

The cover features a solid blue background on the left, which transitions into a geometric pattern of triangles in various shades of blue and grey on the right. A white diagonal line separates the solid blue area from the patterned area. The text is positioned on the left side of the cover.

**RAFFLESCO
LIMITED**
**ANNUAL
REPORT**
2016

Table of Contents	Page
CORPORATE DIRECTORY	3
REVIEW OF OPERATIONS	4
DIRECTORS' REPORT	8
AUDITOR'S INDEPENDENCE DECLARATION	13
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	14
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	15
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	16
CONSOLIDATED STATEMENT OF CASH FLOWS	17
NOTES TO THE FINANCIAL STATEMENTS	18
DIRECTORS' DECLARATION	48
INDEPENDENT AUDITOR'S REPORT	49

CORPORATE DIRECTORY

RafflesCo Limited

ACN 603 231 803

ABN 86 603 231 803

Registered and Corporate Office

Level 2

Hudson House

131 Macquarie Street

Sydney NSW 2000

Telephone: +61 2 9251 7177

Fax: +61 2 9251 7500

Auditors

K.S. Black & Co

Level 5

350 Kent Street

Sydney NSW 2000

Telephone: +61 2 8839 3000

Lawyers

Piper Alderman

Level 23, Governor Macquarie Tower

1 Farrer Place

Sydney NSW 2000

Telephone: +61 2 9253 9999

Bankers

St George Bank Limited

Level 14, 182 George St

Sydney NSW 2000

Telephone: +61 2 9236 2230

Directors

Vincent Tan

Luisa Tan

Benjamin Amzalak

Joint Company Secretaries

Henry Kinstlinger

Gananatha Minithantri

This financial report covers the Consolidated Entity consisting of RafflesCo Limited and its controlled entities.

RafflesCo Limited is a company limited by shares, incorporated and domiciled in Australia.

REVIEW OF OPERATIONS

December 2016

RafflesCo Limited (**RafflesCo**) is an investment company established in 2014, with an investment portfolio comprising shareholdings in various ASX listed companies and unlisted public companies.

INVESTMENT PORTFOLIO



- 100% shareholding
- Industrial absorbent manufacturer and retailer



- 31% shareholding
- Industrial property portfolio in Warnervale, Central Coast



- 15% shareholding
- Car Park and Naming Rights located at 131 Macquarie Street Sydney



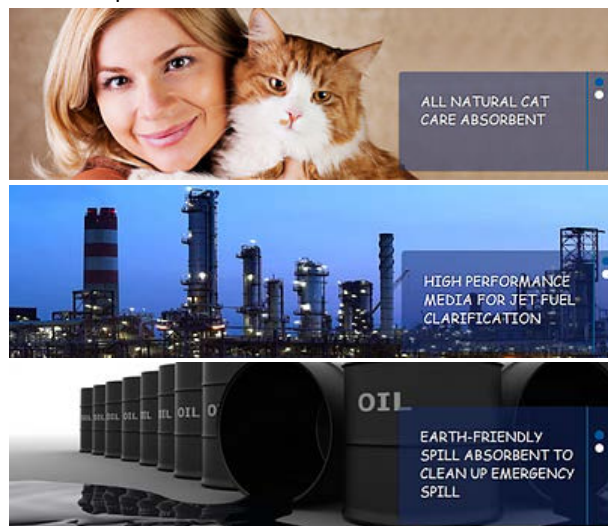
- 7% shareholding
- Attapulgit and Diatomite Mining Leases



RafflesCo owns 100% of Hudson Marketing Pty Ltd. HMPL operates a processing plant in Geraldton, Western Australia and supplies its products throughout Australia, New Zealand and Asia. Its processing facility in Geraldton is endowed with skilled operators and technical team. The processing plant is close to raw material source and transport.

HMPL is the largest Australian-owned manufacturer and marketer of Attapulgit (also known as "Fuller's Earth") products:

- Cat care
- Industrial
- Mining, automotive
- Agriculture
- Horticulture
- Oil purification
- Pharmaceutical applications.



HMPL owns and distributes leading all-natural cat litter brands such as Chandler®, Fussy Cat® and Cat's Choice® to leading supermarkets, pet stores and catteries.

It also owns and distributes spill absorbent, SpillFIXER® for industrial, mining and automotive use and customises specialty industrial products and solutions for applications which include:

- High-performance filtration media for jet fuel refining (Jetfix) and oil clarification (Clearfix)
- Carriers for crop nutrients and crop protectant products (Agrifix), and
- Pharmaceutical uses (Pharmfix)



RafflesCo is a substantial shareholder in Hudson Investment Group Ltd, an ASX-listed industrial and commercial property company which owns 44.5ha of land in Warnervale and has entered into an option to acquire Lot 3 as pictured below.

Hudson Investment Group Limited has an industrial property stand alone focus, with positive cashflow and capital growth potential.





Hudson Pacific Group Limited (HPG) principal assets are:

- Carpark located at 131 Macquarie Street
- Hudson House Naming Rights
- Investment in listed & unlisted companies

Hudson Car Park

The Hudson Car Park is located at 131 Macquarie Street Sydney and is held in trust for the benefit of HPG. The Car Park is managed by Secure Parking Pty Ltd (Secure). It has 111 parking spaces, with potential to increase this to 150 spaces.

Hudson House Naming Rights

Hudson Pacific Group Ltd owns the strata for the building naming rights for Hudson House and also the Hudson rooftop signage at head office at 131 Macquarie Street, Sydney, NSW. It includes ground floor signboard and rooftop signage space within the 17 storey commercial building known as 'Hudson House'.



Hudson Resources Limited is a formerly-Australian-listed company specialising in investments in mining assets and listed resource companies.

These investments were primarily originated by Hudson's own geological team through proprietary exploration work and in some cases farm-in mineralisation opportunities with other explorers by providing support through Hudson's core competencies of technical evaluation and Asia investor networking.

DIRECTORS' REPORT

Your Directors present their report together with the financial statements on the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of RafflesCo Limited (the **Company**) and the entities it controlled at the end of or during the year ended 31 December 2016.

