

# **Federation Alliance Limited**

**ABN 99 155 709 809**

**Annual financial report**

**For the year ended 30 June 2017**

# Federation Alliance Limited

ABN 99 155 709 809

For the year ended 30 June 2017

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# Federation Alliance Limited

ABN 99 155 709 809

## Directors' report

For the year ended 30 June 2017

Your directors present their report on Federation Alliance Limited ("the Company") for the financial year ended 30 June 2017.

### 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 (resigned 15 September 2016)  
Steve Davis  
Richard Dixon  
Matt Walsh (appointed 15 September 2016)

The company secretaries of the Company are:

Emma Rodgers  
Liesl Petterd

#### 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 made a profit after income tax of \$75,376 for the year ended 30 June 2017 (2016: \$28,844).

#### Dividends paid or declared

Dividends of \$36,000 were paid during the year ended 30 June 2017 (2016:\$12,000).

At the board meeting held on 22 September 2017, directors declared a dividend of \$38,000.

#### Review of operations

The Company continued to promote the Federation Managed Accounts (FMA) investment and Federation Super (FAS) platforms within the financial services industry with funds under administration increasing by 19.3% to \$346 million at the end of the financial year (2016: \$290 million). The business continues to operate in a highly competitive market place, with competitors continuing to cut margins to attract market share.

For the financial year ended 30 June 2017 the Company increased revenue by 26.1% to \$207,322 (2016: \$164,420) while maintaining expenses at \$119,372 (2016: \$119,638). This has resulted in an increase in profit after tax of 161% to \$75,376 (2016: \$28,844).

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Directors' report (continued)

For the year ended 30 June 2017

## 2. Operating and financial review (continued)

### Review of operations (continued)

The platforms continue to offer investors a broad range of options with 42 investment managers offering 103 fund options, 13 separately managed accounts and full ASX and limited (developed countries) international direct shares for investors to choose from. Additionally, during the year the platform added access to a new term deposit facility providing online functionality to invest in a choice of eight approved deposit-taking institutions (ADIs) with terms ranging up to 2 years for Federation Super and 5 years for Federation Managed Accounts.

While the outlook continues to be challenging, Federation is well positioned by offering a contemporary and competitively priced investment and superannuation administration platform that seeks to deliver powerful investor outcomes.

The Company has no employees.

## 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 22 September 2015 and 21 October 2016, the Company issued 19,000 M-class shares during the year ended 30 June 2017 to 76 shareholders for a total consideration of \$19,000. 32,349 shares were also issued under the Dividend Reinvestment Plan (DRP) for a total consideration of \$323.

### Significant events after the balance sheet date

At the board meeting held on 22 September 2017, directors declared a dividend of \$38,000.

The Company has issued 500 M-class shares for consideration of \$500 since 30 June 2017.

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.

# Federation Alliance Limited

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Directors' report (continued)

For the year ended 30 June 2017

## 3. Other items (continued)

### Auditor's independence declaration

PricewaterhouseCoopers Australia is the external auditor for the 2017 financial year (2016: Ernst & Young Australia). A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 6.

## 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 12.

## 6. Meetings of directors

The number of meetings of the Company's board of directors held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	A	B
David Bryant	6	6
Steve Davis	6	6
Richard Dixon	6	6
Fiona Dunn (resigned 15 September 2016)	1	1
Matt Walsh (appointed 15 September 2016)	6	6

A = Number of meetings attended

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

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Directors' report (continued)

For the year ended 30 June 2017

## 7. Information on directors

### David Bryant

David Bryant joined Australian Unity in 2004 and is the Chief Executive Officer of Australian Unity Wealth. 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 Wealth 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 (resigned 15 September 2016)

Fiona Dunn joined Australian Unity in February 2012. In her role as General Manager, Funds Management, she was responsible for the joint venture business portfolio within Australian Unity's wealth business and for the commercial outcomes of those businesses. Ms Dunn was also responsible for distributing Australian Unity wealth products in the institutional and retail markets. With over 24 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 Master of Business Administration from the Australian Graduate School of Management (University of NSW).

