

# **Federation Enterprises (WA) Pty Ltd**

## **FINANCIAL REPORT**

**For the year ended 30 June 2016**

# Federation Enterprises (WA) Pty Ltd

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# Federation Enterprises (WA) Pty Ltd

## DIRECTORS' REPORT

The director presents this report on the company for the financial year ended 30 June 2016.

### Information on Directors

The names of each person who has been a director during the year and to the date of this report are:

Mr Andrew Hagen  
Mr Kingsley Fiegert

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Operating Results

The loss of the consolidated entity after providing for income tax amounted to \$1,540,352 (2015: \$852,964).

### Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Company during the year.

### Principal Activities

The principal activities of the company during the financial year were sales of bicycle cameras and accessories.

No significant changes in the nature of the company's activity occurred during the financial year.

### Events After the Reporting Date

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

### Environmental Issues

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

### Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

### Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### Indemnification and Insurance of Officers and Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

# Federation Enterprises (WA) Pty Ltd

## DIRECTORS' REPORT

### Future Developments

Other than as referred to in this report, further information as to likely future developments in the operations of the company and expected results of those operations would, in the opinion of the directors, be speculative only.

### Proceedings on Behalf of the Company

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

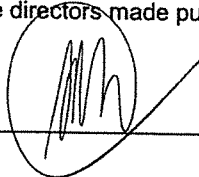
### Auditor's Independence Declaration

The auditor's independence declaration is included after this report.

Signed in accordance with a resolution of the directors made pursuant to S.298(2) of the Corporations Act 2001:

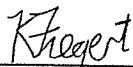
Director:

Mr Andrew Hagen



Director:

Mr Kingsley Fiegert



Dated:

12th Sept 2016

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF FEDERATION ENTERPRISES  
(WA) PTY LTD**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2016 there have been:

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



William Buck Audit (WA) Pty Ltd  
ABN 67 125 012 124



Conley Manifis  
Director

Dated this 12<sup>th</sup> day of September, 2016

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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## Federation Enterprises (WA) Pty Ltd

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	2	2,328,555	1,113,302
Cost of sales	3	(1,331,199)	(768,954)
<b>Gross profit</b>		<b>997,356</b>	<b>344,347</b>
Other income	4	16,466	52,918
Administrative expenses		(142,048)	(58,120)
Distribution expenses	5	(929,081)	(562,501)
Motor vehicle expenses		(14,315)	(11,567)
Other operating expenses	6	(759,159)	(506,779)
Research and development costs	7	(106,148)	(103,309)
Depreciation	8	(7,177)	(6,993)
Finance costs	9	(108,627)	(77,698)
Salaries and employee benefits expenses	10	(490,264)	-
Unrealised items	11	2,645	6,082
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>		<b>(1,540,352)</b>	<b>(923,620)</b>
Income tax benefit	12	-	70,656
<b>LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX</b>		<b>(1,540,352)</b>	<b>(852,964)</b>
Other comprehensive income, net of income tax		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Exchange difference on translating foreign operations		(7,554)	(1,570)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(1,547,906)</b>	<b>(854,534)</b>

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	21	757,395	56,644
Trade and other receivables	13	75,486	127,279
Inventories	14	60,027	591,100
Other assets	15	121,016	3,833
<b>TOTAL CURRENT ASSETS</b>		<b>1,013,924</b>	<b>778,856</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	53,342	13,900
<b>TOTAL NON-CURRENT ASSETS</b>		<b>53,342</b>	<b>13,900</b>
<b>TOTAL ASSETS</b>		<b>1,067,265</b>	<b>792,756</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	154,993	47,566
Unearned income	18	-	744,421
Provisions	19	8,715	-
Borrowings	20	2,433,627	1,156,570
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,597,335</b>	<b>1,948,557</b>
<b>TOTAL LIABILITIES</b>		<b>2,597,335</b>	<b>1,948,557</b>
<b>NET LIABILITIES</b>		<b>(1,530,069)</b>	<b>(1,155,801)</b>
<b>EQUITY</b>			
Issued capital	23	1,173,640	2
Reserves	24	(9,124)	(1,570)
Accumulated losses		(2,694,585)	(1,154,233)
<b>TOTAL EQUITY</b>		<b>(1,530,069)</b>	<b>(1,155,801)</b>