Principal activities	The principal activities of the Group during the financial year were as follows: -strategic investment in listed and unlisted shares and business -process and distribute attapulgit based products
Consolidated results	Net profit for the year ended 31 December 2016 amounted to \$2.56 million compared to a loss of \$1.3 million in the previous year. Total Shareholders' Funds as at 31 December 2016 are \$5.76 million.
Review of operations	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 4-7 of this Annual Report.
Dividends	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.
Directors	The following persons were Directors of the Company during the year and up to the date of this report, unless otherwise state:

Vincent Tan	Executive Director
Luisa Tan	Non-Executive Director
Benjamin Amzalak	Non-Executive Director

Meetings of Directors

The number of meetings of the Company's Board of Directors held during the year ended 31 December 2016, and the numbers of meetings attended by each Director were:

Directors	Directors Meetings	
	Attended	Held Whilst in Office
Vincent Tan	9	9
Luisa Tan	9	9
Benjamin Amzalak	9	9

* The Remuneration and Audit Committees are composed of the entire board.

Information on directors & key management personnel**Directors****Vincent Tan****Executive Director - Appointed on 5 December 2014**

Experience and expertise	Vincent Tan is a chartered accountant and has over the past 35 years worked in a range of industries, including insurance, securities trading, finance and property. Mr Tan has held senior management positions in a number of public and non-government organisations and has broad experience in corporate structuring.
Other Current Directorships	None
Former Directorships in the Last 3 Years of Listed Companies	Executive Director of Raffles Capital Limited (ASX:RAF)
Special Responsibilities	None
Interests in Shares and Options	None

Luisa Tan**Non-Executive Director - Appointed 30 July 2015**

Experience and expertise	Ms Luisa Tan, B.Com/LLB, LLM has a broad experience in law, M&A, investment banking and corporate finance. She has previously worked at Macquarie Capital, Caliburn Partnership, JP Morgan and Deacons. She served as an independent Director of Hudson Resources Limited since June 2013 until 3 February 2015.
Other Current Directorships	None
Former Directorships in the Last Three Years of Listed Companies	Non-Executive Director of Hudson Resources Limited (ASX:HRS)
Special Responsibilities	None
Interests in Shares and Options	None

Benjamin Amzalak B. Com (Marketing & Finance)**Non-Executive Director - Appointed 5 December 2014**

Experience and expertise	Mr Amzalak has an extensive background in capital raising, investor relations and broking communications. He has been engaged in capital management, raising in excess of \$250 million in new venture capital for mining and other public companies. He provides advisory services to public companies in many areas including Initial Public Offerings and Mergers and Acquisitions.
Other Current Directorships	Non-Executive Director of Hudson Resources Limited Non- Executive Director of Raffles Capital Limited (ASX:RAF)
Former Directorships in the Last Three Years of Listed Companies	None
Special Responsibilities	None
Interests in Shares and Options	None

Officers**Henry Kinstlinger****Joint Company Secretary****Experience and expertise**

Henry Kinstlinger has, for the past thirty years, been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is currently the Company Secretary of Australian Bauxite Limited and Frontier Capital Group Limited and Joint Company Secretary of Hudson Investment Group Limited. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.

Gananatha Minithantri LLB (1st Hons)**Joint Company Secretary****Experience and expertise**

Gananatha Minithantri was appointed to the position of Company Secretary on 8 December 2016. He is also company secretary to other listed, public and private entities including Hudson Investment Group Limited and Hudson Resources Limited. Mr Minithantri has experience working in investment and start-up businesses in the professional development and corporate services sector. Mr Minithantri holds a 1st class Honours Bachelor of Laws degree from the University of Technology, Sydney.

Francis Choy MCom MBA FCPA (HK) FCPA CA**Chief Financial Officer****Experience and expertise**

Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financing, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

Julian Rockett**Joint Company Secretary**

Retired 2 December 2016

Likely developments

Information on likely developments in the operations of the Group, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the Group.

RISK MANAGEMENT

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Significant changes in nature of activities

Please refer to the Review of Operations section of this report for detail.

Matters Subsequent to Balance Date.

Other than the matters stated above, no matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in future financial years.

Loans to Directors and Key Management Personnel

There is no loan to director and key management personnel as at the reporting date.

Terms and conditions of loans

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

Directors' interests

Particulars of Interest in the Issued Capital of the Company's Ordinary Shares and Options at the date of signing the Directors' Report are:

Directors	Shares Direct Holding	Shares Indirect Holding	Options	Nature of Interest
Vincent Tan	-	-	-	
Luisa Tan	-	-	-	
Benjamin Amzalak	-	-	-	

Please refer note 16 for details.

Shares under option

There are no unissued ordinary shares of the Company under option at the date of this report.

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnification and insurance of Directors

The company has not, during or since the financial year, in respect of any person who is or has been an officer of the company or related entity:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agree to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 13.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2016	2015
	\$	\$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group		
Audit and review services	6,975	6,000
Taxation and other advisory services:		
Amounts paid or payable to auditors for non-audit taxation and advisory services for the entity or any entity in the Group		
Taxation	2,720	2,495
Advisory Services	-	-
	2,720	2,495

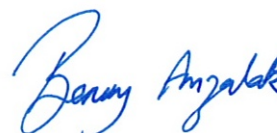
Auditor

K.S. Black & Co continues in office in accordance with Section 357 of the *Corporations Act 2001*.

This Director's Report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Vincent Tan
Director



Benjamin Amzalak
Director

7 April 2017
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016 there has been:

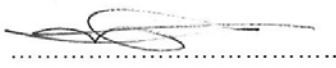
- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities is in respect of RafflesCo Limited and the entities it controlled during the period.

