

**AFT CORPORATION LIMITED AND  
CONTROLLED ENTITIES**

**ABN: 33 004 701 062**

**Annual Report  
For the Financial Year  
Ended 31 December 2016**

# **AFT CORPORATION LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 DECEMBER 2016**

**ABN: 33 004 701 062**

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**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
CORPORATE INFORMATION**

**Directors:** Stone Wang – Non Executive Chairman  
John Zhang – Non Executive Director (Resigned 29/11/2016)  
Neil Bourne – Executive Director  
Lawrence Longjian Cao – Executive Director (Appointed 29/11/2016)

**Secretary:** Maurice Watson

**Registered Office:** Suite 2, Level 4, 56 Clarence St,  
Sydney NSW 2000

**Auditors:** Hayes Knight (NSW) Pty Ltd  
Level 2, 115 Pitt St  
Sydney, NSW, 2000

**ASX Home Branch:** Australian Securities Exchange  
2, The Esplanade  
Perth, WA, 6000

**Bankers:** ANZ Banking Group Limited  
Cnr King & George Streets  
Sydney, NSW, 2000

National Australia Bank  
Level 15, Ernst & Young Building  
680 George Street,  
Sydney NSW 2000

**Share Registry:** Registries Limited  
Level 7, 207 Kent Street  
Sydney, NSW, 2000  
Telephone: (02) 9290 9600, Facsimile: (02) 9279 0664

**Solicitors:** Juris Bridge  
Suite 1104, Level 11 265 Castlereagh Street  
Sydney, NSW, 2000

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
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EXECUTIVE DIRECTOR'S REPORT**

Dear Shareholders

In 2016 AFT has continued to focus its business activities on the commercial solar photovoltaic sector targeting installations typically of around 100KW.

Building on AFT's track record of quality engineering, reliability and good service we continue to win projects and further expand our sales pipeline.

The sales cycle for commercial solar projects remains an issue for us and the decline in sales revenues compared to 2015 reflect the combined impact of project opportunities taking longer to close and the ongoing negative inflation in the cost of solar photovoltaic components.

Through an ongoing process of cost reduction and streamlining we have reduce corporate overhead costs to enable us to divert more resources into sales and marketing that we anticipate delivering improved sales results in 2017.

We will continue to be diligent in controlling costs and focussing our efforts on regrowing the Company's organic sales revenues. In parallel we continue to explore opportunities to attract strategic investment to relieve current constraints on working capital and enable the development of new revenue sources to complement and enhance our current solar PV activities.



**Neil Bourne**  
Managing Director

16<sup>th</sup> March 2017

# **AFT CORPORATION LIMITED - ABN 33 004 701 062 AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT**

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, AFT Corporation Ltd and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Group complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments ('the ASX Principles'). This statement incorporates the disclosures required by the ASX Principles under the headings of the seven (7) core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.

## **Principle 1: Lay solid foundations for management and oversight**

### **Functions of the Board and Management**

The Board of Directors is responsible for the corporate governance of the Group. To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board. These responsibilities include:

- setting the strategy for the Group, including operational and financial objectives and ensuring that there are sufficient resources for this strategy to be achieved;
- appointing and, where appropriate, removing the Chief Executive Officer ('CEO'), approving other key executive appointments and planning for executive succession;
- overseeing and evaluating the performance of the CEO and the Executive Team through a formal performance appraisal process having regard to the Group's business strategies and objectives;
- monitoring compliance with legal, regulatory and occupational health and safety requirements and standards;
- overseeing the identification of key risks faced by the Group and the implementation of an appropriate internal control framework to ensure those risks are managed to an acceptable level;
- approving the Group's budgets, including operational and capital budgets, and the approval of significant acquisitions, expenditures or divestitures;
- approval of the annual and half-yearly financial reports; and
- ensuring the market and shareholders are fully informed of material developments.

The responsibility for the operation and administration of the Group is delegated by the Board to the Chief Executive Officer ('CEO') and the Executive Management Team. The Board ensures that both the Managing Director ('MD') and Executive Team, including the CEO, are appropriately qualified and experienced to discharge their responsibilities and, as discussed above, has in place procedures to monitor and assess their performance.

Of necessity, because of the size and scope of the Group's operations there is a substantial overlap between board and management functions in all entities within the Group.

Prior to a candidate being considered for appointment as a director of the Company, appropriate enquiries will be made as to the person's character, experience, education, criminal record and bankruptcy history. Shareholders are provided with relevant information on any directors standing for re-election at a general meeting of the Company, including relevant qualifications and experience.

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Each director has an agreement in writing with the Company, which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities. Each Director has the right of access to all relevant information in the Group in addition to access to the Group's executives. Each Director also has the right to seek independent professional advice subject to prior consultation with, and approval from, the Board. This advice will be provided at the Group's expense and will be made available to all members of the Board.

The Board is responsible for the appointment and removal of the Company Secretary. The company secretary is accountable to the Board on all matters relating to the proper functioning of the Board.

**Diversity Policy**

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent. The Diversity Policy outlines the requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next few years as Director and Senior Executive positions become vacant and appropriately qualified candidates become available:

Gender Diversity Objective	2015		2016	
	No.	%	No.	%
Women on the Board	0	0	0	0
Women in Senior Management Roles	1	33	1	33
Women employees in the Company	1	12	2	22

**Directors' performance evaluation**

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

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

**Senior Executive performance evaluation**

The Board reviews the performance of the MD and Executive Team. Performance is measured against a set of key performance indicators which have been established with reference to the Group's strategy and the individual's responsibilities.

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CORPORATE GOVERNANCE STATEMENT**

**Principle 2: Structure the Board to add value**

**Board composition**

Individual details of the Directors, including period in office, qualifications, experience and skills are set out in the information on Directors section of the Directors' Report.

