



FUTURE FIBRE
TECHNOLOGIES

ANNUAL
REPORT
2016

CORPORATE INFORMATION

ABN 67 064 089 318

Directors

Arlene Tansey, Chairman and Non-Executive Director
Robert Broomfield, CEO and Executive Director
Fred Davis, COO and Executive Director
Terence Winters, Non-Executive Director
Mark Stevens, Non-Executive Director

Company Secretary

Leigh Davis

Notice of Annual General Meeting

The Annual General Meeting of Future Fibre Technologies Limited will be held at The Westin, Room 3, 1 Martin Place, Sydney, NSW 2000, Australia at 2.00pm, 23 November 2016.

Registered Office

10 Hartnett Close, Mulgrave, Victoria 3170, Australia
Telephone: +61 3 9590 3100
Facsimile: +61 3 9560 8000
Email: investor@fftsecurity.com

Share Register

Boardroom Pty Ltd
Grosvenor Place, Level 12, 225 George Street, Sydney, NSW 2000, Australia
Telephone (within Australia): 1300 737 760
Telephone (outside Australia): +61 2 9290 9600
Facsimile: +61 2 9279 0664

Stock Exchange

Future Fibre Technologies Limited shares are quoted on the Australian Stock Exchange (ASX). ASX Code: FFT

Bankers

Westpac Banking Corporation
275 Kent Street, Sydney, NSW 2000, Australia

Auditors

Pitcher Partners
Level 19, 15 William Street, Melbourne, Victoria 3000, Australia

Website

www.fftsecurity.com



CONTENTS

Chairman and CEO Report	02
Building a Global Distribution Network	06
Continued R&D Investment	08
Meeting Growing Security Requirements	10
Financial Statements	13

CHAIRMAN AND CEO REPORT



Arlene Tansey



Rob Broomfield

Dear Shareholder

Future Fibre Technologies Limited (FFT) financial results during the year ended 30 June 2016 (FY2016) were adversely impacted by difficult trading conditions and commercial events that resulted in delayed implementation of certain growth initiatives. Whilst delivering strong revenues in the first half of FY2016, our second half result was impacted by reductions in government spending in the Middle East slowing roll-out schedules for a number of significant projects and contracts. We believe the spending reductions were a function of weaker and volatile oil prices.

Importantly, FFT remains well positioned to implement these projects and contracts in the future and maintains a number of strong sales opportunities for when oil prices stabilise and improve.

Financial Performance

For the financial year ended 30 June 2016, FFT reported revenue from operating activities of \$14.4 million, a 21% decrease from the previous corresponding period.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year was a loss of \$5.6 million. Net Profit After Tax (NPAT) was a loss of \$5.8 million, in both cases, a result of continued investment in operations, global sales and product improvements. This was in-line with the company's growth strategy, but increased operating expenses as a percentage of revenue in FY2016.

Additionally, a number of costs incurred during FY2016 were one-off in nature, including adjustments of \$2.5 million for required accounting discounting the value of long-term receivables and the impairment of a debtor that requires other recovery actions.

It is pleasing to note that despite the challenges of the past year, we made good progress with a number of strategic initiatives.

Despite a challenging year in FY2016, FFT's balance sheet remains strong with a cash balance of \$12.1 million as at 30 June 2016, and no external debt or borrowings.

Cash receipts from customers strengthened to \$15.4 million – up \$3.1 million from FY2015.

It is pleasing to note that despite the challenges of the past year, we made good progress with a number of strategic initiatives including:

- Growing customer facing sales staff to support expansion into new territories and markets,
- Building on an already strong pipeline of sales opportunities with the rate of new projects increasing in-line with sales headcount,
- Signing our first global distribution agreement with Anixter Inc., and
- Making a significant Investment in Research & Development (R&D) to further enhance FFT solutions to strengthen our market position and expand our addressable markets.

Growth

During FY2016, additional sales resources were appointed in key markets including Vietnam and Singapore, and we added a local sales office in Brazil to our network of sales and support offices.

Our newly appointed Global Sales and Marketing Director, Mark Horton brings significant international security business development and sales experience to the company enhancing FFT's current global sales group and supporting further high quality recruitment. Through the geographic diversification of our sales team, FFT will continue to broaden our customer base and

mitigate dependence on large single projects. Our sales team will continue to expand and upskill to deliver a broader pipeline of opportunities, focussing on sound and consistent conversion from pipeline to revenue.

Our opportunity pipeline continued to grow, with total opportunities identified increasing to A\$255 million over the next three years. While the delay of large oil and gas projects impacted our conversion of opportunities to revenue in the second half of FY2016, we expect that a more stable oil price will result in the commencement of a number of these delayed projects. Until then, we are focussing most of our sales resources on markets that are not impacted by oil and gas market volatility.

FFT continues to develop and enhance our product offering with new and expanded functionality scheduled to be delivered in the coming year. Building on FFT's unique offering for network physical security FFT has recently been shortlisted for a large international military network security program.

FFT's third-party Distribution Program is gaining momentum with initial orders received from our partnership agreement with Anixter Inc. We are actively pursuing additional distribution partnerships in the United States and other key territories, while continuing our investment in product development to support our distribution initiatives. This program will also assist in broadening the base of customers and industries served by FFT and, in the years to come, mitigating some of the large project dependencies that affected the FY2016 result. We expect distribution partnerships will also assist in smoothing the run-rate conversion in the sales cycle as those channels grow going forward.

Market Demand Drivers

With increasing concerns over physical intrusions, markets such as government and military facilities, critical infrastructure, commercial and industrial sites, and correctional facilities are seeking to increase security of their perimeters by deploying physical intrusion detection systems like those offered by FFT.

The rise in the number of perimeter intrusions and increasing government regulations relating to security of critical infrastructure continue to be the main drivers of the perimeter security market.

In addition, as an industry leader in fence mounted perimeter intrusion detection, FFT is well placed to take advantage of changing security standards and the growing demand from the US Utilities Sector for perimeter and network security solutions.

Board and Governance

As FFT continues to grow and respond to changing market conditions, we maintain our commitment to strong corporate governance and prudent risk management policies and procedures to enhance performance for our shareholders.

Outlook

We have taken steps to reduce our dependency on large oil and gas projects. Going forward, we will seek to increase our focus on:

- broadening our customer base to include new industries and both larger and smaller opportunities,
- developing distribution relationships that open up opportunities in new territories and industries,
- increasing our direct sales geographies, and
- upskilling our sales force.

Over the coming year, we anticipate that our increased geographic reach and improved sales focus, combined with broadening our base of opportunities away from a dependency on the oil and gas market will assist FFT return to profitability.

We would like to thank the board, management and staff for the important contribution they have all made towards FFT's progress during this past year.



Arlene M Tansey

Chairman

Rob Broomfield

Chief Executive Officer



As a Security Integrator, we partner and represent multiple manufactures to offer a broad range of security solutions to our clients. We have been specifying FFT intrusion detection systems since 2011 and have certified technicians on staff. FFT products continue to deliver superior performance and reliability – particularly in managing nuisance alarms. In a recent head-to-head demonstration of buried and perimeter fence detection for a major US energy utility client, a single FFT processor clearly outperformed another fibre optic solution that required separate processors for the buried and fence sections. In terms of reliability of detection and the ability to minimize nuisance alarms – FFT products are second to none.

Howard McLeod
President, Ashland Integrated

Ashland Integrated Inc. is a US-based Security System Integrator with operations in California, Arizona, New Mexico and Nevada. In business for more than 25 years, the company's clients include major power generation and distribution companies, green energy developments, warehouses and industrial complexes.

BUILDING A GLOBAL DISTRIBUTION NETWORK

As part of the Company's growth strategy, FFT is actively pursuing agreements with complimentary distribution partners in the United States and other key territories.

First distribution agreement signed

In May 2016, FFT signed an agreement with Anixter Inc. a global supplier of communications and security products. With a presence in more than 50 countries and 300 cities, Anixter Inc. delivers immediate access to a worldwide distribution network for both FFT Secure Point and our broader range of perimeter intrusion detection products. FFT is working closely with Anixter Inc. on product introduction and training initiatives, as well as developing marketing strategies for specific industry verticals. FFT has also received initial orders from Anixter for the first stage of a multi-site utility sub-station program in North America.

FFT Secure Point – plug + play, built for distribution

Secure Point is FFT's high performance fibre optic dual zone intrusion detection system and is unique in the market as it can be used for both perimeter and data network security applications.

Perimeter Security - detects climbing, cutting, lifting and digging under gates and fences using fibre optic sensing cables.

Data Network Physical Security - detects data tapping, cable movement and physical tampering using spare optical fibres inside the network data cable.

Secure Point provides affordable fibre optic intrusion detection for small sites and shorter distances. It is designed for easy out-of-the-box installation with simple to use configuration software including standard menu selections for a wide range of fence mounted, buried and data network protection applications. Advanced signal processing and event discrimination offer highly sensitive intrusion detection with minimal nuisance alarms. Suitable for utility substations, warehouses, storage yards and manufacturing facilities, Secure Point provides the commercial and residential sectors with access a scalable, enterprise level perimeter intrusion detection system of the protection of assets and infrastructure.



Improved installation and maintainability

To support our distributors and installation partners, FFT has designed an in-field rapid repair kit for the fast repair of fibre optic cable breaks and a low profile in-field fibre enclosure for easy jointing of Secure Point sensing cables.

Our Team



Jonathan Wendt

*Distribution Manager
Minnesota, United States*

Jonathan is responsible for establishing FFT's Distribution program and managing our partnership agreements. A business and technical sales professional, Jonathan has 16 years of experience in the recruitment and management of both domestic and international distribution and channel partners. Over the last decade, Jonathan has concentrated on the development of channel programs designed to motivate partner engagement and reward continued growth. Jonathan has spent a majority of his career focused on the security sector - working on both large projects such as national ID programs, and biometric passport integration, as well as moving security products through multi step distribution and integration channels. With a passion for growing new markets, Jonathan's focus is on people, process and product as a path to continued success.

CONTINUED R&D INVESTMENT

FFT's R&D investment focuses on maintaining and expanding the company's product performance and capability to extend its leadership position. In FY2016, FFT invested in enhancing and extending the capabilities of its current products.



Enhanced covert-buried solution

FFT covert-buried solutions use fibre optic sensors buried under the ground to detect intruders walking, crawling or otherwise moving over the ground surface. Covert-buried sensors have the benefit of being hidden from sight and are difficult to discover. They provide an extra layer of perimeter intrusion detection that is commonly used in high security installations including military bases, government facilities and borders.

One of the key challenges for covert-buried sensors is that their sensitivity relies heavily on the nature of the ground around the perimeter. Soil composition, moisture

content and compaction level all affect the transmission of disturbances from footsteps on the surface through to detection by buried FFT fibre optic sensors. To maximise intruder detection sensitivity, a covert-buried solution must be able to perform effectively across a range of soil types in dynamic environmental conditions.

Working in collaboration with a leading research institute, FFT has developed a new family of covert buried sensors to address this challenge. FFT's latest covert buried solution has outperformed competitors in customer trials conducted in the UK and USA. The core technology is the subject of an active patent application.

New algorithms deliver enhanced signal processing

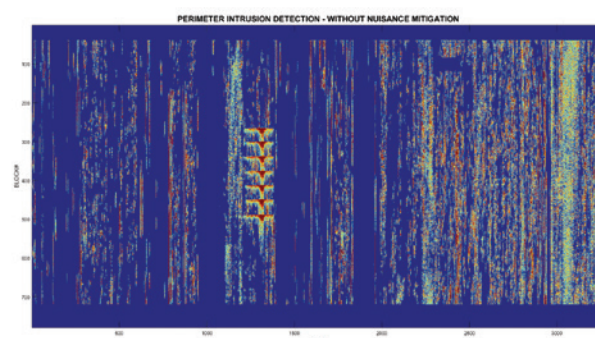
Too many nuisance alarms will render any security system unusable. Distributed fibre optic sensing technologies in fence-mounted perimeter intrusion detection systems provide very high sensitivity detection over many kilometres. Intuitively it makes sense to heighten the sensitivity of the fibre sensor to maximise the probability of intrusion detection. However, this also makes the system susceptible to distracting environmental nuisances such as strong wind and rain, or man-made events such as traffic. The key challenge of perimeter intrusion detection systems is to maintain a high sensitivity to intrusion events while minimising nuisance alarms. To tip the balance in favour of maximising the probability of detection, FFT is building on its platform of proven intelligent signal processing techniques and adding artificial intelligence capabilities.

Routinely operating in the world's environmental extremes, from Siberian winters to tropical jungle rainstorms to Saharan sandstorms, over the last 14 years FFT has collected performance data from more than 1,000 systems operating in close to 60 countries. This knowledge provides a solid foundation for taking FFT intrusion detection to the next level. Adding state-of-the-art artificial intelligence algorithms will enable FFT to adapt to environmental changes and recognise patterns that will distinguish intruders from background noise with higher fidelity.

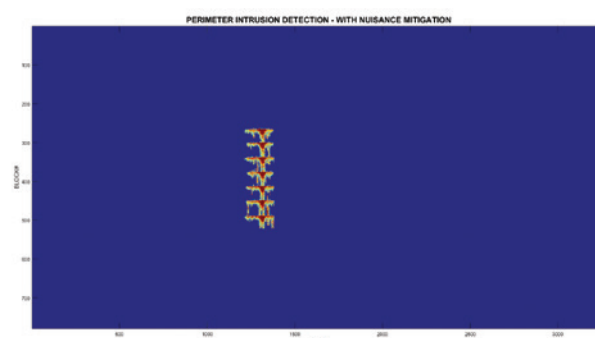
What this means....

