

Federation Alliance Limited

Annual Financial Report

For the year ended 30 June 2015

Federation Alliance Limited
ABN 99 155 709 809
AFS Licence 437400

Federation Alliance Limited

ABN 99 155 709 809

For the year ended 30 June 2015

CONTENTS

	<u>Page</u>
Directors' report	1
Auditor's independence declaration	7
Financial Statements	8
Directors' declaration	25
Independent audit report to the members of Federation Alliance Limited	26

Federation Alliance Limited

ABN 99 155 709 809

Directors' report

For the year ended 30 June 2015

Your directors present their report on Federation Alliance Limited ("the Company") for the financial year ended 30 June 2015.

1. General information

Directors

The names of the directors in office at any time during, or since the end of, the financial year are:

David Bryant (Chairman)
Fiona Dunn
Steve Davis
Richard Dixon (appointed 8 July 2014)
Stephen Reed (ceased 8 July 2014)
John Morrison (ceased 8 July 2014)
Jan Morrison (ceased 8 July 2014)

The company secretaries of the Company are:

Emma Rodgers
Liesl Petterd (appointed 8 July 2014)
Stephen Reed (ceased 8 July 2014)

Principal activities

The principal continuing activity of the Company is that of a promoter of an investment platform.

2. Operating and financial review

Operating results

The Company incurred a loss from ordinary activities after income tax of \$6,522 for the year ended 30 June 2015 (2014: loss of \$19,547).

Dividends paid or declared

No dividends were paid or declared during the year ended 30 June 2015.

Review of operations

During the year, the Company continued to promote the Federation Managed Accounts (FMA) investment platform on behalf of Australian Unity Funds Management Limited (AUFM), a wholly-owned subsidiary of Australian Unity Limited.

The FMA platform reached \$226 million of funds under administration at the end of the financial year (2014: \$173 million), with 35 investment managers offering 106 fund options, 12 separately managed accounts and full ASX and limited (developed countries) international direct shares for investors to choose from.

The FMA platform is currently developing a superannuation offering which is expected to be launched before the end of the 2015 calendar year.

Federation Alliance Limited

ABN 99 155 709 809

Directors' report (continued)

For the year ended 30 June 2015

3. Other items

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Issue of shares

Under the terms of prospectuses dated 7 August 2013 and 29 August 2014, the Company issued 27,250 M-class shares during the year ended 30 June 2015 to 109 shareholders for a total consideration of \$27,250.

Significant events after the balance sheet date

On 14 September 2015 a General Meeting of shareholders was held at which shareholders voted in favour of two resolutions to amend the Constitution of the Company. These resolutions amended the constitution to:

- Change the trigger date for the conversion of Foundation and M Class Shares to 30 business days after the date the audited financial statements of the Company for the year ended 30 June 2018 are signed by directors, or such earlier time as determined by the directors; and
- Clarify that a member of a public offer superannuation fund invested in the Federation Managed Accounts platform is able to acquire M Class Shares in the Company.

There are no other matters or circumstances that 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.

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is 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.

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 at page 7.

Federation Alliance Limited

ABN 99 155 709 809

Directors' report (continued)

For the year ended 30 June 2015

4. Insurance premiums paid for directors

The Company has paid premiums to insure all persons who have been officers of the Company 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 an officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice the insurance policy prohibits disclosure of the nature of the liabilities covered and the amount of the premium.

5. Directors' interests and benefits

Since the end of the previous financial year and to the date of signing this report, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or related party transactions shown in the Company's financial report) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a Company in which the director has a substantial interest except as disclosed in the details of related party transactions in note 10.

6. Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

	A	B
David Bryant	9	11
Steve Davis	9	11
Richard Dixon	11	11
Fiona Dunn	11	11
Stephen Reed	1	1
John Morrison	1	1
Jan Morrison	1	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office

7. Remuneration report

The Company has no employees, and therefore does not have a remuneration policy for employees. Accordingly, this remuneration report outlines the remuneration policy and arrangements that are in place for directors of the Company only. The directors of the Company are considered to be the Key Management Personnel.

