Leave                       | 43,404         | 31,680         |
|  | <hr/>          | <hr/>          |
| <b>At the beginning of the period</b>    | <b>117,719</b> | <b>70,398</b>  |
| Additional AL provisions made            | 41,243         | 29,850         |
| Additional LSL provisions made           | 11,724         | 17,471         |
| <b>Carrying at the end of the period</b> | <b>170,686</b> | <b>117,719</b> |

|   | 2013               | 2012               |
|---|--------------------|--------------------|
| <b>Note 17: Issued Capital</b>                      | <b>\$</b>          | <b>\$</b>          |
| <b>Issued and paid-up capital</b>                   |                    |                    |
| 6,148,528,012 issued and fully paid ordinary shares | 103,126,740        | 103,126,740        |
|   | <hr/>              | <hr/>              |
| <b>Ordinary shares</b>                              | <b>\$</b>          | <b>\$</b>          |
| <b>At the beginning of reporting period</b>         | <b>103,126,740</b> | <b>103,126,740</b> |
| <b>At reporting date</b>                            | <b>103,126,740</b> | <b>103,126,740</b> |

The company has authorised share capital amounting relating to 6,148,528,012 ordinary shares of no par value.

**Note 18: Reserves**

**Option reserve**

The option reserve is to record for the potential cost to the company of executive directors exercising their options and share based payments as per the company's employee and director's share based loan plan.

**Note 19: Contingent Liabilities**

At such time as the Company has funds available in excess of that required for it to obtain an admission to the Alternative Investment Market of the London Stock Exchange and above those sums required for the reasonable day to day running costs of AFT Corporation Ltd, a liability will crystallise to pay Philip Hall One Hundred and Fifty Thousand Pounds (£150,000) plus interest at the rate of 6% per annum from 31 August 2006 to the date of payment. As at 31 December 2013, the estimated interest liability is \$80,140. As it is contingent upon these conditions, this has not been included as a liability. There are no contingent liabilities other than this.

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| <p><b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS<br/>FOR THE YEAR ENDED 31 DECEMBER 2013</b></p> |
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| <b>Note 20: Earnings per Share</b>                   | <b>Consolidated Entity</b> |             |
|--|----------------------------|-------------|
|  | <b>2013</b>                | <b>2012</b> |
| Basic and diluted earnings /(Loss) per share (cents) | (0.0112)                   | (0.0183)    |

**Basic and diluted 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:

|   | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| (Loss)  | (1,390,848) | (1,128,537) |
| Earnings used in the calculation of basic and diluted EPS | (1,390,848) | (1,128,537) |

**Weighted average number of ordinary and shares outstanding during the year used in the calculating diluted EPS**

|                      |                      |
|----------------------|----------------------|
| <b>6,148,528,012</b> | <b>6,148,528,012</b> |
|----------------------|----------------------|

**Note 21: Capital Management**

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

The Group's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There has been no change in capital management since the prior year.



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**Note 22: Financial Risk Management**

**(a) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

**(b) Treasury Risk Management**

A finance committee consisting of board members who meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

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

Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

**(c) Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, and credit risk.

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

Interest rate risk - Interest rate risk is managed with a mixture of fixed and floating rate debt.

Foreign currency risk - The Group manages this risk by discharging liabilities at favourable foreign exchange rate.

Liquidity risk - The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk - The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

