GRAFTON FRIENDLIES INVESTMENTS LIMITED
ABN 42 000 007 125

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Your directors present their report on the company for the financial year ended 30 June 2017.

Principal Activities

The principal activities of the company is that of an investment company.

Directors Information

Directors

The names of the directors in office at any time during, or since the end of, the year and the period that each director has been in office:

Directors Name	Special Responsibilities	Period as Director	Qualifications and Experience
Neville James Gilbert	Chairman	Appointed 16 April 1997	Retired Farm Manager
Glynn Denis Bodimeade	Director Company Secretary	Appointed 20 October 2010	Retired Pharmacist
John Bede Gorrie	Director	Appointed 21 July 2004	Retired Businessman
Kathryn Frances Stewart	Director	Appointed 15 February 2006	Pharmacy Administrator
Peter Terence Smyth	Director	Appointed 15 December 2010	Company Director

The following is a list of particulars of directors' interest in shares (either direct or indirect) of the Company:-

Neville James Gilbert	115	(Jointly Held)
John Bede Gorrie	200	(Jointly Held)
Glynn Denis Bodimeade	27	
Kathryn Frances Stewart	30	(Jointly Held)
Peter Terence Smyth	200	(Jointly Held)

There has been no interests declared by the directors in a contract or proposed contract with the company.

Company Secretary

Glynn Bodimeade has held the role of Company Secretary since November 2010. Prior to his appointment to the Board, Glynn was a registered Pharmacist.

Meetings of Directors

During the financial year, 11 meetings of directors (including committees of directors) were held and the attendances by each director during the year were as follows:

	Directors' Meetings	
	Eligible to attend	Number attended
Neville James Gilbert	11	10
Glynn Denis Bodimeade	11	10
John Bede Gorrie	11	9
Kathryn Frances Stewart	11	8
Peter Terence Smyth	11	11

Operating Results

The profit of the company for the 2017 financial year, after providing for income tax, amounted to $105,125 (2016: 77,112). The profit in 2017 is attributed to the partial write back of the impairment on loan receivables of $51,126 (2016: $33,213), given improved performance of the borrower. Additionally, share sales during the year resulted in a net gain. Total comprehensive income for the financial year was $159,185 (2016: $38,912).

Dividends Paid or Recommended

The following dividends were paid or recommended for payment:

A dividend of $7 (2016: $7) per share amounting to $28,693 (2016: $28,693) was paid during the year as recommended in last year's report.

A dividend of $9 per share is recommended for payment out of the profits for the year ended 30 June 2017.

Review of Operations

The results of the operations of the company during the financial year are summarised as follows:

Financial Performance	2017 $	2016 $
Revenue	207,434	227,899
Expenses	(51,244)	(124,116)
Operating loss before income tax expense	156,190	103,783
Income tax expense	(51,065)	(26,671)
Profit/(Loss) from operations	105,125	77,112

Financial Position

The net equity of the company has increased by $130,492 from $2,448,201 as at 30 June 2016 to $2,578,693 as at 30 June 2017.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the company during the financial year.

Events after the Reporting Period

Following the end of the reporting period the company purchased a commercial property in Prince Street, Grafton for $720,000 plus stamp duty and costs. The purchase was funded by a five-year principal and interest loan of $350,000 with the remainder being funded from cash flows.

There were no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

No Options or Shares

The company did not have any shares or options at that date of this report.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Emoluments or Entitlements of Directors

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or a related body corporate with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full time employee of the company, controlled entity or related body corporate.

Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditors' Independence Declaration

As required under section 307C of the Corporations Act 2001, a copy of the auditor's independence declaration for the year ended 30 June 2017 has been received and can be found attached to this report.

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

Neville James Gilbert	Glynn Denis Bodimeade
Chairman	Director / Company Secretary

Dated: 18 October 2017

Crowe Horwath Central North
ABN 91 680 058 554
Member Crowe Horwath International

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AUDITORS' INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATION ACT 2001
TO THE DIRECTORS OF
GRAFTON FRIENDLIES INVESTMENTS LIMITED

ABN 42 000 007 125

I declare that, to the best of my knowledge and belief, during the financial year to 30 June 2017 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.

