



**FUTURE FIBRE  
TECHNOLOGIES**

**Future Fibre Technologies Limited**

**ACN 064 089 318**

**and controlled entities**

**Appendix 4E**

**Preliminary Final Report**

**For the year ended 30 June 2016**

Lodged with the ASX under Listing Rule 4.3A

**FUTURE FIBRE TECHNOLOGIES LIMITED REGISTERED OFFICE**

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**Name of Entity:** Future Fibre Technologies Limited (“Company”, “FFT”)

## Details of the reporting period

**Current Period:** 1 July 2015 – 30 June 2016

**Previous Corresponding Period:** 1 July 2014 – 30 June 2015

## Results for announcement to the market

	Up / down	% movement	Amount of change \$A'000	2016 30 June \$A'000	2015 30 June \$A'000
Revenues from ordinary activities	down	21%	(3,740)	14,361	18,101
Profit/(loss) from ordinary activities after tax attributable to members	down	369%	(7,962)	(5,805)	2,157
Net profit/(loss) for the period attributable to members	down	369%	(7,962)	(5,805)	2,157
EBITDA* for the period attributable to members	down	305%	(8,257)	(5,554)	2,703

\* Earnings before interest, tax, depreciation and amortisation

## Dividends and distributions

**Current Period:**

No final or interim dividend has been declared or paid.

**Previous Corresponding Period:**

No final or interim dividend was declared or paid.

## Details of dividends/distributions

No dividends have been paid during the period and the directors do not recommend that a dividend be declared for the period.

## Details of dividends/distribution reinvestment plan

The Company does not have a dividend reinvestment plan.

## Net tangible assets per security

	Current Period	Previous Corresponding Period
Net asset backing per share	19.8 cents	24.5 cents
Net tangible asset backing per share*	18.5 cents	23.5 cents

\*Excludes intangibles.

## Control gained or lost over entities during the period

There were no changes in control over entities during the period. (2015: None).

## Details of associates and joint venture entities

The Company did not have any associated entities or joint ventures during the year (2015: None).

## Other significant information

Refer to Commentary on Results below for details on other significant matters and information regarding the Consolidated Entity.

## Commentary on significant features of operating performance

The net result for the Consolidated Entity attributable to shareholders for the year ended 30 June 2016 is a loss of \$5,805,000 (2015: profit of \$2,157,000).

### Revenue

Total revenue for the year was \$15,486,000 (2015: \$19,517,000). Refer to Commentary on results for further explanation of the primary causes of the decrease.

### Depreciation and amortisation expense

Depreciation and amortisation costs were \$607,000 (2015: \$538,000). The increase was primarily due to depreciation on additional demonstration equipment.

## Commentary on Results

### Review and Results of Operations

Whilst FFT's progress in FY2016 in financial terms was lower than we had set out to achieve, during the year we made good progress implementing our global growth strategy. Our opportunity pipeline grew, validating our investments in operations, global sales and technology to position FFT for more substantial revenues in the future.

We continued to invest in additional customer facing staff to support FFT's expansion into new territories and markets and have added a local sales office in Brazil. Our newly appointed Global Sales and Marketing Director, Mark Horton, who joined FFT in June 2016 also brings significant international security sales experience to the Company enhancing FFT's current global sales group and supporting further high quality recruitment.

FFT's Third Party Distribution strategy continues to gain momentum with initial orders received from our agreement with Anixter International. We expect to secure further complimentary agreements in the coming financial year to maximise our investment in product development to support the Distribution program.

In response to new security standards, our Network Security application has received increasing interest from US Utility operators and has been short-listed for a large military network program overseas.

During the financial year, we continued end-user testing of FFT solutions against other competitive products. This initiative has strengthened our position amongst key end users in the US Utility sector. We continued to enhance the performance of all FFT solutions to consolidate our position in the security market and take advantage of future expansion opportunities.

FFT's operating revenues for the year ended 30 June 2016 were impacted by investment delays in oil and gas infrastructure globally as a result of the weaker and volatile oil price.

This delayed investment was particularly evident in the Middle East, APAC and Latin America - regions that contributed strongly to FFT revenues in the previous period. It is fair to say we underestimated the timing impact that the significant drop in the oil price would have on projects that were expected to commence in 2HFY2016. Importantly, FFT remains well positioned to implement these projects in the future and carries forward a number of strong sales opportunities for when oil prices stabilise and improve.