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**Note 22 Cont'd.....**

**(d) Interest rate risk**

The following table details the Consolidated Entity's exposure to interest rate risk as at the reporting date:

|                              | Weighted<br>average<br>effective<br>interest<br>rate | Interest<br>bearing | Non-<br>interest<br>bearing | Total            |
|------------------------------|--|---------------------|-----------------------------|------------------|
|                              | %  | \$                  | \$                          | \$               |
| <b>2013 Consolidated</b>     |  |                     |                             |                  |
| Financial assets             | 8.5  | 184,979             | 114,320                     | 299,299          |
| Loan to related entities     |  |                     | 31,740                      | 31,740           |
| Cash and cash equivalents    | 4.50   | 2,097,043           | -                           | 2,097,043        |
| Trade and other receivables  |  | -                   | 658,302                     | 658,302          |
| <b>Totals</b>                |  | <b>2,282,022</b>    | <b>804,362</b>              | <b>3,086,384</b> |
| <b>Financial liabilities</b> |  |                     |                             |                  |
| Trade and other payables     |  | -                   | 774,731                     | 774,731          |
| Borrowings                   | 5.00   | 999,940             | 300,000                     | 1,299,940        |
| <b>Totals</b>                |  | <b>999,940</b>      | <b>1,074,731</b>            | <b>2,074,671</b> |
| <b>2012 Consolidated</b>     |  |                     |                             |                  |
| Financial assets             | 8.5  | 39,189              | 4,730                       | 43,919           |
| Loan to related entities     |  |                     | 6,102                       | 6,102            |
| Cash and cash equivalents    | 3.75   | 2,246,627           | -                           | 2,246,627        |
| Trade and other receivables  | -  | -                   | 698,627                     | 698,627          |
| <b>Totals</b>                |  | <b>2,285,816</b>    | <b>709,459</b>              | <b>2,995,275</b> |
| <b>Financial liabilities</b> |  |                     |                             |                  |
| Trade and other payables     | -  | -                   | 729,388                     | 729,388          |
| Borrowings                   |  |                     | 300,000                     | 300,000          |
| <b>Totals</b>                |  | <b>-</b>            | <b>1,029,388</b>            | <b>1,029,388</b> |



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 22 Cont'd.....**

**(e) Sensitivity analysis**

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity, which could result from a change in these risks.

At 31 December 2013, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

|                                   | <b>Consolidated Entity</b> |             |
|-----------------------------------|----------------------------|-------------|
|                                   | <b>2013</b>                | <b>2012</b> |
|                                   | <b>\$</b>                  | <b>\$</b>   |
| <b>Change in Profit</b>           |                            |             |
| -Increase in interest rate by 20% | 10,538                     | 16,850      |
| -Decrease in interest rate by 20% | (10,538)                   | (16,850)    |
| <b>Change in Equity</b>           |                            |             |
| -Increase in interest rate by 20% | 10,538                     | 16,850      |
| -Decrease in interest rate by 20% | (10,538)                   | (16,850)    |

**(f) Credit Risk Exposure**

The Consolidated Entity's maximum exposures to credit risk, excluding the value of any collateral and other security at balance dates in relation to each class of recognised financial asset, is the carrying value of those assets net of any provisions for doubtful debts as disclosed in the Statement of Financial Position and notes to the financial statements.

All receivables are from Customers in Australia.

The Consolidated Entity minimises credit risk in relation to trade account receivables and HP receivables by undertaking transactions with organisations such as government instruments which have good credit ratings. The Consolidated Entity does not have any material credit risk exposure to any single debtor or Group of debtors, under financial instruments entered into by it. There are no material amounts of collateral held as security as at 31 December 2013.

Credit risk is managed on a Group basis and reviewed regularly by the directors.

**(g) Foreign Currency Risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in US Dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

It is the Group's policy that hedging, as a percentage of net foreign exchange rate exposure, be maintained within FRMC established limits. There are further controls around the cumulative amount of hedging that can be undertaken within any 30-day period to avoid pricing concentration risk.

The functional currency of the Group is Australian Dollars.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations, denominated in currencies other than the functional currency of the operations as at 31 December 2013.