### 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 Australian Unity 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

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.

### Matt Walsh (appointed 15 September 2016)

Matt Walsh was appointed as a Director of the Company on 15 September 2016. Mr Walsh is the Head of Lifeplan, General Manager – Life and Superannuation in Australian Unity's wealth business and acts in the capacity of chief executive of the investment bond business, Lifeplan. Joining Lifeplan in 1993, his responsibilities have included strategy, product development, client services, IT, distribution and marketing. In 2009, Lifeplan merged with Australian Unity and he joined the executive team of Australian Unity's wealth business. Prior to joining Lifeplan, he worked with PriceWaterhouse, including time in the US. Mr Walsh is Chairman of the International Centre for Financial Services at the University of Adelaide and is also Chair of finance industry body, FSA. Mr Walsh holds a Bachelor of Applied Science from the University of South Australia and a Master of Business Administration from Deakin University.

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Directors' report (continued)

For the year ended 30 June 2017

## 7. Information on directors (continued)

### Company Secretaries

#### Emma Rodgers

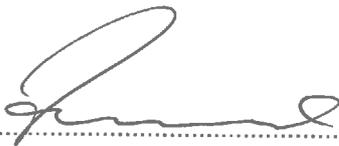
Emma Rodgers joined Australian Unity in 2006. Ms Rodgers has a strong financial services background, having worked in the industry for over 20 years as a legal, compliance, governance and risk professional. Prior to joining Australian Unity, Ms Rodgers was Associate Director – legal and compliance with UBS Wealth Management Australia, and before that 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.

#### Liesl Petterd

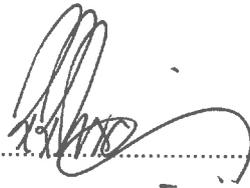
Liesl Petterd was appointed as a Company Secretary of the Company on 8 July 2014. Ms Petterd joined Australian Unity's wealth business as Senior Governance Manager in July 2013 and has over 15 years' experience in finance, taxation and compliance roles, including five years at PricewaterhouseCoopers 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: .....



22 September 2017



## Auditor's Independence Declaration

As lead auditor for the audit of Federation Alliance Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Britt Hawkins', with a long horizontal flourish extending to the right.

Britt Hawkins  
Partner  
PricewaterhouseCoopers

Melbourne  
22 September 2017

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For the year ended 30 June 2017

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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 22 September 2017.

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## Statement of comprehensive income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue from ordinary activities	4	207,322	164,420
Operating expenses	4	(119,372)	(119,638)
<b>Profit before income tax</b>		<b>87,950</b>	44,782
Income tax expense	5	(12,574)	(15,938)
<b>Profit after income tax</b>		<b>75,376</b>	28,844
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>75,376</b>	28,844

The accompanying notes form part of these financial statements

# Federation Alliance Limited

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Balance sheet

As at 30 June 2017

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	241,824	186,890
Trade receivables	9	18,000	15,107
<b>Total current assets</b>		<b>259,824</b>	<b>201,997</b>
<b>Non-current assets</b>			
Deferred tax assets	8	8,242	-
<b>Total non-current assets</b>		<b>8,242</b>	<b>201,997</b>
<b>TOTAL ASSETS</b>		<b>268,066</b>	<b>201,997</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	44,481	34,153
Current tax payable		10,476	13,434
<b>Total current liabilities</b>		<b>54,957</b>	<b>47,587</b>
<b>TOTAL LIABILITIES</b>		<b>54,957</b>	<b>47,587</b>
<b>NET ASSETS</b>		<b>213,109</b>	<b>154,410</b>
<b>EQUITY</b>			
Issued capital	11	192,380	173,057
Retained earnings/(accumulated losses)		20,729	(18,647)
<b>TOTAL EQUITY</b>		<b>213,109</b>	<b>154,410</b>

The accompanying notes form part of these financial statements

# Federation Alliance Limited

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## Statement of changes in equity