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Note	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2014</b>		2	-	(301,270)	(301,268)
Loss for the year		-	-	(852,964)	(852,964)
Other comprehensive income, net of income tax		-	(1,570)	-	-
<b>Total comprehensive loss for the year</b>		-	(1,570)	(852,964)	(854,534)
Transactions with owners in their capacity as owners:					
Capital contributions		-	-	-	-
Other contributions by owners		-	-	-	-
Distributions to owners		-	-	-	-
<b>Total</b>		-	-	-	-
<b>Balance at 30 June 2015</b>		<b>2</b>	<b>(1,570)</b>	<b>(1,154,233)</b>	<b>(1,155,801)</b>
<b>Balance at 1 July 2015</b>		2	(1,570)	(1,154,233)	(1,155,801)
Loss for the year		-	-	(1,540,352)	(1,540,352)
Other comprehensive income, net of income tax		-	(7,554)	-	(7,554)
<b>Total comprehensive loss for the year</b>		-	(7,554)	(1,540,352)	(1,547,906)
Transactions with owners in their capacity as owners:					
Issue of shares		1,173,638	-	-	1,173,638
Other contributions by owners		-	-	-	-
Distributions to owners		-	-	-	-
<b>Total</b>		<b>1,173,638</b>	<b>-</b>	<b>-</b>	<b>1,173,638</b>
<b>Balance at 30 June 2016</b>		<b>1,173,640</b>	<b>(9,124)</b>	<b>(2,694,585)</b>	<b>(1,530,069)</b>

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.



# Federation Enterprises (WA) Pty Ltd

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,647,879	1,857,723
Payments to suppliers and employees		(3,322,288)	(2,739,498)
Income tax refund received		70,656	38,893
Interest received		5,221	418
<b>Total Cash Flows from Operating Activities</b>	<b>21</b>	<b>(1,598,533)</b>	<b>(842,464)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(46,619)	(17,963)
<b>Total Cash Flows from Investing Activities</b>		<b>(46,619)</b>	<b>(17,963)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	792,105
Proceeds from issue of convertible notes		2,325,000	-
<b>Total Cash Flows from Financing Activities</b>		<b>2,325,000</b>	<b>792,105</b>
Net increase/(decrease) in cash and cash equivalents		679,849	(68,322)
Effects of exchange rate changes on the balance of cash held in foreign currencies		20,902	-
Cash and cash equivalents at the beginning of the year		56,644	124,966
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>21</b>	<b>757,395</b>	<b>56,644</b>

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### General Information

The consolidated financial report covers Federation Enterprises (WA) PTY LTD and BSA International Ltd. Federation Enterprises (WA) PTY LTD and BSA International are for profit companies and incorporated and domiciled in Australia and British Virgin Islands, respectively.

The functional and presentation currency of the group is Australian dollars.

The financial report was authorised for issue by the Directors on 12/09/2016.

Comparatives are consistent with prior years, unless otherwise stated.

#### 1 Basis of Preparation

The company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and AASB 1054 'Australian Additional Disclosures'.

The financial statements have been prepared on an accruals basis and are based on historical cost modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

The significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

#### **Going Concern**

For the year ended 30 June 2016, the consolidated entity incurred a loss of \$1,540,352 (2015: \$852,964) and at 30 June 2016 the consolidated entity had a working capital deficit of \$1,583,411 (2015: \$1,169,701).