Crowe Horwath Central North

CROWE HORWATH CENTRAL NORTH

Kylie Ellis

Kylie Ellis
Audit Partner
Registered Company Auditor (ASIC RAN 483424)
24 Queen Street
GRAFTON NSW 2460

Dated: 3 November 2017

Crowe Horwath Central North is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	**2017 $**	2016 $
Revenue	3	**207,434**	227,899
Administration expenses		**(46,137)**	(47,689)
Depreciation and amortisation	4	**(14,398)**	(14,720)
Financial assistance		**(802)**	(17,250)
Investment expenses		**(37,011)**	(39,062)
Impairment reversal/(expense)		**51,126**	33,213
Loss on sale of shares	4	**(4,022)**	(38,608)
Profit before income tax expense		**156,190**	103,783
Income tax (expense)/revenue	1(b); 5(a)	**(51,065)**	(26,671)
Profit after income tax expense attributable to the members		**105,125**	77,112
Other comprehensive income			
Gain/(Loss) on the revaluation of available-for-sale financial assets, net of tax		**54,060**	(38,200)
Other comprehensive income for the year, net of tax		**54,060**	(38,200)
Total comprehensive income for the year attributable to the members		**$ 159,185**	$ 38,912

The accompanying notes form part of these financial statements.

GRAFTON FRIENDLIES INVESTMENTS LIMITED
ABN 42 000 007 125

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**301,861**	105,397
Other current assets	8	**14,827**	16,904
Financial assets	9	**1,293,885**	1,126,333
Current tax assets	13	**-**	12,207
TOTAL CURRENT ASSETS		**1,610,573**	1,260,841
NON CURRENT ASSETS			
Financial assets	9	**368,537**	506,938
Property, plant and equipment	10	**3,205**	3,483
Investment property	11	**654,283**	668,403
Deferred tax assets	13	**20,666**	75,035
TOTAL NON CURRENT ASSETS		**1,046,691**	1,253,859
TOTAL ASSETS		**2,657,264**	2,514,700
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**73,002**	66,499
Current tax liabilities	13	**5,569**	-
TOTAL CURRENT LIABILITIES		**78,571**	66,499
TOTAL LIABILITIES		**78,571**	66,499
NET ASSETS		**$ 2,578,693**	$ 2,448,201
EQUITY			
Contributed equity	14	**2,047**	2,047
Reserves	15	**971,142**	917,082
Retained earnings		**1,605,504**	1,529,072
TOTAL EQUITY		**$ 2,578,693**	$ 2,448,201

The accompanying notes form part of these financial statements.

GRAFTON FRIENDLIES INVESTMENTS LIMITED
ABN 42 000 007 125

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Contributed Equity $	Reserves $	Retained earnings $	Total $
Balance at 1 July 2015		2,047	955,282	1,480,653	2,437,982
Profit after income tax expense attributable to the members		-	-	77,112	77,112
Other comprehensive income		-	(53,426)	-	(53,426)
Deferred tax adjustment	15	-	15,226	-	15,226
Transactions with owners:					
Dividends paid or declared	6	-	-	(28,693)	(28,693)
Balance at 30 June 2016		$ 2,047	$ 917,082	$ 1,529,072	$ 2,448,201
Profit after income tax expense attributable to the members		-	-	105,125	105,125
Other comprehensive income		-	74,566	-	74,566
Deferred tax adjustment	15	-	(20,506)	-	(20,506)
Transactions with owners:					
Dividends paid or declared	6	-	-	(28,693)	(28,693)
Balance at 30 June 2017		$ 2,047	$ 971,142	$ 1,605,504	$ 2,578,693

The accompanying notes form part of these financial statements.

GRAFTON FRIENDLIES INVESTMENTS LIMITED
ABN 42 000 007 125

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**166,796**	160,729
Payments to suppliers and employees		**(84,450)**	(123,131)
Income tax paid	1(b)	**21,080**	(28,397)
Net cash provided by operating activities	16 (b)	**103,426**	9,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investments		**(645,756)**	(461,149)
Proceeds from investments		**781,532**	574,982
Net cash provided by/(used in) investing activities		**135,776**	113,833
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(42,738)**	(62,779)
Net cash used in financing activities		**(42,738)**	(62,779)
Net increase/(decrease) in cash held		**196,464**	60,255
Cash at the beginning of the financial year		**105,397**	45,142
Cash at the end of the financial year	16 (a)	**$ 301,861**	$ 105,397

The financial report covers the Grafton Friendlies Investments Limited as an individual entity. Grafton Friendlies Investments Limited is a public company limited by shares, incorporated and domiciled in Australia.