For the year ended 30 June 2017

2017

	Issued Capital \$	Retained Earnings/ (Accumulated losses) \$	Total \$
Opening balance 1 July 2016	173,057	(18,647)	154,410
M-Class shares issued during the year	19,323	-	19,323
Profit attributable to members	-	75,376	75,376
Dividend paid	-	(36,000)	(36,000)
<b>Balance at 30 June 2017</b>	<b>192,380</b>	<b>20,729</b>	<b>213,109</b>

2016

	Issued Capital \$	Accumulated losses \$	Total \$
Opening balance 1 July 2015	148,200	(35,491)	112,709
M-Class shares issued during the year	24,857	-	24,857
Profit attributable to members	-	28,844	28,844
Dividends paid	-	(12,000)	(12,000)
<b>Balance at 30 June 2016</b>	<b>173,057</b>	<b>(18,647)</b>	<b>154,410</b>

The accompanying notes form part of these financial statements

# Federation Alliance Limited

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## Statement of cash flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities:</b>			
Receipts from customers		203,288	160,109
Payments to suppliers		(106,294)	(147,202)
Interest received		1,141	1,654
Income tax paid		(23,774)	(2,504)
<b>Net cash inflows from operating activities</b>	13	<b>74,361</b>	12,057
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		14,823	24,857
Share application monies received pending allotment		1,750	4,500
Dividends paid		(36,000)	(12,000)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(19,427)</b>	17,357
<b>Net increase in cash and cash equivalents</b>		<b>54,934</b>	29,414
Cash and cash equivalents at the beginning of the financial year		186,890	157,476
<b>Cash and cash equivalents at the end of the financial year</b>	7	<b>241,824</b>	186,890

The accompanying notes form part of these financial statements

# Federation Alliance Limited

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## Notes to the financial statements

For the year ended 30 June 2017

### 1 Corporate information

The financial statements of Federation Alliance Limited (“the Company”) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 22 September 2017.

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 note 3.

#### *Early adoption of AASB 9 Financial Instruments*

The Company has early adopted AASB 9 Financial Instruments from 1 July 2016. To conform with the requirements of AASB 9, the accounting policy related to trade and other receivables disclosed in note 2(j) has been amended, while the policy related to trade and other payables remains unchanged. The AASB 9 adoption has no impact to the amounts reported in the Company’s financial statements.

#### **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting year and have not been early adopted by the Company. The Company’s assessment of the impact of these new standards and interpretations is set out below.

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## Notes to the financial statements

For the year ended 30 June 2017

### 2 Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

##### New standards and interpretations not yet adopted (continued)

###### *AASB 15 Revenue from Contracts with Customers*

AASB 15 sets out the requirements for recognising revenue that apply to all contracts with customers, except for contracts that are within the scope of the accounting standards for leases, insurance contracts and financial instruments. AASB 15 outlines a single, principles based five-step model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised only when the control of a good or service transfers to a customer. The standard requires enhanced disclosures about revenue and provides guidance for transactions that were not previously addressed comprehensively. AASB 15 applies to an annual reporting period beginning on or after 1 January 2018 with early adoption permitted. Based on the current assessment on the existing transactions, the application of AASB 15 will not have a material impact to the financial statements and further review will be conducted within next 12 months.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or foreseeable future reporting periods.

The above standards are not yet effective for the annual reporting period ended 30 June 2017. 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) Comparatives

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

#### (c) Cash and cash equivalents

For statement of cash flows 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### (d) 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.

#### (e) 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.

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## Notes to the financial statements

For the year ended 30 June 2017

### 2 Summary of significant accounting policies (continued)

#### (f) 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).

#### (g) 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.

#### (h) 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.

#### (i) 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.

#### (j) 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.

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Notes to the financial statements

For the year ended 30 June 2017

## 3 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*

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.

