

**Australian Securities &
Investments Commission**

IPC
26 NOV 2009

BW



Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

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

PANASZA GROUP PTY LTD

ACN/ARBN/ARSN/PIN/ABN

37 083 253 730

Lodgement details

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

Firm/organisation

Contact name/position description

SHARON GAO / ACCOUNTANT

ASIC registered agent number (if applicable)

Telephone number

(02) 9704 1568

Postal address or DX address

PO Box 573 CHESTER HILL
NSW 2162

1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of large and small proprietary companies.

- ☐ A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- ☐ 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 that is requested by ASIC to prepare and lodge statements and reports (J)
- ☐ A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins and ends

Financial year begins

01/01/08
[D] [M] [Y]

to

Financial year ends

31/12/08
[D] [M] [Y]

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?

AUD 64,505,556.1

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

AUD 28,901,506.1

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

63

D How many members does the large proprietary company have?

7

3 Auditor's report

Were the financial statements audited?

☒ Yes

☐ No

If no, is there a class order exemption current for audit relief?

☐ Yes

☐ No

If yes, does the auditor's report (s308) for the financial year contain a statement of:

Reasons for the auditor not being satisfied as to the matters referred to in s307?

☐ Yes

☒ No

Details of the deficiency, failure or shortcoming concerning any matter referred to in s307?

☐ Yes

☒ No

4 Details of current auditor or auditors

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.

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

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Price water house coopers

4 Continued... Details of current auditor or auditors

| | |
|--------------------------------|----------------------------|
| Office, unit, level | |
| DARLING PARK TOWER 2 | |
| Street number and Street name | |
| 201 SUSSEX STREET GPO BOX 2650 | |
| Suburb/City | State/Territory |
| SYDNEY | NSW |
| Postcode | Country (if not Australia) |
| 1171 | |
| Date of appointment | |
| 13/12/06 | |
| [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 per s295(2) and accounting standards) |
| <i>Income statement for the year</i> |
| <i>Balance sheet as at the end of the year</i> |
| <i>Statement of cash flows for the year</i> |
| <i>Statement of changes in equity or statement of recognised income and expense for the year</i> |
| <i>If required by accounting standards - the consolidated income statement, balance sheet, statement of cash flows and statement of changes in equity/statement of recognised income and expense</i> |
| Notes to financial statements (as per s295(3)) |
| <i>Disclosures required by the regulations</i> |
| <i>Notes required by the accounting standards</i> |
| <i>Any other information necessary to give a true and fair view (see s297)</i> |
| The directors' declaration about the statements and notes (as per s295(4)) |
| The directors' report for the year, including the auditor's independence declaration (as per s298 to s300A) |
| Auditor's report required under s308 and s314 |
| Concise report (if any) (s314) |

Signature

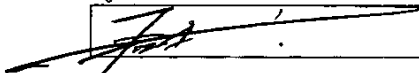
I certify that the attached documents marked () are a true copy of the original reports required to be lodged under s319 of the Corporations Act 2001.

See Guide for details of signatory.

Name

ZHI FEN LIU

Signature



Capacity

☒ Director

☐ Company secretary

Date signed

2 / 1 / 2009
[D] [D] [M] [M] [Y] [Y]

Lodgement

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

Or lodge the form electronically by visiting the ASIC website
www.asic.gov.au

For help or more information

Telephone 1300 300 630

Email info.enquiries@asic.gov.au

Web www.asic.gov.au

PanAsia Group Pty. Ltd.

ABN 37 083 253 730

Financial Statements

For the year ended 31 December 2008

PanAsia Group Pty. Ltd.

For the year ended 31 December 2008

CONTENTS

| | <u>Pages</u> |
|---|--------------|
| Financial Statements | |
| Directors' Report | 1-2 |
| Auditor's Independence Declaration | 3 |
| Directors' Declaration | 4 |
| Income Statements | 5 |
| Balance Sheets | 6 |
| Statements of Changes in Equity | 7 |
| Statements of Cash Flows | 8 |
| Notes to the Financial Statements | 9-23 |
| Independent auditor's report to the members | 24 |

This financial report covers PanAsia Group Pty Ltd as an individual entity and the consolidated financial statements for the consolidated entity consisting of PanAsia Group Pty Ltd and its subsidiaries. The financial report is presented in the Australian currency.