The financial reports were authorised for issue by the directors on 18 October 2017.

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities.

These financial statements have been prepared under the historical cost convention, except for, where applicable the revaluation of available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the financial statements, are disclosed at Note 1(k).

Accounting Policies

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

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvements in those goods.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Rental revenue is recognised monthly based upon lease agreements.

Dividend revenue is recognised when the right to received a divided has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowable items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchange or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled with 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Financial Instruments

Initial recognition and 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 the date that the company commits itself to either purchase or sell 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 as 'fair value through profit and loss' in which case transactions costs are expensed to the statement of profit or loss and other comprehensive income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate 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:

- the amount at which the financial asset or financial liability is measured at initial recognition;

- less principal repayments;

- 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 rate method;

- less any reduction for impairment.

The effective interest rate 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 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 the statement of profit or loss and other comprehensive income.

(i) Financial assets at fair value through profit and loss.

Financial assets are classified as 'fair value through profit and loss' when they are 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 the 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 the end of the reporting period, which will be 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 company's intention to held these investment 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 the end of the reporting period, which will be classified as current assets.

If during the period the company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be 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 capable of being classified into other categories of financial asserts 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 not fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets except for those which are expected to be disposed with 12 months after the end of the reporting period, which will be 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.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire 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 expire. 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 the statement of profit or loss and other comprehensive income.

(f) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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

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

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	11.25 - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. The company has elected to measure investment properties at cost subsequent to acquisition.

Investment properties are depreciated on a straight line basis with an expected useful life of 40 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(h) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the receivable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

(i) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of loans and receivables

The company assesses loans and receivables annually to determine whether there are indicators present that the loan or receivable may be impaired. Where an impairment trigger exists, the recoverable amount of the asset is determined. The directors had previously identified an impairment on the loan receivable to Grafton Friendlies Chemist Limited as a result of the financial performance of that company, which has been largely impacted by changes to the government dispensing rebates. The directors estimated the net realisable assets of the borrower at 30 June 2017, being $198,153 less than the value of the loan as at that date.

Note 2: New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

There were no new standards this year that had a significant impact on the company. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

	2017 $	2016 $
Note 3: Revenue		
Operating activities:		
Dividends received	**46,061**	40,782
Interest received	**21,870**	24,122
Profit on sale of share	**49,718**	75,211
Rent received from investment property	**89,695**	87,689
Other income	**90**	95
Total revenue	**$ 207,434**	$ 227,899
Dividends received from:		
- listed companies	**46,061**	40,782
	$ 46,061	$ 40,782
Interest received from:		
- financial institutions	**13,710**	12,589
- other companies	**8,160**	11,533
	$ 21,870	$ 24,122

Note 4: Profit from Ordinary Activities

	2017 $	2016 $
(a) Significant expenses		
Clerical fees	**12,108**	11,766
Depreciation	**14,398**	14,720
Directors honorariums	**15,300**	15,300
Insurance on investment property	**6,165**	5,963
Impairment (reversal)/expense	**(51,126)**	(33,213)
Management fees on investments	**13,313**	21,113
Rates on investment property	**4,683**	4,513
Repairs and maintenance on investment property	**12,798**	7,275
Loss on sale of shares	**4,022**	38,608
(b) Remuneration of auditor		
- audit of the company	**7,500**	7,100
	$ 7,500	$ 7,100

	2017 $	2016 $
Note 5: Income Tax Expense		
(a) The components of tax expense comprise:		
Current tax	**641**	692
Deferred tax	**50,424**	25,979
	$ 51,065	$ 26,671
(b) The prima facie tax on profit from ordinary activities before income tax expense is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2016: 28.5%)	**37,443**	14,352
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation of buildings	**129**	137
Entertainment expenses	**388**	555
Tax losses utilised	**13,105**	11,627
Income tax (revenue)/expense	**$ 51,065**	$ 26,671

(c) The company has carried forward capital losses of $10,878 as at 30 June 2017 (2016: $56,574), which is not captured in these financial statements.