The Board's composition is determined with regard to the following criteria:

- independent Non-Executive Director who is also the Chairman;
- a majority of Directors having extensive experience in the industries that the Group operates in, with those that do not, having extensive experience in significant aspects of financial reporting and risk management;
- re-election of one third of the Directors at least annually at the Annual General Meeting (except for the Managing Director and Chief Executive Officer); and
- the size of the Board is appropriate to facilitate effective discussion and efficient decision making.

With regards to Director Independence, the Board has adopted specific principles which state that an Independent Director must not be a member of management and must comply with the following criteria:

- not, within the last three (3) years, have been employed in an executive capacity by AFT Group Limited or any other member of the Group;
- not be a substantial shareholder or be associated either directly or indirectly with a substantial shareholder;
- not, within the last three (3) years, have been a professional advisor to the Group either as a principal, or material consultant, or an employee materially associated with the service provided;
- be not a material supplier or customer of the Group or associated either directly or indirectly with a material supplier or customer of the Group; and
- have no material contractual relationship with any Entity within the Group other than in the capacity as a Director.

The Board undertakes an annual review of the extent to which each Non-Executive Director is independent. As part of this review, each Director is required to make an annual declaration stating their compliance with the independence criteria to the Board. As at the date of this report, the Non-Executive Director has submitted his annual declaration to the Board, and the Board is satisfied that he has retained his independence throughout the reporting period.

Under present circumstances, there is not a majority of directors classified as being independent, according to ASX guidelines. Board members should possess complementary business disciplines and experience aligned with the Company's objectives, with a number of directors being independent and where appropriate, major shareholders being represented on the Board. Where any director has a material personal interest in a matter, the director must declare his interest and is not permitted to be present during discussions or to vote on the matter.

The composition of the Board is considered suitable for the Company's current size and level of operations and includes an appropriate mix of skills, expertise and experience relevant to the Company's current business operations. A Board skills matrix setting out the mix of skills and diversity that the Board aims to achieve will be progressively introduced as the size and level of activities of the Company expands in the future.

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CORPORATE GOVERNANCE STATEMENT**

**Role of the Chairman**

The Chairman is responsible for the leadership of the Board. This includes taking responsibility for ensuring that the Board functions effectively and that they comply with the continuous disclosure requirements of the ASX with regard to communicating the operations and activities of the Group to shareholders. The Chairman's responsibilities include:

- setting the agenda for Board meetings;
- managing the conduct, frequency and length of Board meetings to ensure that all Directors have had the opportunity to establish a detailed understanding of the issues affecting the Group; and
- facilitating the Board meetings to ensure effective communication between the Directors and that all Directors have contributed to the decision making process thereby leading to a considered decision being made in the best interest of the Group and its shareholders.

Having regard to the share ownership structure of the Company, it is considered appropriate by the Board that a major shareholder may be represented on the Board and if nominated, hold the position of Chairman. Such appointment would not be deemed to be independent under ASX guidelines. The Chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the Chairman must declare his interest and abstain from any consideration or voting on the relevant matter.

**Nomination and Remuneration Committees**

Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to have a Nomination and Remuneration Committees. Accordingly, the Board oversees the appointment and induction process for Directors and the selection, appointment and succession planning process of the Group's Managing Director and Chief Executive Officer. Executive remuneration and other terms of employment will be reviewed annually by the Board having regard to performance, relevant comparative information and where appropriate, expert advice.

New directors will be provided with an induction including comprehensive briefings with the Chairman and senior executives, visits to operating sites and provision of information on the Company including Company and Board policies and other relevant documents. All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake professional development programmes to develop and maintain the skills and knowledge needed to perform their role as directors of the Company.



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**Principle 3: Promote ethical and responsible decision making**

**Code of Conduct**

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

Unethical practices, including fraud, legal and regulatory breaches, and policy breaches are required to be reported on a timely basis to management. Reporting parties are able to do so without fear of reprisal or retribution as their identity and report are kept in the strictest confidence.

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

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

**Principle 4: Safeguard integrity in financial reporting**

**Audit and Risk Committee**

Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to have an Audit and Risk Committee.

Instead, the Board takes responsibility of the following:

- ensures the integrity of the Group's internal and external financial reporting including compliance with applicable laws and regulations;
- ensures that appropriate and effective internal systems and controls are in place to manage the Group's exposure to risk;
- oversees the appointment, compensation, retention and oversight of the external auditor, and review of any non-audit services provided by the external auditor; and
- regularly reviews the performance of the external auditor regarding quality, costs and independence.

**Corporate Reporting**

The chief executive officer (or equivalent) provide a declaration to the Board that the Company's external financial reports present a true and fair view of the Company's financial condition and operational results and that the declaration in relation to the integrity of the Company's external financial reports is founded on sound risk management and internal control systems and that those systems are operating effectively in relation to financial reporting risks.

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**Principle 5: Make timely and balanced disclosure**

The Group has established policies and procedures to ensure timely and balanced disclosure of all material matters concerning the Group, and ensure that all investors have access to information on the Group's financial performance. This ensures that the Group is compliant with the information disclosure requirements under the ASX Listing Rules.

Matters involving potential market sensitive information must first be reported to the Managing Director either directly or via the Company Secretary. The Managing Director will advise the other Directors if the issue is important enough to warrant the consideration of the full Board. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Group to comply with the Information Disclosure requirements of the ASX.

Once the appropriate course of action has been agreed upon, either the Managing Director or Company Secretary, being the only authorised officers of the Group who are able to disclose such information, will disclose the information to the relevant authorities. Board approval is required for market sensitive information such as financial results, material transactions or upgrading / downgrading financial forecasts. This approval is minuted in the meetings of the Board of Directors.