PanAsia Group Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

PanAsia Group Pty. Ltd.
Unit 2, 15 Bennett Street
Chester Hill
NSW 2162

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is part of this financial report.

The financial report was authorised for issue by the directors on 7 September 2009. The Company has the power to amend and reissue the financial report.

PanAsia Group Pty. Ltd.

Directors' Report

31 December 2008

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of PanAsia Group Pty. Ltd. and the entities it controlled at the end of, or during the financial year ended 31 December 2008.

1. General information

a Directors

The following persons were directors of PanAsia Group Pty. Ltd. during the whole of the financial year end up to the date of this report:

Michael Peter Robinson

Zhi Fen Liu

Bonnie Po Ling Ng (appointed on 1 January 2008)

Marcus Pan (resigned on 1 January 2008)

Lidan Shao (resigned on 1 January 2008)

Chi Kong Felix Fung (resigned on 1 January 2008)

b Principal activities

The principal activity of the Group during the financial year was the distribution of aluminium extrusion products.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

2. Business review

Operating results

The consolidated profit attributable to members of the Group was \$1,739,793 (2007: loss of \$1,425,097).

3. Dividends

No dividend has been paid or declared since the commencement of the year and the directors do not recommend the declaration of a dividend (2007: Nil).

4. Other items

a Significant changes in the state of affairs

No significant changes in the Group's state of affairs occurred during the financial year.

PanAsia Group Pty. Ltd.

Directors' Report (continued)

31 December 2008

4. Other items (continued)

b Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

c Future developments

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

d Environmental regulation

The Company's operations are subject to environmental regulations under both Commonwealth and State legislation. The directors are not aware of any breaches of these regulations.

e Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

f Auditor

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

Signed in accordance with a resolution of the Board of Directors:

Director



7 September 2009



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of PanAsia Group Pty Ltd for the year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of PanAsia Group Pty Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Gareth Witner'.

Gareth Witner
Partner
PricewaterhouseCoopers

Sydney
7 September 2009

PanAsia Group Pty. Ltd.

Directors' Declaration

As stated in Note 1(a) to the financial statements, in the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in Note 1(a).

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the company and consolidated entity will be able to pay its debts as and when they become due and payable.

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



Director

Melbourne
7 September 2009

PanAsia Group Pty. Ltd.

Income Statements

For the year ended 31 December 2008

| | Note | Consolidated | | Parent Entity | |
|--|----------|------------------|--------------------|----------------|---------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | \$ | \$ | \$ | \$ |
| Revenue from continuing operations | | | | | |
| Sales of goods | 2 | 64,467,621 | 46,218,704 | - | - |
| Other revenue | 2 | 37,935 | 23,115 | - | - |
| | | 64,505,556 | 46,241,819 | - | - |
| Other income | 3 | 133,632 | 76,021 | - | 13,800 |
| Cost of sales of goods | | (56,492,817) | (41,202,611) | - | - |
| Selling and distribution expenses | | (3,825,176) | (3,406,904) | - | - |
| Administrative expenses | | (2,547,043) | (3,093,712) | (1,282) | (1,132) |
| Finance costs | | (34,359) | (39,710) | - | - |
| Profit / (loss) before income tax | 4 | 1,739,793 | (1,425,097) | (1,282) | 12,668 |
| Income tax expense | | - | - | - | - |
| Profit / (loss) attributable to members of the entity | | 1,739,793 | (1,425,097) | (1,282) | 12,668 |

The above income statements should be read in conjunction with the accompanying notes.

PanAsia Group Pty. Ltd.

