



P.A.

# Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

## Company/scheme details

Company/scheme name

TA ANN TASMANIA PTY LIMITED

ACN/ARSN/PIN/ABN

58 115 743 345

## Lodgement details

An image of this form will be available as part of the public register.

Who should ASIC contact if there is a query about this form?

ASIC registered agent number (if applicable)

SIMON KANG

Firm/organisation

TA ANN TASMANIA PTY LIMITED

Contact name/position description

DIRECTOR

Telephone number (during business hours)

(03) 6223 8933

Email address (optional)

simon.kang@taannfas.com

Postal address

150 DAVEY ST 27 JUN 2013

Suburb/City

HOBART

State/Territory

TAS

Postcode

7000

## 1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public company limited by guarantee

See Guide for definition of large proprietary company

See Guide for definition of small proprietary company

Dates on which financial year begins and ends

- A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- A Tier 2 public company limited by guarantee (L)
- A registered scheme (B)
- Amendment of financial statements or directors' report (company) (C)
- Amendment of financial statements or directors' report (registered scheme) (D)
- A large proprietary company that is not a disclosing entity (H)
- A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- A prescribed interest undertaking that is a disclosing entity (K)

Financial year begins

01/01/12

to

Financial year ends

31/12/12

## 2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

\$ 28,147,390

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

\$ 68,574,660

C How many employees are employed by the large proprietary company and the entities that it controls?

82

D How many members does the large proprietary company have?

2

## 3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

Audited - complete B only

Reviewed - complete A and B

No

If no, is there a class or other order exemption current for audit/review relief?

Yes

No

### A. Reviewed

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or National Institute of Accountants and holds a practising certificate issued by one of those bodies?

Yes

No

### B. Audited or Reviewed

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

Yes

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

No

## 4 Details of current auditor or auditors

### Notes:

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

Date of appointment

[D] [D] [M] [M] [Y] [Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

## 5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

OR

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

### Signature

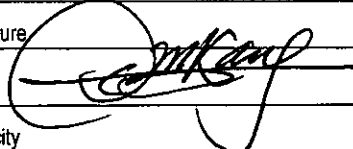
See Guide for details of signatory.

I certify that the attached documents marked ( ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

SIMON CHUNG MIN KANG

Signature



Capacity

Director

Company secretary

Date signed

17 / 06 / 13  
[D] [D] [M] [M] [Y] [Y]

### Lodgement

Send completed and signed forms to:  
Australian Securities and Investments Commission,  
PO Box 4000, Gippsland Mail Centre VIC 3841.

For more information

Web [www.asic.gov.au](http://www.asic.gov.au)

Need help? [www.asic.gov.au/question](http://www.asic.gov.au/question)

Telephone 1300 300 630

Or lodge the form electronically by:

- visiting the ASIC website [www.asic.gov.au](http://www.asic.gov.au)
- using Standard Business Reporting enabled software. See [www.sbr.gov.au](http://www.sbr.gov.au) for more details.

Ta Ann Tasmania Pty Limited  
ABN 58 115 743 345

Annual financial report  
31 December 2012

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## Ta Ann Tasmania Pty Limited Directors' report

For the year ended 31 December 2012

The directors present their report together with the financial report of Ta Ann Tasmania Pty Limited ('the Company') for the financial year ended 31 December 2012 and the auditor's report thereon.

### 1. Directors

The directors of the Company at any time during or since the end of the last financial year are:

Name	Age	Experience, special responsibilities and other directorship
Datuk Amar Abdul Hamed Bin Haji Sepawi	63	An experienced forester who has been involved in forest management for the last 22 years. Has been actively involved in activities relating to forest plantation in Australia and Malaysia.
Dato Wong Kuo Hea	61	Extensive experience in timber and manufacturing industries. Has dealt with all facets of practical forest management from site preparation through to utilisation and corporate management.
Simon Chung Min Kang	67	Has been involved in the operations, management and trading of timber related products for more than 31 years in Korea, Malaysia, Indonesia, Singapore and Australia.
Koichi Adachi	52	Has been involved in trading of wooden products in South East Asia, North America, Latin America, Europe, China, South Korea and Japan for more than 30 years.
Sii How Sing (resigned February 2013)	46	Has been involved in the management and operation of timber related operations, both in Malaysia and overseas for the last 16 years.
Evan Rolley (since March 2012)	60	Extensive national and international experience in forestry and the wood products sector over 39 years. Business experience in infrastructure, farm production and marketing.

### 2. Principal activities

The Company is principally engaged in the manufacture and sale of hardwood veneer products. The veneer is primarily sold to a related entity in Malaysia for further processing and export.

During the year, the Company continued production from its mills located in the Huon Valley and at Smithton.

### 3. Results and dividends

#### Result

Net loss for the year was \$10,203,367 (2011: net profit of \$1,824,678).

#### Dividends

No dividend has been declared or distributed during the year or since year end.

Ta Ann Tasmania Pty Limited  
Directors' report (continued)  
For the year ended 31 December 2012 (continued)

4. Environmental regulation

The Company is subject to environmental regulations under both Commonwealth and State legislation in relation to its manufacturing activities. The Company is committed to achieving a high standard of environmental performance. It has engaged Newood Huon Pty Ltd and Newood Smithton Pty Ltd to provide the necessary environmental and planning consultation for the regular monitoring of the environmental exposures and compliance with environmental regulations. Based on the results of enquiries made, the Company is not aware of any significant breaches during the period covered by this report.

5. Events subsequent to reporting date

Throughout 2012 Forest Industry Representatives and Non-Government Environmental Organisations continued to negotiate the terms of a "forest peace deal". The elements of this "deal" were agreed by the parties and were recorded in the *Tasmanian Forest Agreement* dated 22 November 2012 (*the Agreement*).