Federation Alliance Limited

ABN 99 155 709 809

Directors' report (continued)

For the year ended 30 June 2015

7. Remuneration report (continued)

The terms and conditions of any transactions with directors and related entities are on a commercial, arm's-length basis and are consistent with those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and which are comparable to amounts that would have been paid to or by non-related parties.

Remuneration Policy

The Company's remuneration policy is that directors do not receive any remuneration in the form of directors' fees or other payments in their capacity as directors.

Relationship between remuneration policy and the Company performance

As the Company's policy is that directors receive no remuneration, there is no link between the remuneration policy and the performance of the Company.

8. Information on directors

David Bryant

David Bryant joined Australian Unity in 2004 and is the Chief Executive Officer of Australian Unity Investments. In that role, he is responsible for all of the investment management businesses and activities across Australian Unity's financial and property assets. Mr Bryant is a director of a number of Australian Unity Limited subsidiaries including Australian Unity Funds Management Limited and Australian Unity Investments' Joint Venture businesses. Mr Bryant is a director of the Financial Services Council Limited and has over 25 years' experience in investment and financial services.

Fiona Dunn

Fiona Dunn joined Australian Unity Investments in February 2012. In her role as General Manager, Funds Management, she is responsible for Australian Unity Investments' joint venture business portfolio and for the commercial outcomes of those businesses. Ms Dunn is also responsible for distributing Australian Unity Investments' products in the institutional and retail markets. With over 23 years' experience in the financial services industry, across a broad range of business disciplines, Ms Dunn has previously held a number of senior business roles in the industry. She holds a Masters of Business Administration from the Australian Graduate School of Management (University of NSW).

Federation Alliance Limited

ABN 99 155 709 809

Directors' report (continued)

For the year ended 30 June 2015

8. Information on directors (continued)

Steve Davis

Steve Davis joined Australian Unity in February 2009 as Head of Practice Development, Personal Financial Services and in August 2009 was promoted to the role of General Manager, and again to Chief Executive Officer in August 2012. Mr Davis is responsible for the operations and growth of the Group's Personal Financial Services business, which delivers high quality financial planning, finance broking and life risk insurance services to clients through a network of financial advisers, accountants and finance brokers. Mr Davis has more than 30 years' experience in financial services.

Richard Dixon

Richard Dixon was appointed as a Director of the Company on 8 July 2014. Mr Dixon has over 25 years' experience in funds management, financial planning and financial research and has held senior management positions with Colonial Investments, IOOF, FPI (Aviva), Armstrong Jones and AXA. Mr Dixon has spent his career specialising in business development focusing on product development and business growth strategies. More recently he has worked with an administrator and product manufacturer of superannuation and investment products, and for Reputex in China and Hong Kong, establishing a range of specialist indexes listed on the Shanghai and Hang Seng Stock Exchanges.

Dr John Morrison

Dr Morrison ceased as a director of the Company on 8 July 2014.

Stephen Reed

Mr Reed ceased as a director of the Company on 8 July 2014.

Jan Morrison

Ms Morrison ceased as a director of the Company on 8 July 2014.

Company Secretaries

Emma Rodgers

Emma Rodgers joined Australian Unity Investments (AUI) in 2006. Ms Rodgers has a strong financial services background, having worked in the industry for over 20 years as a legal, compliance, governance and risk professional. Prior to joining AUI, Ms Rodgers was Associate Director – legal and compliance with UBS Wealth Management Australia, and before this worked for Perpetual Trustees as national counsel. She has also worked for National Australia Bank as a senior solicitor with a focus on private banking and holds a Bachelor of Arts and Bachelor of Law from Monash University.

Federation Alliance Limited

ABN 99 155 709 809

Directors' report (continued)

For the year ended 30 June 2015

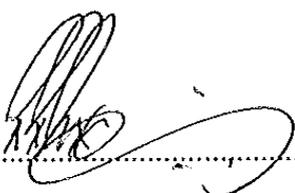
8. Information on directors (continued)

Liesl Petterd

Liesl Petterd was appointed as a Company Secretary of the Company on 8 July 2014. Ms Petterd joined Australian Unity as Senior Governance Manager in July 2013 and has over 15 years' experience in finance, taxation and compliance roles, including five years at PricewaterhouseCoopers and 10 years as a Company Secretary. Ms Petterd holds a combined Bachelor of Commerce and Laws, is a member of Chartered Accountants Australia and New Zealand and has a graduate diploma in Applied Corporate Governance.