To the right is a waterfall signal from an FFT Aura monitoring fibre optic cable on a 2km section of fence. The waterfall represents a two-dimensional activity plot of distance versus time.

Before - the waterfall below shows the detection of seven (7) successive fence cuts, as well as the distributed effects of the strong wind across most of the fence. If remained unchecked, the signals generated by the wind will lead to unwanted and excessive nuisance alarms.



After - the effect of the wind is removed using intelligent signal processing techniques to recognise the occurrence and characteristics of both the cutting and the wind events and to discriminate between them. This allows for the nuisance alarm rate to be minimised while still detecting intrusion events.



Dr Jim Katsifolis

*VP Research and Development
Melbourne, Australia*

Our Team

Jim is responsible for leading FFT's R&D activities to ensure that the company's fibre optic detection solutions continue to deliver industry leading performance and reliability. Jim is an experienced R&D manager with more than 20 years of experience in photonics, fibre optic technologies and advanced technology product development. Having joined FFT in 2004, he has been instrumental in the development, commercialisation and patenting of FFT's leading technologies. Prior to joining FFT, Jim was Development Team Leader at VPI Systems Inc., and Associate Lecturer in the Department of Electronic Engineering at La Trobe University. Jim's specialist experience includes managing product lifecycles from research to in-market success, and building and managing a complex patent portfolio.

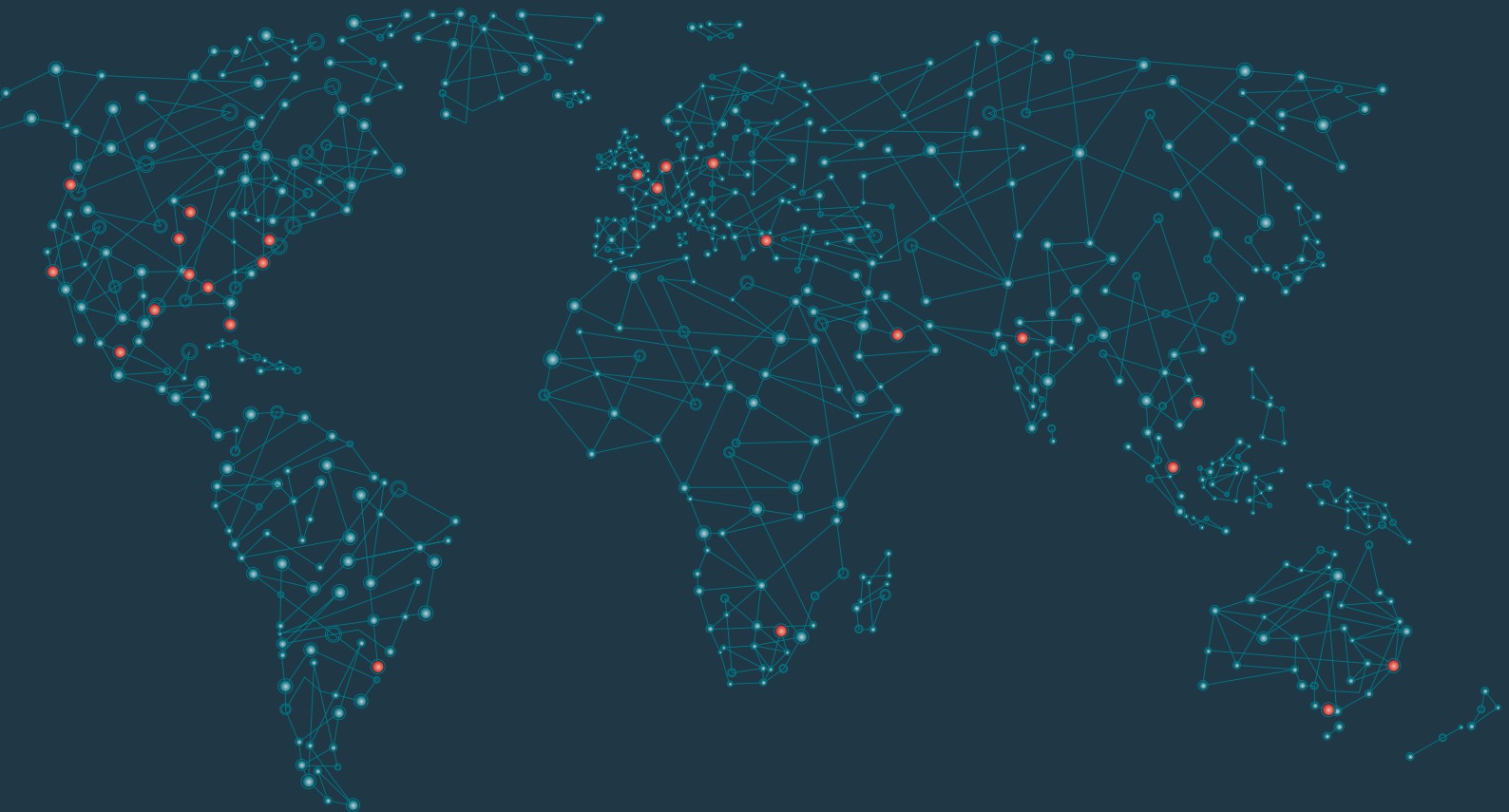
MEETING GROWING SECURITY REQUIREMENTS

To support expansion in existing and new markets and to meet growing security needs globally, FFT continues to invest in additional customer facing staff and growing its international network of sales and support offices.

The need for perimeter security continues to grow due to the constant risk of intrusion, large-scale illegal immigration, increased crime, and theft. With increasing concerns over physical intrusions, verticals such as government and military facilities, critical infrastructure, commercial and industrial sites, and correctional facilities are increasing their perimeter security by deploying intrusion detection systems. The rise in the number of perimeter intrusions and increasing government regulations on perimeter security continue to be the main drivers of the perimeter security market.

In line with the company's growth strategy and to capitalise on growing global security needs, FFT appointed additional sales staff in Singapore, Turkey and Vietnam, and opened a new sales office in Brazil during the last twelve months.

FFT's network of sales and support offices now extends to: Australia, Singapore, India, United Arab Emirates, United Kingdom, Netherlands, United States (East Coast and West Coast), Brazil, Mexico and Turkey. Sales staff in Eastern Europe and South Africa are also planned.



“There is no question that FFT has a long history of providing market leading solutions underpinned by innovation, reliability and customer service. Since joining FFT, I have had the opportunity to engage with a number of customers and listen to their feedback about the company and its technology. These interactions clearly demonstrated to me the strong and positive reputation that the FFT has established with both system integrator and end-user customers.”

Mark Horton

Our Team



Mark Horton

*Global Sales and Marketing Director
Dubai, United Arab Emirates*

Mark is responsible for driving the commercial strategy to position FFT as the market leader in fibre optic solutions for perimeter, pipeline and data network security. Joining FFT in June 2016, Mark has nearly 30 years of experience in the electronic security sector across a wide range of regions including Europe, the Middle East, North Africa, and Asia Pacific. After initially joining the security industry in a technical role, Mark quickly progressed through operational, project management and consultancy roles to business development, strategy, and sales. Mark has held a number of senior positions in the security industry most recently as the Regional Sales Director Middle East for G4S where he had responsibility for developing a diverse portfolio of security and FM joint ventures with a total revenue of USD \$1bn with a focus on developing the groups regional and global technology strategies.







FINANCIAL STATEMENTS

Directors' Report	14
Auditor's Independence Declaration	31
Consolidated Statement of Comprehensive Income	32
Consolidated Statement of Financial Position	33
Consolidated Statement of Changes in Equity	34
Consolidated Statement of Cash Flows	35
Notes to the Financial Statements	36
Directors' Declaration	81
Independent Auditor's Report	82
Shareholder Information	84

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity (referred to hereafter as the "Group" or "Consolidated Entity") consisting of Future Fibre Technologies Limited (referred to hereafter as the "Company" or "FFT") and the entities it controlled for the financial year ended 30 June 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The names of directors in office at any time during or since the end of the year are detailed in the table below.

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Information on Company Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of Future Fibre Technologies Limited at any time since 1 July 2015 to the date of this report is provided below with details of the company secretary as at the year end.

Name, qualifications, and independence status	Experience, special responsibilities and other directorships
Arlene Tansey Chairman of the Board Independent Non-Executive Director <i>Appointed 11 March 2015</i>	Arlene is currently the Chairman of Urbanise.com Limited and a Director of Aristocrat Leisure Limited, Adelaide Brighton Limited, Primary Health Care Limited, Infrastructure NSW, and Lend Lease Investment Management. Before becoming a Non-Executive Director, Arlene worked in commercial and investment banking in Australia and in investment banking and law in the United States. She holds a Juris Doctor from the University of Southern California Law Centre and an MBA from New York University. She is a member of Chief Executive Women and a Fellow of the Australian Institute of Company Directors. Arlene is originally from New York and has lived and worked in the United States, South America, Europe and Australia. She has lived in Australia for the past 22 years and is an Australian citizen.
Terence (Terry) Winters Independent Non-Executive Director <i>Appointed 09 September 2004</i>	Terry serves as Chairman and Non-Executive Director on the Boards of a number of charities and public and private companies in Australia, Asia and the UK. He is widely recognised throughout the Information Technology and Communications (ITC) industries for his track record of leading early stage technology companies through the various phases of capitalisation, commercialisation and international development. He is currently Chairman of Seeing Machines Limited, Intelledox Pty Ltd, Converge International Pty Ltd and is a Director of Redflex Holdings Limited. He is a Fellow of the Australian Institute of Company Directors (FAICD).

Name, qualifications, and independence status	Experience, special responsibilities and other directorships
Mark Stevens Independent Non-Executive Director <i>Appointed 11 March 2015</i>	With more than 30 years of experience in senior management roles with multi-national corporations, Mark is a seasoned executive with broad experience in sales and general management in the Telecommunications and Information Technology sector. Mark has held senior positions with Nortel Networks Inc., Aircom International Limited, ECI Telecom Ltd, Transmode Systems AB, and more recently Infinera Corporation. He has lived and worked in Europe, the United States, Singapore and Australia. Mark holds a Master of Business Administration from the University of Melbourne, a Bachelor of Engineering degree from Monash University and is a Graduate Member of the Australian Institute of Company Directors.
Robert Broomfield Executive Director Chief Executive Officer (CEO) <i>Appointed 27 February 2008</i>	Robert is an experienced business executive with more than 20 years of management experience including the past 18 years in senior positions within companies operating in the security industry. Prior to joining FFT, he was with Vision Systems Limited, where he served as the General Manager of Asia Pacific for their Fire and Security systems. In addition to his international sales and marketing success, Robert has extensive experience in operations management, including product engineering, procurement, manufacturing and operations. He has previously had 10 years experience with IBM in Australia and the United States. Robert is currently chairman of Maxsec Group Limited an Australian listed company.
Dr Fred Davis Executive Director Chief Operating Officer (COO) <i>Appointed 11 March 2015</i>	Fred is an experienced leader and manager of technology innovation businesses having worked for the last 20 years in senior management positions. Prior to joining FFT, Fred led Business and New Product Development for Universal Biosensors Inc., and was Managing Director and CEO for Invetech Pty Ltd, a leading contract product development and manufacturing firm that played a pivotal role in the success of ASX listed Vision Systems Limited. Fred's specialist experience includes strategic management, business development, and advanced technology development and manufacturing. Fred has studied at the Strategic Management Institute, Harvard and Mt. Eliza Business Schools, and is a graduate of the Australian Institute of Company Directors.

Company Secretary

Leigh Davis CPA, B. Bus, MBA, GAICD

Leigh is a CPA with more than 20 years' finance and accounting experience across a range of industries including energy, technology and telecommunications. Leigh has served as Chief Financial Officer and Company Secretary of both ASX listed and unlisted companies, and has previously held Commercial Finance and Corporate Reporting roles in Australia, the United Kingdom and Europe for NYSE, NASDAQ and FTSE listed companies. Leigh holds a Bachelor of Business (Accounting) degree and a MBA from London Business School. He is also a graduate of the Australian Institute of Company Directors.

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the number of meetings attended by each director are:

	Board of Directors' Meetings		Meetings of Audit & Risk Committee		Meetings of Remuneration & Nomination Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
A Tansey	11	11	5	5	1	1
R Broomfield	11	11	-	-	-	-
F Davis	11	11	-	-	-	-
T Winters	11	11	5	5	1	1
M Stevens	11	11	5	5	1	1

Committee membership

As at the date of this report, the company had an Audit & Risk Committee, and a Remuneration & Nomination Committee of the Board of Directors. Members acting on the committees of the Board during the year were:

Audit	Remuneration & Nomination
M Stevens (Chairman)	T Winters (Chairman)
A Tansey	A Tansey
T Winters	M Stevens

Gender Diversity Policy

The Remuneration & Nomination Committee is responsible for setting the diversity policy of the Company. The committee was established by the board following the Company's listing in May 2015. As a result, the committee is yet to finalise measurable objectives for achieving gender diversity.