Note 6: Dividends

	2017 $	2016 $
Dividends paid or declared		
Fully Franked Dividend of $7 per share (2016: $7 per share)	**$ 28,693**	$ 28,693
Balance of Franking account at year end	**$ 673,990**	$ 682,509

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date.
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Note 7: Cash and Cash Equivalents

	2017 $	2016 $
Cash at bank	**301,861**	105,397
	$ 301,861	$ 105,397

Note 8: Other Assets

	2017 $	2016 $
CURRENT		
Accrued income	**7,188**	7,096
Prepayments	**7,639**	9,808
	$ 14,827	$ 16,904

	2017 $	2016 $
Note 9: Financial assets		
Available-for-sale financial assets	**853,427**	651,256
Held-to-maturity financial assets	**506,159**	690,767
Loans to other entities	**302,836**	291,248
	1,662,422	1,633,271
Less: Non-current portion:		
Held-to-maturity financial assets	**101,701**	251,690
Loans to other entities	**266,836**	255,248
Total Non-current portion	**368,537**	506,938
Current portion	**$ 1,293,885**	$ 1,126,333
(a) Available-for-sale financial assets comprise:		
- shares in listed corporations, at fair value	**$ 853,427**	$ 651,256

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

	2017 $	2016 $
Opening fair value	**651,256**	585,076
Additions	**440,532**	416,988
Disposals	**(358,326)**	(326,852)
Revaluation	**119,965**	(23,956)
Closing fair value	**$ 853,427**	$ 651,256

Available-for-sale assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these assets.

(b) Held-to-maturity financial assets comprise:

	2017 $	2016 $
- fixed interest securities	**$ 506,159**	$ 690,767

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

	2017 $	2016 $
Opening fair value	**690,767**	766,021
Additions	**205,224**	44,161
Disposals	**(392,526)**	(120,680)
Revaluation	**2,694**	1,265
Closing fair value	**$ 506,159**	$ 690,767

Held-to-maturity assets comprise term deposits held with financial institutions. There are fixed rate returns upon maturity of these assets.

(c) Loans to other entities financial assets comprise:

	2017 $	2016 $
Loans receivable	**500,989**	540,527
Less: Provision for impairment	**(198,153)**	(249,279)
	$ 302,836	$ 291,248

Loans to other entities comprise a loan to Grafton Friendlies Chemist Limited. The loan agreement provides for interest and principal repayments over a term of 20 years. This loan is subject to annual impairment testing. The directors adjust the loan receivable balance to the estimated net realisable assets value of the borrower at each reporting date. The next impairment test will be undertaken on 30 June 2018.

	2017 $	2016 $
Note 10: Property, Plant & Equipment		
Plant and Equipment (at cost)		
Plant and equipment	**56,578**	56,578
Less: Accumulated depreciation	**(53,373)**	(53,095)
Total Property, Plant and Equipment	**$ 3,205**	$ 3,483
(a) Movements in Carrying Amounts		
Balance at the beginning of the year	**3,483**	3,799
Additions	**-**	-
Disposals	**-**	-
Depreciation expense	**(278)**	(316)
Carrying amount at the end of the year	**$ 3,205**	$ 3,483
(b) No impairment has been recognised in respect of plant & equipment.		
Note 11: Investment property		
Investment property (at cost)	**713,577**	713,577
Capital improvements	**117,522**	117,522
Less: Accumulated depreciation	**(176,816)**	(162,696)
Total Land and Buildings	**$ 654,283**	$ 668,403
(a) Movements in carrying amounts		
Balance at the beginning of the year	**668,403**	682,807
Additions	**-**	-
Disposals	**-**	-
Depreciation expense	**(14,120)**	(14,404)
Carrying amount at the end of the year	**$ 654,283**	$ 668,403
Note 12: Trade and other payables		
CURRENT		
Trade creditors	**48**	4,526
Other creditors	**66,529**	41,503
Unclaimed dividends	**6,425**	20,470
	$ 73,002	$ 66,499

	Note	2017 $	2016 $
Note 13: Tax assets and liabilities			
(a) Liabilities			
CURRENT			
Income tax		**$ 5,569**	$ -
(b) Assets			
CURRENT			
Income tax		**$ -**	$ 12,207
NON-CURRENT			
Deferred tax asset		**$ 20,666**	$ 75,035