Subsequent to the signing of the Agreement, the Tasmanian Government submitted the *Tasmanian Forests Agreement Bill 2012 (the Bill)* in the Tasmanian Parliament's Lower House in order to incorporate the key principles of the Agreement in relevant Tasmanian legislation. The Lower House passed the Bill, which was then submitted to the Tasmanian Parliament's Legislative Council for ratification. In late December 2012, the Legislative Council resolved to establish a Select Committee to consider the content / implications of the Bill. At the date of adopting these financial statements the Legislative Council are still considering the findings of the Select Committee / the Bill and as such have not yet voted on the Bill. As such the principles of the Agreement incorporated in the Bill have not yet been passed into legislation.

One of the key principles incorporated into the above Agreement / Bill was the retention of sustainable productive State forests in order to meet the wood supply requirements of a range of Tasmanian Forestry Sector participants. This includes sufficient peeler wood supply "to meet renegotiated contracts". As the primary holder of peeler wood supply contracts, the Company has commenced negotiations with the Tasmanian State Government and Forestry Tasmania in respect to the proposed revisions to its pre-existing contracts. As at the date of adopting these financial statements these negotiations have yet to be finalised.

The outcomes of the above legislative process and associated contractual negotiations including funding for a peeler logs contract purchase program have the potential to materially impact the Company's operations in a pervasive manner. However, until such time that these matters are finalised, an estimate of the financial effect cannot be made on the Company's operations.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen in the interval between the end of the financial year and the date of this report that in the opinion of the Directors of the Company, has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Ta Ann Tasmania Pty Limited  
Directors' report (continued)  
For the year ended 31 December 2012 (continued)

6. Likely developments

Subject to the resolution of the matters discussed in Note 5, the Company will continue to pursue its targeted approach of returning production to sustainable levels and improving profitability through the operation of its two veneer mills and continued trading of its downstream veneer processing operations. The directors are unable to comment further information as future direction will be dependent on the outcome of the matters discussed in Note 5.

7. Indemnification and insurance of officers and auditors

**Indemnification**

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

**Insurance premiums**

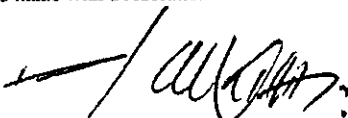
During the financial year the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 31 December 2012.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

8. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 40 and forms part of the directors' report for the financial year ended 31 December 2012.

This report is made with a resolution of the directors:

  
\_\_\_\_\_  
Dato Wong Kuo Hea  
Director

Dated at APRIL this 12TH day of 2013.

  
\_\_\_\_\_  
Mr Simon Chung Min Kang  
Director

Dated at APRIL this 12TH day of 2013.

Ta Ann Tasmania Pty Limited  
Statement of comprehensive income  
For the year ended 31 December 2012

	<i>Note</i>	2012	2011
Revenue	6	28,147,390	49,344,424
Cost of sales		(30,731,507)	(43,891,763)
<b>Gross Profit/(Loss)</b>		<b>(2,584,117)</b>	<b>5,452,661</b>
Other Income	7	950,289	506,633
Administrative expenses		(496,824)	(592,279)
Selling & distribution expenses		(2,325,696)	(3,281,848)
Other personnel expenses	9	(747,386)	(752,662)
Transportation and travel		(54,880)	(68,307)
Other expenses	8	(3,918,983)	(46,307)
<b>Results from operating activities</b>		<b>(9,177,597)</b>	<b>1,217,891</b>
Interest income	10	1,440	24,154
Interest expenses and bank charges	10	(267,731)	(178,039)
Net foreign currency exchange gain/(loss)	10	(759,479)	760,672
<b>Net finance Income / (Expense)</b>	10	<b>(1,025,770)</b>	<b>606,787</b>
<b>Profit / (Loss) before income tax</b>		<b>(10,203,367)</b>	<b>1,824,678</b>
Income tax benefit/(expense)	11	-	-
<b>Profit / (Loss) for the year</b>		<b>(10,203,367)</b>	<b>1,824,678</b>
Other comprehensive income		-	-
<b>Total comprehensive Income/(Loss) for the period</b>		<b>(10,203,367)</b>	<b>1,824,678</b>

The notes on pages 10 to 36 are an integral part of these financial statements.

Ta Ann Tasmania Pty Limited  
Statement of changes in equity  
For the year ended 31 December 2012

	<i>Share Capital</i>	<i>Accumulated Losses</i>	<i>Total Equity</i>
Balance at 1 January 2011	33,000,000	(17,809,067)	15,190,933
Total Comprehensive income/(loss) for the period	-	1,824,678	1,824,678
Issue of ordinary shares	20,000,000	-	20,000,000
Balance at 31 December 2011	<u>53,000,000</u>	<u>(15,984,389)</u>	<u>37,015,611</u>

	<i>Share Capital</i>	<i>Accumulated Losses</i>	<i>Total Equity</i>
Balance at 1 January 2012	53,000,000	(15,984,389)	37,015,611
Total Comprehensive income/(loss) for the period	-	(10,203,367)	(10,203,267)
Issue of ordinary shares	-	-	-
Balance at 31 December 2012	<u>53,000,000</u>	<u>(26,187,756)</u>	<u>26,812,244</u>

The notes on pages 10 to 36 are an integral part of these financial statements.