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The directors believe that it is appropriate to prepare the financial report on a going concern basis as:

- The company has secured new business clients subsequent to year end and is expecting future profits
- The company is in the process of being acquired by a company listed on the ASX and as part of the acquisition will require a capital raising of a minimum of \$2.5m;
- The company has issued convertible notes of \$2.33m which will expect to convert into shares by the latest 11 January 2017. Therefore, the working capital deficit as at 30 June 2016 is expected to reduce significantly in the next 12 months.

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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Based on the above and the expected future profits, the directors have prepared cash flow forecasts that indicate that the company and consolidated entity will have sufficient cash flows to meet all working capital requirements for a period of at least 12 months from the date of signing the financial report.

Should the company and consolidated entity be unable to achieve the matters set out above, there is material uncertainty whether the company and consolidated entity will be able to continue as going concerns and therefore, whether they will be able to realise their assets and extinguish their liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification or liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

## 2 Summary of Significant Accounting Policies

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Property, Plant and Equipment

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

Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

### Plant and equipment

Plant and equipment are measured using the cost model.

### Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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### Financial Instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The company's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

### Impairment of Non-Financial Assets

At the end of each reporting period the company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

### Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### Revenue and Other Income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the company and specific criteria relating to the type of revenue as noted below, has been satisfied.

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

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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### Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Financial Liabilities

#### Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### Foreign Currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting these financial statements, the assets and liabilities of the company's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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### Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

### Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

### Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors of the company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accompanying notes are an integral part of the accounts.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>NOTE 2: REVENUE</b>		
Sales - Fly6	1,187,211	1,110,509
Sales - Fly12	1,137,668	-
Sales - Adaptor	3,676	2,792
	<u>2,328,555</u>	<u>1,113,302</u>
<b>NOTE 3: COST OF SALES</b>		
Opening stock	591,100	10,321
<b>Purchases:</b>		
Purchases	739,245	873,564
Manufacturing costs	60,881	476,169
	<u>800,126</u>	<u>1,349,733</u>
Closing stock	(60,027)	(591,100)
Cost of goods sold	<u>1,331,199</u>	<u>768,954</u>
<b>NOTE 4: OTHER INCOME</b>		
Government grant	11,245	52,500
Interest received	5,221	418
	<u>16,466</u>	<u>52,918</u>
<b>NOTE 5: DISTRIBUTION EXPENSES</b>		
Advertising and promotion	557,335	176,158
Freight and courier	219,684	228,510
Entertainment	1,040	498
Kickstarter fee	-	62,658
Travel	151,022	94,677
	<u>929,081</u>	<u>562,501</u>
<b>NOTE 6: OTHER OPERATING EXPENSES</b>		
Contractor & subcontractors	143,083	101,577
Consulting	321,652	-
IT costs	148,812	108,131
Minor assets < \$300	1,083	2,051
Project management costs	-	205,000
Accommodation Expenses	56,118	35,800
Foreign currency gains and losses	2,119	8,451
Insurance	26,949	8,735
Other operating expenses	59,344	37,033
	<u>759,159</u>	<u>506,779</u>

To be read in conjunction with the  
Financial Report.



# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>NOTE 7: RESEARCH AND DEVELOPMENT</b>		
Research & development costs	12,929	51,250
Engineering & design costs	63,231	25,152
IP expenses	29,988	26,908
	<u>106,148</u>	<u>103,309</u>
<b>NOTE 8: DEPRECIATION</b>		
Depreciation - Plant and equipment	7,177	6,993
	<u>7,177</u>	<u>6,993</u>
<b>NOTE 9: FINANCE COSTS</b>		
Interest on borrowings	108,627	77,698
	<u>108,627</u>	<u>77,698</u>
<b>NOTE 10: SALARIES AND EMPLOYEE BENEFITS EXPENSES</b>		
Wages and salaries	120,234	-
Superannuation	10,571	-
Directors' remuneration	325,909	-
Other employment expenses	33,551	-
	<u>490,264</u>	<u>-</u>
<b>NOTE 11: UNREALISED ITEMS</b>		
Unrealised losses	(2,645)	(6,082)
	<u>(2,645)</u>	<u>(6,082)</u>
<b>NOTE 12: INCOME TAX BENEFIT</b>		
R&D tax offset	-	(70,656)
	<u>-</u>	<u>(70,656)</u>
<b>NOTE 13: TRADE AND OTHER RECEIVABLES</b>		
GST refundable	75,485	4,122
R&D tax refundable	-	70,656
Accrued income	-	52,500
	<u>75,486</u>	<u>127,279</u>
<b>NOTE 14: INVENTORIES</b>		
Stock on hand at cost	60,027	591,100
	<u>60,027</u>	<u>591,100</u>
<b>NOTE 15: OTHER ASSETS</b>		
Loan to Breakwater (WA) Trust	-	3,833
Prepayment	121,016	-
	<u>121,016</u>	<u>3,833</u>

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>NOTE 16: PROPERTY, PLANT AND EQUIPMENT</b>		
Test model costs	77,188	77,188
Less accumulated depreciation	(77,188)	(77,188)
	-	-
Office equipment at cost	59,346	19,042
Less accumulated depreciation	(11,291)	(5,142)
	48,055	13,900
Computer equipment at cost	6,315	-
Less accumulated depreciation	(1,028)	-
	5,287	-
	53,342	13,900
<b>NOTE 17: TRADE AND OTHER PAYABLES</b>		
Trade payables	80,250	30,566
Accrued charges	50,500	17,000
PAYG withholding payable	20,342	-
Superannuation payable	3,900	-
	154,993	47,566
<b>NOTE 18: UNEARNED INCOME</b>		
Unearned income	-	744,421
	-	744,421
<b>NOTE 19: PROVISIONS</b>		
Provisions for annual leave	8,715	-
	8,715	-
<b>NOTE 20: BORROWINGS</b>		
<b><i>Current borrowings</i></b>		
Loan unsecured - Sunset Enterprises (WA) Trust	-	89,167
Loan unsecured - Tuart Properties	-	225,540
Loan unsecured - Troy Boekeman	-	112,283
Loan unsecured - Mark Wallis	-	112,271
Loan unsecured - JW & SH	-	139,832
Loan unsecured - R Fiegert	-	359,977
Loan unsecured - Matt Backhouse	-	57,500
Loan unsecured - A Hagen	-	60,000
Convertible notes	2,433,627	-
	2,433,627	1,156,570

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016	2015
	\$	\$

### Terms of Convertible Note:

The terms of Convertible Note issued 11 January 2016, states that note holders will be converted to ordinary shares if a liquidity event proceeds within 12 months. The liquidity event is required to be the following:

- (i) confirmation from ASX that it will be admitted to the Official List on conditions acceptable to the Company; or
- (ii) a trade sale for 100% of the equity of the Company on conditions acceptable to the Company
- (iii) a draft version of such confirmation.

Whichever occurs first, the Convertible Notes shall automatically convert into ordinary shares.

If the Convertible Notes are not converted into Shares due to a liquidity event, the Convertible Notes shall automatically convert into Shares on the date that is 3 Business Days after the expiration of the 12 month period.

A 10% coupon rate shall be payable on the principal amount of each convertible note. The accumulated coupon is payable the earlier of 12 months from the date of issues of the Note.

### NOTE 21: CASH AND CASH EQUIVALENTS

#### Reconciliation of cash

Cash at the end of financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:

Cash and cash equivalents	757,395	56,644
	757,395	56,644

#### Reconciliation of loss from ordinary activities to cash flows from operating activities

Loss from ordinary activities	(1,540,352)	(852,964)
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#### Non-cash items:

Depreciation	7,177	6,993
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#### (Increase)/decrease in assets:

Current trade and other receivables	51,791	(78,599)
Inventories	531,073	(459,759)
Other assets	(121,016)	-

#### Increase/(decrease) in liabilities:

Current trade and other payables	99,873	(280,254)
Unearned income	(744,421)	744,421
Accrued interest	108,627	77,698
Provisions	8,715	-

Cash flows from operating activities	(1,598,533)	(842,464)
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#### Non-cash transactions

During the current year, the company has issued shares for debt conversion which are not reflected in the consolidated statement of cash flows.