Balance Sheets

As at 31 December 2008

| | Note | Consolidated | | Parent Entity | |
|---|------|-------------------|--------------------|----------------|----------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | \$ | \$ | \$ | \$ |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 5 | 2,161,253 | 1,636,257 | - | - |
| Trade and other receivables | 6 | 14,597,010 | 11,374,164 | 181,293 | 182,775 |
| Inventories | 7 | 11,204,062 | 8,789,493 | - | - |
| Total current assets | | 27,962,325 | 21,799,914 | 181,293 | 182,775 |
| Non-current assets | | | | | |
| Property, plant and equipment | 8 | 339,181 | 367,856 | - | - |
| Investment in subsidiary companies | | - | - | 10,500 | 10,300 |
| Total non-current assets | | 339,181 | 367,856 | 10,500 | 10,300 |
| TOTAL ASSETS | | 28,301,506 | 22,167,770 | 191,793 | 193,075 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 9 | 28,536,523 | 24,003,084 | 20,438 | 20,438 |
| Provision | 10 | 168,195 | 136,762 | - | - |
| Finance lease obligations | 11 | 65,447 | 171,768 | - | - |
| Total current liabilities | | 28,770,165 | 24,311,614 | 20,438 | 20,438 |
| Non-current liabilities | | | | | |
| Finance lease obligations | 11 | 133,041 | 197,649 | - | - |
| Total non-current liabilities | | 133,041 | 197,649 | - | - |
| TOTAL LIABILITIES | | 28,903,206 | 24,509,263 | 20,438 | 20,438 |
| NET (LIABILITIES)/ASSETS | | (601,700) | (2,341,493) | 171,355 | 172,637 |
| EQUITY | | | | | |
| Share capital | 12 | 200,000 | 200,000 | 200,000 | 200,000 |
| (Accumulated losses)/ retained profits | | (801,700) | (2,541,493) | (28,645) | (27,363) |
| TOTAL (DEFICIENCIES IN EQUITY)/ EQUITY | | (601,700) | (2,341,493) | 171,355 | 172,637 |

The above balance sheets should be read in conjunction with the accompanying notes.

PanAsia Group Pty. Ltd.

Statements of Changes in Equity

For the year ended 31 December 2008

| 2008 | Consolidated | | | | Parent Entity | | |
|--|---------------|---|--------------------|--------------------|---------------|--------------------|----------------|
| | Share capital | Retained profits/ (accumulated losses) | Minority interests | Total | Share capital | Accumulated losses | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Equity as at 1 January 2008 | 200,000 | (2,541,493) | - | (2,341,493) | 200,000 | (27,363) | 172,637 |
| Changes | | | | | | | |
| Profit /(loss) attributable to members of the entity | - | 1,739,793 | - | 1,739,793 | - | (1,282) | (1,282) |
| Equity as at 31 December 2008 | 200,000 | (801,700) | - | (601,700) | 200,000 | (28,645) | 171,355 |

| 2007 | Consolidated | | | | Parent Entity | | |
|--|---------------|---|--------------------|--------------------|---------------|--------------------|----------------|
| | Share capital | Retained profits/ (accumulated losses) | Minority interests | Total | Share capital | Accumulated losses | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Equity as at 1 January 2007 | 200,000 | (1,116,396) | - | (916,396) | 200,000 | (40,031) | 159,969 |
| Changes | | | | | | | |
| (Loss)/ profit attributable to members of the entity | - | (1,425,097) | - | (1,425,097) | - | 12,668 | 12,668 |
| Equity as at 31 December 2007 | 200,000 | (2,541,493) | - | (2,341,493) | 200,000 | (27,363) | 172,637 |

The above statements of changes in equity should be read in conjunction with the accompanying notes.

PanAsia Group Pty. Ltd.