### Outlook

During FY17, FFT will build on its position as the world's number one Fence Mounted Intrusion Detection Solution<sup>1</sup> and continue to expand sales resources to take advantage of the significant opportunities that are emerging as a result of global security concerns. The Company will continue to develop its Distribution and Network Security programs in the coming year, while exploring adjacent market opportunities resulting from the trial of FFT technology in Safety and Mining applications.

Date 31 August 2016



Robert Broomfield  
Chief Executive Officer

1 - IHS Electronics & Media, *The World Market for Electronic Perimeter Security Equipment – 2013 Edition*, ihs.com

## Consolidated Statement of Comprehensive Income

### FUTURE FIBRE TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
<b>Revenue and other income</b>			
Revenues from sales and services	2	14,361	18,101
Other income	2	1,125	1,416
		<b>15,486</b>	<b>19,517</b>
Less:			
<b>Expenses</b>			
Cost of raw materials, consumables used, and labour		(5,710)	(7,197)
Employee benefits expense	3	(6,910)	(5,530)
Research & Development		(1,037)	(993)
Advertising and marketing		(428)	(386)
Travel & Entertainment costs		(946)	(664)
Facilities & office expenses		(863)	(617)
Compliance, legal, and administration		(1,196)	(683)
Provision for impairment of receivables	3	(2,514)	(73)
Patents impairment loss	3	(103)	-
Share option expenses	3	-	(327)
Depreciation and amortisation expenses	3	(607)	(538)
Finance costs	3	(5)	(20)
Unrealised foreign exchange losses		(220)	-
Other expenses		(752)	(332)
<b>Profit/ (Loss) for the year before income tax</b>		<b>(5,805)</b>	<b>2,157</b>
Income tax benefit / (expense)		-	-
<b>Profit / (Loss) for the year</b>		<b>(5,805)</b>	<b>2,157</b>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations, net of tax		66	-
<b>Total comprehensive income for the year</b>		<b>(5,739)</b>	<b>2,157</b>
Profit attributable to non-controlling interests		-	-
<b>Total comprehensive income attributable to members of Future Fibre Technologies Limited</b>		<b>(5,739)</b>	<b>2,157</b>
Basic earnings per share (cents per share)*		<b>(4.76) cents</b>	2.27 cents
Diluted earnings per share (cents per share)*		<b>(4.42) cents</b>	2.11 cents

This Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

\* Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year of 121,931,622. The weighted average number of ordinary shares outstanding adjusted for the effect of dilution is 131,265,981.

## Consolidated Statement of Financial Position

### FUTURE FIBRE TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		12,119	17,591
Receivables	4	5,443	10,860
Inventories		3,990	1,447
Other assets		341	150
<b>TOTAL CURRENT ASSETS</b>		<b>21,893</b>	<b>30,048</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	4	3,291	-
Plant and equipment		1,300	977
Intangible assets	5	1,608	1,261
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,199</b>	<b>2,238</b>
<b>TOTAL ASSETS</b>		<b>28,092</b>	<b>32,286</b>
<b>CURRENT LIABILITIES</b>			
Payables	6	2,792	1,695
Borrowings		8	8
Provisions		1,038	750
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,838</b>	<b>2,453</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		15	24
Non-current provisions		15	15
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>30</b>	<b>39</b>
<b>TOTAL LIABILITIES</b>		<b>3,868</b>	<b>2,492</b>
<b>NET ASSETS</b>		<b>24,224</b>	<b>29,794</b>
<b>EQUITY</b>			
Issued capital	7	43,883	43,714
Reserves		463	397
Retained earnings/(losses)		(20,122)	(14,317)
<b>TOTAL EQUITY</b>		<b>24,224</b>	<b>29,794</b>

This Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

### FUTURE FIBRE TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR TO 30 JUNE 2016

	\$'000	\$'000	\$'000	\$'000	\$'000
	Share Capital	Share Option Reserve	Foreign Exchange Translation Reserve	Retained Earnings / (Losses)	Total Equity
<b>CONSOLIDATED ENTITY</b>					
<b>Balance as at 1 July 2014</b>	<b>24,275</b>	<b>2</b>	<b>-</b>	<b>(16,474)</b>	<b>7,803</b>
Profit for the period	-	-	-	2,157	2,157
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,157</b>	<b>2,157</b>
<b>Transactions with owners in their capacity as owners</b>					
Contributions	21,168	-	-	-	21,168
Share issue costs	(1,729)	-	-	-	(1,729)
Share options	-	395	-	-	395
Total transactions with owners in their capacity as owners	19,439	395	-	-	19,834
<b>Balance as at 30 June 2015</b>	<b>43,714</b>	<b>397</b>	<b>-</b>	<b>(14,317)</b>	<b>29,794</b>
<b>Balance as at 1 July 2015</b>					
<b>Balance as at 1 July 2015</b>	<b>43,714</b>	<b>397</b>	<b>-</b>	<b>(14,317)</b>	<b>29,794</b>
Loss for the period	-	-	-	(5,805)	(5,805)
Exchange differences on translation of foreign operations, net of tax	-	-	66	-	66
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>(5,805)</b>	<b>(5,739)</b>
<b>Transactions with owners in their capacity as owners</b>					
Contributions	250	-	-	-	250
Share issue costs	(81)	-	-	-	(81)
Share options	-	-	-	-	-
Total transactions with owners in their capacity as owners	169	-	-	-	169
<b>Balance as at 30 June 2016</b>	<b>43,883</b>	<b>397</b>	<b>66</b>	<b>(20,122)</b>	<b>24,224</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