Directors' Interests in shares or options

As at the date of this report, the interests of the directors in the shares and options of Future Fibre Technologies Limited are as detailed below:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
A Tansey	286,000	250,000
R Broomfield	-	4,500,000
F Davis	-	1,200,000
T Winters	877,380	200,000
M Stevens	-	200,000

Principal Activities

The principal activities of the consolidated entity during the financial year was the provision of fibre optic intrusion detection solutions. There has been no significant change in the nature of these activities during the financial year.

Operating Results for the Year

The consolidated loss after income tax attributable to the members of Future Fibre Technologies Limited was \$5,805,000 (2015: profit of \$2,157,000).

Operating and Financial Review

Highlights

- Revenue from ordinary activities of \$14,361,000 for the twelve months to 30 June 2016 (FY2015):
 - 21% decrease on FY2015 primarily due to reduced investment in oil and gas projects globally.
- Gross margin of 62% (FY2015 62%) as a result of consistent pricing with previous year despite difficult trading conditions.
- Non-operating income of A\$1,125,000 comprising:
 - Tax refund for eligible research and development expenditure of \$475,000
 - Foreign exchange gains of \$290,000
 - Interest Income of \$360,000
- Operating expenses of \$14,969,000 (FY2015 \$9,605,000) due to:
 - Continued investment in operations, global sales and product improvements, and targeted sales headcount increases to address new markets in-line with the company's growth strategy,
 - Foreign exchange impact of a stronger USD on certain foreign based expenditure,
 - Additional Compliance, Legal and Administrative costs, and
 - Impairment of the carrying value of trade receivables, primarily due to extended renegotiated payment terms for some large infrastructure projects that have been delayed.
- Net loss from ordinary activities of \$5,805,000 - a 369% decrease on FY2015 profit of \$2,157,000.
- EBITDA loss of \$5,554,000 - a 305% decrease on FY2015.
- Net assets of \$24,224,000 (FY2015 \$29,794,000) due to working capital requirements and operating losses.

The 21% decrease in sales of goods and services to \$14,361,000 in FY2016 over the prior year was driven primarily by decreased sales into Middle-East and North

African countries (MENA) and the Americas during the second half of the year. In addition, the result was impacted by reductions in government spending and in the Middle East which delayed the implementation schedules for a number of significant projects and contracts.

Market Focus

FFT product solutions are promoted on the key benefits of fibre optic based intrusion detection which include:

- Extremely high reliability of fibre optic based sensors and electronics
- Immunity to electromagnetic radiation and lightning strikes
- Ability to work effectively on all fence types
- Capacity to detect intrusions in buried applications
- Unique intellectual property in nuisance alarm mitigation
- Exceptional support capability of FFT's global sales and support staff

The company is pursuing growth opportunities in its core markets of perimeter and pipeline intrusion detection supported by an increasing global sales team. During FY2016 the company added sales resources into Turkey, Singapore, Vietnam and Brazil. This expansion in existing and new territories will continue during FY2017.

FFT's newly appointed Global Sales and Marketing Director, Mark Horton brings significant international security business development and sales experience to the company, enhancing the Group's global sales resources and supporting further high quality recruitment. Through the geographic diversification of FFT's sales team, the Company is seeking to broaden its customer base and mitigate dependence on large single projects. The sales team will continue to expand and upskill to deliver a broader pipeline of opportunities across additional markets focussing on sound and consistent conversion from opportunity pipeline to revenue.

FFT has been targeting new and potentially significant growth in the commercial and residential market, and smaller utility sites, with products specifically designed for distribution. The Company has successfully signed its first major distributor, Anixter Inc. during the year. The initial focus with Anixter is in the USA, but is expected to expand globally in future years. Additional distribution partners are in negotiation.

With growing global concerns regarding cyber security, and with FFT product solutions having already successfully completed testing and acceptance by a number of military establishments in the United States, the company is continuing a targeted sales and marketing program for its Physical Network Solutions,

with significant interest from both utilities and military contractors looking at protecting sensitive data. In addition, FFT technologies have been specified on a large military network.

FFT's solutions incorporate a number of features not offered by traditional network security or encryption systems including:

- Easy overlays over existing IT networks without operational or data capacity impact
- Advanced warning and precise location of intrusion attempts
- One FFT system can monitor hundreds of fibres

Product Development

During FY2016, FFT further enhanced its portfolio of software integrations with leading security management systems, including systems used in Turkey, the Middle East, India, Korea and Latin America. FFT products are now able to connect with 52 different security, video and access control systems, and industry standard interfaces.

FFT's event classification techniques are highly regarded for the ability to minimise nuisance alarms in challenging environments and with improvements developed during the year FFT has successfully concluded a number of competitive end user tests against competitive intrusion detection systems.

Buried, or covert, intrusion detection systems are of interest for sophisticated end-users and the company has developed unique intellectual property that provides FFT solutions with enhanced detection capabilities in varied soil types.

Although already having industry leading serviceability and reliability FFT further improved this capability with a number of rapid repair options in the case of deliberate or accidental damage.

FFT is focussed on security applications, but is conducting initial proof of concept tests in other adjacent applications such as traffic and mining monitoring. Any future investment will be decided based on the market opportunity and FFT's fit in these areas.

Outlook – FY2017

FFT has taken steps to reduce its dependency on large oil and gas projects. Going forward, the Company will seek to:

- broadening its customer base to include new industries and both larger and smaller opportunities,
- develop more distribution relationships that open up opportunities in new territories and industries,
- increase and expand FFT's direct sales geographies,
- Establish targeted program for Physical Network Security,

- Maintain product leadership with new products and product enhancements,
- Maintain FFT's reputation for outstanding customer support,
- Explore adjacent market opportunities, and
- Consider technology and business acquisitions that will support and drive future growth.

Over the coming year, we anticipate that our increased geographic reach and improved sales focus, combined with broadening our base of opportunities away from a dependency on the oil and & gas market will assist FFT to return to profitability.

Significant changes in the state of affairs

During the financial year there were no significant changes in the state of affairs of the consolidated entity.

After balance date events

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

Likely developments

Likely development of the operations of the Group are encompassed in the Operating and Financial Review section of this report.

Environmental regulation and performance

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws. The Group has complied with all environmental regulations to which it is subject.

Dividends paid, recommended or declared

No dividends were paid, declared or recommended since the start of the financial year. (2015: None).

Share options granted to directors and executives

No options over unissued ordinary shares were granted during or since the end of the financial year to directors and any of the 5 most highly remunerated officers of the company.

Further details regarding options granted as remuneration are provided in the Remuneration Report below.

Shares under option

Unissued ordinary shares of Future Fibre Technologies Limited under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
15 Sep 2007	1,500,000	\$0.200	17 Nov 2016
15 Sep 2007	750,000	\$0.250	17 Nov 2016
15 Sep 2007	750,000	\$0.333	17 Nov 2016
18 Jul 2014	1,200,000	\$0.233	18 Jul 2019
15 Mar 2015	1,500,000	\$0.230	15 Mar 2020
15 Mar 2015	2,660,000	\$0.350	15 Mar 2018
11 May 2015	3,400,000*	\$0.875	11 May 2018

* As part of the underwriter's fee for the Initial Public Offering of the Company, KTM Capital was issued with 3,400,000 options in the Company.

No option holder has any right under the options to participate in any other share issue of the company.

Shares issued on exercise of options

The following ordinary shares of Future Fibre Technologies Limited were issued during or since the end of the financial year as a result of the exercise of an option:

Date issued	Number of ordinary shares issued	Amount paid per share
28 Jul 2015	95,250	\$0.231
25 Aug 2015	321,090	\$0.213
25 Sep 2015	97,500	\$0.200
21 Mar 2016	310,150	\$0.230
07 Jul 2016	300,000	\$0.230

There are no amounts unpaid on shares issued on exercise of options.

Remuneration Report (audited)

The directors present the consolidated entity's 2016 remuneration report which details the remuneration information for Future Fibre Technologies Limited's executive directors, non-executive directors and other key management personnel.

1. Details of key management personnel (KMP)

(i) Non-executive Directors

Arlene Tansey	Chairman (non-executive) – appointed 11 March 2015
Mark Stevens	Director (non-executive) – appointed 11 March 2015
Terence Winters	Director (non-executive) – appointed 09 September 2004

(ii) Executive Directors

Robert Broomfield	Chief Executive Officer (CEO) and Executive Director – appointed 27 February 2008
Fred Davis	Chief Operating Officer (COO) and Executive Director – appointed Executive Director 11 March 2015

(iii) Other Key Management Personnel

Leigh Davis	Chief Financial Officer (CFO) and Company Secretary – appointed 17 February 2015
Mark Horton	Global Sales and Marketing Director (GSMD) – appointed 26 June 2016

There were no other changes to KMP after reporting date and before the date the financial report was authorised for issue.

2. Remuneration policies

The board policy for determining the nature and amount of remuneration of key management personnel is agreed by the board of directors as a whole, after receiving recommendations from the Remuneration and Nominations Committee. The Remuneration and Nomination Committee currently comprises three members of the Board of Directors. All members are Non-Executive Directors.

The board or the Remuneration and Nominations Committee may engage external consultants to provide independent advice where it considers it appropriate to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership. During the year ended 30 June 2016 the board nor the committee engaged any external consultants.

Non-executive director remuneration arrangements

The remuneration of Non-executive directors (NEDs) consists of directors' fees, which includes attendance at Committee meetings. NEDs do not receive retirement benefits other than compulsory superannuation scheme contributions.

Each NED, excluding the Chairman receives a base fee of \$26,400 per annum exclusive of post-retirement benefits for being a director of the Company. The Non-Executive Chairman receives a base fee of \$36,000 per annum exclusive of post-retirement benefits for his/her role as director and Chairman of the Board of Directors.

As part of their remuneration NEDs receive share options in the Company and are encouraged to hold shares in the Company. This is in line with the Company's overall remuneration philosophy and aligns NEDs with shareholder interests.

The remuneration of NEDs for the year ended 30 June 2016 and 30 June 2015 is detailed in Tables 1 and 2 respectively of this report.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The Company's current aggregate fee pool is \$250,000 per year.

Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

Executive remuneration arrangements

For executives, the company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for service between the Company and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment thereby aligning executive and shareholder interests.

2. Remuneration policies (continued)

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Short-Term Incentive (STI)

The objective of the STI program is to link the achievement of the Group's annual operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level that provides sufficient reward to the executive for exceeding the operational targets and at such a level that the cost to the Group is reasonable in the circumstances.

Actual STI payments granted to each executive depend on the extent to which specific annual operational targets set at the beginning of the financial year are met or exceeded. The CEO's targets are set by the Remuneration and Nomination Committee. The targets for all other executives are set by the CEO.

STI rewards are assessed following the completion of the annual audit and are usually paid in cash.

Long-Term Incentive (LTI)

Long-term incentives are provided to certain employees through the issuance of options. The options are designed to provide long-term incentives for employees to deliver long-term shareholder returns.

The options are issued for nil or nominal consideration and are granted in accordance with the Company's Employee Share Option Plan (ESOP). While there is currently no formal LTI plan in place the provision of any incentives is at the discretion of the Board. In exercising their discretion, the Directors will take into account matters such as the position of the eligible person, the role they play in the Group, the nature or terms of their employment or contract and the contribution they make to the Group as a whole. However, the Board intends to develop a formal LTI Plan for the 2017 year and will communicate the details of this plan in that year's annual report.

Options are issued for a specified period and each option is convertible into one ordinary share. The exercise price of the options is determined by the Directors giving regards to the market price of a share on invitation date, grant date, or another specified date after grant close and desirable performance hurdles that are aligned with shareholder interests. All options expire on the earlier of their expiry date or three months after termination of the employee's employment subject to Directors' discretion. Options do not vest until a specified period after granting in accordance with the terms and conditions of the ESOP.

There are no voting or dividend rights attached to the options. Voting rights will attach to the ordinary shares when the options have been exercised. Unvested options cannot be transferred and will not be quoted on the ASX.

3. Executive contractual arrangements

The company has entered into service agreements with the following key management personnel:

Robert Broomfield <i>Chief Executive Officer & Executive Director</i>	Contract of Employment Robert Broomfield is employed by Future Fibre Technologies Limited as a permanent, full-time employee. Mr Broomfield commenced his position with Future Fibre Technologies Limited in July 2006. His current base salary is \$334,000 inclusive of superannuation. He has a notice period of 4 months. Performance Conditions The contract provides for a bonus of up to 40% of base salary inclusive of superannuation, which is payable in cash and is conditional upon meeting pre-defined KPI's by the executive. Mr Broomfield was not paid any bonus during the 2016 financial year in relation to the 2015 financial year.
Fred Davis <i>Chief Operating Officer & Executive Director</i>	Contract of Employment Dr Fred Davis is employed by Future Fibre Technologies Limited as a permanent, full-time employee. Dr Davis commenced his current position with Future Fibre Technologies Limited in March 2015, and is employed on a current a base salary of \$276,439, inclusive of superannuation. He has a notice period of 2 months. Performance Conditions The contract provides for a bonus payment of up to \$64,000, for the 2016 financial year, which is payable in cash upon meeting pre-defined KPI's by the executive. Dr Davis was paid a bonus of \$51,620 in the 2016 financial year, which related to the 2015 financial year.
Leigh Davis <i>Chief Financial Officer & Company Secretary</i>	Contract of Employment Leigh Davis is employed by Future Fibre Technologies Limited as a permanent, full-time employee. Mr Davis commenced his position with Future Fibre Technologies Limited in February 2015, and is employed on a current a base salary of \$225,570, inclusive of superannuation. He has a notice period of 2 months. Performance Conditions The contract provides for a bonus up to 25% of base salary, which is payable in cash upon meeting pre-defined KPI's by the executive. Mr Davis was paid a bonus of \$13,653 in the 2016 financial year, which related to the 2015 financial year.
Mark Horton <i>Global Sales and Marketing Director</i>	Contract of Employment Mark Horton is employed by Future Fibre Technologies MENA FZ-LLC as a permanent, full-time employee. Mr Horton commenced in his position with Future Fibre Technologies MENA FZ-LLC in June 2016, and is employed on a current a base salary of AED1,236,000 (\$451,144) inclusive of allowances and superannuation. He has a probationary period of 6 months, during which his notice period is 1 month and after which his notice period is 3 months. Performance Conditions The contract provides for a bonus up to AED 300,000 (\$109,501), which is payable in cash upon meeting pre-defined KPI's by the executive. Mr Horton was not paid a bonus during the 2016 financial year.