Statements of Cash Flows

For the year ended 31 December 2008

| | | Consolidated | | Parent Entity | |
|--|------|--------------|--------------|---------------|------|
| | Note | 2008 | 2007 | 2008 | 2007 |
| | | \$ | \$ | \$ | \$ |
| Cash flows from operating activities: | | | | | |
| Receipts from customers | | 67,202,416 | 46,006,703 | 200 | - |
| Payments to suppliers and employees | | (70,835,831) | (52,535,688) | - | - |
| | | (3,633,415) | (6,528,985) | | |
| Interest received | | 37,935 | 23,115 | - | - |
| Interest paid | | (34,359) | (39,710) | - | - |
| Net income tax recovered | | - | 78,002 | - | - |
| Net cash outflow from operating activities | 14 | (3,629,839) | (6,467,578) | 200 | - |
| Cash flows from investing activities: | | | | | |
| Payment for property, plant and equipment | | (140,923) | (13,899) | - | - |
| Investment in subsidiaries | | - | - | (200) | - |
| Proceeds received from disposal of property, plant and equipment | | 43,202 | 26,818 | - | - |
| Net cash outflow from investing activities | | (97,721) | 12,919 | (200) | - |
| Cash flows from financing activities: | | | | | |
| Net movements in related party loans | | 4,423,485 | 7,195,277 | - | - |
| Lease liabilities paid | | (170,929) | (153,081) | - | - |
| Net cash inflow from financing activities | | 4,252,556 | 7,042,196 | - | - |
| Net increase in cash and cash equivalents | | 524,996 | 587,537 | - | - |
| Cash and cash equivalents at beginning of year | | 1,636,257 | 1,048,720 | - | - |
| Cash and cash equivalents at end of year | 5 | 2,161,253 | 1,636,257 | - | - |

The above statements of cash flows should be read in conjunction with the accompanying notes.

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2008

1 Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

In the directors' opinion, the company and the consolidated entity are not reporting entities because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with AASB 101 *Presentation of Financial Statements*, AASB 107 *Cash Flow Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031 *Materiality* and AASB 1048 *Interpretation and Application of Standards* which apply to all entities required to prepare financial reports under the *Corporations Act 2001*, and other applicable Accounting Standards and Urgent Issues Group Interpretations with the exception of the disclosure requirements in the following:

AASB 3 – Business Combinations

AASB 7 – Financial Instruments: Disclosure

AASB 101 – Presentation of Financial Statement: Paragraph 124A to 124C

AASB 114 – Segment Reporting

AASB 124 – Related Party Disclosures

AASB 139 – Financial Instruments: Recognition and Measurement

The financial report is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous period. Comparative information is reclassified where appropriate to enhance comparability.

Deficiency of capital

As at 31 December 2008, the Group has a deficiency of capital and reserves of \$601,700 (2007: \$2,341,493) and has net current liabilities of \$807,840 (2007: \$2,511,700). The directors of the ultimate holding company, PanAsia Enterprises Group Limited, have given an undertaking to provide sufficient financial assistance to the Group as and when it is needed to enable the Group to continue its operations and fulfil all of its financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from the date of this report.

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

1 Statement of Significant Accounting Policies (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PanAsia Group Pty. Ltd. ("company" or "parent entity") as at 31 December 2008 and the results of all subsidiaries for the year then ended. PanAsia Group Pty. Ltd. and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(c)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements PanAsia Group Pty. Ltd.

(c) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

1 Statement of Significant Accounting Policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group entity's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sales revenue

Sales of goods are recognised when a group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of the obsolescence and loss have been transferred to the customers.

Goods are often sold with volume discounts and customers have a right to return faulty products. Sales are recorded based on the price specified in the sale contracts or as agreed with customers, net off the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

(f) Income tax

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

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

1 Statement of Significant Accounting Policies (continued)

(f) Income tax - continued

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

PanAsia Group Pty Ltd and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation.

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

In addition to its own current and deferred tax amounts, PanAsia Group Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. The Group is in the process of preparing legal documentation at the date of this report.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(h) Leases

Leases of property, plant and equipment where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 13(2)). Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

1 Statement of Significant Accounting Policies (continued)

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 90 days from the date of recognition for trade debtors, and no more than 90 days for other debtors.