(c) Movements in Deferred Tax Assets and Liabilities

Deferred tax asset/(liability)	Opening Balance $	Charged Directly to Income Statement $	Charged Directly to Equity $	Changes in Tax Rate $	Closing Balance $
Available-for-sale financial assets	(37,473)	-	18,383	954	(18,136)
Impairment loss on loans	84,748	(9,097)	-	(3,783)	71,868
Property, plant and equipment	3,502	4,416	-	(396)	7,522
Accrued income	(4,541)	2,412	-	107	(2,022)
Prepayments	(1,092)	(1,850)	-	147	(2,795)
Accrued expenses	2,514	90	-	(130)	2,474
Losses carried forward	27,953	(9,906)	-	(1,923)	16,124
Balance at 30 June 2016	$ 75,611	$ (13,935)	$ 18,383	$ (5,024)	$ 75,035
Available-for-sale financial assets	**(18,136)**	**-**	**(21,571)**	**1,392**	**(38,315)**
Impairment loss on loans and receivables	**71,868**	**(15,394)**	**-**	**(1,982)**	**54,492**
Property, plant and equipment	**7,522**	**(4,322)**	**-**	**(112)**	**3,088**
Accrued income	**(2,022)**	**(26)**	**-**	**72**	**(1,976)**
Prepayments	**(2,795)**	**618**	**-**	**76**	**(2,101)**
Accrued expenses	**2,474**	**102**	**-**	**(90)**	**2,486**
Losses carried forward	**16,124**	**(13,024)**	**-**	**(108)**	**2,992**
Balance at 30 June 2017	**$ 75,035**	**$ (32,046)**	**$ (21,571)**	**$ (752)**	**$ 20,666**

		2017		2016
		$		$

Note 14: Issued capital

(a) Ordinary shares

4,094 Shares issued at 50c fully paid	**$**	**2,047**	$	2,047

No additional shares were issued during the year.

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Risk Management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Note 15: Reserves

	Available-for-sale Reserve $	Capital Profits Reserve $	Total $
Balance at 1 July 2015	75,379	879,903	955,282
Revaluation - gross	(53,426)	-	(53,426)
Deferred tax	15,226	-	15,226
Balance at 30 June 2016	37,179	879,903	917,082
Revaluation - gross	74,566	-	74,566
Deferred tax	(20,506)	-	(20,506)
Balance as at 30 June 2017	$ 91,239	$ 879,903	$ 971,142

(a) Available-for-sale reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

(b) Capital profits reserve

The capital profits reserve records the non-taxable profits resulting from the sale of assets and investments. The distribution of this reserve to shareholders on winding up may be tax free subject to the prevailing taxation legislation at the time that the company is wound up.

	2017 $	2016 $

Note 16: Cash flow information

(a) Reconciliation of cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the items in the statement of financial position as follows:

	2017 $	2016 $
Cash and cash equivalents	**301,861**	105,397
	$ 301,861	$ 105,397

(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax:

	2017 $	2016 $
Profit after income tax expense	**105,125**	77,112
Non cash flows in profit after income tax expense:		
Depreciation	**14,398**	14,720
Impairment loss	**(51,126)**	(33,213)
Net loss/(profit) on sale of shares	**(45,696)**	(36,603)
Changes in assets and liabilities:		
Decrease in accrued income	**(92)**	8,041
Decrease in prepayments	**2,169**	(6,169)
Decrease in trade and other payables	**6,503**	(12,961)
Decrease in income taxes payable	**17,776**	(2,302)
Increase in deferred taxes payable	**54,369**	576
Cash flows from operations	**$ 103,426**	$ 9,201

(c) Credit Standby Arrangements

The company does not currently have a bank overdraft facility.

Note 17: Capital Commitments, Contingent Assets and Contingent Liabilities

As at 30 June 2017, the company did not have any capital commitments, contingent assets or contingent liabilities.

Note 18: Events after the Reporting Period

Following the end of the reporting period the company purchased a commercial property in Prince Street, Grafton for $720,000 plus stamp duty and costs. The purchase was funded by a five-year principal and interest loan of $350,000 with the remainder being funded from cash flows.

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

Note 19: Related Party Transactions

<u>Other Related Parties</u>

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties were:

	2017 $	2016 $
Directors emoluments and honorariums	**$ 15,300**	$ 15,300

The directors of the company also form the Key Management Personnel, making all of the operating, investing and strategic decisions of the company.