Ta Ann Tasmania Pty Limited  
Statement of financial position  
For the year ended 31 December 2012

	<i>Note</i>	2012	2011
<b>Assets</b>			
Cash and cash equivalents	18	656,036	3,259,217
Trade and other receivables	17	628,442	625,435
Inventories	16	6,676,992	7,880,546
<b>Total current assets</b>		<u>7,961,470</u>	<u>11,765,198</u>
Property, plant and equipment	12	60,088,318	66,697,712
Biological asset	13	364,049	398,006
Intangible assets	14	160,823	180,884
<b>Total non-current assets</b>		<u>60,613,190</u>	<u>67,276,602</u>
<b>Total assets</b>		<u>68,574,660</u>	<u>79,041,800</u>
<b>Liabilities</b>			
Trade and other payables	23	33,089,680	32,166,071
Employee benefits	21	470,054	773,643
Deferred income	22	435,934	461,578
<b>Total current liabilities</b>		<u>33,995,668</u>	<u>33,401,292</u>
Employee benefits	21	94,039	39,254
Deferred income	22	7,672,709	8,585,643
<b>Total non-current liabilities</b>		<u>7,766,748</u>	<u>8,624,897</u>
<b>Total liabilities</b>		<u>41,762,416</u>	<u>42,026,189</u>
<b>Net assets</b>		<u>26,812,244</u>	<u>37,015,611</u>
<b>Equity</b>			
Share capital	19	53,000,000	53,000,000
Accumulated losses		(26,187,756)	(15,984,389)
<b>Total equity</b>		<u>26,812,244</u>	<u>37,015,611</u>

The notes on pages 10 to 36 are an integral part of these financial statements.

**Ta Ann Tasmania Pty Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2012**

	<i>Note</i>	2012	2011
<b>Cash flows from operating activities</b>			
Cash receipts from customers		30,325,194	43,997,618
Cash paid to suppliers and employees		<u>(32,177,610)</u>	<u>(40,980,621)</u>
Cash generated from operations		(1,852,416)	3,016,997
Interest paid		1,440	(178,039)
Interest received		<u>(263,873)</u>	<u>24,154</u>
<b>Net cash from operating activities</b>	<b>28</b>	<u>(2,114,849)</u>	<u>2,863,112</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(504,595)	(308,829)
Proceeds on disposal of property, plant and equipment		16,264	27,273
Payments for intangible asset		-	<u>(127)</u>
<b>Net cash from investing activities</b>		<u>(488,331)</u>	<u>(281,683)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(9,181,807)
Cash advance from related party		-	<u>9,100,000</u>
<b>Net cash from financing activities</b>		<u>-</u>	<u>(81,807)</u>
Net increase/(decrease) in cash and cash equivalents		(2,603,180)	2,499,622
Cash and cash equivalents at 1 January		<u>3,259,216</u>	<u>759,595</u>
<b>Cash and cash equivalents at 31 December</b>	<b>18</b>	<u>656,036</u>	<u>3,259,217</u>

The notes on pages 10 to 36 are an integral part of these financial statements.

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

#### 1. Reporting entity

Ta Ann Tasmania Pty Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 59 Harrington Street, Hobart, Tasmania, Australia. The Company is a for profit entity, incorporated on 12 August 2005, is primarily involved in the production and sale of wood veneer. The Company's ultimate parent entity is Ta Ann Holdings Berhad domiciled in Malaysia.

#### 2. Basis of preparation

##### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved and authorised for issue by the Board of Directors on 12 April 2013.

##### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated.

##### (c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

##### (d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in note 12 – property, plant and equipment, note 15 - utilisation of tax losses, and note 4 – determination of fair values.

##### (e) Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company made an operating loss of \$10,203,367 (2011: profit of \$1,824,678) during the year ended 31 December 2012 and the Company's total current liabilities exceeded total current assets by \$26,034,198 (2011: \$21,636,094) at balance date.

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

#### 2. Basis of preparation (continued)

##### (e) Going concern (continued)

Total current liabilities include related party debt/payables totalling \$28,237,349 (2011: \$25,316,423).

The Company's immediate parent company, Ta Ann Plywood Sdn Bhd, has indicated that they have the capacity and intention to continue to provide the Company with any necessary financial support and have advised the Company that it will not seek repayment of amounts owing prior to 30 April 2014. As such the Directors are of the opinion that the Company will continue to have access to the necessary finance facilities to allow the Company to operate as a going concern and therefore the Directors are of the opinion that it is appropriate to prepare the Company's financial statements on a going concern basis.

#### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

##### (a) Foreign currency

###### (i) Foreign currency transactions

Transactions in foreign currencies are translated at foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

##### (b) Financial instruments

###### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, bank overdrafts, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(j).

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (b) Financial instruments

###### (ii) Share capital

###### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

###### *Dividends*

Dividends are recognised as a liability in the period in which they are declared.

##### (c) Property, plant and equipment

###### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see note 3(f)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as a part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

###### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

###### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

● buildings	25 years
● motor vehicles	4.5 years
● machinery, tools and equipment	5-25 years
● leasehold improvements	10 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

3. Significant accounting policies (continued)

(d) Intangible assets

(i) Land purchase option

The Company has acquired the option to purchase the leasehold site upon which the Smithton Rotary Veneer Peeler Mill has been built. This option expires in 2016, should it not be exercised before this date. The asset is carried at cost less accumulated amortisation and impairment losses (see note 3 (f)). The asset is being amortised over 10 years.

(ii) Software

Software acquired by the Company and the associated implementation costs have been capitalised and are being amortised over the estimated life of the software, being 4 years. The asset is carried at cost less accumulated amortisation and impairment losses.

(iii) Smithton Wood Supply Agreement

This intangible asset relates to an agreement between the Company and Forestry Tasmania in respect to the Company's entitlement to purchase timber from Forestry Tasmania. As the agreement contains a number of extension clauses that enable the agreement to be extended indefinitely, the asset is considered to have an indefinite useful life. As a result, the asset is carried at cost less accumulated impairment losses (see note 3 (f)). The carrying value of the asset is assessed for impairment on an annual basis.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, spare parts used in repairs and maintenance and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (f) Impairment

###### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

###### (ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (g) Employee benefits

###### (i) Defined contribution superannuation plans

A defined contribution superannuation plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

###### (ii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as superannuation guarantee charge, workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

###### (iii) Other long-term employee benefits

The Company's net obligation in respect of long-term service benefits, such as long service leave, is the amount of future benefit that employee's have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary costs including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligation.

##### (h) Revenue

###### (i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The transfer of significant risks and rewards of ownership occurs upon loading the goods onto the relevant carrier.