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

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

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

1 Statement of Significant Accounting Policies (continued)

(m) Investments and other financial assets

The Group classifies its investments as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (note 6).

(n) Property, plant and equipment

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

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

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

| | |
|--------------------------|---------|
| - Leasehold improvements | 5 years |
| - Office equipment | 5 years |
| - Furniture and fixtures | 5 years |
| - Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition.

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

1 Statement of Significant Accounting Policies (continued)

(p) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

These amounts represent liabilities for goods and services provided to the company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition.

(ii) Long service leave and annual leave

The liability for long service leave and annual leave are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus plans

The Group recognises a provision of bonus where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Superannuation

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(q) Contributed equity

Ordinary shares are classified as equity.

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

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance sheet date.

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

1 Statement of Significant Accounting Policies (continued)

(s) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(t) New accounting standards and interpretations

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 January 2009.

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

2 Revenue

From continuing operations

| | Consolidated | | Parent Entity | |
|----------------------|--------------|------------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| <i>Sales revenue</i> | | | | |
| Sale of goods | 64,663,100 | 46,414,669 | - | - |
| Sales return | (195,479) | (195,965) | - | - |
| | 64,467,621 | 46,218,704 | - | - |

Other revenue

| | Consolidated | | Parent Entity | |
|-----------------|--------------|--------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Interest income | 37,935 | 23,115 | - | - |

3 Other income

| | Consolidated | | Parent Entity | |
|---|--------------|--------|---------------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Gain on disposal of property, plant and equipment | 40,484 | 16,097 | - | - |
| Sundry income | 93,148 | 59,924 | - | 13,800 |
| | 133,632 | 76,021 | - | 13,800 |

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

4 Expenses

(Loss)/ profit before income tax have been arrived at after deducting the following expenses:

| | Consolidated | | Parent Entity | |
|---|--------------|---------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Depreciation of property, plant and equipment | 166,880 | 201,703 | - | - |
| Finance cost – interest paid | 34,359 | 39,710 | - | - |
| Rental expense relating to operating leases | 859,115 | 664,373 | - | - |
| (Write back of provision) / provision for impairment of receivables | (57,313) | 68,448 | - | - |

5 Cash and cash equivalents

| | Consolidated | | Parent Entity | |
|---------------|--------------|-----------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Cash on hand | 2,671 | 1,004 | - | - |
| Bank balances | 2,158,582 | 1,635,253 | - | - |
| | 2,161,253 | 1,636,257 | - | - |

6 Trade and other receivables

| | Consolidated | | Parent Entity | |
|---|--------------|------------|---------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| CURRENT | | | | |
| Trade receivables | 14,508,228 | 11,308,126 | - | - |
| Provision for impairment of receivables | (21,992) | (84,990) | - | - |
| | 14,486,236 | 11,223,136 | - | - |
| Amounts due from fellow subsidiaries | - | 94,660 | - | - |
| Amounts due from subsidiaries | - | - | 181,293 | 182,755 |
| Deposits, prepayments and other receivables | 110,774 | 56,368 | - | - |
| | 14,597,010 | 11,374,164 | 181,293 | 182,755 |

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

7 Inventories

| | Consolidated | | Parent Entity | |
|------------------------|--------------|-----------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Finished goods at cost | 11,204,062 | 8,789,493 | - | - |