KS Black & Co
Chartered Accountants

Scott Bennison
Partner

Dated in Sydney on this 7th day of April 2017


.....
Scott Bennison
Partner

Phone 02 9839 3000
Fax 02 9839 3055



Liability limited by a
scheme approved
under Professional
Standards Legislation



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2016

	Notes	Consolidated 2016 \$	2015 \$
Revenue from continuing operations	4	4,568,792	1,433,379
Other income and expenses	4	4,377,812	(302,377)
Cost of providing the sales and services		(4,746,578)	(1,743,430)
Administration expenses	5	(1,139,502)	(456,346)
Finance expenses	5	(495,732)	(234,933)
Profit/(loss) before income tax		2,564,792	(1,303,707)
Income Tax expense	6	-	-
Profit/(loss) after tax for the year		2,564,792	(1,303,707)
Other Comprehensive Income			
Other comprehensive item	4	-	-
Tax expenses		-	-
Other comprehensive income after tax		-	-
Total comprehensive income		2,564,792	(1,303,707)
Non-Controlling Interest		-	-
Total Comprehensive Income/(loss) attributable to members of RafflesCo Limited		2,564,792	(1,303,707)
Earnings/(loss) per Share		Cents	Cents
Basic earnings/(loss) per share (cents)	18	10.38	(5.28)
Diluted earnings/(loss) per share (cents)	18	10.38	(5.28)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	Consolidated 2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	33,681	9,417
Trade and other receivables	8	747,906	1,146,344
Financial assets	9	4,411,775	773,956
Inventories	10	1,401,354	1,897,689
Other current assets		79,511	87,702
Total current assets		6,674,227	3,915,108
Non-current assets			
Trade and other receivables	8	-	-
Financial assets	9	2,097,288	4,893,094
Plant & equipment	11	2,038,587	1,807,428
Other non-current assets		-	-
Total non-current assets		4,135,875	6,700,522
Total Assets		10,810,102	10,615,630
LIABILITIES			
Current liabilities			
Trade and other payables	12	752,726	1,767,386
Financial liabilities	13	813,897	771,283
Provision	14	64,056	97,479
Total current liabilities		1,630,679	2,636,148
Non-current liabilities			
Trade and other payables	12	3,089,850	4,220,566
Financial liabilities	13	270,748	471,770
Provision	14	54,169	87,282
Total Non-current liabilities		3,414,767	4,779,618
Total Liabilities		5,045,446	7,415,766
Net Assets		5,764,656	3,199,864
EQUITY			
Issued Capital	15	4,422,699	4,422,699
Reserves		80,872	80,872
Accumulated losses		1,261,085	(1,303,707)
Total Equity		5,764,656	3,199,864

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2016

Consolidated	Notes	Issued Capital	Reserves	Accumulated Losses	Total Equity
		\$	\$	\$	\$
Balance at 1 Jan 2016	15	4,422,699	80,872	(1,303,707)	3,199,864
Profit/(loss) for the year		-	-	2,564,792	2,564,792
Business combination		-	-	-	-
Balance at 31 Dec 2016	15	4,422,699	80,872	1,261,085	5,764,656
Balance at 1 Jan 2015		4,422,699	-	-	4,422,699
Profit/(loss) for the year		-	-	(1,303,707)	(1,303,707)
Share issued		-	80,872	-	80,872
Balance at 31 Dec 2015	15	4,422,699	80,872	(1,303,707)	3,199,864

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2016

	Notes	Consolidated 2016 \$	2015 \$
Cash flows from operating activities			
Receipt from customers		4,056,935	1,419,879
Payments to suppliers and employees		(3,297,128)	(2,653,305)
Interest received		9,200	15
Interest paid		(62,646)	(9,943)
Net cash provided by/(used in) operating activities	23	706,361	(1,243,354)
Cash flows from investing activities			
Proceeds from sale of investment		6,157,801	229,175
Acquisition of Investment		(2,077,075)	(563,325)
Acquisition operating assets		(599,094)	(3,795,811)
(Advance to) / repayment from other parties		-	-
Advance from / (repayment to) other parties		(4,005,320)	4,139,678
Net cash (used in)/provided by investing activities		(523,688)	9,717
Cash flows from financing activities			
Shares issued - parent entity		-	-
Share issue cost - parent entity		-	-
Bank borrowing		58,011	1,243,054
Repayment-lease liabilities		(216,420)	-
Net cash (used in)/provided by financing activities		(158,409)	1,243,054
Net increase/(decrease) in cash and cash equivalents		24,264	9,417
Cash and cash equivalents at the beginning of financial period		9,417	-
Cash and cash equivalents at the end of financial period	7	33,681	9,417

The above statement should be read in conjunction with the accompanying note

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

1. CORPORATE INFORMATION

The consolidated financial statements and notes of RafflesCo Limited (the **Company**) for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors and covers the Company as an individual entity as well as the Consolidated Entity consisting of the Company and its subsidiaries as required by the *Corporations Act 2001*.

The consolidated financial statements and notes is presented in Australian currency.

The Company is a company limited by shares incorporated and domiciled in Australia.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncement of the Australian Accountancy Standards Board and the *Corporations Act 2001*.

Statement of compliance

Australian Accounting Standards ('**AASBs**') include Australian equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the financial report of RafflesCo Limited complies with International Financial Reporting Standards.

Critical accounting 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 financial impact on the entity and that are believed to be reasonable under the circumstances.

Details of critical accounting estimates and assumptions about the future made by management at reporting date are set out below:

- Impairment of assets
- The Company assess impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Critical judgements

Management has made the following judgements when applying the Group's accounting policies:

- Recognition of deferred tax assets
- In line with the Group's accounting policy (Note 2f) and as disclosed in Note 6, deferred tax assets have not been recognised.
- Measurement of financial assets
- If there is an active market for financial assets they have been fair valued in line with market prices, if not they are carried at cost.

Going Concern

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

Historical cost convention

These financial statements have been prepared under the historical cost convention except for where noted in these accounting policies.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

b. Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RafflesCo Limited ("the parent entity") as at reporting date and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of RafflesCo Limited.

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

d. Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale where applicable.

e. Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

Interest

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

f. Income tax

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

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

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

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

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

The Company and its wholly owned entities are part of a tax-consolidated group under Australian Taxation law. RafflesCo Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries. These amounts are recognised as current inter-company receivables or payables.

g. Goods and services tax (GST)

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

- where 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 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 Consolidated Statement of Financial Position.

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

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

h. Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than 6 months, net of bank overdrafts.

i. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

j. Impairment of assets

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

k. Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.) If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

(v) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the consolidated statement of Profit or Loss and Other Comprehensive Income.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

I. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Consolidated Statement of Financial Position date. The quoted market price used for financial assets held by entities in the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Entities in the Consolidated Entity use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to entities in the Consolidated Entity for similar financial instruments.

Fair Value Measurement

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly observable).