**Principle 6: Respect the rights of shareholders**

The Group provides effective communication with shareholders via:

- the Annual Report, including relevant information about the operations of the Group during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Report can be accessed either through the ASX website or the Company's website;
- the half year and full year financial results are announced to the ASX and are available to shareholders via the company's websites;
- All announcements made to the market and related information (including presentations to investors and information provided to analysts or the media during briefings), are made available to all shareholders under the investor information section of the company's website after they have been released to the ASX;
- detailed notices of shareholder meetings are sent to all shareholders in advance of the meeting; and
- shareholding and dividend payment details are available through the Group's share register, Boardroom Pty Ltd.

The Board has adopted a policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings. The Company and the share registry offer mechanisms for electronic communication by shareholders.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director accountability to shareholders and shareholder identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions. The shareholders are requested to vote on matters such as the adoption of the Group's remuneration report, the granting of options and shares to Directors and changes to the Constitution.

The external auditor attends the Annual General Meeting to answer any questions concerning the audit of the Group and the contents of the Auditor's Report.

# **AFT CORPORATION LIMITED - ABN 33 004 701 062 AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT**

## **Principle 7: Recognise and manage risk**

### **Risk management framework**

AFT Corporation Limited recognises that a robust risk management framework is essential for corporate stability, protecting the interests of its stakeholders and for sustaining its competitive market position and long term performance.

The Company does not have a separate internal audit function as the Board believes that existing internal controls and management systems provide sufficient assurance that the Company's risk management, governance and internal control processes are operating effectively. Operational, financial, legal, compliance and strategic risks are managed as part of the day-to-day management of the Company's affairs with the support of relevant external professional advisers as required.

No separate risk committee has been established. The Board is responsible for the oversight of the Company's risk management and control framework. The following objectives drive the Group's approach to risk management:

- having a culture that is risk aware and supported by high standards of accountability at all levels;
- promoting and achieving an integrated risk management approach whereby risk management forms a part of all key organisational processes;
- supporting more effective decision making through better understanding and consideration of risk exposures;
- increasing shareholder value by protecting and improving share price and earnings per share in the short to medium term while building a sustainable business in the longer term;
- safeguarding the Group's assets;
- enabling the Board to fulfil its governance and compliance requirements; and
- supporting the sign off for ASX Principles four and seven by the Chief Executive Officer and Chief Financial Officer.

In achieving effective risk management, AFT Corporation Limited recognises the importance of leadership. As such, the Board and executive management have responsibility for driving and supporting risk management across the Group. Each subsidiary then has responsibility for implementing this approach and adapting it, as appropriate, to its own circumstances.

As the Board currently has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively.

Material risks associated with economic, environmental and social sustainability include operational risks, occupational, health and safety, exchange rate fluctuations, financing and working capital requirements, compliance and regulatory risks. Some of these risks are beyond the Company's direct control and require risk mitigation strategies whilst other risks are directly within the control of the Company and are managed through operational and management procedures.

## **AFT CORPORATION LIMITED - ABN 33 004 701 062 AND CONTROLLED ENTITIES DIRECTORS' REPORT**

The Board of Directors of AFT Corporation Ltd has pleasure in submitting its report together with the financial statements of its consolidated entity, being AFT Corporation Ltd ("the company") and its controlled entities ("the group") for the financial year ended 31 December 2016.

### **Directors and Company Secretary**

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

<b>Name</b>	<b>Role</b>
Stone Wang	Non-Executive Chairman
John Zhang	Non-Executive Director (Resigned 29/11/2016)
Lawrence Longjian Cao	Executive Director (Appointed 29/11/2016)
Neil Bourne	Executive Director

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

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

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

Dr Lawrence Cao holds a Ph.D degree in Electrical Engineering from University of Sydney. He has worked in various engineering companies in both technical leadership and project management roles. Dr Lawrence Cao does not hold any directorships in any other listed companies.

### **Company Secretary**

Maurice Watson – CA

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

### **Unissued Shares Under Options**

As at the date of this report , there were no unissued share under options.

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DIRECTORS' REPORT**

**Directors' Meetings**

During the year, there were 5 meetings of directors, and 1 circulating resolutions pursuant to the Group's Constitution.

The attendance of directors was as follows:

	<b>Held</b>	<b>Eligible</b>	<b>Attended</b>
Stone Wang	6	6	6
John Zhang	6	6	4
Lawrence Longjian Cao	6	0	0
Neil Bourne	6	6	6

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

**Principal Activity**

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

There has been no significant change in the nature of this activity during the year.

**Review of Operations and Financial Results.**

The result for the financial year ended 31 December 2016 after income tax is a loss of \$260,792 (2015: loss of \$1,340,274).

The Executive Director's report contains further information on the detailed operations of the Group during the year.

During the year, 2 subsidiaries have been deregistered voluntary and for another subsidiary, an application has been made for voluntary deregistration (Refer note 24).

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DIRECTORS' REPORT**

**Dividends**

No dividends have been declared or proposed for the year.

**Risk Management**

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

**Significant Changes in State of Affairs**

During the year, 2 subsidiaries have been deregistered voluntary and for another subsidiary, an application has been made for voluntary deregistration (Refer note 24).

**Events Subsequent to Balance Date**

There are no material subsequent events since the year ended 31 December 2016, that have significantly affected or may significantly affect either the Group's operation, the results of those operations and the Group's state of affairs in future financial years.

**Future Developments**

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

**Environmental Issues**

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

**Remuneration Report (Audited)**

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

a). Principles used to determine the nature and amount of remuneration.

The principles of the Group are:

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

b). Use of remuneration consultants.

- The company used an independent consultant to determine the salary package of Mr Stone Wang. Mr Wang's contract for a period of 3 years from 1 January 2013, with options to renew for a future 3 years.