###### (ii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit and loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### (j) Finance income and expense

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues in profit and loss using the effective interest method.

Finance expenses comprise interest expense on borrowings, interest withholding tax, foreign currency losses, bank fees and charges. Borrowing costs recognised in profit or loss are measured using the effective interest method.

##### (k) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

3. Significant accounting policies (continued)

(k) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. Standing timber is transferred to inventory at its fair value less estimated point-of-sale costs at the date of harvest.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing the financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for AASB 9 Financial Instruments, which becomes mandatory for the Company's 2013 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not yet been determined.

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

#### 4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### (i) Intangible assets

The fair value of indefinite useful life intangible assets, which is determined for the purposes of impairment testing, is based on the discounted cash flows expected to be derived from the use of the asset.

##### (ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

##### (iii) Biological assets

The fair value of standing timber is based on the market price of the estimated recoverable wood volumes, net of harvesting costs.

#### 5. Financial risk management

##### Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

##### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is also responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

#### 5. Financial risk management (continued)

##### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

##### **Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, may have less of an influence on credit risk, particularly in the current economic circumstances. Approximately 99.8 percent (2011: 99.0 percent) of the Company's revenue is attributable to sales transactions with a single customer, being the Company's immediate parent.

The Board has not considered it necessary to conduct credit worthiness checks on its parent company.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company has access to the financial support of its parent company as the need arises.

##### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company does not enter into derivatives or hedge accounting in order to manage volatility in profit or loss.

##### **Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than its functional currency, the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are the US Dollar, Malaysian Ringgit and Japanese Yen.

The company monitors its exposure to fluctuations in foreign currency on a periodic basis via its monthly accounting procedure.

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

**5. Financial risk management (continued)**

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

The Company is not subject to externally imposed capital requirements.

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

<b>6. Revenue</b>			
Sales of veneer		2012	2011
		28,147,390	49,344,424
		<u>28,147,390</u>	<u>49,344,424</u>
<b>7. Other income</b>		2012	2011
Government grant		2,500	2,750
Deferred grant income release		938,578	461,578
Biological asset - change in fair value less estimated point of sale costs		(33,957)	16,564
Other income		43,168	25,741
		<u>950,289</u>	<u>506,633</u>
<b>8. Other expenses</b>		2012	2011
Impairment of Property, Plant and Equipment	<i>Note 12</i>	3,631,000	-
Impairment of Inventory	<i>16</i>	258,823	-
Other expenses		29,160	46,307
		<u>3,918,983</u>	<u>46,307</u>
<b>9. Personnel expenses</b>		2012	2011
Wages and salaries classified in cost of sales		5,848,925	8,840,062
<i>Other personnel expenses</i>			
Wages and salaries		202,583	328,254
Contributions to defined contribution superannuation plans		29,548	30,810
Increase / (decrease) in employee leave balances		165,608	39,962
Payroll tax expense and FBT		349,647	353,636
Total other personnel expenses		<u>747,386</u>	<u>752,662</u>
Total personnel expenses in income statement		<u>6,596,311</u>	<u>9,592,724</u>
<b>10. Finance income and expense</b>		2012	2011
Interest income on bank deposits		1,440	24,154
Foreign currency exchange gain		159,831	1,088,530
Finance income		<u>161,271</u>	<u>1,112,684</u>
Interest expense and withholding tax		(220,962)	(153,308)
Interest expense - related parties		(3,858)	-
Bank charges and fees		(42,911)	(24,731)
Foreign currency exchange loss		(919,310)	(327,858)
Finance expense		<u>(1,187,041)</u>	<u>(505,897)</u>
Net finance income and expense		<u>(1,025,770)</u>	<u>606,787</u>

For the year ended 31 December 2012, the net foreign currency exchange loss included an unrealised foreign currency translation loss of \$579,621 (2011: gain of \$299,306)

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

11. Income tax expense

Numerical reconciliation between tax-expense  
and pre-tax accounting profit

	2012	2011
Profit / (loss) for the period	(10,203,367)	1,824,678
Total income tax expense / (benefit)	-	-
Profit / (loss) excluding income tax expense / (benefit)	<u>(10,203,367)</u>	<u>1,824,678</u>
Income tax expense / (benefit) using the Company's domestic tax rate of 30% (2011: 30%)	(3,061,010)	547,403
Non-deductible expenses	1,206	5,211
De-recognition of net deferred tax asset relating to tax losses and temporary differences	3,059,804	-
Recognition of carried forward tax losses derecognised in prior years	-	(531,273)
Prior year under provision	-	(21,341)
	<u>-</u>	<u>-</u>

12. Property, plant and equipment

	Buildings	Machinery, tools and equipment	Motor Vehicles	Office Equipment	Under construction	Leasehold Infrastructure contribution	House & property	Land	Total
Cost or deemed cost									
Balance - 1 January 2011	16,111,643	54,962,417	428,176	538,240	87,690	6,087,692	386,357	330,990	78,933,205
Additions	3,964	117,413	99,592	10,447	-	80,160	-	-	311,576
Disposals	-	-	(57,952)	(7,198)	-	-	-	-	(65,150)
Balance - 31 December 2011	<u>16,115,607</u>	<u>55,079,830</u>	<u>469,816</u>	<u>541,489</u>	<u>87,690</u>	<u>6,167,852</u>	<u>386,357</u>	<u>330,990</u>	<u>79,179,631</u>
Balance - 1 January 2012	16,115,607	55,079,830	469,816	541,489	87,690	6,167,852	386,357	330,990	79,179,631
Additions	-	501,405	-	3,189	-	-	-	-	504,594
Disposals	-	-	(29,410)	(1,229)	-	-	-	-	(30,639)
Balance - 31 December 2012	<u>16,115,607</u>	<u>55,581,235</u>	<u>440,406</u>	<u>543,449</u>	<u>87,690</u>	<u>6,167,852</u>	<u>386,357</u>	<u>330,990</u>	<u>79,653,586</u>