3. Executive contractual arrangements (continued)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2016

						Share-based			
	Short-term			Post Employment		Payment			
	Salary and Fees \$	Cash Bonus \$	Non-cash Benefits# \$	Super-annuation \$	Termination benefits \$	Options \$	Total \$	Performance Related %	Options as % of total %
Non-executive directors									
A. Tansey	36,000	-	-	3,420	-	-	39,420	0.0%	0.0%
M. Stevens	26,400	-	-	627	-	-	27,027	0.0%	0.0%
T. Winters	26,400	-	-	2,508	-	-	28,908	0.0%	0.0%
Sub-total non-executive directors	88,800	-	-	6,555	-	-	95,355		
Executives									
R. Broomfield	283,830	-	11,118	26,964	-	-	321,912	0.0%	0.0%
F. Davis	252,456	51,620	-	28,887	-	-	332,963	15.5%	0.0%
L. Davis	206,000	13,653	-	20,867	-	-	240,520	5.7%	0.0%
M. Horton*	6,200	-	-	-	-	-	6,200	0.0%	0.0%
Sub-total executive KMP	748,486	65,273	11,118	76,718	-	-	901,595		
Totals	837,286	65,273	11,118	83,273	-	-	996,950		

[#] Non-cash benefits relate to salary packaged motor vehicles. The amounts are the Reportable Fringe Benefit provided using the statutory method as defined in the Fringe Benefit Tax Assessment Act (1986) (Cth).

* Appointed 26 June 2016.

3. Executive contractual arrangements (continued)

Remuneration of Key Management Personnel

Table 2: Remuneration for the year ended 30 June 2015

						Share-based Payment			
	Short-term		Post Employment						
	Salary and Fees \$	Cash Bonus \$	Non-cash Benefits# \$	Super-annuation \$	Termination benefits \$	Options \$	Total \$	Performance Related %	Options as % of total %
Non-executive directors									
A. Tansey*	11,010	-	-	1,046	-	10,375	22,431	0.0%	46.3%
M. Stevens*	8,100	-	-	770	-	8,300	17,170	0.0%	48.3%
D. Cronin^	13,500	-	-	-	-	-	13,500	0.0%	0.0%
F. Awadi^	-	-	-	-	-	-	-	0.0%	0.0%
T. Winters	18,830	-	-	1,897	-	8,300	29,027	0.0%	28.6%
Sub-total non-executive directors	51,440	-	-	3,713	-	26,975	82,128		
Executives									
R. Broomfield	266,434	-	22,641	25,311	-	216,300	530,686	40.8%	40.8%
Dr F. Davis	235,277	-	-	23,871	-	-	259,148	0.0%	0.0%
L. Davis**	73,590	-	-	6,991	-	37,350	117,931	0.0%	31.7%
J. Hanlon^^	148,787	-	-	14,135	66,309	-	229,231	0.0%	0.0%
Sub-total executive KMP	724,088	-	22,641	70,308	66,309	253,650	1,136,996		
Totals	775,528	-	22,641	74,021	66,309	280,625	1,219,124		

Non-cash benefits relate to salary packaged motor vehicles. The amounts are the Reportable Fringe Benefit provided using the statutory method as defined in the Fringe Benefit Tax Assessment Act (1986) (Cth).

* Appointed 11 March 2015.

^ Resigned on 31 March 2015.

** Appointed 17 February 2015.

^^ Resigned on 17 February 2015.

4. Relationship between remuneration and company performance

(a) Remuneration not dependent on satisfaction of performance condition

The non-executive directors' remuneration policy is not directly related to company performance. The board seeks to align remuneration policies to the long-term creation of wealth by the company for shareholders.

(b) Remuneration dependent on satisfaction of performance condition

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonuses (STIs). Performance-based remuneration granted to key management personnel has regard to company performance over a 12-month period.

The following table sets out the typical performance conditions used for performance-linked incentive payments

KMP	Performance conditions
CEO	Expense to Revenue ratio reduction
CEO/CFO/COO	Reducing development cycle times and COGS
CEO/CFO/COO/GSMD	Year-on-year Revenue Growth
CEO/CFO/COO/GSMD	Year-on-year EBITDA growth
CEO/COO/GSMD	Entering into significant new channel partner agreements
CFO/COO	Improvements in operational ratios, management of risk and general compliance with policies

These performance conditions are selected to align the goals and incentives of the KMP with the creation of shareholder wealth during the relevant period.

Quantitative financial performance conditions are assessed against the Consolidated Entity's financial report for the year. Other performance conditions are assessed by the CEO, or in the case of the CEO's performance conditions, the Board giving consideration to outcomes achieved, external influences and a range of other qualitative factors. These assessments ensure clearly defined and objective assessment of financial and quantitative targets, and promotes fair and reasonable judgements in respect of qualitative performance conditions.

The following table sets out the terms and conditions of each grant of the performance-linked bonus affecting compensation in current and future years:

2016	Amount included in Remuneration \$	Awarded %	Forfeited %	Estimated Maximum total value of Bonus
Robert Broomfield	-	0%	100%	133,600
Fred Davis	24,800	39%	61%	64,000
Leigh Davis	16,094	31%	69%	51,500
Mark Horton	-	0%	100%	AED 300,000

Assessment of these executives' achievement of their performance conditions was conducted during September 2016. The remuneration associated with the achievement of these awards is to be paid in the year ended 30 June 2017. The amount payable to Robert Broomfield is \$nil, the amount payable to Dr. Fred Davis is \$24,800, the amount payable to Leigh Davis is \$16,094, and there is no amount payable to Mark Horton.

4. Relationship between remuneration and company performance (continued)

(c) Impact of Company's performance on shareholder wealth

The following table summarises company performance and key performance indicators:

	2016	2015	2014	2013	2012
Revenues excluding interest income (\$'000)	15,126	19,505	13,170	12,118	11,295
% increase/(decrease) in revenue	(22.5)%	48.0%	8.7%	7.3%	5.0%
Profit/(Loss) before tax (\$'000)	(5,805)	2,157	1,630	1,012	(1,127)
% increase/(decrease) in profit before tax	(369.1)%	32.3%	61.1%	189.8%	52.4%
Change in share price (%)	(42%)	N/A	N/A	N/A	N/A
Dividend paid to shareholders (\$'000)	-	-	-	-	-
Return of capital (\$'000)	-	-	-	-	-
Total remuneration of KMP	996,950	1,219,124	603,826	-	-
Total performance based remuneration	65,273	216,300	19,000	-	-

5. Key management personnel's share-based compensation

Share options issued

The terms and conditions of each grant of options affecting remuneration in the current or future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% vested
18/07/2014	18/07/2014	18/07/2019	\$0.233	\$0.0000	100
15/03/2015	15/03/2015	15/03/2018	\$0.350	\$0.0415	100
15/03/2015	15/03/2015	15/03/2020	\$0.230	\$0.1442	100

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company.

5. Key management personnel's share-based compensation (continued)

Details of options over ordinary shares in the Company provided as remuneration to each Director of Future Fibre Technologies Limited and each of the key management personnel of the parent entity and the Group are set out below.

Name	Grant date	Number of options granted	Value of options granted* \$	Number of options vested during the year	Number of options lapsed during the year
A. Tansey	15/03/2015	250,000	10,375	-	-
M. Stevens	15/03/2015	200,000	8,300	-	-
T. Winters	15/03/2015	200,000	8,300	-	-
R. Broomfield	15/03/2015	1,500,000	216,300	-	-
F. Davis	18/07/2014	1,200,000	-	-	-
L. Davis	15/03/2015	900,000	37,350	-	-
M. Horton	-	-	-	-	-

Name	Vested %	Value at lapse date \$	Exercise Price \$	Terms and conditions		
				Expiry Date	First exercise Date	Last exercise Date
A. Tansey	100%	-	\$0.350	15/03/2018	15/03/2015	15/03/2018
M. Stevens	100%	-	\$0.350	15/03/2018	15/03/2015	15/03/2018
T. Winters	100%	-	\$0.350	15/03/2018	15/03/2015	15/03/2018
R. Broomfield	100%	-	\$0.230	15/03/2020	15/03/2015	15/03/20120
F. Davis	100%	-	\$0.233	18/07/2019	18/07/2014	18/07/2019
L. Davis	100%	-	\$0.350	15/03/2018	15/03/2015	15/03/2018
M. Horton	-	-	-	-	-	-

*The value at grant date calculated in accordance with AASB 2 Share-based payments of options granted during the year as part of remuneration.

For details on the valuation of the options, including models and assumptions used, please refer to Note 22. There were no alterations to the terms and conditions of options awarded as remuneration since their grant date. There were no shares issued on exercise of options during the year.

6. Key management personnel's equity holdings

(a) Number of options held by key management personnel:

	Balance at beginning of Period 1 July 15	Granted as remuneration	Options Exercised	Net Change Other [#]	Balance at End of Period 30 June 16	Vested at 30 June 2016		
						Total	Exercisable	Not Exercisable
2016								
Non-executive Directors								
A. Tansey	250,000	-	-	-	250,000	250,000	250,000	-
T. Winters	200,000	-	-	-	200,000	200,000	200,000	-
M. Stevens	200,000	-	-	-	200,000	200,000	200,000	-
Sub-total	650,000	-	-	-	650,000	650,000	650,000	-
Executives								
R. Broomfield	4,500,000	-	-	-	4,500,000	4,500,000	4,500,000	-
Dr. F. Davis	1,200,000	-	-	-	1,200,000	1,200,000	1,200,000	-
L. Davis	900,000	-	-	-	900,000	900,000	900,000	-
M. Horton	-	-	-	-	-	-	-	-
Sub-total	6,600,000	-	-	-	6,600,000	6,600,000	6,600,000	-
Total	7,250,000	-	-	-	7,250,000	7,250,000	7,250,000	-

[#] Includes lapsed and forfeitures.

6. Key management personnel's equity holdings (continued)

(b) Number of shares held by key management personnel

Shares held in Future Fibre Technologies Limited (number)

	Balance at beginning of period 1 July 15	Granted as remuneration	On exercise of Options	Net Change Other [#]	Balance at End of Period 30 June 16
2016					
Non-executive Directors					
A. Tansey	286,000	-	-	-	286,000
T. Winters	877,380	-	-	-	877,380
M. Stevens	-	-	-	-	-
Executives					
R. Broomfield	-	-	-	-	-
F. Davis	-	-	-	-	-
L. Davis	-	-	-	-	-
M. Horton	-	-	-	-	-
Total	1,163,380	-	-	-	1,163,380

[#] Shares purchased on market.

7. Other transactions with key management personnel

During the year, there were no other transactions with directors or management personnel.

8. Voting and comments made at the company's 2015 Annual General Meeting (AGM)

At the company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

End of the remuneration report

Proceedings on behalf of the consolidated entity

The Company filed a writ in the Supreme Court of Victoria on 18 August 2015. The writ was not served on the named defendants, and the Company has since achieved a commercial settlement to the dispute.

No person has applied for leave of Court to bring proceedings against the consolidated entity.

Indemnification and Insurance of Directors, Officers and Auditors

Future Fibre Technologies Limited maintains a Directors and Officers insurance policy that, subject to some exceptions provides insurance cover to past, present and future directors and officers of the consolidated entity and its subsidiaries. The company has paid a premium for the policy.

In addition, under the Constitution of the company, and to the extent permitted by law, each director of the company is indemnified by the company against liability incurred to another person (other than the company

or related body corporate) except where the liability arises out of conduct involving a lack of good faith. Accordingly, each director is indemnified against any liability for costs and expenses incurred by the director in defending proceedings, whether civil or criminal, in which judgement is given in favour of the director or in which the director is acquitted, or in connection with an application in relation to such proceedings in which a court grants relief to the officer under the *Corporations Act 2001*.

The company has not otherwise during or since the financial year, indemnified or agreed to indemnify a director or auditor of the company or any related body corporate against a liability incurred as a director or auditor.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

	2016 \$	2015 \$
Amounts paid and payable to Pitcher Partners for non-audit services:		
Business services – investigating accountant's report	-	94,497
Taxation services	19,700	-
Total auditors remuneration for non-audit services	19,700	94,497

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the directors.



Rob Broomfield

Chief Executive Officer
28 September 2016

FUTURE FIBRE TECHNOLOGIES LIMITED
AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FUTURE FIBRE TECHNOLOGIES LIMITED

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

This declaration is in respect of Future Fibre Technologies Limited and the entities it controlled during the year.