## Consolidated Statement of Cash Flows

### FUTURE FIBRE TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	15,376	12,313
Operating grant receipts	-	891
Payments to suppliers and employees	(20,464)	(16,047)
Interest received	360	12
Finance costs	(5)	(20)
Income tax paid	-	-
NET CASH USED IN OPERATING ACTIVITIES	<u>(4,733)</u>	<u>(2,851)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment for security bonds and guarantees	-	-
Payment for intellectual property	(689)	(11)
Proceeds from sale of plant and equipment	-	-
Purchase of plant and equipment	(687)	(849)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,376)</u>	<u>(860)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	250	21,168
Share issue expenses	(81)	(1,661)
Proceeds from borrowings	-	688
Repayment of borrowings	(9)	(701)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>160</u>	<u>19,494</u>
NET INCREASE/(DECREASE) IN CASH HELD	<b>(5,949)</b>	15,783
Cash and cash equivalents at beginning of year	17,591	1,313
Foreign exchange differences on cash holdings	477	495
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><b>12,119</b></u>	<u>17,591</u>

This Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## **Notes to the consolidated financial statements**

### **Note 1 – Summary of Significant Accounting Policies**

The preliminary final report covers Future Fibre Technologies Limited and its controlled entities as a consolidated entity. It has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited financial report. Future Fibre Technologies Limited is a company limited by shares, incorporated and domiciled in Australia.

The preliminary final report does not include all the notes of the type normally included in an annual report.

This report is based on the financial report which is in the process of being audited.

The financial reports are presented in Australian dollars, unless otherwise stated, with the current reporting period being the year ended 30 June 2016, and the previous corresponding period is the year ended 30 June 2015.

#### **Historical Cost Convention**

The financial report has been prepared under the historical cost convention as modified by revaluations to fair value for certain classes of assets as described by the accounting policies.

#### **Going Concern**

The financial report has been prepared on a going concern basis.

#### **Changes in Accounting Policy**

There have been no changes in accounting policies during the year ended 30 June 2016.

#### **Rounding of Amounts**

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial /Directors' Reports) Instrument 2016/191 and accordingly, amounts in the consolidated financial statements have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

## Note 2 - Revenue

	2016 \$'000	2015 \$'000
<b>Revenue and other income from continuing operations</b>		
Revenue from sales or services	14,361	18,101
Total revenues from operating activities	<u>14,361</u>	<u>18,101</u>
<b>Other income</b>		
Interest - other persons	360	12
R&D Tax incentive	475	541
Gains on foreign exchange – realised	290	368
Gains on foreign exchange – unrealised	-	495
Total other income	<u>1,125</u>	<u>1,416</u>
Total revenues	<u><u>15,486</u></u>	<u><u>19,517</u></u>

## Note 3 – Profit from continuing operations

	2016 \$'000	2015 \$'000
<b>Profit from continuing operations before income tax has been determined after the following specific expenses</b>		
Employee benefits expense	(6,910)	(5,530)
Provision for impairment of receivables	(2,514)	(73)
Patents impairment loss	(103)	-
Share option expenses	-	(327)
Depreciation and amortisation	(607)	(538)
Finance costs	(5)	(20)
Total specific expenses	<u>(10,139)</u>	<u>(6,488)</u>

## Note 4 – Trade and other receivables

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Current</b>		
Trade receivables	<b>4,924</b>	10,873
Security deposits and bonds	<b>12</b>	86
Other receivables	<b>1,747</b>	540
Provision for impairment	<b>(1,240)</b>	(639)
<b>Total current receivables</b>	<b>5,443</b>	10,860
<b>Non-Current</b>		
Trade receivables	<b>3,291</b>	-
<b>Total non-current receivables</b>	<b>3,291</b>	-

During the year the Company has impaired the carrying value of a receivable by \$771,000. The Company is continuing commercial negotiations to recover this amount in full. However, due to the inherent uncertainty, and potential legal action that the Company may need to take, Directors believed it prudent to impair the balance outstanding at 30 June 2016.