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

12. Property, plant and equipment (continued)

	Buildings	Machinery, tools and equipment	Motor Vehicles	Office equipment	Under Construction	Leasehold infrastructure contribution	House & property	Land	Total
<b>Depreciation and impairment losses</b>									
Balance -									
1 January 2011	(1,747,016)	(6,345,042)	(170,241)	(102,864)	-	(664,371)	(35,505)	-	(9,065,039)
Depreciation for the year	(634,963)	(2,424,835)	(98,452)	(42,575)	-	(242,763)	(13,494)	-	(3,457,082)
Disposals	-	-	33,495	6,708	-	-	-	-	40,203
Balance - 31 December 2011	(2,381,979)	(8,769,877)	(235,198)	(138,731)	-	(907,134)	(48,999)	-	(12,481,918)
Balance -									
1 January 2012	(2,381,979)	(8,769,877)	(235,198)	(138,731)	-	(907,134)	(48,999)	-	(12,481,918)
Depreciation for the year	(635,454)	(2,457,571)	(88,354)	(39,111)	-	(244,883)	(13,494)	-	(3,478,867)
Disposals	-	-	26,059	458	-	-	-	-	26,517
Impairment	(732,408)	(2,480,122)	-	-	-	(280,470)	-	(138,000)	(3,631,000)
Balance - 31 December 2012	(3,749,841)	(13,707,570)	(297,493)	(177,384)	-	(1,432,487)	(62,493)	(138,000)	(19,565,268)
<b>Carrying amounts</b>									
1 January 2011	14,364,627	48,617,375	257,935	435,376	87,690	5,423,321	350,852	330,990	69,868,166
31 December 2011	13,733,628	46,309,953	234,618	402,758	87,690	5,260,718	337,358	330,990	66,697,712
1 January 2012	13,733,628	46,309,953	234,618	402,758	87,690	5,260,718	337,358	330,990	66,697,712
31 December 2012	12,365,766	41,873,666	142,913	366,065	87,690	4,735,365	323,864	192,990	60,088,318

**Impairment testing at reporting date**

Due to the existence of impairment indicators as at 31 December 2012, discussed in note 30 – Subsequent events, management have estimated the recoverable amount of the Company's property, plant and equipment assets (excluding house & property).

The recoverable amount of the above-mentioned property, plant and equipment was based on its value in use. The recoverable amount calculated for the property, plant and equipment was lower than its carrying amount. Therefore, management has recognised an impairment loss of \$3,631,000 as at 31 December 2012 (2011: nil).

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the Company's property, plant and equipment. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and management's forecast for the next 5 years. The first year of the forecast cash flows predicts sales price increases of 5% on those achieved for the year ended 31 December 2012. Years 2 – 5 of the cash flow forecast predicts the sales price will continue to increase by 5% as the world veneer market recovers.

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

12. Property, plant and equipment (continued)  
Impairment testing at reporting date (continued)

- The Company anticipates that production and sales volumes will be impacted by the historically low levels of raw materials supplied during 2012 continuing during 2013 and 2014 due to the ongoing impacts of the restructure of the Tasmanian Forestry Sector and the associated implications of this on the Company's existing wood supply agreements. Management are forecasting moderate increases in the supply of raw materials, production and sales beyond 2014 as alternate sources of raw material supply are secured;
- A pre-tax real discount rate of 9% was applied to forecast cash flows in determining the recoverable amount of the property, plant and equipment. Comparable discount rates applied within the Company's industry in Australia typically range between 8% and 10%.
- The following table demonstrates the sensitivity of the three main assumptions utilised in the value in use calculation:

	\$'000 increase	\$'000 decrease
<b>Impact of change in assumption to recoverable value</b>		
Discount Rate +/- 0.5%	(3,346)	3,737
Sales Price Yr1 (escalated) +/- \$5 per m3	6,232	(6,180)
Raw material input volume +/- 0.5%	6,469	(6,415)

The values assigned to the key assumptions represent the Director's and Management's assessment of future trends in the rotary peeled hardwood veneer industry and are based on internal and external sources. These assumptions / judgements may be significantly impacted by the eventual resolution of the matters discussed in note 30 – Subsequent events.

13. Biological assets

	2012	2011
<b>Standing timber – at fair value</b>		
Balance at 1 January	398,006	381,442
Change in net fair value less estimated point of sale costs	(33,957)	16,564
Balance at 31 December	<u>364,049</u>	<u>398,006</u>

At 31 December 2012 standing timber was situated on the one property and comprised approximately 16.4 hectares of radiata plantation, 7.7 hectares of eucalyptus nitens plantation and 14.6 hectares of native forest. The radiata and eucalyptus plantations were planted in 1989. The company has not harvested any timber from the property since it was purchased.

**Method of determining fair value**

Fair value has been determined by an independent valuer. The valuation methodology adopted by the valuer had reference to:

- Growth rates
- Product value
- Current market prices
- Point of sale costs

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

14. Intangible assets

	2012	2011
<b>Land purchase option</b>		
Carrying amount at the beginning of the period	80,000	100,000
Amortisation	(20,000)	(20,000)
Carrying amount at balance date	<u>60,000</u>	<u>80,000</u>
<b>Software</b>		
Carrying amount at the beginning of the period	884	2,578
Additions - at cost	-	127
Amortisation	(61)	(1,821)
Carrying amount at balance date	<u>823</u>	<u>884</u>
<b>Smithton wood supply agreement option fee</b>		
Carrying amount at the beginning of the period	<u>100,000</u>	<u>100,000</u>
Carrying amount at balance date	<u>100,000</u>	<u>100,000</u>
<b>Carrying Amount</b>		
Total cost	315,846	315,846
Accumulated amortisation	<u>(155,023)</u>	<u>(134,962)</u>
<b>Total intangible assets net book value</b>	<u>160,823</u>	<u>180,884</u>

15. Tax assets and liabilities

**Current tax assets and liabilities**

During the year ended 31 December 2012 \$3,059,804 of temporary differences and tax losses were not recognised as a deferred tax asset based on management's assessment as to the probability that future taxable profits would be available against which they could be offset or utilised.