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

m. Property, plant and equipment

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is calculated using the straight line method, over their estimated useful lives, as follows:

- Plant and equipment 5 – 15 years
- Buildings 30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Statement of Profit or Loss and other Comprehensive Income.

n. Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually. Changes in fair values are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as part of other income.

o. Tenement exploration, valuation and development costs

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions are expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

p. Leases

Company as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, 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 charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

Company as lessor

Lease income from operating leases is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

q. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

r. Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Profit or Loss and other Comprehensive Income over the period of the loans and borrowings using the effective interest method.

s. Employee benefits

Wages and Salaries, and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within one year of Statement of Financial Position date are recognised in other liabilities in respect of employees' services rendered up to Statement of Financial Position date and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating personal sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

t. Contributed equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**u. Share-based payments**

Ownership-based remuneration is provided to employees via an employee share option plan. Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each Statement of Financial Position date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

v. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

w. New accounting standards for application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. There are no material adjustments from these standards and interpretations.

3. FINANCIAL RISK MANAGEMENT

a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function is to also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

	Consolidated	
	2016	2015
	\$	\$
Financial assets		
Current		
Cash and cash equivalents	33,681	9,417
Trade and other receivables	767,906	1,218,864
Financial assets	4,411,775	773,956
Non-Current		
Financial Assets	2,097,288	4,893,094
	7,310,650	6,895,331
Financial liabilities		
Current		
Trade and other payables	3,581,646	1,767,386
Financial liabilities	813,897	771,283
Non-Current		
Trade and other payable	260,930	4,220,566
Financial liabilities	270,748	471,770
	4,927,221	7,231,005

b. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group excluding the available for sale financial assets.

The maximum exposure to credit risk at balance date is the carrying amount of the financial assets, as summarised under note (a) above.

The maximum exposure to credit risk at balance date, all located in Australia, as summarised under note (a) above.

3. FINANCIAL RISK MANAGEMENT continued

c. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. Bank loans and payable are details below. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities. The company manages liquidity risk by monitoring forecast cash flow and maturity profiles of financial assets and liabilities to ensure adequate liquid funds are maintained.

Maturity analysis of financial assets

	Carrying Amount \$	Contractual Cash flows \$	< 6 mths \$	6- 12 mths \$	1-3 years \$	> 3 years \$
Consolidated 2016						
Current						
Cash and cash equivalent	33,681	33,681	33,681	-	-	-
Trade and other receivables	767,906	767,906	752,906	15,000	-	-
Financial assets	4,411,775	-	-	-	-	-
Non-current						
Financial assets	2,097,288	-	-	-	-	-
Total financial assets	7,310,650	801,587	786,587	15,000	-	-

Consolidated 2015

Current

Cash and cash equivalent	9,417	9,417	9,417	-	-	-
Trade and other receivables	1,218,864	1,140,864	1,140,864	-	-	-
Financial assets	773,956	-	-	-	-	-

Non-current

Financial assets	4,893,094	-	-	-	-	-
Total financial assets	6,895,331	1,150,281	1,150,281	-	-	-

Maturity analysis of financial liabilities

	Carrying Amount \$	Contractual Cash flows \$	< 6 mths \$	6- 12 mths \$	1-3 years \$	> 3 years \$
Consolidated 2016						
Current						
Trade and other payables	3,581,646	3,581,646	752,726	2,828,920	-	-
Financial liabilities	813,897	813,897	716,613	97,284	-	-
Non-current						
Trade and other payables	260,930	260,930	-	-	260,930	-
Financial liabilities	270,748	270,748	-	-	270,748	-
Total financial liabilities	4,927,221	4,927,221	1,469,339	2,926,204	531,678	-

Consolidated 2015

Current

Trade and other payables	1,767,386	1,767,386	801,233	966,153	-	-
Financial liabilities	771,283	771,283	666,300	104,983	-	-

Non-current

Trade and other payables	4,220,566	4,220,566	-	-	4,220,566	-
Financial liabilities	471,770	471,770	-	-	326,935	144,835
Total financial liabilities	7,231,005	7,231,005	1,467,533	1,071,136	4,547,501	144,835

3. FINANCIAL RISK MANAGEMENT continued

d. Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(i) Interest rate risk

The Group does not apply hedge accounting.

The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk.

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's short term deposits held.

Sensitivity Analysis

The following tables demonstrate the sensitivity to a reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Carry Amount AUD \$	+1% of AUD Interest Rate \$	-1% of AUD Interest Rate \$
Consolidated 2016			
Cash equivalents	33,681	337	(337)
Tax charge of 30%	-	(101)	101
After tax increase/(decrease)	<u>33,681</u>	<u>236</u>	<u>(236)</u>
Consolidated 2015			
Cash equivalents	9,417	94	(94)
Tax charge of 30%	-	(28)	28
After tax increase/(decrease)	<u>9,417</u>	<u>66</u>	<u>(66)</u>

(ii) Currency risk

The consolidated entity and parent entity were not exposed to foreign currency risk.

(iii) Other price risk

The Group takes advice from professional advisers as to when to sell shares quoted at market value.

	Carrying amount \$	+10% Profit & Loss \$	-10% Profit & Loss \$
Consolidated 2016			
Shares in other entities at fair value	6,509,063	650,906	(650,906)
Tax charge (30%)	-	(195,271)	195,271
After tax increase/(decrease)	<u>6,509,063</u>	<u>455,635</u>	<u>(455,635)</u>
Consolidated 2015			
Shares in other entities at fair value	5,667,050	566,705	(566,705)
Tax charge (30%)	-	(170,011)	170,011
After tax increase/(decrease)	<u>5,667,050</u>	<u>396,694</u>	<u>(396,694)</u>

3. FINANCIAL RISK MANAGEMENT continued

e. Capital risk Management

In managing its capital, the Group's primary objectives are to pay dividends and maintain liquidity. These objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives, or what is considered capital in the year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'Financial liabilities' and 'trade and other payables' as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated Statement of Financial Position (including minority interest) plus net debt.