B POWERS
Partner

28 September 2016



PITCHER PARTNERS
Melbourne

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016		Consolidated	
	Note	2016 \$'000	2015 \$'000
Revenue and other income			
Revenues from sales and services	4	14,361	18,101
Other income	4	1,125	1,416
		15,486	19,517
Less: Expenses			
Cost of raw materials and consumables used		(5,710)	(7,197)
Employee benefit expenses	5	(6,910)	(5,530)
Research & Development	5	(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	5	(2,514)	(73)
Patents impairment loss		(103)	-
Share option expenses	5	-	(327)
Depreciation and amortisation expenses	5	(607)	(538)
Finance costs	5	(5)	(20)
Unrealised foreign exchange losses	5	(220)	-
Other expenses		(752)	(332)
Profit for the year before income tax		(5,805)	2,157
Income tax (expense)/benefit	6	-	-
Profit for the year		(5,805)	2,157
Other comprehensive income for the year, net of tax			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations, net of tax		66	-
Total comprehensive income for the year		(5,739)	2,157
Attributable to:			
Non-controlling interests		-	-
Members of the Parent		(5,739)	2,157
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share	7	(4.76)	2.27
Diluted earnings/(loss) per share	7	(4.76)	2.11

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016		Consolidated	
	Note	2016 \$'000	2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	12,119	17,591
Receivables	9	5,443	10,860
Inventories	10	3,990	1,447
Other current assets	11	341	150
Total Current Assets		21,893	30,048
Non-Current Assets			
Receivables	9	3,291	-
Plant and equipment	12	1,300	977
Intangible assets	13	1,608	1,261
Total Non-Current Assets		6,199	2,238
TOTAL ASSETS		28,092	32,286
LIABILITIES			
Current Liabilities			
Payables	14	2,792	1,695
Borrowings	15	8	8
Provisions	16	1,038	750
Total Current Liabilities		3,838	2,453
Non-Current Liabilities			
Borrowings	15	15	24
Provisions	16	15	15
Total Non-Current Liabilities		30	39
TOTAL LIABILITIES		3,868	2,492
NET ASSETS		24,224	29,794
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	17	43,883	43,714
Accumulated losses	18(a)	(20,122)	(14,317)
Reserves	18(b)	463	397
TOTAL EQUITY		24,224	29,794

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016					
	Share Capital \$'000	Share Options Reserve \$'000	Foreign Exchange Translation Reserve \$'000	Accumulated losses \$'000	Total Equity \$'000
Consolidated Entity					
At 1 July 2014	24,275	2	-	(16,474)	7,803
Profit for period	-	-	-	2,157	2,157
Total comprehensive income for the year	-	-	-	2,157	2,157
Transactions with owners in their capacity as owners					
Shares issued	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
Balance at 30 June 2016	43,714	397	-	(14,317)	29,794
At 1 July 2015	43,714	397	-	(14,317)	29,794
Loss for period	-	-	-	(5,805)	(5,805)
Exchange differences on translation of foreign operations, net of tax	-	-	66	-	66
Total comprehensive income for the year	-	-	66	(5,805)	(5,739)
Transactions with owners in their capacity as owners					
Shares issued	250	-	-	-	250
Share issue costs	(81)	-	-	-	(81)
Share options	-	-	-	-	-
Total transactions with owners in their capacity as owners	169	-	-	-	169
Balance at 30 June 2016	43,883	397	66	(20,122)	24,224

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016		Consolidated	
	Note	2016 \$'000	2015 \$'000
Cash flow from operating activities			
Receipts from customers		15,376	12,313
Operating grant receipts		-	891
Payments to suppliers and employees		(20,460)	(16,047)
Finance costs		(5)	(20)
Interest received		360	12
Income tax paid		-	-
Net cash flows used in operating activities	8(a)	(4,729)	(2,851)
Cash flow from investing activities			
Payment for intellectual property		(689)	(11)
Payment for plant and equipment		(691)	(849)
Net cash flows used in investing activities		(1,380)	(860)
Cash flow from financing activities			
Proceeds from share issues		250	21,168
Share issue expenses		(81)	(1,661)
Proceeds from borrowings		-	688
Repayment of borrowings		(9)	(701)
Net cash flows from financing activities		160	19,494
Net increase / (decrease) in cash and cash equivalents		(5,949)	15,783
Net foreign exchange differences on cash holdings		477	495
Cash and cash equivalents at beginning of year		17,591	1,313
Cash and cash equivalents at end of year	8	12,119	17,591

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

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of significant accounting policies

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

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

The financial report covers Future Fibre Technologies Limited and controlled entities as a consolidated entity. Future Fibre Technologies Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. Future Fibre Technologies Limited is a for-profit entity for the purpose of preparing the financial statements. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

The consolidated financial statements of Future Fibre Technologies Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 24 September 2016.

Compliance with IFRS

The consolidated financial statements of Future Fibre Technologies Limited also comply with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

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 in the accounting policies.

Significant accounting estimates

The preparation of financial report requires the use of certain estimates and judgements in applying the

Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Going concern

The financial report has been prepared on a going concern basis. The Group reported an after tax loss of \$5,805,000 for the year (2015: profit \$2,157,000) and its total assets exceed total liabilities by \$24,224,000 (2015: \$29,794,000). Nevertheless, the directors have assessed and reasonably expect the company will continue as a going concern for the foreseeable future, whereby the company will continue normal business activities and realise its assets and discharge its liabilities in the normal course of business. For these reasons, the financial statements have been prepared on a going concern basis.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases. Equity interests in a subsidiary not attributable directly or indirectly to the Group are presented as non-controlling interests.

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

1. Statement of significant accounting policies (continued)

(d) Accounting standards issued but not yet effective at 30 June 2016

AASB 15 Revenue from contracts with customers

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

AASB 9 Financial Instruments

AASB9 makes significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

AASB9 amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The effective date is annual reporting periods beginning on or after 1 January 2018.

The available-for-sale investments held will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing. Hedge accounting is likely to be applied to more of the entity's transactions in future transactions – the impact on the reported financial position and performance is dependent on the volume and value of future derivatives. Other impacts on the reported financial position and performance have not yet been determined.

(e) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

1. Statement of significant accounting policies (continued)

(e) Foreign currency translations and balances (continued)

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Foreign subsidiaries

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

(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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes (including GST) or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised:

(i) Sale of products, materials and parts

Revenue from the sale of products, material and parts is recognised upon the delivery of goods to customers.

(ii) Services

Revenue from the rendering of service is recognised upon delivery of the service to the customers.

(iii) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to intangible assets are credited to the assets carrying value and are recognised in the profit or loss over the period and in the proportions in which amortisation expense on those assets is recognised.

Government grants relating to the purchase of plant and equipment are offset against the carrying value of those assets.

(iv) Interest income

Interest income is recognised when it becomes receivable on a proportions basis taking into account the interest rates applicable to the financial assets.

(v) Dividends

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

(vi) Other revenues

Other operating revenues are recognised as they are earned and goods or services provided.

(g) Income tax and other taxes

The income tax expense or benefit is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

1. Statement of significant accounting policies (continued)

(g) Income tax and other taxes (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

(i) Tax consolidation legislation

Future Fibre Technologies Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2014.

(ii) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and 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, which are stated with the amount of GST 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 presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

(h) Impairment of non-financial assets

Goodwill, intangible assets that are not ready for use yet, and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1. Statement of significant accounting policies (continued)

(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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade receivables, are recognised initially at original invoiced amounts, less an allowance for any uncollectible amounts. Settlement terms for trade receivables vary between the geographic regions and are generally in line with standard industry practice within each geographic region. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group 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 is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacities. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a diminishing balance basis over the estimated useful life of the specific assets as follows:

Plant and Equipment	2016 Years	2015 Years
Office furniture and equipment	10	10
Motor vehicles	5	5
Computer equipment	2-7	2-7
Production plant and equipment	2-10	2-10
Demonstration equipment	2-5	2-5

1. Statement of significant accounting policies (continued)

(m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and amortised on a straight line basis over the life of the lease term.

(n) Intangibles

Trademarks and Licences

Trademarks and Licences are recognised at cost of acquisition. Trademarks and Licences have a finite life and are amortised on a systematic basis, matched to the future economic benefits over the life of the asset, less any impairment losses.

Research and development

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful lives. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

Right to use assets

Rights to use assets are recognised at cost of acquisition. Rights to use have a finite life and are amortised on a systematic basis matched to the future economic benefits over the life of the asset, less any impairment losses.

Patents

Patents are initially recognised at the cost on acquisition. Patents have a finite life and are amortised on a systematic basis matched to the future economic benefits over the life of the asset, less any impairment losses. Amortisation of the patents commences on approval of the patent and is matched to the timing of economic benefits flowing to the company from the application of the technology. Patents are reviewed for impairment at the end of the financial year and more frequently when an indication of impairment exists. Any impairment charge is recorded separately.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

(o) Trade and other payables

Trade and other payables are carried at amortised cost due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within terms negotiated with suppliers.

(p) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

1. Statement of significant accounting policies (continued)

(p) Financial instruments (continued)

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit or loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Available-for-sale

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss. Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Held-to-maturity investments

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Interest, dividends, losses and gains relating to the financial liability are recognised in the statement of comprehensive income. Distributions to the equity holders are recognised against equity, net of any tax benefit.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

For available-for-sale financial assets carried at cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

1. Statement of significant accounting policies (continued)

(p) Financial instruments (continued)

For available-for-sale financial assets carried at fair value through other comprehensive income, the impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. If the asset is impaired, the cumulative loss is reclassified from equity to the profit or loss. For equity investments, the impairment loss is not reversed through profit or loss. For debt investments, the impairment loss is reversed through profit or loss if the fair value increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment losses was recognised in profit or loss.

(q) Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

(r) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Warranty provisions

Provision is made for the estimated liability on all products and services still under warranty at balance date. This provision is estimated having regard to prior service warranty experience. In calculating the liability at balance date, amounts were not discounted to their

present value as the effect of discounting was not material. In determining the level of provision required for warranties, the Group has made judgments in respect of the expected performance and the costs of fulfilling the warranty. Historical experience and current knowledge have been used in determining this provision. The initial estimate of warranty-related costs is revised annually.

Employee Entitlements

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

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

(ii) Long service leave

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

(iii) Short-term Incentive payments (STI's)

The consolidated entity recognises a provision when an STI is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(iv) Pensions and other post-employment benefits

The company contributes to defined contribution superannuation/pension funds on behalf of employees in respect of employee services rendered during the year. These superannuation/pension contributions are recognised as an expense in the same period when the employee services are received. Generally, contributions are made and applicable local jurisdiction statutory rates where relevant.

1. Statement of significant accounting policies (continued)

(r) Provisions and employee benefits (continued)

(v) Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The consolidated entity recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(s) Share-based payment transactions

Equity settled transactions

The Group provides benefits to its employees (including senior executives) in the form of share-based payments, whereby employees render services in exchange for share options (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model, further details of which are given in Note 22.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Future Fibre Technologies Limited (market conditions) if applicable.

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

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

- (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 7).

(t) Contributed equity

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

1. Statement of significant accounting policies (continued)

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit / loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Parent entity financial information

The financial information for the parent entity, Future Fibre Technologies Limited, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost less impairment charge in the financial statements of Future Fibre Technologies Limited. Dividends received are recognised in the parent entity's profit or loss.

(w) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(x) 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, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

2. Significant accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a material impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Judgement is required in assessing whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales, operating costs, capital expenditure and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(ii) Impairment of intangibles

The Group determines whether intangibles are impaired at least on an annual basis by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined.

(iii) Measuring trade receivables at amortised cost

The Group considers trade receivables ability to pay including timing and the amount of payment. Refer to Note 9 for further details.

(iv) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, with the assumptions detailed in Note 22. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period.

(b) Critical judgements in applying the entity's accounting policies

(v) Foreign Exchange rates

Both the functional and presentation currency of the Group is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at reporting date.

All differences in the financial reports are taken to the statement of comprehensive income.

3. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The consolidated entity's operating companies are organised and managed separately according to the geographic regions in which they primarily operate. The nature of the products and services they provide in servicing these different geographic markets is consistent.

The principal segments within the consolidated entity were:

- **Asia Pacific (APAC)** Australia, Asian, and Oceanic countries.
- **Americas (Americas)** USA, Canada, Mexico, Central and Southern America.

- **Europe and Southern Africa (ESSA)** Western, Central and Eastern European countries and Sub-Saharan African countries.
- **Middle-East and North Africa (MENA)** Middle Eastern and North African countries.
- **India (India)** India.

This reporting segment reflects that Future Fibre Technologies Limited (APAC) is the owner of the intellectual property, performs all product manufacturing, sales distribution of products, and is responsible for providing the after sales support of all products sold. All other principal segments are marketing, sales and support offices only.

The total amount of external revenue derived from one major customer where the revenue is greater than 10% of the consolidated entity's total revenue was \$2,510,000 (2015: \$4,939,000). Revenue from this customer is included in the APAC segment (2015: APAC Segment).