Recognising the Group's requirement to preserve cash at this point, the Directors have voluntarily elected to increase the portion of their compensation packages paid in the form of options. These shares were issued under the Employee Share Based Loan Plan explained on pages 13 to 14.

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DIRECTORS' REPORT**

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

<b>2016 Key Management Personnel</b>	<b>Short-term Benefits</b>	<b>Post Employment Benefits</b>	<b>Total</b>	<b>% of remuneration performance based</b>
	<b>Cash, Salary and Fees</b>	<b>Super- annuation</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Stone Wang	70,712	9,716	80,428	-
Neil Bourne	59,000	41,410	100,410	-
John Zhang	26,000	2,850	28,850	-
Lawrence Cao	49,658	2,723	52,381	-
<b>Total</b>	<b>205,370</b>	<b>56,699</b>	<b>262,069</b>	<b>-</b>

<b>2015 Key Management Personnel</b>	<b>Short-term Benefits</b>	<b>Post Employment Benefits</b>	<b>Total</b>	<b>% of remuneration performance based</b>
	<b>Cash, Salary and Fees</b>	<b>Super- annuation</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Stone Wang	298,006	19,595	317,601	-
Neil Bourne	30,000	2,850	32,850	-
John Zhang	72,726	8,452	81,178	-
<b>Total</b>	<b>400,732</b>	<b>30,897</b>	<b>431,629</b>	<b>-</b>

**Shares held by Key Management Personnel**

The number of ordinary shares in the company during the 2016 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out follow:

<b>Personnel</b>	<b>Balance</b>	
	<b>Start of year</b>	<b>End of year</b>
Stone Wang	973,405,340	973,405,340
Neil Bourne	40,000,000	40,000,000
John Zhang	-	-

**Employee and Director Share based Loan Plan**

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

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**DIRECTORS' REPORT**

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

The Board believes the Loan Plan will:

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

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

*Maximum number of shares that can be issued*

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

*Manner of acquisition*

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

*Performance hurdles*

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

*Loan and security*

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

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



## **AFT CORPORATION LIMITED - ABN 33 004 701 062 AND CONTROLLED ENTITIES DIRECTORS' REPORT**

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

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

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

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

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

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

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

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

### **Proceedings on Behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of the proceedings. The company was not a party to any such proceeding during the year.

### **Non-audit Services**

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001.

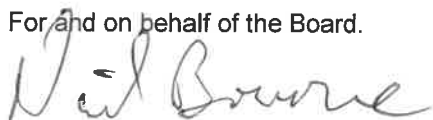
**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**Auditor's Independence Declaration**

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

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

For and on behalf of the Board.



Neil Bourne  
Managing Director  
Sydney, New South Wales

Date: 16th March 2017



**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF AFT CORPORATION LIMITED**


I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016 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.



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Fran Rathod - Director Audit Services  
Registered Company Auditor



Hayes Knight (NSW) Pty Ltd

Dated at Sydney, this 17th day of March 2017

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

		<b>Consolidated Entity</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
Revenue	2	896,691	1,242,752
Other Income	2	213,094	177,366
<b>Subtotal</b>		<b>1,109,785</b>	<b>1,420,118</b>
Change in Inventories		(134,931)	(369,621)
Raw Materials/Consumables Used	3	(427,652)	(188,865)
Occupancy & Administration Expenses		(126,957)	(278,509)
Audit & Accounting Fees		(179,585)	(134,369)
Finance Costs	3	-	(88,928)
Salaries and Wages		(291,830)	(659,994)
Consulting Expenses		(546)	(9,507)
Directors' Remuneration		89,741	(421,614)
Depreciation and Amortisation Expenses	3	(1,745)	(15,511)
Professional fee		-	(190,000)
Other Expenses		(235,946)	(502,079)
<b>(Loss) Before Income Tax</b>		<b>(199,666)</b>	<b>(1,438,879)</b>
Income tax expense	5	-	-
<b>Net (Loss) from continuing operations</b>		<b>(199,666)</b>	<b>(1,438,879)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(199,666)</b>	<b>(1,438,879)</b>
<b>Total comprehensive income for the year attributed to</b>			
- Members of the parent entity		(260,792)	(1,340,274)
- Non-controlling interest		61,126	(98,605)
		<b>(199,666)</b>	<b>(1,438,879)</b>
<b>Earnings per share</b>			
From continuing operations:	19		
- Basic and diluted Loss per share (cents)		(0.0023)	(0.0169)
- Diluted loss per share		(0.0023)	(0.0169)

The accompanying notes form part of these financial statements.

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	Consolidated Entity	
		2016	2015
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	307,686	1,811,247
Trade and other receivables	8	2,954	15,747
Inventories	9	12,863	147,792
Financial Assets	10	102,487	66,906
Other Assets	11	-	22,125
<b>TOTAL CURRENT ASSETS</b>		<b>425,990</b>	<b>2,063,817</b>
<b>NON-CURRENT ASSETS</b>			
Financial Assets	10	230,175	496,856
Plant and equipment	12	-	9,874
<b>TOTAL NON-CURRENT ASSETS</b>		<b>230,175</b>	<b>506,730</b>
<b>TOTAL ASSETS</b>		<b>656,165</b>	<b>2,570,547</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	171,873	682,260
Provisions	15	70,297	177,818
<b>TOTAL CURRENT LIABILITIES</b>		<b>242,170</b>	<b>860,078</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other Payables	13	-	166,250
Borrowings	14	-	905,640
Provisions	15	43,050	67,908
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>43,050</b>	<b>1,139,798</b>
<b>TOTAL LIABILITIES</b>		<b>285,220</b>	<b>1,999,876</b>
<b>NET ASSETS</b>		<b>370,945</b>	<b>570,671</b>
<b>EQUITY</b>			
Issued capital	16	105,474,560	105,474,560
Accumulated Losses		(105,103,615)	(104,771,243)
Parent Interest		370,945	703,317
Non-Controlling Interest		-	(132,646)
<b>TOTAL EQUITY</b>		<b>370,945</b>	<b>570,671</b>

The accompanying notes form part of these financial statements.