It is the Group's policy to maintain its gearing ratio at a healthy and manageable level. The Group's gearing ratio at the Statement of Financial Position date is nil (2015: nil)

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

4. REVENUE

	Consolidated	
	2016	2015
	\$	\$
Revenue from continuing operations		
Fee income	79,002	13,500
Sales of minerals	4,489,790	1,419,879
	4,568,792	1,433,379
Other income and expenses		
Gain/(loss) on disposal of investment	(332,366)	(6,043,746)
Change in fair value of investment	4,255,076	5,734,967
Interest Income	9,200	15
Doubtful debt provision	78,000	(78,000)
Others	367,902	84,387
	4,377,812	(302,377)

5. EXPENSES

	Consolidated	
	2016	2015
	\$	\$
Profit/(loss) before income tax is arrived after (charging)/crediting the following specific expenses:		
Administration expenses		
Consulting fee	197,533	29,101
Director fee and other costs	180,000	165,000
Employee wages and on costs	384,806	66,056
Others	377,163	196,189
	1,139,502	456,346
Finance expenses		
Interest paid	108,330	90,931
Depreciation and amortisation	367,935	90,694
Others	19,467	53,308
	495,732	234,933

6. INCOME TAX

	Consolidated	
	2016	2015
	\$	\$
a. Income tax expense/(benefit)		
Current tax/(benefit)	-	-
Overprovision for income tax in prior years	-	-
Deferred tax expense	-	-
Total Income tax expenses	-	-
b. Numerical reconciliation of income tax expense to prima facie tax payable		
Deferred income tax (revenue) expense included in income tax expense comprises of:		
(Increase) in deferred tax assets	-	-
Increase in deferred tax liabilities	-	-
	-	-
Profit/(Loss)from continuing operations before income tax expense	2,564,788	(1,303,206)
Permanent differences		
Income tax expense/(benefit) calculated at 30% (2015:30%)	769,436	(391,112)
Temporary differences and tax losses not brought to account	(769,436)	391,112
	-	-
c. Unrecognised deferred tax assets and liabilities		
	Consolidated	
	2016	2015
	\$	\$
Deferred tax assets and liabilities have not been recognised in the balance sheet for the following items :		
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group		
Other deductible temporary differences	(4,399,612)	(5,550,266)
Deferred tax asset in respect of exploration activities not brought to account	-	-
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	-	-
	-	-
	(4,399,612)	(5,550,266)
Potential (benefit)/expense at 30% (2015: 30%)	(1,319,884)	(1,665,062)

6. INCOME TAX continued**d. Deferred tax asset**

	Consolidated	
	2016	2015
	\$	\$
Deferred tax asset comprises temporary differences attributable to:		
Accrued audit fees	-	-
Accrued directors fees	-	-
Accrued legal fees	-	-
Accrued accounting fees	-	-
Accrued superannuation	-	-
Sundry creditors	-	-
Unrealised foreign exchange losses	-	2,056,173
Other total deferred tax assets	757,619	-
Deferred tax asset not brought to	(757,619)	(2,056,173)
Net deferred tax asset	<u>-</u>	<u>-</u>
Deferred tax liability comprises temporary differences attributable to:		
Accrued interest income	-	-
Net deferred tax asset/(liability)	<u>-</u>	<u>-</u>

	Consolidated	
	2016	2015
	\$	\$
e. Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Amounts recognised directly in equity revaluations of land and buildings	-	-
Amounts recognised in profit and loss	-	-
Financial assets	<u>-</u>	<u>-</u>

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2016	2015
	\$	\$
Cash at bank and on hand	33,681	9,417
Deposits at bank- held on trust	-	-
	<u>33,681</u>	<u>9,417</u>
Weighted average interest rate	0.00%	0.00%

Interest risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 3.

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016	2015
	\$	\$
Current		
Receivable - trade	715,720	1,140,864
Receivable – GST	37,186	24,787
Receivable – advance to other parties	15,000	-
Receivable – related entity	-	78,000
Others	-	693
Provision for doubtful debt	(20,000)	(98,000)
	747,906	1,146,344
Non-Current		
Advances to controlled entities	-	-
	-	-

Further information relating to advances to controlled entities is set out in note 24.

a. Impaired receivables and receivables past due

None of the current or non-current receivables are impaired or past due but not impaired.

b. Other receivables*Receivables - GST*

These amounts relating to receivables for GST paid.

Receivable advance to other parties

The Company advanced a \$15,000 non-interest bearing full recourse unsecured loan to a consultant. No provision was made at reporting date.

Receivables – Related entity

The company transferred equity share investment from one related entity amounted \$78,000 during the year. The balance was settled by share transfer during the year.

Advances to controlled entities

The advances are non-interest bearing, no securities and with no fixed term of repayment.

c. Interest rate risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

d. Fair value and credit risk*Current trade and other receivables*

Due to the short term nature of these receivables their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Non-current trade and other receivables

The fair values and carrying values of non-current receivables are as follows:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Consolidated				
Advances to other entities	15,000	15,000	78,000	-

All non-current receivables are interest free and are repayable on demand. The fair value is approximately equivalent to the carrying value.

8. TRADE AND OTHER RECEIVABLES continued**e. Bad and doubtful debts**

There is no bad and doubtful receivables written down or written off during the year ended 31 December 2016. A provision for doubtful debt of \$20,000 (2015:\$98,000) was made as at reporting date.

9. FINANCIAL ASSETS

	Consolidated	
	2016	2015
	\$	\$
Current		
Listed equity share investment	4,411,775	773,956
	4,411,775	773,956
Non-Current		
Equity share investment	2,097,228	4,893,094
	2,097,228	4,893,094

Financial assets are recorded by marking to market value.

The fair value is approximately equivalent to market value.