Primary Reporting – Business Segments

2016	APAC \$'000	Americas \$'000	ESSA \$'000	MENA \$'000	India \$'000	Eliminations \$'000	Consolidated \$'000
Revenue outside the economic entity	13,968	4	346	-	43	-	14,361
Inter-segment revenue	185	3,276	1,202	1,038	220	(5,921)	-
Interest Income	360	-	-	-	-	-	360
Other revenue	747	18	-	-	-	-	765
Total revenue	15,260	3,298	1,548	1,038	263	(5,921)	15,486
Interest paid	(5)	-	-	-	-	-	(5)
Impairment of receivables	(2,514)	-	-	-	-	-	(2,514)
Impairment of patents	(103)	-	-	-	-	-	(103)
Unrealised Foreign Exchange losses	(220)	-	-	-	-	-	(220)
Segment profit/(loss) before tax	(5,815)	-	(7)	(3)	-	20	(5,805)
Income tax (expense)/benefit	-	-	-	-	-	-	-
Net profit/(loss) after tax	(5,815)	-	(7)	(3)	-	20	(5,805)
Depreciation, Amortisation	(568)	(25)	(2)	(10)	(2)	-	(607)
Segment Assets	28,980	424	583	103	9	(2,007)	28,092
Unallocated Assets							-
Total Assets							28,092
Segment Liabilities	3,705	1,605	452	85	7	(1,986)	3,868
Unallocated Liabilities							-
Total Liabilities							3,868

3. Segment Information (continued)

Primary Reporting – Business Segments (continued)

2015	APAC \$'000	Americas \$'000	ESSA \$'000	MENA \$'000	India \$'000	Eliminations \$'000	Consolidated \$'000
Revenue outside the economic entity	18,101	-	-	-	-	-	18,101
Inter-segment revenue	-	-	-	-	-	-	-
Interest Income	12	-	-	-	-	-	12
Other revenue	1,404	-	-	-	-	-	1,404
Total revenue	19,517	-	-	-	-	-	19,517
Interest paid	(20)	-	-	-	-	-	(20)
Impairment of receivables	(73)	-	-	-	-	-	(73)
Segment profit/(loss) before tax	6,445	(2,195)	(989)	(863)	(241)	-	2,157
Income tax (expense)/benefit	-	-	-	-	-	-	-
Net profit/(loss) after tax	6,445	(2,195)	(989)	(863)	(241)	-	2,157
Depreciation, Amortisation	509	17	-	12	-	-	538
Segment Assets	31,584	391	195	115	1	-	32,286
Unallocated Assets							-
Total Assets							32,286
Segment Liabilities	2,125	223	72	69	3	-	2,492
Unallocated Liabilities							-
Total Liabilities							2,492

4. Revenues from continuing operations and other income

	Consolidated	
	2016 \$'000	2015 \$'000
Revenue from operating activities		
Revenue from sales of goods	12,889	17,559
Revenue from provision of services	1,472	542
Total revenue from operating activities	14,361	18,101
Other income		
Interest	360	12
R&D Tax incentive	475	541
Gains on foreign exchange - realised	290	368
Gains on foreign exchange – unrealised	-	495
Total other income	1,125	1,416
Total Revenues	15,486	19,517

5. Profit/(Loss) from continuing operations

Profit/(Loss) from continuing operations before income tax has been determined after the following specific expenses:

	Consolidated	
	2016 \$'000	2015 \$'000
Employee benefits expense	6,910	5,530
Provision for impairment of receivables	2,514	73
Share options expense	-	327
Research and development	1,037	993
Realised losses on foreign exchange	-	-
Unrealised losses on foreign exchange	220	-
Depreciation and amortisation	607	538
Finance costs	5	20
	11,293	7,481

6. Income tax

	Consolidated	
	2016 \$'000	2015 \$'000
(a) Components of tax expense:		
Current tax	-	-
Deferred tax	-	-
Under provision in prior year	-	-
	-	-
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Accounting profit/(loss) before tax	(5,805)	2,157
At the Group's statutory income tax rate of 30% (2015: 30%)	(1,742)	647
Tax effect of amounts which are not deductible in calculating taxable income	95	246
Foreign tax jurisdiction adjustment	103	(1,249)
Research & Development	(175)	(180)
Recognition of prior year tax losses not previously brought to account as deferred tax assets	-	-
Tax losses not brought to account	1,729	678
Timing differences not brought to account	(10)	(142)
Income tax expense attributable to profit	-	-
(c) Deferred income tax related to items charged or credited directly to equity		
Decrease/(Increase) in deferred tax assets	24	542
	24	542
(d) Deferred tax assets not brought to account		
Temporary differences – parent	504	833
Operating tax losses - parent	4,556	2,985
	5,060	3,728

7. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	Consolidated	
	2016 \$'000	2015 \$'000
(a) Earnings used in calculating earnings per share		
For basic and diluted earnings per share:		
Net profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	(5,805)	2,157
(b) Weighted average number of shares		
	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	121,931,622	94,872,847
Adjustments for calculation of diluted earnings per share		
Share options	9,334,359	7,387,006
Weighted average number of ordinary shares adjusted for the effect of dilution used as the denominator in calculating diluted earnings per share	131,265,981	102,259,853
(c) Earnings per share		
	2016 Cents	2015 Cents
Basic earnings/(loss) per share	(4.76)	2.27
Diluted earnings/(loss) per share	(4.76)	2.11

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

7. Earnings per share (continued)

The following anti-dilutive share options have been excluded from the calculation of diluted earnings per share that could potentially dilute earnings per share in the future if they become dilutive:

Date Granted	Expiry Date	Exercise Price (\$)	Vested and Exercisable at end of the year
2016			
15/09/07	17/11/16	\$0.200	1,500,000
15/09/07		\$0.250	750,000
15/09/07		\$0.333	750,000
01/03/14		\$0.233	600,000
18/07/14		\$0.233	1,200,000
15/03/15		\$0.350	4,160,000
11/05/15	11/05/18	\$0.875	3,400,000
2015			
11/05/15	11/05/18	\$0.875	3,400,000

Since reporting date 300,000 options over ordinary shares have been exercised. There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

8. Cash and cash equivalents

	Consolidated	
	2016 \$'000	2015 \$'000
Cash at bank and on hand*	12,119	17,591
Bank overdraft	-	-
	12,119	17,591
(a) Reconciliation of Net Profit / (Loss) after Tax to Net Cash Flow from Operations		
Profit / (Loss) after tax	(5,805)	2,157
<i>Adjustment for non-cash income and expense items:</i>		
Depreciation and amortisation	607	538
Share-Based payments (equity settled)	-	327
Loss / (gain) on sale or disposal of plant and equipment	-	184
Bad debts written off and provision for impairment of receivable	2,514	73
Impairment of Patents	103	-
Unrealised foreign currency (gains)/losses	(477)	(495)
Foreign exchange translation increase/(decrease)	66	-
Research and development costs included in investing activities	(448)	-
<i>Changes in assets and liabilities</i>		
<i>(Increase)/decrease in assets:</i>		
Trade receivables	745	(6,297)
Research and development receivable contained with operating activities	(759)	356
Other receivables	74	(33)
Inventories	(2,543)	(52)
Other assets	(191)	(13)
<i>Increase/(decrease) in liabilities</i>		
Trade and other payables	1,097	474
Current tax liabilities	-	-
Provisions	288	(70)
Net cash from / (used in) operating activities	(4,729)	(2,851)
(b) Non-Cash financing and investing activities		
Share-Based payments	-	327

* Cash at bank and on hand includes a security bond of \$55,000 (2015: \$55,000) to the Company's bankers as security against the Company's obligations under its merchant facility.

The Group's exposure to interest rate risk is discussed in Note 19. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9. Receivables

	Consolidated	
	2016 \$'000	2015 \$'000
Trade receivables - current	4,924	10,873
Trade receivables – non-current	3,291	-
Allowance for impairment loss (a)	(1,240)	(639)
	6,975	10,234
Security deposits and bonds	12	86
Other receivables (c)	1,747	540
Carrying amount of trade and other receivables	8,734	10,860
Receivables – Current	5,443	10,860
Receivables – Non-current	3,291	-
	8,734	10,860
Movements in the allowance for impairment loss were as follows:		
At 1 July	639	566
Charge for the year	771	73
Amounts written off	(170)	-
At 30 June	1,240	639

(a) Provision for impairment

Trade receivables are non-interest bearing and are generally on terms of ranging from 30 - 90 days. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

During the year the Company has impaired the carrying value of trade receivables by \$771,000. The Company is continuing commercial negotiations to recover these amounts 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.

(b) Past due but not impaired

As at 30 June 2016, trade receivables past due but not considered impaired are: \$5,129,000 (2015: \$1,656,000).

Remeasurement

Payment terms on some of the amounts totalling \$3,415,000 and contained in past due more than 91 days have been re-negotiated. In particular, a few of the Company's customers who are undertaking large scale roll-outs and 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.

Directors will consider terms and expectations in the future and if adjustment to the time and amounts are required this will give rise to re-measurement.

In all other cases credit has been stopped until full payment is made. Direct contact with the relevant debtor has been made and the Group is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

9. Receivables (continued)

Trade receivables ageing analysis at 30 June is:

	Gross 2016 \$'000	Remeasurement 2016 \$'000	Impairment 2016 \$'000	Gross 2015 \$'000	Impairment 2015 \$'000
Not past due	1,846	-	-	8,578	-
Past due 1 – 30 days	264	-	-	150	-
Past due 31-60 days	5	-	-	166	-
Past due 61-90 days	27	-	-	240	-
Past due more than 91 days	7,640	(1,567)	(1,240)	1,739	(639)
	9,782	(1,567)	(1,240)	10,873	(639)

(c) Other receivables

These amounts relate primarily to accrued income from the R&D Tax incentive totalling \$1,463,000, and other indirect tax refunds due from various international tax jurisdictions.

10. Inventories

	Consolidated	
	2016 \$'000	2015 \$'000
Raw materials and stores	2,255	700
Work in progress	259	105
Finished goods held for sale	403	507
Inventories in transit	800	-
Spares	273	135
	3,990	1,447

11. Other assets

	Consolidated	
	2016 \$'000	2015 \$'000
Current		
Prepayments	341	149
Current Tax Assets	-	1
	341	150

12. Non-current assets - plant and equipment

		Consolidated	
		2016 \$'000	2015 \$'000
Computer equipment			
At cost		691	596
Accumulated depreciation		(578)	(533)
Total computer equipment		113	63
Motor vehicles			
At cost		39	39
Accumulated depreciation		(19)	(13)
Total motor vehicles		20	26
Plant and equipment			
At cost		912	820
Accumulated depreciation		(751)	(709)
Total plant and equipment		161	111
Office furniture and equipment			
At cost		463	463
Accumulated depreciation		(333)	(314)
Total office furniture and equipment		130	149
Demonstration equipment			
At cost		1,707	1,209
Accumulated depreciation		(831)	(581)
Total demonstration equipment		876	628
Total plant and equipment			
At cost		3,812	3,127
Accumulated depreciation		(2,512)	(2,150)
Total plant and equipment		1,300	977

12. Non-current assets - plant and equipment (continued)

Reconciliation of carrying amounts at the beginning and end of the period

	Computer equipment \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Office furniture and equipment \$'000	Demonstration equipment \$'000	Total \$'000
Year Ended 30 June 2016						
Carrying amount at beginning of year	63	26	111	149	628	977
Additions	93	-	99	-	499	691
Disposals	-	-	-	-	-	-
Depreciation charge for the year	(43)	(6)	(49)	(19)	(251)	(368)
Carrying amount at end of year	113	20	161	130	876	1,300
At 30 June 2016						
Cost	691	39	912	463	1,707	3,812
Accumulated depreciation and impairment	(578)	(19)	(751)	(333)	(831)	(2,512)
Net carrying amount	113	20	161	130	876	1,300
Year Ended 30 June 2015						
Carrying amount at beginning of year	66	34	135	133	214	582
Additions	27	-	144	36	642	849
Disposals	(1)	-	(112)	-	(71)	(184)
Depreciation charge for the year	(29)	(8)	(56)	(20)	(157)	(270)
Carrying amount at end of year	63	26	111	149	628	977
At 30 June 2015						
Cost	596	39	820	463	1,209	3,127
Accumulated depreciation and impairment	(533)	(13)	(709)	(314)	(581)	(2,150)
Net carrying amount	63	26	111	149	628	977

13. Non-current assets – intangible assets

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Trademarks \$'000	Development Costs \$'000	Patents \$'000	Right to use \$'000	Total \$'000
Year ended 30 June 2016					
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
Year ended 30 June 2015					
Carrying amount at beginning of year	13	440	1,065	-	1,518
Additions	-	-	11	-	11
Amortisation	-	(60)	(208)	-	(268)
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.

(b) 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, the average remaining amortisation period is 4 years.

(c) Development costs

During the year ended 30 June 2016, the Group incurred additional development costs of \$550,000 net of offset from research and development grant (2015: \$Nil). The Group assessed the asset at 30 June for impairment indicators, and determined that the carrying value of the development costs does not require impairment. The remaining amortisation period for development costs capitalised in previous years is 5.4 years. It is expected the new capitalised development will have a useful life of 10 years. Amortisation will begin when the asset is available for use.

13. Non-current assets – intangible assets (continued)

(d) 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.

14. Trade and other payables

	Consolidated	
	2016 \$'000	2015 \$'000
Current		
Trade payables	1,853	1,057
Income in advance	411	185
Accruals and other payables	528	453
	2,792	1,695

15. Borrowings

	Consolidated	
	2016 \$'000	2015 \$'000
Current - secured		
Bank overdraft ¹	-	-
Finance leases ²	8	8
	8	8
Non-current – secured		
Finance leases ²	15	24
	15	24

(1) The bank overdraft facility is unused at reporting date. It is secured by 1st ranking fixed and floating charges over the assets of Future Fibre Technologies Limited.