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Non- Controlling Interest \$	Total Equity \$
<b>CONSOLIDATED ENTITY</b>					
<b>At 1 January 2016</b>	105,474,560	(104,771,243)	-	(132,646)	570,671
(Loss)/profit for the year	-	(260,792)	-	61,126	(199,666)
Minority interest prior year adjustment to parent company upon disposal of subsidiaries	-	-	-	(60)	(60)
Non-controlling interest transferred to parent company	-	(71,580)	-	71,580	-
<b>At 31 December 2016</b>	<u>105,474,560</u>	<u>(105,103,615)</u>	<u>-</u>	<u>-</u>	<u>370,945</u>

	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Non- Controlling Interest \$	Total Equity \$
<b>CONSOLIDATED ENTITY</b>					
<b>At 1 January 2015</b>	104,126,740	(103,430,969)	344,407	(34,041)	1,006,137
(Loss) for the year	-	(1,340,274)	-	(98,605)	(1,438,879)
New shares issued	1,000,000	-	-	-	1,000,000
Share based payments	-	-	3,413	-	3,413
Option exercised	347,820	-	(347,820)	-	-
<b>At 31 December 2015</b>	<u>105,474,560</u>	<u>(104,771,243)</u>	<u>-</u>	<u>(132,646)</u>	<u>570,671</u>

The accompanying notes form part of these financial statements.

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		1,378,584	2,144,513
Payments to suppliers and employees		(2,123,303)	(2,458,598)
Interest received	2	60,658	89,004
Finance costs		-	(200)
<b>Net cash (used in) operating activities</b>	<b>27(b)</b>	<b>(684,061)</b>	<b>(225,281)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from investments		70,590	2,557
Proceeds from disposal of plant & equipment		12,000	-
<b>Net cash provided by investing activities</b>		<b>82,590</b>	<b>2,557</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayments of borrowings		(902,090)	(840,199)
Proceeds from new shares issued		-	350,000
<b>Net cash (used in) financing activities</b>		<b>(902,090)</b>	<b>(490,199)</b>
<b>Net cash decrease in cash and cash equivalents held</b>		<b>(1,503,561)</b>	<b>(712,923)</b>
Cash and cash equivalents at beginning of the year		1,811,247	2,524,170
<b>Cash and cash equivalents at end of financial year</b>	<b>7</b>	<b>307,686</b>	<b>1,811,247</b>

The accompanying notes form part of these financial statements.

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**Note 1 Summary of Significant Accounting Policies**

The financial report includes financial statements for the Consolidated Entity consisting of AFT Corporation Limited and its controlled entities ("The Group"). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial statements were authorised for issue by the board on 16 March 2017.

**(a) Basis of Preparation**

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

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Except for the cash flow, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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

**(b) Going Concern**

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity and realisation of assets and the settlement of liabilities in the normal course of business. At 31 December 2016, the Group has the following going concern indicators:

(i) The Group incurred a loss after tax of \$199,666 for the year ended 31 December 2016; and a net cash outflow from operating activities of \$684,061

(ii) At 31 December 2016 the Consolidated Group had net assets of \$370,945

The directors consider they have a reasonable basis to prepare the financial statements on a going concern basis after having regards to the following:

(i) The Directors continue to manage the Consolidated Group's activities with due regard to current and future funding requirements Profit and Cashflow forecasts show that the Group will remain in a positive net cash balance position over the next 12 months to 31 December 2017. These have been based by the directors using a number of assumptions, which are subject to future events.

Should the Group not be able to execute the strategies set out above, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Group not be able to achieve the matters set out above, and thus be able to continue as a going concern.



**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**(c) Basis of Consolidation**

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group.

**(d) Foreign Currency Translation**

The consolidated financial report is presented in Australian dollars, which is also the functional currency of the parent entity.

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

**(e) Segment Reporting**

The Group operates primarily in Australia in the Solar Panel & LED lighting business.

**(f) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. It is measured by reference to the fair value of the consideration received or receivable excluding sales taxes, rebates and trade discounts. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of Goods*

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

*Interest*

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

*Hire Purchase Sales*

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

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**(g) Income Taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office ('ATO') and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

**(h) Goods and Services Tax**

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

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

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

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

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

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**(i) Cash and Cash Equivalents**

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

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

**(j) Trade and Other Receivables**

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

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

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

**(k) Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is assigned using the first in first out basis.

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

**(l) Plant and Equipment**

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

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

Depreciation is calculated in a straight-line basis over the estimated useful life of over 3-8 years.

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

Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss and other comprehensive income.

**(m) Trade and other payables**

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

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**(n) Provisions**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

**(o) Employee Benefits**

**Short-term employee benefits**

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

**Other long-term employee benefits**

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

**(p) Financial Instruments**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(i) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity' investments, 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(ii) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designed as at FVTPL. There are no such assets.

(iii) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loan and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(v) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(vi) Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designed as at FVTPL. There are no such financial liabilities.

(vii) Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(viii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**(q) Share-based Payment Transactions**

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

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

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

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

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

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

**(r) Contributed Equity**

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

**(s) Critical accounting estimates, assumptions and judgements**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

The consolidated entity reviews its Hire Purchase receivable to assess impairment on an ongoing basis. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the consolidated entity makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from such assets. This evidence may include observable data indicating that there has been an adverse change in the payment status by customers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment. Changes in these estimates could have a direct impact on the level of provision required.