10. INVENTORIES

	Consolidated	
	2016	2015
	\$	\$
Raw materials	1,096,015	1,324,015
Finished goods and consumables	305,339	573,674
	1,401,354	1,897,689

11. PLANT AND EQUIPMENT

	Consolidated	
	2016	2015
	\$	\$
Plant and equipment		
Plant and equipment - at cost	7,183,479	6,584,385
Accumulated depreciation	(5,773,910)	(5,495,058)
Total plant and equipment	1,409,569	1,089,327
Leased plant and equipment		
Leased plant and equipment – at cost	888,390	888,390
Accumulated depreciation	(259,372)	(170,289)
	629,018	718,101
Total property, plant and equipment	2,038,587	1,807,428

Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

11. PLANT AND EQUIPMENT CONTINUED

	Plant Equipment \$	Leased Plant Equipment \$	Total \$
2016			
Carrying amount at beginning at year	1,089,327	718,101	1,807,428
Additions	599,094	-	599,094
Depreciation	(278,852)	(89,083)	(367,935)
Carrying amount at end of year	1,409,569	629,018	2,038,589
2015			
Carrying amount at beginning at year			
Additions/transfer in	1,157,629	740,493	1,898,122
Depreciation	(68,302)	(22,392)	(90,694)
Carrying amount at end of year	1,089,327	718,101	1,807,428

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2016	2015
	\$	\$
Current		
Trade payables	337,781	1,500,426
Other payables and accruals	414,945	266,960
	752,726	1,767,386
Non-current		
Advance from related entities	3,089,850	4,220,566
	3,089,850	4,220,566

Please refer to note 24 for details.

13. FINANCIAL LIABILITIES

	Consolidated	
	2016	2015
	\$	\$
Current		
Secured		
Lease and hire purchase liabilities	194,568	209,966
Bank loans and overdrafts	619,329	561,317
Total current	813,897	771,283
Non-Current		
Secured		
Lease and hire purchase liabilities	270,748	471,770
Total non-current	270,748	471,770

Security for borrowings

Bank loan is secured by fixed and floating charges over assets of the Group, and by cross guarantees by and in between the parent entity and certain of its controlled entities.

Lease and hire purchase liabilities are effectively secured as the rights to the asset revert to the lessor in the event of default.

The loans are repayable in years ranging from 2017 to 2019. The rate of interest paid is a variable rate of 5.14%. The facilities are subject to an annual review.

13. FINANCIAL LIABILITIES continued**Assets pledged as security**

The carrying amounts of non-current assets pledged as security are:

	Consolidated	
	2016	2015
	\$	\$
Land and buildings	-	-
Plant and equipment	2,038,587	1,807,428
	2,038,587	1,807,428

The fair value of borrowings is equivalent to the carrying amounts of loans and lease and hire purchase liabilities.

Risk exposure

Information about the Group's exposure to interest rate changes is provided in Note 3.

14. PROVISION

	Consolidated	
	2016	2015
	\$	\$
Current		
Employee leave entitlement	64,056	97,479
Other	-	-
	64,056	97,479
Non-Current		
Employee leave entitlement	54,169	87,282
	54,169	87,282

15. CONTRIBUTED EQUITY

	Consolidated and Parent entity		Consolidated and Parent entity	
	2016 Shares	2015 Shares	2016 \$	2015 \$
Share capital issued	24,700,539	24,700,539	4,422,699	4,422,699

a. Movements in ordinary share capital during the year

Details	Consolidated and Parent entity		Consolidated and Parent entity	
	2016 Shares	2015 Shares	2016 \$	2015 \$
Opening Balance	24,700,539	24,700,539	4,422,699	4,422,699
Share placement	-	-	-	-
Closing Balance	24,700,539	24,700,539	4,422,699	4,422,699

b. Terms and conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

c. Options

There have been no options granted or issued over unissued shares.

d. Performance Options

No options were granted and issued during the year.

16. KEY MANAGEMENT PERSONNEL DISCLOSURE**a. Directors**

The following persons were Directors of the Company during the whole financial year unless otherwise stated:

Vincent Tan	Executive Director	Appointed 5 December 2014
Luisa Tan	Non-Executive Director	Appointed 30 July 2015
Benjamin Amzalak	Non-Executive Director	Appointed 5 December 2014

b. Other key management personnel

The following persons were other key management personnel of the Group during the financial year unless otherwise stated:

Henry Kinstlinger	Company Secretary
Francis Choy	Chief Financial Officer
Venkata Kambala	Sales Executive
Garry Ovens	WA State Manager
Julian Rockett	Joint Company Secretary Retired 2 December 2016

16. KEY MANAGEMENT PERSONNEL DISCLOSURE continued**c. Directors and key management personnel compensation**

The company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has detailed disclosed in the Directors' report.

Details of remuneration

Details of the remuneration of each Director of the Company and its subsidiaries are set out in the following tables. All elements of remuneration are not directly related to performance.

	Short term benefits		Post-employment benefits	Long term benefits	Share based payments	Total
	Cash salary and fees	Non-monetary benefits	Super-annuation	Long Service Leave		
Consolidated 2016	\$	\$	\$	\$	\$	\$
Directors						
Vincent Tan	180,000	-	-	-	-	180,000
Luisa Tan	-	-	-	-	-	-
Benjamin Amzalak	-	-	-	-	-	-
Directors - Total	180,000	-	-	-	-	180,000
Other KMP						
Julian Rockett	3,750	-	-	-	-	3,750
Henry Kinstlinger	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-
Venkata Kambala	120,000	-	11,400	1,836	-	133,236
Garry Ovens	22,017	-	2,092	406	-	24,515
KMP - Total	145,767	-	13,492	2,242	-	161,501
Consolidated 2015	\$	\$	\$	\$	\$	\$
Directors						
Vincent Tan	165,000	-	-	-	-	165,000
Luisa Tan	-	-	-	-	-	-
Benjamin Amzalak	-	-	-	-	-	-
Tan Sri Ibrahim Menudin	-	-	-	-	-	-
Directors - Total	165,000	-	-	-	-	165,000
Other KMP						
Julian Rockett	15,000	-	-	-	-	15,000
Henry Kinstlinger	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-
KMP - Total	15,000	-	-	-	-	15,000

The amounts reported represent the total remuneration paid by entities in the RafflesCo Group of companies in relation to managing the affairs of all the entities within the RafflesCo Group.

There are no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

16. KEY MANAGEMENT PERSONNEL DISCLOSURE continued**d. Equity instrument disclosures relating to director and key management personnel***(i) Share holdings*

The numbers of shares in the company held during the financial year by each Director of the Company are set out below. There were no shares granted during the reporting period as remuneration.