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

Director: 

Director: 

16 September 2015



Ernst & Young
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Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Federation Alliance Limited

In relation to our audit of the financial report of Federation Alliance Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive, script font.

Ernst & Young

A handwritten signature in black ink that reads 'Brett Kallio' in a cursive, script font.

Brett Kallio
Partner
Melbourne
16 September 2015

Federation Alliance Limited

ABN 99 155 709 809

For the year ended 30 June 2015

	<u>Page</u>
Financial Statements	
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	25
Independent audit report to the members of Federation Alliance Limited	26

The financial report includes separate financial statements of the Company as an individual entity. The financial statements are presented in Australian dollars.

The Company is limited by shares. The Company is incorporated and domiciled in Australia and its registered office is:

Level 14
114 Albert Road
South Melbourne VIC 3205

The Company's principal place of business is:

Level 23
307 Queen Street
Brisbane QLD 4000

A description of the nature of the entity's operations and its principal activities is included in the Directors' Report on page 1 which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 16 September 2015.

Federation Alliance Limited

ABN 99 155 709 809

Statement of comprehensive income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue from ordinary activities	3	144,274	31,168
Operating expenses	3	(150,796)	(50,715)
Loss before income tax		(6,522)	(19,547)
Income tax expense/(benefit)	4	-	-
Loss after income tax		(6,522)	(19,547)
Other comprehensive income		-	-
Total comprehensive loss		(6,522)	(19,547)

The accompanying notes form part of these financial statements

Federation Alliance Limited

ABN 99 155 709 809

Statement of financial position

As at 30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	157,476	124,297
Trade receivables	7	12,450	9,000
Total current assets		169,926	133,297
TOTAL ASSETS		169,926	133,297
LIABILITIES			
Current liabilities			
Trade and other payables	8	57,217	41,316
Total current liabilities		57,217	41,316
TOTAL LIABILITIES		57,217	41,316
NET ASSETS		112,709	91,981
EQUITY			
Issued capital	9	148,200	120,950
Accumulated losses		(35,491)	(28,969)
TOTAL EQUITY		112,709	91,981

The accompanying notes form part of these financial statements

Federation Alliance Limited

ABN 99 155 709 809

Statement of changes in equity

For the year ended 30 June 2015

2015

	Issued Capital \$	Retained Earnings \$	Total \$
Opening balance 1 July 2014	120,950	(28,969)	91,981
M-Class shares issued during the year	27,250	-	27,250
Loss attributable to members	-	(6,522)	(6,522)
Balance at 30 June 2015	148,200	(35,491)	112,709

2014

	Issued Capital \$	Retained Earnings \$	Total \$
Opening balance 1 July 2013	30,200	(9,422)	20,778
Foundation shares issued during the year	25,000	-	25,000
M-Class shares issued during the year	65,750	-	65,750
Loss attributable to members	-	(19,547)	(19,547)
Balance at 30 June 2014	120,950	(28,969)	91,981

The accompanying notes form part of these financial statements

Federation Alliance Limited

ABN 99 155 709 809

Statement of cash flows

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities:			
Receipts from customers		139,759	21,574
Payments to suppliers		(141,645)	(17,939)
Interest received		1,065	594
Net cash (used in) / provided by operating activities	11	(821)	4,229
Cash flows from financing activities:			
Proceeds from issue of shares		27,250	90,750
Share application monies received pending allotment		6,750	-
Net cash provided by financing activities		34,000	90,750
Net increase in cash held		33,179	94,979
Cash at the beginning of the financial year		124,297	29,318
Cash at the end of the financial year	6	157,476	124,297

The accompanying notes form part of these financial statements

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

1 Corporate information

The financial statements of Federation Alliance Limited ("the Company") for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 16 September 2015.