A few of the Company's customers who are undertaking large scale roll-outs have experienced project delays. Trade receivables for these customers are treated as Non-Current and are on payment schedules of between 3 and 4 years (accelerated with immediate payment of the balance in full at an earlier date when the project achieves commissioning).

Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. Interest is accrued and amortised over the period of the contract. This has resulted in a discount of trade receivables of \$1,567,000 and the re-classification of \$3,291,000 of trade receivables as non-current.

All other trade receivables are non-interest bearing and are generally on 60 day terms. An allowance is made when there is objective evidence that a trade receivable is impaired.

## Note 5 – Intangible assets

	Trademarks \$'000	Development Costs \$'000	Patents \$'000	Right to Use \$'000	Total \$'000
<b>Year ended 30 June 2016</b>					
Carrying amount at beginning of year	13	380	868	-	1,261
Additions	-	550	73	66	689
Amortisation	-	(60)	(170)	(9)	(239)
Impairment charges	-	-	(103)	-	(103)
Carrying amount at end of year	13	870	668	57	1,608
At 30 June 2016					
Cost (gross carrying amount)	13	1,147	2,119	66	3,345
Accumulated amortisation	-	(277)	(1,304)	(9)	(1,590)
Accumulated Impairment Charges	-	-	(147)	-	(147)
Net carrying amount	13	870	668	57	1,608
<b>Year ended 30 June 2015</b>					
Carrying amount at beginning of year	13	440	1,065	-	1,518
Additions	-	-	11	-	11
Amortisation	-	(60)	(208)	-	(268)
Impairment charges	-	-	-	-	-
Carrying amount at end of year	13	380	868	-	1,261
At 30 June 2015					
Cost (gross carrying amount)	13	597	2,084	-	2,694
Accumulated amortisation	-	(217)	(1,216)	-	(1,433)
Net carrying amount	13	380	868	-	1,261

Intangibles are allocated to cash-generating units based on the Group's reporting segments.

### Patents

Patents have been acquired through intellectual property derived from the Company's research and development and are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation is recognised in the statement of comprehensive income in the line item "Depreciation and amortisation expenses". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. Patents are amortised over a 10 year period.

### Development costs

During the year ended 30 June 2016, the Company incurred additional development costs of \$995,000 which in part have been reduced by associated government grant income of \$445,000 (2015: \$Nil). The Company assessed the asset at 30 June 2016 for impairment indicators, and determined that the carrying value of the development costs does not require impairment.

### Right to Use

Right to Use assets have been acquired from the purchase of multi-year software licence agreements during the year ended 30 June 2016. The assets are carried at cost less accumulated amortisation and impairment losses. The amortisation is recognised in the statement of comprehensive income in the line item "Depreciation and amortisation expenses". The Company assessed the asset at 30 June 2016 for impairment indicators, and determined that the carrying value of the right to use assets does not require impairment.

### Note 6 – Trade and other payables

	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade creditors	1,853	1,057
Income in advance	411	185
Accruals and other payables	528	453
Total trade and other payables – current	<u>2,792</u>	<u>1,695</u>

### Note 7 – Issued capital

	2016 \$'000	2015 \$'000
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	43,883	43,714
	<u>43,883</u>	<u>43,714</u>

### (b) Movements in shares on issue

	2016		2015	
	No of shares	\$'000	No of shares	\$'000
Beginning of the financial year	121,404,450	43,714	90,623,820	24,275
Issue of shares	823,990	250	30,780,630	21,168
Transaction costs relating to shares issued	-	(81)	-	(1,729)
Tax benefits on issue costs	-	-	-	-
End of the financial year	<u>122,228,440</u>	<u>43,883</u>	121,404,450	43,714

## Note 8 – Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group going forward.

## Compliance Statement

### Audit/review of accounts upon which this report is based

This report is based on accounts to which one of the following applies (tick one):

<input type="checkbox"/>	The accounts have been audited (refer attached financial statements).	<input type="checkbox"/>	The accounts have been subject to review (refer to attached financial statements)
<input checked="" type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have not been audited or reviewed.

The financial report is not likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph.

Signature



Date            31 August 2016  
Name            Leigh Davis  
Position        Company Secretary