Note 20: Financial Instruments

(a) Financial Risk Management

The company's investment activities expose it to a variety or risks (interest rate risk, credit risk and price risk). The company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable in order to reduce the level of risks in relation to these investments.

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company provides a limited number of loans and has a policy in place to oversee the provision of loans.

(c) Price Risk

Price risk refers to the possible decline in the value of a security or share. The company has a diverse base of investments and purchases only strong performing securities to limit the impact of fluctuations in price.

(d) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted average effective interest rate		Floating interest rate		Fixed Interest Rate Maturing Within 1 year	
	2017	2016	**2017** **$**	2016 $	**2017** **$**	2016 $
Financial assets:						
Cash and cash equivalents	**0.15%**	0.20%	**301,861**	105,397	**-**	-
Available-for-sale financial assets	**0.00%**	0.00%	**-**	-	**-**	-
Held-to-maturity financial assets	**2.56%**	3.35%	**-**	-	**506,159**	690,767
Loans to other entities	**1.50%**	1.75%	**302,836**	291,248	**-**	-
Total			**$ 604,697**	$ 396,645	**$ 506,159**	$ 690,767
Financial liabilities:						
Trade and other payables	**0.00%**	0.00%	**-**	-	**-**	-
Total			**$ -**	$ -	**$ -**	$ -

	Weighted average effective interest rate		Non interest bearing		Total	
	2017	2016	**2017** **$**	2016 $	**2017** **$**	2016 $
Financial assets:						
Cash and cash equivalents	**0.15%**	0.20%	**-**	-	**301,861**	105,397
Available-for-sale financial assets	**0.00%**	0.00%	**853,427**	651,256	**853,427**	651,256
Held-to-maturity financial assets	**2.56%**	3.35%	**-**	-	**506,159**	690,767
Loans to other entities	**1.50%**	1.75%	**-**	-	**302,836**	291,248
Total			**$ 853,427**	$ 651,256	**$ 1,964,283**	$ 1,738,668
Financial liabilities:						
Trade and other payables	**0.00%**	0.00%	**73,002**	66,499	**73,002**	66,499
Total			**$ 73,002**	$ 66,499	**$ 73,002**	$ 66,499

(e) Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Listed investments have been valued at he quoted market bid price at balance date.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. For other assets and other liabilities the net fair value approximates their carrying value.

(f) Fair Value Hierarchy

The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarch, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
2017				
Available-for-sale financial assets	**853,427**	**-**	**-**	**853,427**
Held to maturity financial assets	**506,159**	**-**	**-**	**506,159**
	$ 1,359,586	**$ -**	**$ -**	**$ 1,359,586**
2016				
Available-for-sale financial assets	651,256	-	-	651,256
Held to maturity financial assets	690,767	-	-	690,767
	$ 1,342,023	$ -	$ -	$ 1,342,023

Note 21: Company Details

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

The registered office and principal place of business is:

Grafton Friendlies Investments Limited
18 Prince Street
Grafton NSW 2460

GRAFTON FRIENDLIES INVESTMENTS LIMITED
ABN 42 000 007 125

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

In accordance with a resolution of the directors of Grafton Friendlies Investments Limited, the directors of the company declare that:

1. the financial statements and notes, as set out in pages 5 to 22, are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with the International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company.

2. in the director's 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.

Neville James Gilbert
Chairman

Glynn Denis Bodimeade
Director / Company Secretary

Dated: 18 October 2017

Crowe Horwath Central North
ABN 91 680 058 554
Member Crowe Horwath International

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
GRAFTON FRIENDLIES INVESTMENTS LIMITED

ABN 42 000 007 125

Opinion

We have audited the accompanying financial report of Grafton Friendlies Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the financial report of Grafton Friendlies Investments Limited, is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2017 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Basis for 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 Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors Report included in the Company’s annual report for the year ended 30 June 2017, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Crowe Horwath Central North is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Crowe Horwath

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAFTON FRIENDLIES INVESTMENTS LIMITED

ABN 42 000 007 125

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Crowe Horwath Central North

CROWE HORWATH CENTRAL NORTH

Kylie Ellis

Kylie Ellis
Audit Partner
Registered Company Auditor (ASIC RAN 483424)
24 Queen Street
GRAFTON NSW 2460

Dated: 3 November 2017

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