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Note 22 Cont'd.....**

**2013**

| Consolidated Entity           | USD             | AUD              | Total AUD        |
|-------------------------------|-----------------|------------------|------------------|
| US Dollar                     | (93,953)        | (101,669)        | (101,669)        |
| <b>Balance sheet exposure</b> | <b>(93,953)</b> | <b>(101,669)</b> | <b>(101,669)</b> |

**2012**

| Consolidated Entity           | USD              | AUD              | Total AUD        |
|-------------------------------|------------------|------------------|------------------|
| US Dollar                     | (261,137)        | (244,579)        | (244,579)        |
| <b>Balance sheet exposure</b> | <b>(261,137)</b> | <b>(244,579)</b> | <b>(244,579)</b> |

The Group has performed sensitivity analysis relating to its exposure to exchange rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity, which could result from a change in these risks.

At 31 December 2013, the effect on profit and equity as a result of changes in the exchange rate, with all other variables remaining constant would be as follows:

|                                   | Consolidated Entity |           |
|-----------------------------------|---------------------|-----------|
|                                   | 2013                | 2012      |
| <b>Change in profit</b>           | <b>\$</b>           | <b>\$</b> |
| -Increase in exchange rate by 20% | 40,667              | 97,848    |
| -decrease in exchange rate by 20% | (40,667)            | (97,848)  |
| <b>Change in equity</b>           |                     |           |
| -Increase in exchange rate by 20% | 40,667              | 97,848    |
| -decrease in exchange rate by 20% | (40,667)            | (97,848)  |

**(h) Liquidity Risk**

The Consolidated Entity manages liquidity risk by maintaining sufficient cash reserves, and through the continuous monitoring of budgeted and actual cash flows.

Contracted maturities of payables year ended 31 December 2013 :

|                    | Consolidated     |                  |
|--------------------|------------------|------------------|
|                    | 2013             | 2012             |
| <b>Payables</b>    | <b>\$</b>        | <b>\$</b>        |
| Less than 6 months | 30,259           | 729,389          |
| 6 to 12 months     | 744,472          | -                |
| 1 to 5 years       | 1,299,940        | 300,000          |
| <b>Total</b>       | <b>2,074,671</b> | <b>1,029,389</b> |



**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Note 22 Cont'd...**

**(i) Net Fair Value of the Financial Assets & Liabilities**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

**Note 23: Economic Dependence**

A significant portion of the goods purchased for the running of the business is obtained from Suntech Power Co. Ltd.

**Note 24: Key Management Personnel Disclosures**

The names of directors and other key management persons in office at any time during or since the end of the financial year are:

| Name        | Role                   | Date of Appointment        |
|-------------|------------------------|----------------------------|
| Stone Wang  | Executive Director     | Appointed 21 December 2007 |
| Neil Bourne | Non-Executive Director | Appointed 14 February 2007 |
| John Zhang  | Executive Director     | Appointed 6 April 2009     |

**(a) Key Management Personnel Compensation**

Details of key management personnel compensation are included in the remuneration report section of the Directors' report.

**(b) Key Management Personnel Option Details**

Details of key management personnel option details are included in the remuneration report section of the Directors' report.

**(c) 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.

***Transactions with Related Parties***

|                      | Consolidated Entity |      |
|----------------------|---------------------|------|
|                      | 2013                | 2012 |
|                      | \$                  | \$   |
| <b>(i) Directors</b> |                     |      |
| Stone Wang           | -                   | -    |
| John Zhang           | -                   | -    |

**(d) Key Management Personnel Shareholdings**

|                           | Stone Wang  | John Zhang | Neil Bourne |
|---------------------------|-------------|------------|-------------|
| Opening Balance           | 613,405,340 | -          | 40,000,000  |
| Issued during the year    | -           | -          | -           |
| Cancelled during the year | -           | -          | -           |
| Closing Balance           | 613,405,340 | -          | 40,000,000  |

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

|  |
|--|
| <p><b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS<br/>FOR THE YEAR ENDED 31 DECEMBER 2013</b></p> |
|--|

