

AFT CORPORATION LIMITED - ABN 33 004 701 062
and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

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

The Group complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments ('the ASX Principles'). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight (8) core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.

Principle 1: Lay solid foundations for management and oversight

Functions of the Board and Management

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

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

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

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

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

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

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

Diversity Policy

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

AFT CORPORATION LIMITED - ABN 33 004 701 062
and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

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

Directors' performance evaluation

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

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

Senior Executive performance evaluation

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

Principle 2: Structure the Board to add value

Board composition

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

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

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

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

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

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

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

AFT CORPORATION LIMITED - ABN 33 004 701 062
and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

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

Role of the Chairman

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

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

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

Nomination and Remuneration Committees

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

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

Principle 3: Promote ethical and responsible decision making

Code of Conduct

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

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

Trading in the Group's Securities by Directors and Employees

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

AFT CORPORATION LIMITED - ABN 33 004 701 062
and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

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

Instead, the Board takes responsibility of the following:

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

Corporate Reporting

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

Principle 5: Make timely and balanced disclosure

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

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

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

Principle 6: Respect the rights of shareholders

The Group provides effective communication with shareholders via:

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

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

**AFT CORPORATION LIMITED - ABN 33 004 701 062
and Controlled Entities**

CORPORATE GOVERNANCE STATEMENT

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

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

Principle 7: Recognise and manage risk

Risk management framework

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

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

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

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

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

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

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