The Company is a for-profit company limited by shares, incorporated in Australia.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2 Summary of significant accounting policies

(a) Basis of preparation

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

The financial report is presented in Australian dollars, unless otherwise stated.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in (b) below.

New and amended accounting standards adopted by the Company

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]*
- AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*
- Revised AASB 1031 *Materiality*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Conceptual Framework and Materiality)*

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

2 Summary of significant accounting policies (continued)

New standards and interpretations not yet adopted

The Australian Accounting Standards Board (AASB) has issued some new and amended accounting standards that are not mandatory for 30 June 2015 reporting periods. The table below sets out the standards that are relevant to the Company.

AASB	Title	Operative date *
AASB 9 AASB 2010-7 AASB 2014-7 AASB 2014-8	Financial Instruments Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)	1 January 2018
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Part C – 1 January 2015
AASB 2014-1 (Part D-E)	Amendments to Australian Accounting Standards	Part D – 1 Jan 2016 Part E – 1 Jan 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
AASB 15 AASB 2014-5	Revenue from contracts with customers Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	1 January 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	1 January 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128] with customers	1 January 2016

* Operative date is for the annual reporting periods beginning on or after the date shown in the above table, unless otherwise stated.

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

2 Summary of significant accounting policies (continued)

The above standards are not yet effective for the annual reporting period ended 30 June 2015. The Company has not applied the above standards in preparing the current year financial statements. Where applicable, the Company will apply the amendments to the annual reporting periods beginning on or after the operative dates set out above. The application of these standards is not expected to have a material impact on the amounts reported in the financial statements.

(b) Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgements in applying the entity's accounting policies

Deferred tax assets will be recognised for deductible temporary differences when the directors consider it probable that future taxable profits will be available to utilise these temporary differences.

(c) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(d) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(e) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefit will result and that outflow can be reliably measured.

(f) Income taxes

The charge for current income tax expense is based on the profit adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted, or are substantially enacted, by the end of the reporting period.

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.

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

2 Summary of significant accounting policies (continued)

(g) Revenue

Management fees

Management fee revenue from the rendering of services is recognised upon the delivery of the service to the customer.

Interest revenue

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in revenue in the income statement.

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

(h) Goods and Services Tax (GST)

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

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

(i) Trade and other payables

Trade and other payables, which are generally settled on 30-90 day terms and are unsecured, are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(j) Segment reporting

The Company is limited by shares, incorporated and domiciled in Australia. The Company operates in one business and geographical segment, being in the investment management industry within Australia.

(k) Trade receivables

Trade and other receivables, which are generally settled on 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. The Company considers trade receivables to be fully collectable; accordingly, no allowance for uncollectible amounts is required.

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

3 Revenue and expenses

	2015	2014
	\$	\$
Management fees	143,209	30,574
Interest received	1,065	594
Revenue from ordinary activities	144,274	31,168
Technology costs	5,000	-
Insurance	26,597	29,891
Professional fees	84,293	12,734
General and administrative costs	34,906	8,090
Operating expenses	150,796	50,715

4 Income tax expense/(benefit)

(a) Reconciliation of income tax expense/(benefit) to prima facie tax payable

	2015	2014
	\$	\$
Loss before income tax	(6,522)	(19,547)
Income tax (benefit) at the Australian tax rate of 30% (2014: 30%)	(1,956)	(5,864)
Deferred tax assets not brought to account	1,956	5,864
Income tax expense/(benefit)	-	-

In determining the results for the year, management has reviewed the deferred tax assets and determined not to recognise any amounts in accordance with AASB 112 Income taxes.

Under AASB112, an entity can only recognise a deferred tax asset for the carry forward of unused tax losses to the extent it is probable that future profits will be available against which the unused tax losses can be utilised. As the company is yet to recognise a profit, management has decided to adopt a conservative position by not recognising any amount of deferred tax assets.