In the year ended 31 December 2011 \$531,273 of previously derecognised tax losses were recognised to offset against prior year taxable income of the Company.

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

15. Tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2012	2011
	\$	\$
	Asset / (liability)	Asset / (liability)
Capitalised borrowing costs and amortisation	(272,822)	(286,228)
Related party borrowings (renegotiation of amounts owing and non-assessable unrealised foreign currency loss /(gain))	(171,230)	(513,809)
Non-deductible accrued expenses	48,662	98,858
Intangible assets	253,365	207,030
Inventory	77,647	-
Property, plant and equipment	946,200	-
Non-deductible employee leave entitlements	169,228	243,869
Biological assets	(48,375)	(58,562)
Accumulated tax losses	4,755,420	3,007,133
De-recognition of net deferred tax asset relating to temporary differences and carry forward tax losses	(5,758,095)	(2,698,291)
Net recognised deferred tax asset	-	-

Unrecognised deferred tax assets and liabilities

The Company's accumulated tax losses and carry forward temporary differences have not been recognised as the Company has not had a history of earning sufficient taxable profits. Changes in estimates of profitability may result in the future recognition of the deferred tax asset attributable to the carry forward tax losses and temporary differences of the Company.

16. Inventories

	2012	2011
Spare parts – on hand	1,802,819	1,861,079
Spare parts – in transit	33,097	113,198
Raw materials and consumables	336,821	595,614
Finished goods	4,504,255	5,310,655
Carrying amount of inventories	6,676,992	7,880,546

During the year ended 31 December 2012, raw materials, consumables and changes in finished goods recognised as cost of sales amounted to \$14,133,323 (2011: \$22,229,970). In 2012, the write down of inventories to net realisable value amounted to \$258,823 (2011: nil). This write down has been included in other expenses.

**Ta Ann Tasmania Pty Limited**  
**Notes to the financial statements**

**17. Trade and other receivables**

	<b>2012</b>	<b>2011</b>
Trade receivables due from related party	112,755	-
Trade receivables	10,645	1,028
Prepayments	328,507	423,076
GST receivable	111,087	195,061
Other receivables	65,448	6,270
	<u>628,442</u>	<u>625,435</u>

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 24.

**18. Cash and cash equivalents**

	<b>2012</b>	<b>2011</b>
Cash on hand and at bank	656,036	3,259,217
Cash and cash equivalents	<u>656,036</u>	<u>3,259,217</u>
Bank overdrafts	-	-
Cash and cash equivalents in the statement of cash flows	<u>656,036</u>	<u>3,259,217</u>

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

**19. Capital and reserves**

**Share capital**

	<b>Ordinary shares</b>	
	<b>2012</b>	<b>2011</b>
On issue at beginning of financial period	53,000,000	33,000,000
Ordinary shares issued	-	20,000,000
On issue at 31 December – fully paid	<u>53,000,000</u>	<u>53,000,000</u>

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

20. **Loans and borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 23.

	2012	2011
<b>Bank financing facilities</b>		
The company has access to the following bank facilities:		
Business overdraft	500,000	500,000
Business card	20,000	20,000
	<u>520,000</u>	<u>520,000</u>
<b>Bank facilities utilised at reporting date:</b>		
Business overdraft	-	-
Business card	-	-
	<u>-</u>	<u>-</u>
<b>Bank facilities not utilised at reporting date:</b>		
Business overdraft	500,000	500,000
Business card	20,000	20,000
	<u>520,000</u>	<u>520,000</u>

**Bank facility financing arrangements**

The bank facilities are secured by a fixed and floating charge over all assets and uncalled capital of the Company and registered mortgages over leases from the Company over premises situated at the Huon Wood Centre Mill and Smithton Mill sites.

The carrying amount of the assets of the Company pledged as security is \$68,574,660 (2011: \$79,041,800).

**Bank overdrafts**

Interest on bank overdraft is charged at prevailing rates.

21. **Employee benefits**

	2012	2011
<b>Current</b>		
<i>Liability for annual and sick leave</i>	470,054	773,643
<b>Non – Current</b>		
<i>Liability for long service leave</i>	94,039	39,254
	<u>564,093</u>	<u>812,897</u>

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

22. **Deferred income**

During the 2008 financial year, the Company was awarded a government grant in respect of constructing a rotary peeled veneer mill in Smithton. The mill became operational during the year ended 31 December 2008 and the grant, recognised as deferred income, is now being amortised over the useful life of the mill assets that the grant funds relate to.

	2012	2011
<b>Current</b>		
Deferred income	435,934	461,578
<b>Non current</b>		
Deferred income	7,672,709	8,585,643
	<u>8,108,643</u>	<u>9,047,221</u>

23. **Trade and other payables**

	<i>Note</i>	2012	2011
<b>Current</b>			
Accrued expenses		249,751	330,161
Trade creditors		4,602,580	6,519,488
Amounts owing to related parties	29	28,237,349	25,316,423
		<u>33,089,680</u>	<u>32,166,072</u>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

The amount owing between the Company and its parent does not have repayment terms and is at call and therefore represents an intercompany current account. No interest is being charged on this amount owing.

24. **Financial instruments**

**Credit risk**

**Exposure to credit risk**

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2012	2011
Trade and other receivables	299,935	202,358
Cash and cash equivalents	656,036	3,259,217
	<u>955,971</u>	<u>3,461,575</u>

The Company's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying Amount	
	2012	2011
Malaysia	112,755	-
Other	10,645	1,028
	<u>123,400</u>	<u>1,028</u>

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

24. **Financial instruments (continued)**  
**Credit risk (continued)**  
Exposure to credit risk (continued)

The Company's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2012	2011
Wholesale customers	123,400	1,028
	<u>123,400</u>	<u>1,028</u>

The Company believes that no impairment allowance is necessary in respect of trade receivable.

**Liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2012	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	Converted to equity
Amount owed to related party	28,237,349	28,237,349	28,237,349	-	-	-	-
Trade and other payables	4,852,331	4,852,331	4,852,331	-	-	-	-
	<u>33,089,680</u>	<u>33,089,680</u>	<u>33,089,680</u>	-	-	-	-
31 December 2011	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	Converted to equity
Amount owed to related party	25,316,423	25,316,423	25,316,423	-	-	-	-
Trade and other payables	6,849,649	6,849,649	6,849,649	-	-	-	-
	<u>32,166,072</u>	<u>32,166,072</u>	<u>32,166,072</u>	-	-	-	-

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

24. Financial instruments (continued)

Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

<i>Stated In AUD</i>	MYR	USD	MYR	USD
	31 December 2012		31 December 2011	
Amount owed to related party	(28,237,349)	-	(25,316,423)	-
Bank account	-	208	-	2,646,010
Net exposure	(28,237,349)	208	(25,316,423)	2,646,010

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
MYR	3.20	3.15	3.18	3.24
USD	1.04	1.03	1.04	1.03

Sensitivity analysis

A 10 percent strengthening / weakening of the Australian dollar against the following currencies at 31 December 2012 would have increased / decreased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss AUD	Profit or loss AUD
	31 December 2012	31 December 2011
<b>Strengthening</b>		
MYR	2,567,032	2,301,493
USD	19	240,546
<b>Weakening</b>		
MYR	(3,137,483)	(2,531,642)
USD	(21)	(264,601)

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Notes to the financial statements

24. **Financial instruments (continued)**

**Interest rate risk**

**Profile**

At the reporting date the Company had nil (2011: nil) interest-bearing financial instruments.

**Fair values**

**Fair values versus carrying amounts**

The fair values of financial assets and liabilities approximate the carrying amounts shown in the balance sheet.

The basis for determining fair values is disclosed in note 4.

**Interest rates used for determining fair value**

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

25. **Operating leases**

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	2012	2011
Less than one year	263,525	331,206
Between one and five years	339,464	444,576
More than five years	-	-
	602,989	775,782

The Company has entered into the following operating leases:

**Staff house:** The Company leases one house for use of its employee. The agreement runs for a period of 6 months and can be renewed upon mutual consent of the parties.

**Office space:** The Company entered into a new lease agreement for its office space in 2011. The agreement runs for a period of 36 months and can be renewed upon mutual consent of the parties.

**Rotary Peeling Veneer Mill (RPVM):** The Company entered into a lease agreement for the use of land where its Smithton RPVM has been constructed. Monthly rental was set at \$500 prior to the commencement of the construction of the mill, \$4,600 upon the start of construction of the mill, and is subject to an annual review as determined by both parties. The Company has an option to purchase the leased land. The amount payable in the year ended 31 December 2012 is \$65,107(GST Exclusive).

## Ta Ann Tasmania Pty Limited

### Notes to the financial statements

**26. Capital and other commitments**

No capital expenditure is forecast for completion at the end of December 2012 (December 2011: Nil).

**27. Contingencies**

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

**(a) Contingent liabilities**

*Performance guarantee*

Westpac has issued a bank guarantee in favour of Forestry Tasmania required pursuant to the Huon Wood Supply Agreement. The guarantee may be paid on demand without reference to the Company, to a maximum aggregate sum equal to AUD \$1,770,000.

*Electricity supply charges*

At year-end, the Company is in dispute with one of its major suppliers regarding electricity supply charges for the Huon Mill site. The total of the invoices in dispute at year-end is approximately \$1,787,795 (exclusive of GST) (2011: \$1,466,522) and these charges have not been recorded in the financial statements.

Once the treatment of the electricity supply charges is resolved between the relevant parties, there may be a material adjustment to the accounts depending on whether the costs being disputed are determined to be legitimate charges and, if so, whether such costs are to be recognised as operational expenditure or an amount to be capitalised. At this stage it is not possible to quantify the potential impacts to the financial statements as the recognition and measurement of the electricity supply charges is dependent on satisfactory resolution between the parties.

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Notes to the financial statements

28. Reconciliation of cash flows from operating activities

	2012	2011
<i>Cash flows from operating activities</i>		
<i>Profit / (loss) for the period</i>	(10,203,367)	1,824,678
<i>Adjustments for:</i>		
<i>Depreciation and amortisation</i>	3,498,928	3,476,157
<i>Unrealised foreign exchange ( gain) / loss</i>	579,621	216,994
<i>Fair value movement in biological asset</i>	33,957	(16,564)
<i>Deferred grant income</i>	(938,578)	(461,578)
<i>Impairment loss of property, plant and equipment</i>	3,631,000	-
<i>Gain on disposal</i>	(12,139)	(2,326)
<i>Operating profit/loss before changes in working capital and provisions</i>	<u>(3,410,578)</u>	<u>5,037,361</u>
<i>Change in trade and other receivables</i>	(3,008)	2,873,542
<i>Change in inventories</i>	1,203,554	70,293
<i>Change in trade and other payables</i>	343,987	(5,078,122)
<i>Change in provisions and employee benefits</i>	<u>(248,804)</u>	<u>(39,962)</u>
<i>Net cash from operating activities</i>	<u>(2,114,849)</u>	<u>2,863,112</u>

29. Related parties

**Transactions with key management personnel**

In addition to their salaries, the Company also provides non-cash benefits to key management personnel, and contributes to a post employment defined contribution superannuation fund on their behalf.