**Note 25: Details of Controlled Entities**

|                                    | Country of<br>incorporation | Percentage owned |      |
|------------------------------------|-----------------------------|------------------|------|
|                                    |                             | 2013             | 2012 |
| Parent Entity                      |                             | %                | %    |
| AFT Corporation Limited            | Australia                   |                  |      |
| <b>Subsidiaries</b>                |                             |                  |      |
| Microgenix Australasia Pty Limited | Australia                   | 100              | 100  |
| OCTIP Ltd                          | United Kingdom              | 50               | 50   |
| Artemis Building Systems Pty Ltd   | Australia                   | 100              | 100  |
| AFT Logistics Pty Ltd              | Australia                   | 100              | 100  |
| ABS Green Solutions Pty Ltd        | Australia                   | 100              | 100  |
| Artemis Energy Solutions           | Australia                   | 70               | 70   |

**Note 26: Subsequent Events after Balance Sheet Date**

There has not been any matter or circumstances occurring subsequent to the end of the financial year, which significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

**Note 27: Segment Information**

*Geographical segments*

The consolidated entity's business segments are located in Australia, with an Australian subsidiary managing the license of Intellectual Property for worldwide use on behalf of the parent company.

*Business segments*

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

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

- The Solar Panel Photovoltaic Business and LED Lighting
- Licence Income
- Management services

**Basis of accounting for purposes of reporting by operating segments**

*Accounting policies adopted*

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

*Segment assets*

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



**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

*Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and have been allocated. Segment liabilities include trade and other payables and certain direct borrowings.

*Intersegment transactions*

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

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

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

The revenues and profit/loss generated by each of the segment are summarised as follows:

|  | Solar panel PV<br>and LED business |                  | License        |                | Management<br>Services |                | Total            |                  |
|--|------------------------------------|------------------|----------------|----------------|------------------------|----------------|------------------|------------------|
|  | 31 Dec<br>2013                     | 31 Dec<br>2012   | 31 Dec<br>2013 | 31 Dec<br>2012 | 31 Dec<br>2013         | 31 Dec<br>2012 | 31 Dec<br>2013   | 31 Dec<br>2012   |
| <b>REVENUE</b>                                     |                                    |                  |                |                |                        |                |                  |                  |
| Revenue from external customers                    | 3,535,836                          | 6,001,858        | -              | 1,264          | -                      | -              | 3,535,836        | 6,003,122        |
| Interest and other                                 | 63,769                             | 102,032          | 4,559          | 181,358        | -                      | -              | 68,328           | 283,390          |
| <b>Total Revenue</b>                               | <b>3,599,605</b>                   | <b>6,103,890</b> | <b>4,559</b>   | <b>182,622</b> | <b>-</b>               | <b>-</b>       | <b>3,604,164</b> | <b>6,286,512</b> |
| <b>Reconciled segment revenue to group revenue</b> |                                    |                  |                |                |                        |                |                  |                  |
| Foreign exchange gain                              | -                                  | 142,662          | -              | -              | -                      | -              | -                | 142,662          |
| Minority Interests                                 | -                                  | -                | -              | -              | -                      | -              | -                | -                |
| Other Income/ Expenses                             | 117,413                            | -                | 170,000        | -              | -                      | -              | 287,413          | -                |
| <b>Total Group Revenue</b>                         | <b>3,717,018</b>                   | <b>6,246,552</b> | <b>174,559</b> | <b>182,622</b> | <b>-</b>               | <b>-</b>       | <b>3,891,577</b> | <b>6,429,174</b> |
| <b>RESULT</b>                                      |                                    |                  |                |                |                        |                |                  |                  |
| Segment operating profit/(loss)                    | (394,040)                          | (55,747)         | (1,003,038)    | (1,071,870)    | (164)                  | (393)          | (1,397,242)      | (1,128,010)      |