	Balance at the start of the year	Acquired during the year	Other changes during the year	Balance at the end of the year
Directors of RafflesCo Limited 2016				
Ordinary shares - Direct Interest				
Vincent Tan	-	-	-	-
Luisa Tan	-	-	-	-
Benjamin Amzalak	-	-	-	-
Ordinary shares - Indirect Interest				
Vincent Tan	-	-	-	-
Luisa Tan	-	-	-	-
Benjamin Amzalak	-	-	-	-
Directors of RafflesCo Limited 2015				
Ordinary shares - Direct Interest				
Vincent Tan	-	-	-	-
Luisa Tan	-	-	-	-
Benjamin Amzalak	-	-	-	-
Ordinary shares - Indirect Interest				
Vincent Tan	-	-	-	-
Luisa Tan	-	-	-	-
Benjamin Amzalak	-	-	-	-

e. Loans to key management personnel

There is no loan to director and key management personnel as at reporting date.

Terms and conditions of loans

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

f. Other transactions with key management personnel

There have been no other transactions with key management personnel during the reporting period.

17. REMUNERATION OF AUDITORS

During the year the following fees were paid and payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2016	2015
	\$	\$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group		
Audit and review services	<u>6,975</u>	6,000
	<u>6,975</u>	<u>6,000</u>
Taxation and other advisory services:		
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.		
Taxation	2,720	2,495
Other advisory services	-	-
	<u>2,720</u>	<u>2,495</u>

18. EARNINGS/(LOSS) PER SHARE

	Consolidated 2016	2015
	Cents	Cents
Basic earnings/(loss) per share	10.38	(5.28)
Diluted earnings/(loss) per share	10.38	(5.28)
Reconciliations of earnings used in calculating earnings per share		

	Consolidated 2016	2015
	\$	\$
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share and diluted earnings per share	<u>2,564,792</u>	<u>(1,303,707)</u>

Earnings used to calculate basic earnings per share are equal to net profit / (losses), therefore no reconciliation is required.

	Consolidated 2016	2015
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	24,700,539	24,700,539
Adjustments for calculation of diluted earnings per share:		
Options issued	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>24,700,539</u>	<u>24,700,539</u>

19. INVESTMENT IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

Name of entity	Class of Shares	Equity holding		Country of incorporation
		2016 %	2015 %	
Raffles Litigation Funding Pty Limited	Ordinary	100	100	Australia
Raffles Corporate Services Pty Ltd	Ordinary	100	100	Australia
Hudson Marketing Pty Ltd	Ordinary	100	100	Australia
Raffles Nominees Pty Ltd*	Ordinary	100	100	Australia

The proportion of ownership interest is equal to the proportion of voting power held.

*Acquisition in providing nominee services.

Parent Entity Financial Information

a. Summary financial information

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

	Parent Entity	
	2016 \$	2015 \$
Balance Sheet		
Current assets	1,850,188	807,045
Total assets	8,324,848	5,963,631
Current liabilities	74,043	967,563
Total liabilities	1,035,431	2,533,759
Shareholder's equity		
Issued Capital	4,422,699	4,422,699
Reserves	-	-
Retained Profit/(Accumulated losses)	2,866,718	(992,827)
Profit and Loss		
Profit/(Loss) for the year	3,859,545	(992,827)
Total comprehensive profit/(loss)	3,859,545	(992,827)

b. Guarantees entered into by the parent entity

RafflesCo Limited has not provided guarantees to some of the subsidiaries within the Group. No liability was recognised by RafflesCo Limited in relation to these guarantees as the likelihood of payment is not probable.

c. Contingent liabilities of the parent entity

Refer to note 21.

d. Contractual commitments by the parent entity for the acquisition of property, plant and equipment.

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment.

20. COMMITMENTS

	Consolidated	
	2016	2015
	\$	\$
Remuneration commitments		
Salary and other remuneration commitments under long-term employment contracts existing at reporting date not recognised as liabilities		
Within one year	180,000	180,000
Later than one year but not later than 5 years	720,000	720,000
Later than 5 years	-	-
	900,000	900,000

Executive Service Agreement

During the year, there were no new service agreements formalising the terms of remuneration of Directors. At the date of this report there is one Service Agreements in place with Mr Vincent Tan formalising the terms of remuneration of Director. The agreement has no specific term and may be terminated by either party upon reasonable notice. The Company may terminate the agreement in the event of serious misconduct by either party without any compensatory payment.

Corporate Services Agreement

The Company has entered into a Corporate Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative accounting and secretarial services.

The term of the Corporate Services Agreement has no fixed expiry term and the fee payable is that amount agreed between the parties from time to time. The terms of the Corporate Service Agreement provide that Hudson Corporate Limited shall act in accordance with the directions of the Board.

There are no other material commitments as at the date of this report.

21. CONTINGENCIES**Contingent assets and liabilities**

The parent entity and Group had no material contingent assets and liabilities at the reporting date.

Guarantees

No material losses are anticipated in respect of any of the above contingent liabilities.

No deficiency of assets exists in the consolidated entity as a whole.

22. EVENTS OCCURRING AFTER BALANCE SHEET DATE

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2016 that have significantly affected or may significantly affect:

- The operations, financial years subsequent to 31 December 2016 of the Group:
- The results of those operations; or
- The state of affairs, in financial years subsequent to 31 December 2016 of the Group.

23. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2016	2015
	\$	\$
Profit/(loss) after income tax expense	2,564,792	(1,303,707)
Gain/(loss) on disposal of investment	332,366	6,043,746
Change in fair value of investment	(4,255,076)	(5,734,967)
Provision for doubtful debt reversed	(78,000)	-
Change in operating assets and liabilities		
(Increase)/decrease in receivables	511,856	(1,928,108)
(Increase)/decrease in other receivable	(183,839)	(87,702)
Increase /(decrease) in payable	1,993,294	1,767,384
Increase /(decrease) in other payable	(179,032)	-
(Increase)/decrease in deferred tax assets	-	-
Increase /(decrease) in deferred tax liabilities	-	-
Net cash provided by/(used in) operating activities	706,361	(1,243,354)

24. RELATED PARTY DISCLOSURES**a. Parent entities**

The parent entity within the Group is RafflesCo Limited.

b. Subsidiaries

Interests in subsidiaries are set out in note 19.

c. Key management personnel

Disclosures relating to key management personnel are set out in note 16.

d. Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2016	2015
	\$	\$
Interest Expense		
— Related entities	45,864	80,988
Corporate services fee received		
— From Hudson Resources Limited	30,000	64,408
Corporate services fee paid		
— Paid to Hudson Corporate Limited	210,000	295,000
Rental Expenses		
— Paid to Hudson Minerals Limited	208,850	297,650
— Paid to Hudson Pacific Group Limited	48,000	60,000
Purchase of Goods		
— From Hudson Resources Limited	247,276	325,780

Hudson Corporate Limited (**HCL**) is a wholly owned subsidiary of Hudson Pacific Group Ltd.