(2) Refer to note 19(d) for further details on minimum future lease payments.

(a) Assets pledged as security

All assets of the Company have been pledged as security for current and non-current borrowings.

16. Provisions

	Consolidated	
	2016 \$'000	2015 \$'000
Current		
Employee entitlements	827	670
Provision for warranty claims	205	75
Other provisions	6	5
	1,038	750
Non-current		
Employee entitlements	15	15
	15	15

(a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Provision for warranties \$'000	Other provisions \$'000	Total \$'000
Consolidated			
At 1 July 2015	75	5	80
Amount provided	130	1	131
Amount reversed to the income statement	-	-	-
At 30 June 2016	205	6	211
			-
Current	205	6	211
Non-current	-	-	-
	205	6	211

(b) Nature and timing of provisions

(i) Warranty provision

Refer to Note 1(r) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of product warranty provision. This amount includes predominantly provision booked for probable claims by customers for product faults as well as provision for claimable warranty for other goods and services sold by the Group.

(ii) Employee Entitlements

Refer to Note 1(r) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of long-service leave, which is part of this provision. This provision also includes provision booked for employees who earn but are yet to use their vacation entitlements. This amount includes on-costs for pension and superannuation, worker's compensation insurance and payroll tax (refer to Note 1(r) for the relevant accounting policy).

17. Contributed equity

	Consolidated	
	2016 \$'000	2015 \$'000
(a) Ordinary shares		
Ordinary share capital, issued and fully paid	43,883	43,714
	43,883	43,714

	Number of shares	\$'000
Parent Entity		
(b) Movement in ordinary shares on issue		
At 1 July 2014	90,623,820	24,275
Share issue	30,780,630	21,168
Transaction costs	-	(1,729)
At 30 June 2015	121,404,450	43,714
At 1 July 2015	121,404,450	43,714
Share issue*	823,990	250
Transaction costs	-	(81)
At 30 June 2016	122,228,440	43,883

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**This amount includes \$69,000 for 300,000 shares issued on the conversion of options. The options were exercised on 30 June 2016 but shares were not issued until after the reporting period (07 July 2016).*

17. Contributed equity (continued)

(d) Share options

Employee share scheme

The consolidated entity continued to offer employee participation in share-based incentive schemes as part of the remuneration packages for the employees of the consolidated entity. Refer to Note 22: Share Based Payments for detailed disclosures.

(i) Options over ordinary shares: The following options to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2016:

Number of Options							
Date Granted	Expiry Date	Exercise Price (\$)	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited and other movements during the year	Vested and Exercisable at end of the year
2016							
15/09/2007	17/09/2015	\$0.20	343,590	-	(283,590)	(60,000)	-
15/09/2007	17/11/2016	\$0.20	1,500,000	-	-	-	1,500,000
15/09/2007	17/11/2016	\$0.25	750,000	-	-	-	750,000
15/09/2007	17/11/2016	\$0.33	750,000	-	-	-	750,000
15/03/2011	15/03/2016	\$0.23	650,400	-	(540,400)	(110,000)	-
01/03/2014	01/03/2019	\$0.23	600,000	-	-	-	600,000
18/07/2014	18/07/2019	\$0.23	1,200,000	-	-	-	1,200,000
15/03/2015	15/03/2018	\$0.35	2,660,000	-	-	-	2,660,000
15/03/2015	15/03/2020	\$0.23	1,500,000	-	-	-	1,500,000
11/05/2015	11/05/2018	\$0.875	3,400,000	-	-	-	3,400,000
Total			13,353,990	-	(823,990)	(170,000)	12,360,000
Weighted average exercise price			\$0.42	-	-	-	\$0.44

17. Contributed equity (continued)

Number of Options							
Date Granted	Expiry Date	Exercise Price (\$)	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited and other movements during the year	Vested and Exercisable at end of the year
2015							
15/09/2007	17/09/2015	\$0.20	720,450	-	(376,860)	-	343,590
15/09/2007	17/11/2016	\$0.20	1,500,000	-	-	-	1,500,000
15/09/2007	17/11/2016	\$0.25	750,000	-	-	-	750,000
15/09/2007	17/11/2016	\$0.33	750,000	-	-	-	750,000
15/03/2011	15/03/2016	\$0.23	1,053,990	-	(403,590)	-	650,400
01/03/2014	01/03/2019	\$0.23	600,000	-	-	-	600,000
18/07/2014	18/07/2019	\$0.23	-	1,200,000	-	-	1,200,000
15/03/2015	15/03/2018	\$0.35	-	2,660,000	-	-	2,660,000
15/03/2015	15/03/2020	\$0.23	-	1,500,000	-	-	1,500,000
11/05/2015	11/05/2018	\$0.875	-	3,400,000	-	-	3,400,000
Total			5,374,440	8,760,000	(780,450)	-	13,353,990
Weighted average exercise price			\$0.24	\$0.52	-	-	\$0.42

No options have been issued between balance date and the date of this report.

17. Contributed equity (continued)

(e) Capital management

When managing capital, management's objective is to ensure the consolidated entity continues to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitor capital through the gearing ratio (net debt / total capital). Net debt is calculated as total borrowings (including trade and other payables) as shown in the balance sheet less cash and cash equivalents. The gearing ratios based on continuing operations at 30 June 2016 and 2015 were as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Total borrowings *	2,815	1,727
Less cash and cash equivalents	12,119	17,591
Net borrowings / (cash)	(9,304)	(15,864)
Total equity	24,224	29,794
Total capital	14,920	13,930
Gearing ratio	(62)%	(114)%

* Includes trade and other payables as well as interest bearing loans and borrowings.

18. Retained earnings / (Accumulated losses) and reserves

(a) Movements in retained earnings / (accumulated losses) were as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Balance 1 July	(14,317)	(16,474)
Net Profit/(Loss)	(5,805)	2,157
Balance 30 June	(20,122)	(14,317)

(b) Reserves

	Share options reserve \$'000	Consolidated	
		Foreign Exchange Translation reserve \$'000	Total \$'000
At 1 July 2014	2	-	2
Share option expense - remuneration	327	-	327
Share option expense – other agreements	68	-	68
At 30 June 2015	397	-	397
Share option expense - remuneration	-	-	-
Share option expense – other agreements	-	-	-
Exchange differences on translation of foreign operations, net of tax	-	66	66
At 30 June 2016	397	66	463

(c) Nature and purpose of reserves

Share options reserve

The share options reserve is used to record the value of share based payments provided to employees and directors as part of their remuneration and options granted as part of other agreements.

No options were granted during the year (2015: 8,760,000).

Foreign exchange translation reserve

This reserve is used to record the unrealised exchange differences arising on translation of a foreign entity and is not distributable.

19. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank overdraft, loans, finance leases, cash and short-term deposits.

Risk exposures and responses

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk, and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate. Monitoring levels of exposure to various foreign currencies and assessments of market forecasts for foreign currency exchange rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk; liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of the risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Committee under the authority of the Board. The board reviews and agrees policies for managing each of the risks identified below, including hedging of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

(a) Interest rate risk

The Group's main interest rate risk arises from borrowings, and cash held in interest bearing accounts. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk only if the borrowings are carried at fair value, which is not the Group's policy.

During 2016 and 2015, the Group's borrowings at variable rate were denominated in Australian Dollars.

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents held in interest bearing accounts.

19. Financial risk management objectives and policies (continued)

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

Financial instruments	Interest bearing \$'000	Non interest bearing \$'000	Total carrying amount \$'000	Weighted average effective interest rate %	Fixed / variable rate
2016					
<i>(i) Financial assets</i>					
Cash	9,710	2,409	12,119	2.5%	Variable
Total financial assets	9,710	2,409	12,119	2.5%	
<i>(ii) Financial liabilities</i>					
Bank overdraft	-	-	-	-	Variable
Finance lease liability	23	-	23	5.9%	Fixed
Total financial liabilities	23	-	23	5.9%	
2015					
<i>(i) Financial assets</i>					
Cash	16,750	841	17,591	0.4%	Variable
Total financial assets	16,750	841	17,591	0.4%	
<i>(ii) Financial liabilities</i>					
Bank overdraft	-	-	-	-	Variable
Finance lease liability	32	-	32	5.9%	Fixed
Total financial liabilities	32	-	32	5.9%	

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt where possible. At 30 June 2016, the Group had borrowings of \$23,000 (2015: \$32,000) with 100% being fixed interest rate debt (2015: 100%). Fixed rate debt was comprised entirely of finance leases.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates.

The Group's fixed rate borrowings comprising the finance leases are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

19. Financial risk management objectives and policies (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 30 June 2016, and at 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit / (losses) and equity would have been affected as follows:

Judgments of reasonably possible movements*:	Post Tax Profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Consolidated				
+1% (100 basis points)	147	26	147	26
-1% (100 basis points)	(147)	(26)	(147)	(26)

The movements in profit are due to higher/lower interest income from cash balances. The sensitivity is higher in 2016 than in 2015 for the consolidated entity because the Group held higher levels of interest earning cash balances during the 2016 financial year.

* A 100 basis point increase and a 100 basis point decrease is used and represents management's assessment of the reasonably possible change in interest rates.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, and cash balances.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar was as follows:

	USD \$'000	EUR \$'000	GBP \$'000	OTHERS \$'000	AUD \$'000	Total \$'000
2016						
Cash and cash equivalents	1,671	372	290	79	9,707	12,119
Trade and other receivables	6,308	175	27	40	2,184	8,734
Trade and other payables	(641)	(70)	(958)	(14)	(1,109)	(2,792)
Borrowings	-	-	-	-	(23)	(23)

	USD \$'000	EUR \$'000	GBP \$'000	OTHERS \$'000	AUD \$'000	Total \$'000
2015						
Cash and cash equivalents	647	25	65	89	16,765	17,591
Trade and other receivables	9,002	17	925	14	902	10,860
Trade and other payables	(580)	(76)	(321)	-	(718)	(1,695)
Borrowings	-	-	-	-	(32)	(32)

19. Financial risk management objectives and policies (continued)

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and AUD exchange rate, the Euro and the AUD exchange rate, and the GBP and the AUD exchange rate with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit/(loss) before tax \$'000	Effect on equity \$'000
2016	+10%	734	734
	-10%	(667)	(667)
2015	+10%	1,042	1,042
	-10%	(1,353)	(1,353)

	Change in GBP rate	Effect on profit/(loss) before tax \$'000	Effect on equity \$'000
2016	+10%	64	64
	-10%	(58)	(58)
2015	+10%	113	113
	-10%	(172)	(172)

	Change in EUR rate	Effect on profit/(loss) before tax \$'000	Effect on equity \$'000
2016	+10%	48	48
	-10%	(43)	(43)
2015	+10%	(4)	(4)
	-10%	6	6

19. Financial risk management objectives and policies (continued)

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments, net of any provisions for impairment of those assets. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis.

The Group has a concentration of credit risk to a few customers who are undertaking large scale roll-outs and have experienced project delays. Refer to note 9(b) for further details.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of variety of equity and debt instruments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivatives financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2016 \$'000	2015 \$'000
12 months or less	8	8
1-5 years	15	24
Over 5 years	-	-
Total contractual cash flows	23	32

Fair value

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

20. Related party disclosure

(a) Subsidiaries

The consolidated financial statements include the financial statements of Future Fibre Technologies Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	Principal Activity	% Equity Interest	
			2016	2015
Parent Entity				
Future Fibre Technologies Limited	Australia	Manufacture and sale of security systems	100	100
Subsidiaries of Future Fibre Technologies Limited				
FFT MENA Pty Ltd	Australia	Holding company	100	100
Future Fibre Technologies (US) Inc.	USA	Sales support and other services	100	100
Subsidiaries of FFT MENA Pty Ltd				
Future Fibre Technologies MENA FZ-LLC	Dubai	Sales support and other services	100	100
Future Fibre Technologies Europe AG	Switzerland	Sales support and other services	100	100
Future Fibre Technologies Europe Ltd	United Kingdom	Sales support and other services	100	100
FFT India Pvt Ltd	India	Sales support and other services	100	100

Transactions between the Company and its subsidiaries principally arise from the granting of loans and the provision of sales support and other services. All transactions undertaken during the financial year with subsidiaries are eliminated in the consolidated financial statements.

(b) Ultimate parent

Future Fibre Technologies Limited is the ultimate Australian parent entity and the ultimate parent of the Group.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 21.

(d) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms unless otherwise stated.

21. Key management personnel

(a) Compensation for Key Management Personnel

	Consolidated	
	2016 \$	2015 \$
Short-term employee benefits	913,677	798,169
Post-employment benefits	83,273	74,021
Termination benefits	-	66,309
Share-based payment	-	280,625
Total compensation	996,950	1,219,124

(b) Option holdings of Key Management Personnel

	Balance at beginning of Period 1 July 15	Granted as remuneration	Options Exercised	Net Change Other [#]	Balance at End of Period 30 June 16	Vested at 30 June 2016		
						Total	Exercisable	Not Exercisable
2016								
Non-executive Directors								
A. Tansey	250,000	-	-	-	250,000	250,000	250,000	-
T. Winters	200,000	-	-	-	200,000	200,000	200,000	-
M. Stevens	200,000	-	-	-	200,000	200,000	200,000	-
Sub-total	650,000	-	-	-	650,000	650,000	650,000	-
Executives								
R. Broomfield	4,500,000	-	-	-	4,500,000	4,500,000	4,500,000	-
F. Davis	1,200,000	-	-	-	1,200,000	1,200,000	1,200,000	-
M. Horton	-	-	-	-	-	-	-	-
L. Davis	900,000	-	-	-	900,000	900,000	900,000	-
Sub-total	6,600,000	-	-	-	6,600,000	6,600,000	6,600,000	-
Total	7,250,000	-	-	-	7,250,000	7,250,000	7,250,000	-

[#] Includes lapsed and forfeitures.