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

|               |           |           |             |             |       |       |             |             |
|---------------|-----------|-----------|-------------|-------------|-------|-------|-------------|-------------|
| Profit/(loss) |           |           |             |             |       |       |             |             |
| before        |           |           |             |             |       |       |             |             |
| income tax    | (394,040) | (55,747)  | (1,003,038) | (1,071,870) | (164) | (393) | (1,397,242) | (1,128,010) |
| Income tax    |           |           |             |             |       |       |             |             |
| expenses      | -         | -         | -           | -           | -     | -     | -           | -           |
| Profit/(Loss) |           |           |             |             |       |       |             |             |
| after income  |           |           |             |             |       |       |             |             |
| tax           | (394,040) | (55,747)  | (1,003,038) | (1,071,870) | (164) | (393) | (1,397,242) | (1,128,010) |
| <b>ASSETS</b> |           |           |             |             |       |       |             |             |
| Segment       |           |           |             |             |       |       |             |             |
| Assets        | 3,613,661 | 3,864,312 | 364,244     | 353,886     | 27    | 191   | 3,977,932   | 4,218,389   |
| Total Assets  | 3,613,661 | 3,864,312 | 364,244     | 353,886     | 27    | 191   | 3,977,932   | 4,218,389   |

|                    | Solar panel PV and LED<br>Business |         | Licenses |         | Management<br>Services |        | Total     |           |
|--------------------|------------------------------------|---------|----------|---------|------------------------|--------|-----------|-----------|
| <b>LIABILITIES</b> | 2013                               | 2012    | 2013     | 2012    | 2013                   | 2012   | 2013      | 2012      |
| Segment            |                                    |         |          |         |                        |        |           |           |
| Liabilities        | 1,972,443                          | 995,814 | 246,792  | 125,172 | 26,122                 | 26,122 | 2,245,357 | 1,147,108 |
| Total              | 1,972,443                          | 995,814 | 246,792  | 125,172 | 26,122                 | 26,122 | 2,245,357 | 1,147,108 |
| <b>Additional</b>  |                                    |         |          |         |                        |        |           |           |
| <b>Assets</b>      |                                    |         |          |         |                        |        |           |           |
| Office             |                                    |         |          |         |                        |        |           |           |
| Equipments         | -                                  | -       | 717      | 1,681   | -                      | -      | 717       | 1,681     |
| Fittings &         |                                    |         |          |         |                        |        |           |           |
| Fixtures           | -                                  | -       | 981      | 821     | -                      | -      | 981       | 821       |
| Total              |                                    |         |          |         |                        |        |           |           |
| additional         | -                                  | -       | 1,698    | 2,502   | -                      | -      | 1,698     | 2,502     |



**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Note 28: Notes to the Statement of Cash Flows**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

|   | Consolidated Entity |           |
|---|---------------------|-----------|
|   | 2013                | 2012      |
|   | \$                  | \$        |
| Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position: |                     |           |
| Cash and cash equivalents   | 2,097,043           | 2,246,627 |

**(b) Reconciliation of net cash provided by operating activities to profit after income tax.**

|   |             |             |
|---|-------------|-------------|
| Operating (Loss) after tax                          | (1,390,848) | (1,128,537) |
| Depreciation and amortisation expense               | 19,613      | 21,056      |
| Share-based payment expense                         | 52,140      | 68,867      |
| Decrease/(Increase) in receivables                  | (77,300)    | 283,627     |
| Decrease/(Increase) in inventories                  | 436,858     | (264,253)   |
| Decrease/(Increase) in prepayments                  | (151,859)   | (55,072)    |
| Increase/(Decrease) in creditors                    | 45,343      | (133,043)   |
| Increase/(Decrease) in provisions                   | 52,967      | 47,321      |
| Net cash (used in)/provided by operating activities | (1,013,086) | (1,160,034) |

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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AFT have access to the following facilities with National Australia Bank:

\$500,000, international supply chain finance facility, total amount unused as at 31 December 2013.

There is a directors guarantee from Stone Wang and John Zhang held by the bank as security against the \$500k facility and a term deposit of \$500k held by the bank as security against the \$500k facility above.