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## Notes to the financial statements

For the year ended 30 June 2017

### 4 Revenue and expenses

	2017	2016
	\$	\$
Management fees	206,181	162,766
Interest received	1,141	1,654
<b>Revenue from ordinary activities</b>	<b>207,322</b>	<b>164,420</b>
Insurance	22,344	23,026
Professional fees	35,458	45,097
General and administrative costs	61,570	51,515
<b>Operating expenses</b>	<b>119,372</b>	<b>119,638</b>

### 5 Income tax expense

#### (a) Income tax

	2017	2016
	\$	\$
Current tax	21,727	13,434
Deferred tax	4,658	-
Adjustment to prior year tax payable	(911)	2,504
Deferred tax assets brought to account	(12,900)	-
<b>Income tax expense</b>	<b>12,574</b>	<b>15,938</b>

#### (b) Reconciliation of income tax expense to prima facie tax payable

	2017	2016
	\$	\$
Profit before income tax	87,950	44,782
Tax at the Australian tax rate 30% (2016: 30%)	26,385	13,434
Adjustment to prior year tax payable	(911)	2,504
Deferred tax assets brought to account	(12,900)	-
<b>Income tax expense</b>	<b>12,574</b>	<b>15,938</b>

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## Notes to the financial statements

For the year ended 30 June 2017

### 6 Remuneration of auditors

PricewaterhouseCoopers Australia is the external auditor for the 2017 financial year (2016: Ernst & Young Australia). During the year the following fees were paid or payable for services provided by the auditor of the Company and non-related audit firms:

	2017	2016
	\$	\$
Remuneration of the auditor of the Company for:		
- Audit and review of financial statements	15,000	18,025
- Audit of regulatory returns	6,000	7,416
	<u>21,000</u>	<u>25,441</u>

### 7 Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank	<u>241,824</u>	<u>186,890</u>

### 8 Deferred tax asset

#### (a) Assets

	2017	2016
	\$	\$
<b>Non-current</b>		
Deferred tax assets comprise:		
Provisions and accruals	1,620	-
Legal expenses	6,622	-
	<u>8,242</u>	<u>-</u>

#### (b) Reconciliations

	2017	2016
	\$	\$
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Opening balance	-	-
Under provisions in prior year	12,900	-
Movement in provisions, accruals and legal expenses	(4,658)	-
	<u>8,242</u>	<u>-</u>

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## Notes to the financial statements

For the year ended 30 June 2017

### 9 Trade receivables

	2017	2016
	\$	\$
<b>Current</b>		
Trade receivables	<b>18,000</b>	15,107

None of the trade receivables are impaired or past due but not impaired (2016: \$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.

### 10 Trade and other payables

	2017	2016
	\$	\$
<b>Current</b>		
Trade payables and accrued expenses	<b>21,731</b>	4,212
Accrued audit fees	<b>21,000</b>	25,441
Share application funds pending allotment	<b>1,750</b>	4,500
	<b>44,481</b>	34,153

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.

### 11 Issued capital

#### (a) Summary table of issued and paid up capital

	2017	2016	2017	2016
	Number of shares	Number of shares	\$	\$
Foundation shares	<b>55,000</b>	55,000	<b>55,000</b>	55,000
Ordinary shares	<b>2,000</b>	2,000	<b>200</b>	200
M-class shares	<b>179,818</b>	128,469	<b>137,180</b>	117,857
	<b>236,818</b>	185,469	<b>192,380</b>	173,057

M-class shares issued at the time of initial allotment are \$1.00 per share and the shares issued under the dividend reinvestment plan are \$0.01 per share.

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

# Federation Alliance Limited

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## Notes to the financial statements

For the year ended 30 June 2017

### 11 Issued capital (continued)

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 financial statements for the financial year ending 30 June 2018. 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.

#### (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.

### 12 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 2017, FedInvest Pty Ltd (FedInvest) owned 2,000 (100%) of the issued Ordinary shares of the Company (2016: 2,000 (100%)) and 55,000 (100%) (2016: 55,000 (100%)) of the Foundation shares in the Company.