21. Key management personnel (continued)

	Balance at beginning of Period 1 July 14	Granted as remuneration	Options Exercised	Net Change Other [#]	Balance at End of Period 30 June 15	Vested at 30 June 2015		
						Total	Exercisable	Not Exercisable
2015								
Non-executive Directors								
A. Tansey	-	250,000	-	-	250,000	250,000	250,000	-
T. Winters	-	200,000	-	-	200,000	200,000	200,000	-
M. Stevens	-	200,000	-	-	200,000	200,000	200,000	-
Sub-total	-	650,000	-	-	650,000	650,000	650,000	-
Executives								
R. Broomfield	3,000,000	1,500,000	-	-	4,500,000	4,500,000	4,500,000	-
F. Davis	-	1,200,000	-	-	1,200,000	1,200,000	1,200,000	-
L. Davis	-	900,000	-	-	900,000	900,000	900,000	-
Sub-total	3,000,000	3,600,000	-	-	6,600,000	6,600,000	6,600,000	-
Total	3,000,000	4,250,000	-	-	7,250,000	7,250,000	7,250,000	-

[#] Includes lapsed and forfeitures.

(c) Shareholdings of Key Management Personnel

Shares held in Future Fibre Technologies Limited (number)

	Balance at beginning of period 1 July 15	Granted as remuneration	On exercise of Options	Net Change Other #	Balance at End of Period 30 June 16
2016					
Non-executive Directors					
A. Tansey	286,000	-	-	-	286,000
T. Winters	877,380	-	-	-	877,380
M. Stevens	-	-	-	-	-
Executives					
R. Broomfield	-	-	-	-	-
F. Davis	-	-	-	-	-
L. Davis	-	-	-	-	-
M. Horton	-	-	-	-	-
Total	1,163,380	-	-	-	1,163,380

21. Key management personnel (continued)

Shares held in Future Fibre Technologies Limited (number)

	Balance at beginning of period 1 July 14	Granted as remuneration	On exercise of Options	Net Change Other #	Balance at End of Period 30 June 15
2015					
Non-executive Directors					
A. Tansey	-	-	-	286,000	286,000
T. Winters	877,380	-	-	-	877,380
M. Stevens	-	-	-	-	-
Executives					
R. Broomfield	-	-	-	-	-
F. Davis	-	-	-	-	-
L. Davis	-	-	-	-	-
Total	877,380	-	-	286,000	1,163,380

Shares purchased in the Company's IPO.

(d) Loans to/from Key Management Personnel

There were no loans to directors or key management personnel during the year ending 30 June 2016 (2015: none).

(e) Other transactions and balances with Key Management Personnel and their related parties

Directors

During the current and previous financial year, the Group transacted with related entities of directors, other than in their capacity as director as follows:

- (i) During the financial year ended 30 June 2016, Maxsec Group Limited and its subsidiaries, a company of which a Robert Broomfield is a director, purchased goods and services from the consolidated entity for an amount of USD \$84,098 (2015: USD \$997,771) on arm's length terms and conditions. Controlled entities of Maxsec Group Limited have entered into reciprocal reseller arrangements with the consolidated entity on an arm's length basis in the normal course of business.

Key Management Personnel

There were no other transactions with KMP during the year ended 30 June 2016 (2015: none).

22. Share-based payments

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2016 \$'000	2015 \$'000
Expense arising from equity-settled share-based payment transactions for employees	-	327
	-	327

(b) Types of share-based payments

During the year ended 30 June 2015, pursuant to employment agreements with employees of the Company, 5,360,000 unlisted options were granted. The options have an expiry period of 3-5 years from issue date, as below:

- 1) 2,660,000 options exercisable at 35 cents each; and
- 2) 2,700,000 options exercisable at 23 cents each, and

At balance date, all of the above granted options were issued.

On 15 March 2015, 650,000 unlisted options expiring 15 March 2018 exercisable at 35 cents each were issued to three directors of the Company.

A further 3,400,000 unlisted options exercisable at 87.5 cents each, with an exercise date of 11 May 2018 were granted in accordance with underwriting agreement with KTM Capital Pty Ltd. These options were issued as partial payment of underwriting fees to the underwriter of the Company's Initial Public Offer made on 16 April 2015.

The weighted average remaining contractual life of issued options outstanding at year-end was 1.8 years.

(c) Summaries of options granted

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at the beginning of the year	13,353,990	\$0.42	5,374,440	\$0.24
Granted during the year	-	-	8,760,000	\$0.52
Forfeited during the year	-	-	-	-
Exercised during the year	(823,990)	\$0.22	(780,450)	\$0.22
Expired during the year	(170,000)	-	-	-
Outstanding at the end of the year	12,360,000	\$0.44	13,353,990	\$0.42

22. Share-based payments (continued)

(d) Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The fair value is derived from the Black-Scholes model using the closing share price of Future Fibre Technologies Limited ordinary shares on grant date, Australian Government Long-term bond interest rates as published by the Reserve Bank of Australia as a proxy for the risk-free interest rate, having regard for the bond maturity that is most closely aligned to the period of time remaining until the options expiry date, and the option exercise prices and quantities as noted above.

The model inputs for options granted during the year ended 30 June 2015 included:

Number of options granted	1,200,000	2,660,000	1,500,000	3,400,000
Consideration for options granted	Nil	Nil	Nil	Nil
Exercise price:	\$0.233	\$0.350	\$0.230	\$0.875
Grant date:	18 Jul 2014	15 Mar 2015	15 Mar 2015	11 May 2015
Expiry date:	18 Jul 2019	15 Mar 2018	15 Mar 2020	11 May 2018
Share price at grant date:	\$0.200	\$0.350	\$0.350	\$0.700
Expected price volatility of the Company's shares:	13%	13%	13%	13%
Expected dividend yield:	0%	0%	0%	0%
Risk-free interest rate:	1.83%	1.96%	2.12%	2.10%

The expected price volatility is based on the historical one-year volatility of the Company's share price.

23. Commitments

(i) Leasing commitments

Operating lease commitments – Group as lessee

Operating leases are entered into as a means of acquiring access to office premises and office equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. No purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities. A renewal option in connection with office leases exists.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Within one year	106	199
After one year but not more than five years	49	65
After more than five years	-	-
Total minimum lease payments	155	264

Finance lease commitments - Group as lessee

The finance leases relate to the leasing of motor vehicles and demonstration equipment.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Within one year	9	10
After one year but not more than five years	15	25
After more than five years	-	-
Total minimum lease payments	24	35
Less amounts representing finance charges	(1)	(3)
Present value of minimum lease payments	23	32
Current liability	8	8
Non-current liability	15	24
Total	23	32

24. Contingencies

The Group had no contingencies at 30 June 2016 (2015: None) nor were there any in the period between balance date and the date of this report.

25. Events after the balance sheet date

There has been no matter or circumstance, which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2016, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2016, of the consolidated entity.

26. Parent Entity Information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Future Fibre Technologies Limited: Summarised statement of financial position	2016 \$'000	2015 \$'000
Assets		
Current assets	24,414	30,898
Non-current assets	4,473	2,131
Total assets	28,887	33,029
Liabilities		
Current liabilities	3,582	2,092
Non-current liabilities	30	16
Total liabilities	3,612	2,108
Net Assets	25,275	30,921
Equity		
Contributed Capital	43,883	43,714
Share-based payment reserve	397	397
Accumulated losses	(19,005)	(13,190)
Total Equity	25,275	30,921

26. Parent Entity Information (continued)

Future Fibre Technologies Limited:	2016	2015
Summarised statement of comprehensive income	\$'000	\$'000
Profit or (loss) of the year	(5,815)	(2,006)
Other comprehensive income for the year	-	-
Total comprehensive income of the parent entity	(5,815)	(2,006)

(b) Guarantees entered into by the parent entity

The parent entity provided during the 2015 year, as part of the terms and conditions of a contract for the supply of goods and services, a performance guarantees amounting to \$365,000 which are supported by cash backed security deposits held in favour of the customer. This security has since been returned to the Company in 2016. The parent entity has not provided any financial guarantees in respect of subsidiaries entities.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2016, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2015: None).

27. Auditor's remuneration

The auditor of Future Fibre Technologies Limited is Pitcher Partners.

	Consolidated	
	2016	2015
	\$	\$
Amounts received or due and receivable by Pitcher Partners (Melbourne) for:		
- Audit and review of the financial statements	126,205	110,200
- Other consulting and advisory services	-	94,497
- Tax compliance and tax advice services	19,700	-
	145,905	204,697



DIRECTORS' DECLARATION

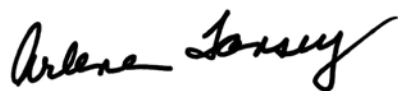
In accordance with a resolution of the directors of Future Fibre Technologies Limited, I state that:

1. In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
 - (iii) also comply with International Financial Reporting Standards as stated in Note 1(a) of the consolidated financial statements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2016.

On behalf of the Board



Arlene M Tansey

Chairman

Melbourne, 28 September 2016

FUTURE FIBRE TECHNOLOGIES LIMITED
ABN 67 064 089 318
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FUTURE FIBRE TECHNOLOGIES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Future Fibre Technologies Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**FUTURE FIBRE TECHNOLOGIES LIMITED
ABN 67 064 089 318
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FUTURE FIBRE TECHNOLOGIES LIMITED**

Independence

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

Opinion

In our opinion:

- (a) the financial report of Future Fibre Technologies Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 29 of the directors' report for the year ended 30 June 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 Future Fibre Technologies Limited and controlled entities for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



B POWERS
Partner

28 September 2016



PITCHER PARTNERS
Melbourne

SHAREHOLDER INFORMATION

Distribution of equity securities (as at 23 September 2016)

Ordinary share capital

122,228,440 fully paid ordinary shares are held by 539 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The numbers of shareholders, by size of holding, in each class are:

Size of shareholding	Number of holders	Ordinary shares held	% of issued capital
1 – 1,000	86	62,325	0.05%
1,001 – 5,000	214	635,271	0.52%
5,001 – 10,000	80	637,111	0.52%
10,001 – 100,000	122	4,003,201	3.27%
100,001 and over	47	117,190,532	95.64%
Total	549	122,528,440	100.00%

The number of shareholders holding less than a marketable parcel of 2,381 shares (based on the share price of \$0.200 on 23 September 2016) is 13 and they hold 2,358 shares.

Substantial shareholders (as at 23 September 2016)

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name of Shareholder	Fully paid ordinary shares	
	Number of shares	% of issued capital
RSA Associates Limited	27,000,000	22.0%
Pierce Group Asia Pte Limited	19,229,940	15.7%
Plexis Holdings Limited	12,978,420	10.6%
Seafirst Australia Pty Ltd; Seafirst Nominees Pty Ltd	12,151,580	9.9%
	71,359,940	58.2%

Twenty largest shareholders (as at 23 September 2016)

Rank	Name of Shareholder	Number of shares	Percentage of issued capital
1.	HSBC Custody Nominees (Australia) Limited	35,678,796	29.1%
2.	Plexis Holdings Limited	12,978,420	10.6%
3.	Pierce Maxis Limited	12,265,950	10.0%
4.	Sandhurst Trustees Ltd <DMP Asset Management A/C>	12,151,580	9.9%
5.	Citicorp Nominees Pty Limited	7,338,833	6.0%
6.	Pierce CIM Pte Limited	6,963,990	5.7%
7.	Cheryl Lee Tapanes	3,932,130	3.2%
8.	UBS Nominees Pty Ltd	3,124,813	2.8%
9.	Bannaby Investments Pty Ltd <Bannaby Super Fund A/C>	2,910,000	2.4%
10.	CS Fourth Nominees Pty Ltd <HSBC Cust Nom Au Ltd 11 A/C>	2,006,622	1.6%
11.	JP Morgan Nominees Australia Limited	1,679,491	1.4%
12.	IFM Pty Ltd <IFM Super Fund A/C>	1,631,997	1.3%
13.	Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	1,212,342	1.0%
14.	Avalon Amber Pty Ltd	1,008,240	0.8%
15.	Valwren Pty Limited <WFIT A/C>	1,000,000	0.6%
16.	Valwren Pty Limited <Sandy Family Investments A/C>	1,000,000	0.6%
17.	North Clarke Super Pty Ltd <Vines Superfund A/C>	955,734	0.8%
18.	Terrance Ronald Winters & Merylynn Ann Winters <Nexus International S/F A/C>	877,380	0.7%
19.	National Nominees Limited	832,295	0.7%
20.	John D Vines & Lynette S Vines <Seftwell Super Fund A/C>	808,890	0.7%
		110,357,503	90.1%

Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.





www.fftsecurity.com



FUTURE FIBRE
TECHNOLOGIES