**(t) Operating Lease**

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

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**(u) Investments in Associates and joint arrangements**

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

**(v) Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred and reported as finance costs.

**(w) New Standards and Interpretations Not Yet Adopted**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- AASB 9 – Financial Instruments
  - AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and will be effective for annual reporting period beginning on or after 1 January 2018.
  - When the standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

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- AASB 15 Revenue from contracts with customers
  - Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
    - Establishes a new revenue recognition model
    - Changes the basis for deciding whether revenue is to be recognised over time or at a point in time
    - Provides new and more detailed guidance on specific topics (e.g. multiple element arrangement, variable pricing, rights of return, warranties and licensing)
    - Expands and improves disclosures about revenue
  - When this standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements.
  
- AASB 16 Leases
  - The key features of AASB 16 are as follows:

Lessee accounting

    - Lessees are required to recognise assets and liabilities for all leases with a term more than 12 months, unless the underlying asset is of low value.
  
    - Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also include payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
  
    - AASB 16 contains disclosure requirements for lessees.
  
  - AASB 16 supersedes:
    - (a) AASB 117 Leases
    - (b) Interpretation 4 Determining whether an Arrangement contains a Lease
    - (c) SIC-15 Operating Leases-Incentives
    - (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.

**Adoption of New Accounting Standards and Interpretations**

The Group has adopted all new and amended Australian Accounting Standards and Interpretations which are effective from 1 January 2016. The adoption did not result in any significant changes to the Group's accounting policies or disclosures.



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**Note 2 Revenue**

	2016	2015
	\$	\$
- Sale of goods and services	896,691	1,242,752
	<u>896,691</u>	<u>1,242,752</u>
Other income		
- Interest received	60,658	89,004
- Loan forgiveness	48,780	-
- Other	103,656	88,362
- Total other revenue	<u>213,094</u>	<u>177,366</u>
Total Revenue	<u><u>1,109,785</u></u>	<u><u>1,420,118</u></u>

**Note 3 Expenses**

	2016	2015
	\$	\$
Interest – other borrowings	-	53,928
Cost of sales	562,583	558,486
Other Expenses include:		
- Bad and Doubtful Debts	-	128,069
- Rental expenses	40,105	79,173
Depreciation and amortisation expenses:		
- plant and equipment	<u>1,745</u>	<u>15,511</u>

**Note 4 Significant items affecting the financial performance**

	2016	2015
	\$	\$
Included in other income:		
- Net marketing & research income	30,100	79,341
- Write back of accounts payable	48,780	-
- Return on investment	34,250	-
Included in employment benefit expense:		
- Write back of prior year's directors' remuneration		
	<u><u>241,173</u></u>	<u><u>-</u></u>

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**Note 5 Income Tax Expense**

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

- (a) Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.
- (b) the relevant company continue to comply with conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the relevant company in realising the benefit from the deduction of the loss.

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

	2016	2015
	\$	\$
(Loss) before income tax	(199,666)	(1,438,879)
At the Group's statutory income tax rate of 30%	(59,900)	(431,663)
Tax losses not booked	59,900	431,663
Income tax expense reported	-	-

**Tax losses**

The Group has tax losses of approximately \$18,350,000 for which no deferred tax asset has been recognised in the Statement of Financial Position on the basis of, at this stage it is not being considered probable that these losses will be utilised.

**Note 6 Auditors' Remuneration**

	2016	2015
	\$	\$
<b>Auditor of the parent entity</b>		
Auditing or reviewing the financial report	28,400	37,803
	28,400	37,803

**Note 7 Cash and Cash Equivalents**

	2016	2015
	\$	\$
Cash at bank and in hand	307,686	1,811,247
	307,686	1,811,247

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**Note 8 Trade and Other Receivables**

	2016	2015
	\$	\$
<b>Current</b>		
Trade and other receivables	2,954	15,747
	<u>2,954</u>	<u>15,747</u>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value 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.

**Note 9 Inventories**

	2016	2015
	\$	\$
At Cost:		
Finished goods	12,863	147,794
	<u>12,863</u>	<u>147,794</u>

**Note 10 Financial Assets**

	2016	2015
	\$	\$
<b>Current</b>		
Commercial HP Receivable	144,858	93,682
Unearned Interest Revenue	(42,371)	(26,776)
	<u>102,487</u>	<u>66,906</u>

**Non-current**

Due from other entities	-	3,550
Commercial HP Receivable	319,191	620,413
Unearned Interest Revenue	(89,016)	(197,697)
Investments accounted for using equity method		
Investments in other company:		
GA (Guangzhou) – holding 49% shares	-	70,590
<b>Total non-current investments</b>	<u>230,175</u>	<u>496,856</u>

	2016	2015
	\$	\$
<b>Note 11 Other Assets</b>		
Prepayment	-	37
Loan to related entities (Unsecured)	-	22,088
	<u>-</u>	<u>22,125</u>

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**Note 12 Plant and equipment**

	2016	2015
	\$	\$
<b>Plant and equipment</b>		
At cost	-	148,145
Accumulated depreciation	-	(138,271)
	<u>-</u>	<u>9,874</u>

**(a) Movement in Carrying Amounts**

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

	2016	2015
	\$	\$
<b>Balance at the beginning of the period</b>	<b>9,874</b>	25,385
Depreciation expense	<b>(1,745)</b>	(15,511)
Written off during the year	<b>(8,129)</b>	-
<b>Carrying amount at the end of the period</b>	<b>-</b>	<b>9,874</b>

**Note 13 Trade and Other Payables**

	2016	2015
	\$	\$
<b>Current</b>		
Trade payables	21,662	149,755
Other payables	150,211	257,731
Accrued expenses	-	256,774
	<u>171,873</u>	<u>664,260</u>
<b>Non-Current</b>		
Other Payables	-	166,250

All amounts are short term. The carrying value of trade and other payables are considered to be a reasonable estimation of fair value.