**Note 29: Parent Entity**

The following information has been extracted from the books and records of the parent and has been prepared accordance with Australian Accounting Standards

(a) Summary of Statement of Comprehensive Income

|  | 2013             | 2012               |
|--|------------------|--------------------|
|  | \$               | \$                 |
| Loss for the year                              | (965,215)        | (1,181,241)        |
| <b>Total comprehensive (loss) for the year</b> | <b>(965,215)</b> | <b>(1,181,241)</b> |

(b) Summary of Statement of Financial Position

**Assets**

|                     |                |                |
|---------------------|----------------|----------------|
| Current assets      | 198,782        | 284,549        |
| Non-current assets  | 196,767        | 75,096         |
| <b>Total assets</b> | <b>395,549</b> | <b>359,645</b> |

**Liabilities**

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Current liabilities      | 208,968          | 145,053          |
| Non-current liabilities  | 3,552,939        | 2,667,875        |
| <b>Total liabilities</b> | <b>3,761,907</b> | <b>2,812,928</b> |

**Net liabilities**

**(3,366,358)                      (2,453,283)**

**EQUITY**

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| Issued capital      | 103,126,740        | 103,126,740        |
| Reserves            | 319,667            | 267,527            |
| Accumulated losses  | (106,812,765)      | (105,847,550)      |
| <b>TOTAL EQUITY</b> | <b>(3,366,358)</b> | <b>(2,453,283)</b> |

(c) Contingencies

- (i) Deed of cross guarantee under which the company and subsidiary guarantee debts of each other.
- (ii) Refer note 19



**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Note 30: Company Details**

The registered office of the Company is:

Unit 7, 6-8 Herbert Street,  
St Leonards, New South Wales 2065

The principal places of business are:

Unit 7, 6-8 Herbert Street,  
St Leonards, New South Wales 2065

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**DIRECTORS' DECLARATION**

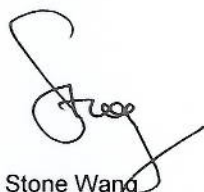
The Directors of AFT Corporation Limited declare that:

1. the financial statements and notes, as set out on page 23 to page 51 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and of its performance for the year ended on that date;
  - (c) complies with International Financial Reporting Standards as disclosed in Note 1;
2. the Managing Director has declared that:
  - (a) the financial records of the Company and Consolidated Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Company and a wholly-owned subsidiary, AFT Corporation Listed Public Limited, have entered into a deed of cross guarantee under which the company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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



Stone Wang  
CEO and Managing Director  
Sydney, New South Wales  
Date: 28 March 2014



## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AFT CORPORATION LIMITED**

### **Report on the Financial Report**

We have audited the accompanying financial report of AFT Corporation Limited and Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 and fair presentation 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, the directors also state, in accordance with Accounting Standard AASB101: 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 about 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 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*. We have given to the directors of AFT Corporation Limited a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.





## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AFT CORPORATION LIMITED

### Auditor's Opinion

In our opinion:

- (a) the financial report of AFT Corporation Limited and Controlled Entities 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 31 December 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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 AFT Corporation Limited for the year ended 31 December 2013 complies with s 300A of the *Corporations Act 2001*.

Pran Rathod-Director Audit Services  
Registered Company Auditor

Hayes Knight (NSW) Pty Ltd

Dated at Sydney, this 28th day of March 2014

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**SHAREHOLDER INFORMATION**

The following information is provided in accordance with the Listing Rules of Australian Stock Exchange Limited

**1. Statement of issued capital at 31 December 2013**

| Range            | Total Holders | Units                | % Issued Capital |
|------------------|---------------|----------------------|------------------|
| 1 - 1,000        | 121           | 78,421               | 0.001            |
| 1,001 - 5,000    | 225           | 628,951              | 0.009            |
| 5,001 - 10,000   | 121           | 942,149              | 0.014            |
| 10,001 – 100,000 | 356           | 14,621,783           | 0.225            |
| 100,000 or more  | 1,624         | 6,491,256,708        | 99.735           |
| <b>Total</b>     | <b>2,447</b>  | <b>6,508,528,012</b> | <b>100.000</b>   |