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

5 Auditor's remuneration

	2015	2014
	\$	\$
Remuneration of the auditor of the Company for:		
- Auditing or reviewing the financial report	20,000	10,100
- Other audit services	8,250	8,250
	<u>28,250</u>	<u>18,350</u>

6 Cash and cash equivalents

	2015	2014
	\$	\$
Cash at bank	157,476	124,297
	<u>157,476</u>	<u>124,297</u>

7 Trade receivables

	2015	2014
	\$	\$
Current		
Trade receivables	12,450	9,000
	<u>12,450</u>	<u>9,000</u>

None of the trade receivables are impaired or past due but not impaired (2014: \$nil). Trade and other receivables are non-interest bearing and are generally settled on 30-90 day terms. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

8 Trade and other payables

	2015	2014
	\$	\$
Current		
Trade payables and accrued expenses	22,217	41,316
Accrued audit fees	28,250	19,000
Share application funds pending allotment	6,750	-
	57,217	41,316

Trade and other payables are unsecured, generally non-interest bearing and settled on 30 - 90 days terms. Due to the short term nature of these trade and other payables, their carrying value is assumed to approximate their fair value.

9 Issued capital

(a) Summary table of issued and paid up capital

	2015	2014
	\$	\$
55,000 Foundation shares (2014: 55,000)	55,000	55,000
2,000 Ordinary shares (2014: 2,000)	200	200
93,000 M Class shares (2014: 65,750)	93,000	65,750
	148,200	120,950

Foundation shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Whilst M-class shares are on issue, the holder of Foundation shares is entitled to participate in 10% of any dividends paid and 10% of the surplus available to be distributed on a winding up of the Company. At shareholders' meetings, each Foundation share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. Ordinary shares hold the same rights as Foundation shares, but do not participate in dividends while the Foundation shares are on issue.

Foundation shares and M-class shares are preference shares that are convertible into or redeemable for ordinary shares on the conversion date. The conversion date is 30 business days following the issue of the Company's audited accounts for the financial year ending 30 June 2016. Foundation shares and M-class shares are not otherwise redeemable. The M-class shares are non-voting shares except in limited circumstances. Holders of M-class shares are entitled, as a group, to participate in 90% of any dividends paid and 90% of the surplus available to be distributed on a winding up of the Company.

At a General Meeting held on 14 September 2015, Shareholders voted to change the conversion date to 30 business days following the signature by directors of the Company's audited financial statements for the year ended 30 June 2018 (refer Note 14).

(b) Capital management

When managing capital, the directors' objectives are to ensure that the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Directors regularly monitor the Company's capital needs in light of current and future business requirements and aim to maintain a capital structure that ensures the lowest cost of capital available to the Company.

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

10 Related party transactions

(a) Directors' and director-related entities' transactions with the Company

The terms and conditions of any transactions with directors and related entities are on a commercial, arm's-length basis and are consistent with those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and which are comparable to amounts that would have been paid to or by non-related parties.

At 30 June 2015, FedInvest Pty Ltd (FedInvest) owned 2,000 (100%) of the issued ordinary shares of the Company (2014: 2,000 (100%)) and 55,000 (100%) (2014: 55,000 (100%)) of the Foundation shares in the Company.

The Company paid promotion fees of \$ 21,023 (2014: \$3,157) to FedInvest during the year ended 30 June 2015.

Richard Dixon (appointed 8 July 2014), David Bryant, and Steve Davis are directors of the Company and are also directors of FedInvest. During the year, Stephen Reed, John Morrison and Jan Morrison (all ceased 8 July 2014) were directors of the Company and of FedInvest.

The Company has an agreement with Australian Unity Funds Management Limited (AUFM) to act as the promoter of the Federation Managed Accounts investment platform. During the year ended 30 June 2015, the Company received fees of \$143,209 (2014: \$30,574) from AUFM.

AUFM is a wholly-owned subsidiary of Australian Unity Limited. David Bryant is a director of AUFM.

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

10 Related party transactions (continued)

(b) Key management personnel

Key management personnel includes persons who were directors of the Company at any time during the financial year as follows:

Stephen Reed	(Director – ceased 8 July 2014)
John Morrison	(Director – ceased 8 July 2014)
Jan Morrison	(Director – ceased 8 July 2014)
David Bryant	(Director)
Fiona Dunn	(Director)
Steve Davis	(Director)
Richard Dixon	(Director – appointed 8 July 2014)

No compensation was paid to key management personnel of the Company during the financial year (2014:\$nil).