**Key management personnel compensation**

The key management personnel compensation included in 'personnel expenses' (see note 9) are as follows:

	2012	2011
Wages and salaries	320,673	392,955
Increase / (decrease) in employee leave balances	27,124	(92,223)
Contributions to defined contribution superannuation plan	28,861	35,366
Other employee benefits related expenses	29,541	44,359
	<u>406,199</u>	<u>380,457</u>

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

29. Related parties (continued)

Non-key management personnel disclosures

Immediate Parent – Ta Ann Plywood Sdn Bhd

<i>Transactions during the period through current account</i>	2012	2011
Interest expense	3,858	-
Payments for purchase of equipment and spare parts	16,369	38,146
Expenses advanced on behalf of the Company	30,579	97,620
Unrealised foreign exchange loss / (gain)	579,621	(295,059)
Repayment of Debt	(2,491,563)	(6,589,908)
Sales adjustments	4,782,121	(1,467,197)
Cash advance	-	9,100,000
Ta Ann Holdings Berhad Loan repayment made on behalf of company	122,881	-
Share increment	-	(18,912,210)
Other	-	(103,385)
Net movement	3,043,866	(18,131,993)
Amount payable/owing at balance date	28,237,349	25,193,483
<i>Other transactions during the period</i>		
Sales	28,102,271	49,284,076

Ta Ann Holdings Berhad

<i>Transactions during the period</i>	2012	2011
Loan repayment	(122,881)	-
Unrealised foreign exchange loss / (gain)	-	(4,247)
Amount payable/owing at balance date	-	122,881

30. Subsequent events

Throughout 2012 Forest Industry Representatives and Non-Government Environmental Organisations continued to negotiate the terms of a “forest peace deal”. The elements of this “deal” were agreed by the parties and were recorded in the *Tasmanian Forest Agreement* dated 22 November 2012 (the *Agreement*).

Subsequent to the signing of the Agreement, the Tasmanian Government submitted the *Tasmanian Forests Agreement Bill 2012 (the Bill)* in the Tasmanian Parliament’s Lower House in order to incorporate the key principles of the Agreement in relevant Tasmanian legislation. The Lower House passed the Bill, which was then submitted to the Tasmanian Parliament’s Legislative Council for ratification. In late December 2012, the Legislative Council resolved to establish a Select Committee to consider the content / implications of the Bill. At the date of adopting these financial statements the Legislative Council are still considering the findings of the Select Committee / the Bill and as such have not yet voted on the Bill. As such the principles of the Agreement incorporated in the Bill have not yet been passed into legislation.

One of the key principles incorporated into the above Agreement / Bill was the retention of sustainable productive State forests in order to meet the wood supply requirements of a range of Tasmanian Forestry Sector participants. This includes sufficient peeler wood supply “to meet renegotiated contracts”. As the primary holder of peeler wood supply contracts, the Company has commenced negotiations with the Tasmanian State Government and Forestry Tasmania in respect to the proposed revisions to its pre-existing contracts. As at the date of adopting these financial statements these negotiations have yet to be finalised.

Ta Ann Tasmania Pty Limited  
Notes to the financial statements

30. **Subsequent events (continued)**

The outcomes of the above legislative process and associated contractual negotiations including funding for a peeler logs contract purchase program have the potential to impact the Company's operations in a pervasive manner. However, until such time that these matters are finalised, an estimate of the financial effect cannot be made on the Company's operations.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen in the interval between the end of the financial year and the date of this report that in the opinion of the Directors of the Company, has significantly affected or may materially affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

31. **Auditors' remuneration**

	2012	2011
<b>Audit services</b>		
Auditors of the Company		
<i>KPMG Australia:</i>		
Audit and review of financial reports	82,219	83,227
	<u>82,219</u>	<u>83,227</u>
<b>Other services</b>		
<i>KPMG Australia:</i>		
Tax and accounting advice	9,500	1,075
Taxation services	6,915	6,645
	<u>16,415</u>	<u>7,720</u>

32. **Major Contracts**

**Huon Services Agreement**

On 16 January, 2006, the Company entered into a service agreement to develop, construct, operate and maintain a new integrated hardwood timber processing facility, including a common infrastructure, located in the southern Huon forest. The Company was required to contribute \$2,000,000 for the construction of the common infrastructure facility. In addition, the Company is required to pay a monthly service fee of \$43,660 (2011: \$36,235). The contribution to the common infrastructure is presented under leasehold improvement in the balance sheet.

The total service fee incurred during the year amounted to \$501,493 (2011: \$429,902) and forms a part of cost of goods sold in the income statement.

# Ta Ann Tasmania Pty Limited

## Directors' declaration

In the opinion of the directors of Ta Ann Tasmania Pty Limited (the "Company"):

- (a) the financial statements and notes, set out on pages 6 to 36, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as described in note 2(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at APRIL this 12TH day of 2013.

Signed in accordance with a resolution of the directors:



Dato Wong Kuo Hea  
Director



Mr. Simon Chung Min Kang  
Director



## **Independent auditor's report to the members of Ta Ann Tasmania Pty Limited**

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

We have audited the accompanying financial report of Ta Ann Tasmania (the Company), which comprises the statement of financial position as at 31 December 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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





*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of Ta Ann Tasmania Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2012 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 2.

*Emphasis of matter*

Without modification to the opinion set out above, we draw attention to note 30 to the financial statements which highlights a material uncertainty in respect to the Company's operations arising from the potential implications of the proposed *Tasmanian Forests Agreements Bill 2012* (the Bill) and the resultant renegotiation of related wood supply contracts. Additionally attention is drawn to note 12 to the financial statements which sets out the key assumptions that the Directors have used in estimating the recoverable amount of existing property, plant and equipment. These assumptions may be materially impacted by the final resolution of the Bill and related contract renegotiations.

KPMG

KPMG

Leigh Franklin  
*Partner*

Hobart, Tasmania

12 April 2013





*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Ta Ann Tasmania Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2012 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.

KPMG

KPMG

Leigh Franklin  
*Partner*

Hobart

12 April 2013