The Company paid promotion fees of \$28,485 (2016: \$22,792) to FedInvest during the year ended 30 June 2017.

David Bryant, Steve Davis and Richard Dixon are directors of the Company and are also directors 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 and the Federation Alliance Superannuation investment platform. During the year ended 30 June 2017, the Company received fees of \$206,181 (2016: \$162,766) from AUFM.

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

# Federation Alliance Limited

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## Notes to the financial statements

For the year ended 30 June 2017

### 12 Related party transactions (continued)

#### (b) Key management personnel

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

David Bryant

Fiona Dunn (resigned 15 September 2016)

Steve Davis

Richard Dixon

Matt Walsh (appointed 15 September 2016)

No compensation was paid to key management personnel of the Company during the financial year (2016:\$nil).

### 13 Cash flow information

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

	2017	2016
	\$	\$
Net profit after income tax for the year	75,376	28,844
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,893)	(2,657)
Increase/(decrease) in trade and other payables	13,078	(27,564)
(Increase)/decrease in deferred tax assets	(8,242)	-
Increase/(decrease) in current tax payable	(2,958)	13,434
Cash flows from operating activities	<u>74,361</u>	<u>12,057</u>

### 14 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:

	2017	2016
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	241,824	186,890
Trade and other receivables	18,000	15,107
	<u>259,824</u>	<u>201,997</u>
<b>Financial liabilities</b>		
Trade and other payables	44,481	34,153
	<u>44,481</u>	<u>34,153</u>

# Federation Alliance Limited

ABN 99 155 709 809

## Notes to the financial statements

For the year ended 30 June 2017

### 14 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 2017

### 14 Financial risk management (continued)

At 30 June 2017

	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying Amount assets/liabilities
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalent	241,824	-	-	-	-	241,824
Trade and other receivables	18,000	-	-	-	-	18,000
Total	<u>259,824</u>	-	-	-	-	<u>259,824</u>
Financial Liabilities						
Trade and other payables	44,481	-	-	-	-	44,481
Total	<u>44,481</u>	-	-	-	-	<u>44,481</u>

At 30 June 2016

	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying Amount assets/liabilities
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalent	186,890	-	-	-	-	186,890
Trade and other receivables	15,107	-	-	-	-	15,107
Total	<u>201,997</u>	-	-	-	-	<u>201,997</u>
Financial Liabilities						
Trade and other payables	34,153	-	-	-	-	34,153
Total	<u>34,153</u>	-	-	-	-	<u>34,153</u>

#### (d) Net fair value estimation

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

### 15 Commitments

There were no commitments for expenditure as at 30 June 2017 (2016:\$nil).

### 16 Contingent assets and liabilities

There were no contingent assets or liabilities at 30 June 2017 (2016: \$nil).

# Federation Alliance Limited

ABN 99 155 709 809

Notes to the financial statements

For the year ended 30 June 2017

## 17 Events after the end of the reporting period

On 22 September 2017, the directors declared a dividend of \$38,000.

The Company has issued 500 M-class shares for consideration of \$500 since 30 June 2017.

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 2017

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 23 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

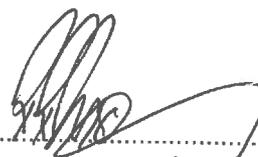
This declaration is made in accordance with a resolution of directors.

On behalf of the Board

Director .....



Director .....



22 September 2017



## *Independent auditor's report*

To the members of Federation Alliance Limited

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### *Our opinion*

In our opinion:

The accompanying financial report of Federation Alliance Limited (the Company) 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 its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the balance sheet as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

### *Independence*

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.

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### *Other information*

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Director's report included in the annual report, but does not include the financial report and our auditor's report thereon.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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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 identified above 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 on the other information obtained prior to the date of this auditor's report, 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.

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### *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 *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.

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### *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 the 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\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



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A handwritten signature in black ink, appearing to read "Britt Hawkins", with a long horizontal line extending to the right.

Britt Hawkins  
Partner

Melbourne  
22 September 2017