**Note 14 Borrowings**

	2016	2015
	\$	\$
<b>Non-current</b>		
Borrowings (unsecured)	-	905,640

Advance loan \$905,640 from Ms Jing Yun Yang to Artemis Energy Solutions Pty Ltd is unsecured, repayable at end of 2 years in 2017. The loan was fully paid off in 2016.

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<b>Note 15</b>	<b>Provisions</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
	<b>Current</b>		
	Annual Leave	70,297	147,818
	Legal fee	-	30,000
		<u>70,297</u>	<u>177,818</u>
	<b>Non-Current</b>		
	Long Service Leave	<u>43,050</u>	<u>67,908</u>
	<b>At the beginning of the period</b>	<b>245,726</b>	<b>278,746</b>
	Additional AL provisions made /(used)	<b>(77,521)</b>	<b>(27,830)</b>
	Additional legal fee provisions made /(used)	<b>(30,000)</b>	<b>(10,000)</b>
	Additional LSL provisions made /(used)	<b>(24,858)</b>	<b>4,810</b>
	<b>Carrying at the end of the period</b>	<u><b>113,347</b></u>	<u><b>245,726</b></u>

<b>Note 16</b>	<b>Issued Capital</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
	8,508,528,009 issued and fully paid ordinary shares (8,508,528,009 : 2015)	<u>105,474,560</u>	<u>105,474,560</u>
	<b>Ordinary shares</b>		
	At the beginning of reporting period	105,474,560	104,126,740
	New share issued and exercised	-	1,347,820
	<b>At reporting date</b>	<u>105,474,560</u>	<u>105,474,560</u>

The company has authorised share capital amounting relating to 8,508,528,009 ordinary shares of no par value.

**Note 17 Capital and Leasing Commitments**

**(a) Lease**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Payable - not later than 12 months	-	85,908
- between 12 months and 5 years	-	21,477
	<u>-</u>	<u>107,385</u>

**(b) Capital Expenditure**

There is no capital expenditure commitment at balance date.

**Note 18 Contingent Liabilities**

In the opinion of the Directors, the company did not have any contingent liabilities at 31 December 2016.

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**Note 19 Earnings per Share**

**Basic and diluted earnings per share**

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

	2016	2015
	\$	\$
(Loss)	<b>(199,666)</b>	(1,438,879)
Earnings used in the calculation of basic and diluted EPS	<u><b>(199,666)</b></u>	<u>(1,438,879)</u>
Weighted average number of ordinary and shares outstanding during the year used in the calculating diluted EPS	<u><b>8,508,528,009</b></u>	<u>8,508,528,009</u>

**Note 20 Capital Management**

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

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

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

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

**Note 21 Financial Risk Management**

**(a) Significant Accounting Policies**

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

**(b) Treasury Risk Management**

Board members meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

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

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

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

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

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

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

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

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

**(d) Credit Risk Exposure**

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

All receivables are from Customers in Australia.

The Group minimises credit risk in relation to trade account receivables and HP receivables by undertaking transactions with organisations such as government instruments which have good credit ratings. The Group does not have any material credit risk exposure to any single debtor or Group of debtors, under financial instruments entered into by it. There are no material amounts of collateral held as security as at 31 December 2016.

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

**(e) Liquidity Risk**

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

Contracted maturities of payables year ended 31 December 2016 :

	2016	2015
	\$	\$
<b>Payables</b>		
Less than 6 months	116,457	149,755
6 to 12 months	55,416	603,755
1 to 5 years	-	1,000,640
<b>Total</b>	<u>171,873</u>	<u>1,754,150</u>

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

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

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**Note 22 Economic Dependence**

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

**Note 23 Key Management Personnel Disclosures**

All disclosures in relation to key management personnel have been made in the Directors' Report.

**Note 24 Details of Controlled Entities**

	Country of Incorporation	Consolidated Entity	
		2016 %	2015 %
<b>Parent Entity</b>			
AFT Corporation Limited	Australia	100	100
<b>Subsidiaries</b>			
Microgenix Australasia Pty Limited (a)	Australia	100	100
OCTIP Ltd (b)	United Kingdom	-	50
Artemis Building Systems Pty Ltd	Australia	100	100
AFT Logistics Pty Ltd (c)	Australia	-	100
Artemic ABS Green Solutions Pty Ltd (c)	Australia	-	100
Artemis Energy Solutions	Australia	100	70

(a) Application for company voluntary deregistration lodged on 30/11/16

(b) Company voluntary deregistered on 5 November 2013.

(c) Companies voluntary deregistered on 29 July 2016.

**Note 25 Subsequent Events after Balance Sheet Date**

There have been no significant events after balance date which require adjustment to this financial report or further reporting.

**Note 26 Notes to the Statement of Cash Flows**

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

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

	2016 \$	2015 \$
Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position:		
Cash and cash equivalents	<u>307,686</u>	<u>1,811,247</u>

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

Operating (Loss) after tax	(199,666)	(1,438,879)
Depreciation and amortisation expense	9,874	15,511
Share-based payment expense	-	23,329
Non-cash interest expense	-	88,729
Write off overseas investment	-	41,173
Decrease/(Increase) in receivables	172,706	702,194
Decrease/(Increase) in inventories	134,929	369,621
Decrease/(Increase) in prepayments	7,945	27,109
Increase/(Decrease) in creditors	(787,470)	(21,046)
Increase/(Decrease) in provisions	(22,379)	(33,022)
Net cash (used in)/provided by operating activities	<u>(684,061)</u>	<u>(225,281)</u>



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**Note 27 Parent Entity**

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

(a) Summary of Statement of Comprehensive Income

	2016	2015
	\$	\$
Loss for the year	(100,000)	(1,192,390)
<b>Total comprehensive (loss) for the year</b>	<b>(100,000)</b>	<b>(1,192,390)</b>