Hudson Mineral Limited is wholly owned subsidiary of Hudson Resources Limited.

24. RELATED PARTY DISCLOSURES continued

- **Interest Expenses**

The Company paid interest \$45,684 (2015: \$80,988) to Hudson Corporate Limited and Hudson Resources Limited on fund advanced.

- **Corporate services**

The company received a corporate services fee from Hudson Resources Limited of \$30,000 (2015: \$64,408) as payment of recoveries for office administration and running expenses incurred Geraldton office.

The Company paid corporate services fee \$210,000 (2015:\$295,000) to HCL as payment of sharing rent, administration, accounting, secretarial and compliance cost incurred by HCL on behalf of the group.

- **Rental expenses**

Consolidated group only

Group incurred rental expenses of \$208,850 (2015: \$297,650) payable to Hudson Minerals Limited (HML) for leasing the Geraldton property.

Group incurred rental expenses of \$48,000 (2015:\$60,000) payable to Hudson Pacific Group Limited for sharing the office running costs.

- **Purchase of goods**

Consolidated group only

Hudson Marketing Pty Limited (HMPL), purchased goods from Hudson Resources Limited (HRL) incurring expenses of \$247,276 (2015: \$325,780).

e. Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2016	2015
	\$	\$
Current		
Receivable from related entities	-	78,000
Non-Current		
Receivables controlled entities	-	-
Non-Current		
Payable controlled entities	-	-
Advance from related entities	3,089,849	4,220,566

Receivables – Related entity

The company transferred equity share investment to one related entity amounted \$78,000 during the year. The balance was settled during the year.

Advance from related entities

The company borrowed an interest bearing secured advance from HCL \$138,085 (2015:\$ 1,498,440) and another interest bearing unsecured advance from Hudson Resources Limited of \$72,844 (2015: \$67,756). Advance from HCL was secured by shares.

The controlled entity, Raffles Nominees Pty Ltd, borrowed one non-interest bearing unsecured advance from Hudson Resources Ltd \$2,828,920 (2015:1,828,920).

The controlled entity, Hudson Marketing Pty Ltd, borrowed one non-interest bearing unsecured advance from HCL \$50,000 (2015: \$2,654,370).

Advance to / advance from controlled entities are non-interest bearing, no securities and no

fixed term on repayment.

25. SEGMENT NOTE

The Consolidated entity primary reporting format is business segments and its secondary reporting format is geographical segments.

Business segments

The Consolidated entity is organised into the following divisions by product and service type.

Investment services

Equity investment in listed entities and providing corporate finance services.

Marketing and processing of minerals

Processing and distribution of attapulgite, (also known as Fuller's Earth) which is an industrial clay material used in the domestic and industrial absorbent, industrial oil refining, agricultural and horticultural industries. In addition, it is involved in the exploration and development of coal mining leases.

Geographical segments

All business segments operate principally within Australia.

Accounting policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

26. OPERATING SEGMENTS**Primary reporting – business segments**

	Investment Services	Marketing and processing of minerals	Intersegment eliminations/ unallocated	Consolidated
	\$	\$	\$	\$
2016				
Sales to external customers	37,363	4,531,429	-	4,568,792
Intersegment sales	-	-	-	-
Total sales revenue	37,363	4,531,429	-	4,568,792
Other revenue	-	-	-	-
Total segment revenue	37,363	4,531,429	-	4,568,792

Segment result

Profit/(loss) before income tax expense	3,538,393	(973,601)	-	2,564,792
Income tax	-	-	-	-
Net profit/(loss)	3,538,393	(973,601)	-	2,564,792
Segment assets	10,947,128	4,747,901	(4,884,927)	10,810,102
Segment liabilities	3,997,579	1,688,400	(640,533)	5,045,446
Acquisition of non-current assets	17,333	599,094	-	616,427
Depreciation and amortisation expense	-	367,935	-	367,935

2015

Sales to external customers	13,500	1,419,879	-	1,433,379
Intersegment sales	-	-	-	-
Total sales revenue	13,500	1,419,879	-	1,433,379
Other revenue	-	-	-	-
Total segment revenue	13,500	1,419,879	-	1,433,379

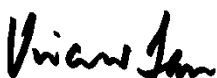
Segment result

Profit/(loss) before income tax expense	(1,012,645)	(291,062)	-	(1,303,707)
Income tax expense	-	-	-	-
Net profit/(loss)	(1,012,645)	(291,062)	-	(1,303,707)
Segment assets	5,964,214	4,915,108	263,692	10,615,630
Segment liabilities	2,553,059	4,882,006	(19,300)	7,415,765
Acquisition of non current assets	-	35,485	-	35,485
Depreciation and amortisation expense	-	90,694	-	90,694

DIRECTORS' DECLARATION

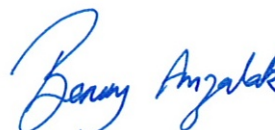
The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flow, Consolidated Statement of Changes In Equity, accompanying notes, are in accordance with the *Corporation Act 2001* and:
 - comply with Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date of the company and the Consolidated Entity.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer of the corporation required by Section 295A of the *Corporations Act 2001*.
4. This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Vincent Tan
Director

7 April 2017
Sydney



Benjamin Amzalak
Director

INDEPENDENT AUDITOR'S REPORT

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SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

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INDEPENDENT AUDITOR'S AUDIT REPORT

To the Members of RafflesCo Limited

Opinion

We have audited the financial report of Raffles Co Limited (the company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001*.

Basis of opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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Liability limited by a
scheme approved
under Professional
Standards Legislation



Independent Auditor's Report continued

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors 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 presentation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial report

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

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A further description of our representation of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

KS Black & Co
Chartered Accountants



Scott Bennison
Partner
Dated: 24 April 2017
Sydney

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