**2. Top 20 Holders of Ordinary Shares as at 31 December 2013**

| Rank | Name   | Number of Shares     | % Issued Capital |
|------|--|----------------------|------------------|
| 1.   | MR STONE HONG WANG   | 888,991,840          | 13.659           |
| 2.   | MR GE WANG   | 384,049,780          | 5.901            |
| 3.   | MR KUN SUM SHEA  | 300,780,440          | 4.621            |
| 4.   | MR JIAN XIN CHAN   | 300,000,000          | 4.609            |
| 5.   | MS CHONG KWAN  | 300,000,000          | 4.609            |
| 6.   | MR SHAOHUA LIANG   | 300,000,000          | 4.609            |
| 7.   | OXFORD INTERNATIONAL CAPITAL LIMITED   | 300,000,000          | 4.609            |
| 8.   | MR JING WANG   | 200,780,440          | 3.085            |
| 9.   | MR ZHANG XIAO MING   | 200,000,000          | 3.073            |
| 10.  | TECHSUCCESS LIMITED WOLFELANDS   | 177,430,681          | 2.726            |
| 11.  | CITICORP NOMINEES PTY LTD  | 146,866,880          | 2.257            |
| 12.  | MS PEIWEN PEGGY LU   | 84,413,500           | 1.297            |
| 13.  | MR JAMES LEUNG & MS CHRISTINE CHUI WAH CHEUNG                                | 63,687,898           | 0.979            |
| 14.  | MR ROBERT H GREENFIELD & MRS PATRICIA GREENFIELD <GREENFIELD SUPER FUND A/C> | 60,000,000           | 0.922            |
| 15.  | BRIGHT LUCKY INVESTMENT  | 58,333,310           | 0.896            |
| 16.  | MRS LYNETTE JOYCE MACKAY & MR JOHN WENSTROM MACKAY <DYNAPLAS P/L S/F A/C>    | 57,200,001           | 0.879            |
| 17.  | MR ANDREW SEDLEY BODY & MRS LUCIE ANN BODY <A & L BODY S/F A/C>              | 55,200,000           | 0.848            |
| 18.  | MR JOHN LONGO  | 50,597,897           | 0.777            |
| 19.  | MR PAUL DOMINIC HILLMAN  | 50,000,000           | 0.768            |
| 20.  | MR DAVID SEN JEE MS JANET JULIANA LEE  | 42,121,888           | 0.647            |
|      | <b>Total</b>   | <b>4,016,454,555</b> | <b>61.711</b>    |

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**SHAREHOLDER INFORMATION**

**3. Unmarketable Parcels**

The number of shareholders with unmarketable parcels is 1410.

**4. Substantial Holders**

The names of the substantial shareholders as at 28 March 2013 are

| Name                                 | Number of shares |
|--------------------------------------|------------------|
| MR STONE HONG WANG                   | 888,991,840      |
| MR GE WANG                           | 395,049,780      |
| MR KUN SUM SHEA                      | 300,780,440      |
| MR JIAN XIN CHAN                     | 300,000,000      |
| MS CHONG KWAN                        | 300,000,000      |
| MR SHAOHUA LIANG                     | 300,000,000      |
| OXFORD INTERNATIONAL CAPITAL LIMITED | 300,000,000      |
| MR JING WANG                         | 200,780,440      |

**5. Voting Rights**

Each Ordinary Share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**6. Quotation**

Shares in AFT Corporation Limited are listed on Australian Stock Exchange Limited.

**7. Audit Committee**

As at the date of the directors' report the Company did not have a separate audit committee, however meetings are held between senior management and auditors throughout the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.