(b) Summary of Statement of Financial Position

**Assets**

Current assets	52,496	55,119
Non-current assets	24,392	84,320
<b>Total assets</b>	<b>76,888</b>	<b>139,439</b>

**Liabilities**

Current liabilities	269,363	620,966
Non-current liabilities	3,621,401	3,232,349
<b>Total liabilities</b>	<b>3,890,764</b>	<b>3,853,315</b>

**Net liabilities**

	<b>(3,813,876)</b>	<b>(3,713,876)</b>
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**EQUITY**

Issued capital	105,474,560	105,474,560
Accumulated losses	(109,288,436)	(109,188,436)
<b>TOTAL EQUITY</b>	<b>(3,813,876)</b>	<b>(3,713,876)</b>

(b) Contingencies

(i) Deed of cross guarantee under which the company and subsidiary guarantee debts of each other.

(ii) Refer note 18

**Note 28 Company Details**

The registered office of the Company is:

Level 4, 56 Clarence St,  
Sydney NSW 2000

The principal place of business is:

Level 4, 56 Clarence St,  
Sydney NSW 2000

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
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DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes, as set out on page 18 to page 39 are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date;
  - c. complies with International Financial Reporting Standards as disclosed in Note 1;
2. the Managing Director has declared that:
  - a. the financial records of the Company and Controlled Entities for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b. the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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

Managing Director



Neil Bourne

Dated this

16

day of

March 2017



## Report on the Financial Report

We have audited the accompanying consolidated financial report of AFT Corporation Limited (the Company) and its subsidiaries (together the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

## Opinion

In our Opinion:

- (a) the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

## Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that the entity incurred a net loss of \$199,666 during the year ended 31 December 2016 and, as of that date, the entity's net assets were \$370,945. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's responsibility* section of our report. We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that the only matter described in the Material Uncertainty Related to Going Concern section to be communicated in our report.

## **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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the remuneration report**

We have audited the Remuneration Report included on page 12 of the Directors' Report for the year ended 31 December 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Opinion**

In our opinion, the Remuneration Report of AFT Corporation Limited for the year ended 31 December 2016, complies with Section 300A of the *Corporations Act 2001*.



**Pran Rathod**  
**Director – Audit & Assurance**  
**Registered Company Auditor**



**Hayes Knight (NSW) Pty Ltd**

Dated at Sydney, this 17th day of March 2017

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
Shareholder Information**

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

**1. Statement of issued capital at 31 December 2016**

Range	Total Holders	Units	% Issued Capital
1 - 1,000	123	77,378	0.001
1,001 - 5,000	225	625,986	0.007
5,001 - 10,000	120	933,149	0.011
10,001-500,000	1,065	235,575,093	2.769
500,001-99,999,999,999	919	8,271,316,403	97.212
Total	<b>2,452</b>	<b>8,508,528,009</b>	<b>100.000</b>

**2. Top 20 Holders of Ordinary Shares as at 31 December 2016**

Rank	Name	Number of Shares	% Issued Capital
1.	SURPLUS KING CAPITAL RESOURCES LIMITED	1,650,000,000	19.39
2.	MR STONE HONG WANG	651,233,204	7.65
3.	MR GE WANG	380,049,780	4.46
4.	Mr. KAR WAI JOHN CHEUNG	350,000,000	4.11
5.	MS PEIWEN PEGGY LU	322,172,136	3.78
6.	MR KUN SUM SHEA	300,780,440	3.53
7.	MR KUN SUM SHEA	300,000,000	3.52
8.	MS CHONG KWAN	300,000,000	3.52
9.	MR SHAOHUA LIANG	300,000,000	3.52
10.	OXFORD INTERNATIONAL CAPITAL LIMITED	300,000,000	3.52
11.	MR JING WANG	200,780,440	2.36
12.	MR ZHANG XIAO MING	200,000,000	2.35
13.	TECHSUCCESS LIMITED WOLFELANDS	177,430,681	2.08
14.	PERSHING AUSTRALIA NOMINEES PTY LTD<PHILIP SECURITIES (HK) A/C>	142,976,340	1.68
15.	MR JAMES LEUNG & MS CHRISTINE CHUI WAH CHEUNG	63,687,898	0.74
16.	MR ROBERT H GREENFIELD	60,000,000	0.70
17.	BRIGHT LUCK INVESTMENT	58,333,310	0.68
18.	MRS LYNETTE JOYCE MACKAY & MR JOHN WENSTROM MACKAY <DYNAPLAS P/L S/F A/C>	57,200,001	0.67
19.	MR ANDREW SEDLEY BODY & MRS LUCIE ANN BODY <A & L BODY S/F A/C>	55,200,000	0.64
20.	MR JOHN LONGO	50,597,897	0.59
<b>Total</b>		<b>5,920,442,127</b>	<b>69.58</b>

**3. Unmarketable Parcels**

The number of shareholders with unmarketable parcels is 1,533.

**4. Substantial Holders**

The names of the substantial shareholders as at 31 December 2016 are

Name	Number of Shares
SURPLUS KING CAPITAL RESOURCES LIMITED	1,650,000,000
MR STONE HONG WANG	651,233,204
MR GE WANG	380,049,780
MR KAR WAI JOHN CHEUNG	350,000,000
MS PEIWEN PEGGY LU	322,172,136
MR KUN SUM SHEA	300,780,440
MR JIAN XIN CHEN	300,000,000
MS CHONG KWAN	300,000,000
MR SHAOHUA LIANG	300,000,000
OXFORD INTERNATIONAL CAPITAL LIMITED	300,000,000
MR JING WANG	200,780,440

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
AND CONTROLLED ENTITIES  
Shareholder Information**

**5. Voting Rights**

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

**6. Quotation**

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

**7. Audit Committee**

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