8 Property, plant and equipment

| | Consolidated | | | | |
|---------------------------------|------------------------|------------------|------------------------|----------------|-----------|
| | Leasehold improvements | Office equipment | Furniture and fixtures | Motor vehicles | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | |
| At 1 January 2008 | 161,631 | 143,187 | 262,040 | 612,300 | 1,179,158 |
| Additions | 17,192 | 52,258 | 71,473 | - | 140,923 |
| Disposal | (14,545) | (13,271) | (29,608) | (122,393) | (179,817) |
| At 31 December 2008 | 164,278 | 182,174 | 303,905 | 489,907 | 1,140,264 |
| Accumulated depreciation | | | | | |
| At 1 January 2008 | 80,168 | 117,682 | 186,705 | 426,747 | 811,302 |
| Depreciation for the year | 30,316 | 14,289 | 36,834 | 85,441 | 166,880 |
| Written back on disposal | (14,545) | (12,044) | (28,117) | (122,393) | (177,099) |
| At 31 December 2008 | 95,939 | 119,927 | 195,422 | 389,795 | 801,083 |
| Net book value | 68,339 | 62,247 | 108,483 | 100,112 | 339,181 |
| Cost | | | | | |
| At 1 January 2007 | 161,631 | 136,362 | 243,569 | 609,515 | 1,151,077 |
| Additions | - | 7,686 | 18,471 | 81,808 | 107,965 |
| Disposal | - | (861) | - | (79,023) | (79,884) |
| At 31 December 2007 | 161,631 | 143,187 | 262,040 | 612,300 | 1,179,158 |
| Accumulated depreciation | | | | | |
| At 1 January 2007 | 47,328 | 102,812 | 140,785 | 387,837 | 678,762 |
| Depreciation for the year | 32,840 | 15,530 | 45,920 | 107,413 | 201,703 |
| Written back on disposal | - | (660) | - | (68,503) | (69,163) |
| At 31 December 2007 | 80,168 | 117,682 | 186,705 | 426,747 | 811,302 |
| Net book value | 81,463 | 25,505 | 75,335 | 185,553 | 367,856 |

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

9 Trade and other payables

| | Consolidated | | Parent Entity | |
|-------------------------------------|-------------------|-------------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| CURRENT | | | | |
| Trade payables | 514,678 | 491,592 | - | - |
| Other payables and accruals | 1,033,384 | 851,856 | 10,000 | 10,000 |
| Amounts owed to fellow subsidiaries | 26,288,476 | 21,959,651 | 10,438 | 10,438 |
| Amounts owed to related parties | 699,985 | 699,985 | - | - |
| | <u>28,536,523</u> | <u>24,003,084</u> | <u>20,438</u> | <u>20,438</u> |

10 Provision

| | Consolidated | | Parent Entity | |
|----------------------------------|----------------|----------------|---------------|----------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| CURRENT | | | | |
| Provision for annual leave | 121,768 | 106,416 | - | - |
| Provision for long service leave | 46,427 | 30,346 | - | - |
| | <u>168,195</u> | <u>136,762</u> | <u>-</u> | <u>-</u> |

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

11 Finance lease obligations

| | Consolidated | | Parent Entity | |
|----------------------------|--------------|---------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| CURRENT | | | | |
| <i>Secured liabilities</i> | | | | |
| Finance lease obligation | 65,447 | 171,768 | - | - |

| | Consolidated | | Parent Entity | |
|----------------------------|--------------|---------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| NON CURRENT | | | | |
| <i>Secured liabilities</i> | | | | |
| Finance lease obligation | 133,041 | 197,649 | - | - |

12 Issued capital

| | Consolidated | | Parent Entity | |
|--|--------------|---------|---------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 200,000 (2007: 200,000) Fully paid ordinary shares | 200,000 | 200,000 | 200,000 | 200,000 |

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

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

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

13 Lease commitments

(i) Finance lease

The Group leases various property, plant and equipment with a carrying amount of \$151,834 (2007: \$266,692) under finance leases expiring within one to four years.

| | Consolidated | | Parent Entity | |
|---|--------------|----------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Commitments in relation to finance leases are payable as follows: | | | | |
| Within one year | 85,216 | 204,342 | - | - |
| Later than one year but not later than five years | 158,026 | 243,242 | - | - |
| Minimum lease payments | 243,242 | 447,584 | - | - |
| Less: future finance charges | (44,754) | (77,327) | - | - |
| Present value of minimum lease payments recognised as a liability | 198,488 | 370,257 | - | - |
| Representing lease liabilities: | | | | |
| Current (note 11) | 65,447 | 171,768 | - | - |
| Non-current (note 11) | 133,041 | 198,489 | - | - |
| | 198,488 | 370,257 | - | - |