11 Cash flow information

Reconciliation of cash flows from operating activities with loss after income tax

	2015	2014
	\$	\$
Net loss after income tax for the year	(6,522)	(19,547)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,450)	(9,000)
Increase/(decrease) in trade and other payables	9,151	32,776
Cash flows from operating activities	<u>(821)</u>	<u>4,229</u>

12 Financial risk management

Risk management is the responsibility of the directors of the Company.

The Company held the following financial instruments at the end of the reporting period:

	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	157,476	124,297
Trade and other receivables	12,450	9,000
	<u>169,926</u>	<u>133,297</u>
Financial liabilities		
Trade and other payables	57,217	41,316
	<u>57,217</u>	<u>41,316</u>

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

12 Financial risk management (continued)

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's strategic objectives whilst protecting future financial security.

The board of directors reviews and agrees policies for managing each of the key risks summarised below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of an overseas financial instrument will fluctuate as a result of movements in international exchange rates. The Company is not exposed to any material foreign exchange risk.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market prices. The Company is not subject to any material price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not materially exposed to interest rate risk.

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The carrying amount of each financial asset represents the Company's maximum exposure to credit risk.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

(c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The board manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities of the Company. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

Maturities of financial assets and liabilities

The tables below analyse the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

12 Financial risk management (continued)

At 30 June 2015	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying Amount assets/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and cash equivalent	157,476	-	-	-	-	157,476
Trade and other receivables	12,450	-	-	-	-	12,450
Total	<u>169,926</u>	-	-	-	-	<u>169,926</u>
Financial Liabilities						
Trade and other payables	57,217	-	-	-	-	57,217
Total	<u>57,217</u>	-	-	-	-	<u>57,217</u>
At 30 June 2014	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying Amount assets/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and cash equivalent	124,297	-	-	-	-	124,297
Trade and other receivables	9,000	-	-	-	-	9,000
Total	<u>133,297</u>	-	-	-	-	<u>133,297</u>
Financial Liabilities						
Trade and other payables	41,316	-	-	-	-	41,316
Total	<u>41,316</u>	-	-	-	-	<u>41,316</u>

(d) Net fair value estimation

The carrying amounts of financial instruments in the balance sheet approximate their net fair value.

13 Commitments

There were no commitments for expenditure as at 30 June 2015 (2014:\$nil).

There were no contingent assets or liabilities at 30 June 2015 (2014: \$nil).

Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2015

14 Events after the end of the reporting period

On 14 September 2015 a General Meeting of shareholders was held at which shareholders voted in favour of two resolutions to amend the Constitution of the Company. These resolutions amended the constitution to:

- Change the trigger date for the conversion of Foundation and M Class Shares to 30 business days after the date the audited financial statements of the Company for the year ended 30 June 2018 are signed by directors, or such earlier time as determined by the directors; and
- Clarify that a member of a public offer superannuation fund invested in the Federation Managed Accounts platform is able to acquire M Class Shares in the Company.

The Company has issued 2,250 M-class shares for consideration of \$2,250 since 30 June 2015.

There are no other matters or circumstances that 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.

Federation Alliance Limited

ABN 99 155 709 809

Directors' declaration

For the year ended 30 June 2015

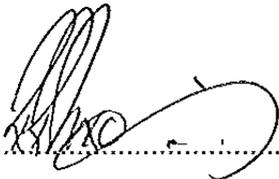
In the directors' opinion:

1. The financial statements and notes of the Company, as set out on pages 8 to 24, are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date.
2. 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 financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2 (a).

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

Director


Director


16 September 2015

Independent auditor's report to the members of Federation Alliance Limited

Report on the financial report

We have audited the accompanying financial report of Federation Alliance Limited (the "Company"), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

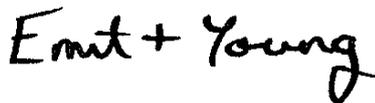
- a. the financial report of Federation Alliance Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 3 to 4 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Federation Alliance Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Brett Kallio
Partner
Melbourne
16 September 2015

Contact Federation Alliance Limited

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