To be read in conjunction with the  
Financial Report.

# Federation Enterprises (WA) Pty Ltd

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

2016  
\$

2015  
\$

### NOTE 22: SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

Name of Subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2016	2015
BSA International Ltd	Sales of bicycle cameras and accessories	British Virgin Islands and Australia	100%	100%

### NOTE 23: SHARE CAPITAL

Balance at 1 July	2	2
Issue of 5,000,000 fully paid ordinary shares	1,173,638	-
Balance at 30 June	<u>1,173,640</u>	<u>2</u>

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

### NOTE 24: RESERVES

Foreign currency translation reserve	(9,124)	(1,570)
	<u>(9,124)</u>	<u>(1,570)</u>

### NOTE 25: SUBSEQUENT EVENTS

There were no events occurring after the end of the reporting period that impact on the financial statements

### NOTE 26: COMMITMENTS FOR EXPENDITURE

#### *Operating lease arrangements*

Operating leases relate to the office lease with lease terms of 3 years. Non-cancellable operating lease commitments are as follows

	2016 \$	2015 \$
Not later than 1 year	40,425	40,425
Later than 1 year and not later than 5 years	16,844	57,269
Later than 5 years	-	-
	<u>57,269</u>	<u>97,694</u>

### NOTE 27: REMUNERATION OF AUDITORS

#### *Auditor of the company*

Audit of the financial statements	6,500	17,000
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The auditor of Federation Enterprises (WA) Pty Ltd is William Buck Audit (WA) Pty Ltd.

To be read in conjunction with the Financial Report.

# Federation Enterprises (WA) Pty Ltd

## DIRECTORS' DECLARATION

As detailed in note 1 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

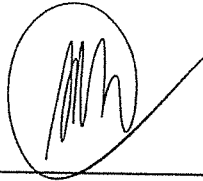
The directors of the company declares that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards (to the extent noted in note 1) and giving a true and fair view of the financial position and performance of the company.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Director:

Mr Andrew Hagen

Director:



Mr Kingsley Fiegert

Dated:

12th Sept 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDERATION ENTERPRISES (WA) PTY LTD AND CONTROLLED ENTITY**

### **Report on the Financial Report**

We have audited the accompanying financial report on pages 4 to 19, being a special purpose financial report of Federation Enterprises (WA) Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 of the company and the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

### *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, and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 judgement, 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 control relevant to the entity's preparation of the financial report that gives a true and fair view 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 control. 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.

### **CHARTERED ACCOUNTANTS & ADVISORS**

Level 3, 15 Labouchere Road  
South Perth WA 6151

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South Perth WA 6951

Telephone: +61 8 6436 2888

[williambuck.com](http://williambuck.com)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDERATION ENTERPRISES (WA) PTY LTD AND CONTROLLED ENTITY (CONT)**

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

*Auditor's Opinion*

In our opinion the financial report of Federation Enterprises (WA) Pty Ltd on pages 4 to 19 is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

*Material Uncertainty Regarding Continuation as a Going Concern*


Without modifying our opinion, we draw attention to Note 1 of the financial statements which indicates that the consolidated entity incurred a loss of \$1,540,352 for the year ended 30 June 2016 and had working capital deficit of \$1,583,411 as at 30 June 2016. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and extinguish their liabilities in the normal course of business.

*Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.



William Buck Audit (WA) Pty Ltd  
ABN 67 125 012 124



Conley Manifis  
Director

Dated this 12<sup>th</sup> day of September, 2016