(ii) Operating lease

The Group leases its office and warehouse under non-cancellable operating lease agreements.

| | Consolidated | | Parent Entity | |
|---|--------------|-----------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities payable: | | | | |
| Within one year | 1,319,954 | 819,843 | - | - |
| In the second to fifth year | 3,676,206 | 1,766,691 | - | - |
| Over five years | 1,112,248 | 178,908 | - | - |
| | 6,108,408 | 2,765,442 | - | - |

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

14 Cash flow information

Reconciliation of cash flow from operations with profit from ordinary activities after income tax

| | Consolidated | | Parent Entity | |
|--|--------------|-------------|---------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Net (loss)/ profit for the period after tax | 1,739,793 | (1,425,097) | (1,282) | 12,668 |
| Non-cash flows in profit from ordinary activities | | | | |
| Depreciation | 166,880 | 201,703 | - | - |
| Write-downs/ (write-back) of inventories and trade receivables to recoverable amount | 201,910 | 205,307 | - | - |
| Net gain on disposal of property, plant and equipment | (40,484) | (16,097) | - | - |
| Changes in operating assets and liabilities: | | | | |
| (Increase)/ decrease in receivables | (3,320,412) | (4,696,837) | 1,482 | (9,318) |
| (Increase)/ decrease in other assets | (54,406) | 6,480 | - | - |
| (Increase) in inventories | (2,496,943) | (833,239) | - | - |
| Increase/(decrease) in trade payables and accruals | 204,614 | 251,061 | - | (3,350) |
| Decrease in provisions | (30,791) | (238,861) | - | - |
| Decrease in current tax recoverable | - | 78,002 | - | - |
| | (3,629,839) | (6,467,578) | 200 | - |

15 Remuneration of auditors

During the period, the following fees were paid or payable for services provided by the auditors of the parent entity:

| | Consolidated | | Parent Entity | |
|---|--------------|--------|---------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Audit and review of financial report under the <i>Corporations Act 2001</i> | 99,705 | 75,000 | - | - |

16 Contingent liabilities

The Group did not have contingent liabilities as at 31 December 2008 (2007: Nil).

PanAsia Group Pty. Ltd.

Notes to the Financial Statements

For the year ended 31 December 2008

17 Controlled entities

| | Country of Incorporation | Percentage Owned (%) | |
|---|--------------------------|----------------------|------|
| | | 2008 | 2007 |
| Subsidiaries of PanAsia Group Pty. Ltd.: | | | |
| PanAsia Aluminium (Sydney) Pty. Ltd. | Australia | 100 | 100 |
| PanAsia Aluminium (Melbourne) Pty. Ltd. | Australia | 100 | 100 |
| PanAsia Aluminium (Rolled Products) Pty. Ltd. (formerly known as PanAsia Sourcing Pty. Limited) | Australia | 100 | 100 |
| PanAsia Aluminium (Brisbane) Pty. Ltd. | Australia | 100 | 100 |
| PanAsia Aluminium (Townsville) Pty. Ltd. | Australia | 100 | - |
| PanAsia Aluminium (Perth) Pty. Ltd. | Australia | 100 | - |



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Independent auditor's report to the members of PanAsia Group Pty Ltd

Report on the financial report

We have audited the accompanying financial statements, being a special purpose financial report, of PanAsia Group Pty Ltd (the company), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and statement of cash flows ended on that date for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both PanAsia Group Pty Ltd and the PanAsia Group Pty Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the 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 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. 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 company'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 company's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.



**Independent auditor's report to the members of
PanAsia Group Pty Ltd (continued)**

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our procedures include reading the other information in the financial report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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, the financial report of PanAsia Group Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1, and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', written over the printed name 'PricewaterhouseCoopers'.

A handwritten signature in dark ink, appearing to read 'Gareth Winter', written over the printed name 'Gareth Winter'.

Gareth Winter
Partner

Sydney
7 September 2009