

DAVIES COLLISON CAVE GROUP**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE, 2015**

	NOTE	2015	2014
CAPITAL			
OPENING BALANCE		19,438,992	20,614,750
PROFIT		22,942,550	16,253,347
		42,381,542	36,868,097
DRAWINGS		19,344,565	17,429,105
		<u>\$23,036,977</u>	<u>\$19,438,992</u>
NON-CURRENT ASSETS			
GOODWILL	1	18,790,019	18,790,019
OFFICE EQUIPMENT	2	1,760,389	2,061,578
MOTOR VEHICLES	3	619,630	922,611
PRACTICE MANAGEMENT SYSTEM	4	182,610	402,610
		<u>21,352,648</u>	<u>22,176,818</u>
CURRENT ASSETS			
CASH		6,514	6,000
BANK		352,841	91,476
DEBTORS	5	22,221,196	19,314,579
OTHER DEBTORS	6	409,660	109,743
PREPAID EXPENSES	7	630,065	952,590
		<u>23,620,276</u>	<u>20,474,388</u>
		<u>44,972,924</u>	<u>42,651,206</u>
Less:			
CURRENT LIABILITIES			
BANK	8		1,509,547
CREDITORS AND ACCRUED EXPENSES	9	8,560,623	7,265,556
FINANCE LEASES	10	72,829	173,267
HIRE PURCHASE	11	1,339,810	903,950
		<u>9,973,262</u>	<u>9,852,320</u>
NON-CURRENT LIABILITIES			
BANKS	8	9,500,000	9,500,000
PROVISION FOR LONG SERVICE LEAVE		1,697,000	1,864,000
FINANCE LEASES	10	96,533	169,362
HIRE PURCHASE	11	669,152	1,826,532
		<u>11,962,685</u>	<u>13,359,894</u>
		<u>21,935,947</u>	<u>23,212,214</u>
		<u>\$23,036,977</u>	<u>\$19,438,992</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP**PROFIT AND LOSS STATEMENT**
YEAR ENDED 30TH JUNE, 2015

	2015	2014
FEES	83,326,751	74,851,743
Less:		
ASSOCIATES' FEES	17,525,551	16,179,530
PATENT OFFICE FEES	9,457,667	8,368,594
OTHER DISBURSEMENTS	36,894	26,538
	27,020,112	24,574,662
NET FEES	56,306,639	50,277,081
CURRENCY EXCHANGE	1,859,833	1,133,429
RDN SERVICE FEES	1,790,930	1,683,531
DISBURSEMENTS RECOVERED	41,300	59,832
OTHER INCOME	4,555	5,898
	60,003,257	53,159,771
Less: EXPENSES		
PERSONNEL	22,685,871	24,133,178
ACCOUNTANCY AND AUDIT	435,876	406,553
BAD DEBTS	418,269	328,743
COMMUNICATIONS	808,571	752,097
INSURANCE	655,513	644,420
INTEREST AND BANK CHARGES	1,431,417	1,390,489
OCCUPANCY	3,115,925	3,058,872
OFFICE EQUIPMENT	3,222,766	2,333,504
MARKETING	3,130,942	2,754,447
SUBSCRIPTIONS	664,841	626,930
STATIONERY	346,064	357,260
OTHER EXPENSES	144,652	119,931
	37,060,707	36,906,424
PROFIT	22,942,550	16,253,347
CAPITAL - OPENING BALANCE	19,438,992	20,614,750
	42,381,542	36,868,097
DRAWINGS	19,344,565	17,429,105
CAPITAL - CLOSING BALANCE	\$23,036,977	\$19,438,992

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP**PROFIT AND LOSS STATEMENT**
YEAR ENDED 30TH JUNE, 2015

	2015	2014
PERSONNEL		
SALARIES OPERATORS	7,475,392	8,422,761
SALARIES SECRETARIES	4,775,885	4,637,151
SALARIES ADMINISTRATION	6,086,821	6,901,635
	<u>18,338,098</u>	<u>19,961,547</u>
TEMPORARY STAFF	90,022	448,519
PAYROLL TAX	950,503	1,048,856
SUPERANNUATION	1,661,225	1,760,815
CONSULTANTS	580,812	247,097
INSURANCE	66,061	84,930
PAYROLL PREPARATION	28,758	25,480
RELOCATION EXPENSES	109,350	27,990
STAFF AMENITIES	303,495	304,286
STAFF RECRUITMENT	424,151	148,040
STAFF TRAINING	133,396	75,618
	<u>\$22,685,871</u>	<u>\$24,133,178</u>
ACCOUNTANCY AND AUDIT		
ACCOUNTING	350,588	329,534
AUDIT	85,288	77,019
	<u>\$435,876</u>	<u>\$406,553</u>
BAD DEBTS		
BAD DEBTS	483,901	419,748
PROVISION FOR DOUBTFUL DEBTS	20,000	(50,000)
BAD DEBTS RECOVERED	(129,155)	(91,663)
	<u>374,746</u>	<u>278,085</u>
DEBT COLLECTION	43,523	50,658
	<u>\$418,269</u>	<u>\$328,743</u>
COMMUNICATIONS		
COURIER AND POSTAGE	209,120	213,641
INTERNET	266,223	204,796
TELEPHONE AND FACSIMILE	333,228	333,660
	<u>\$808,571</u>	<u>\$752,097</u>
INSURANCE		
PROFESSIONAL INDEMNITY	479,408	475,095
OTHER	176,105	169,325
	<u>\$655,513</u>	<u>\$644,420</u>
INTEREST AND BANK CHARGES		
INTEREST	1,092,046	1,055,486
INTEREST: FINANCE LEASES	12,680	26,918
INTEREST RECEIVED	(523)	(215)
BANK CHARGES	327,214	308,300
	<u>\$1,431,417</u>	<u>\$1,390,489</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP

PROFIT AND LOSS STATEMENT **YEAR ENDED 30TH JUNE, 2015**

	2015	2014
RENT	2,633,436	2,569,501
RENT RECEIVED	(17,807)	(26,711)
CLEANING	156,524	156,444
CONSULTANTS	-	667
ELECTRICITY	123,610	142,592
MAINTENANCE	71,030	48,009
SECURITY	36,316	31,877
STORAGE	112,816	136,493
	<u>\$3,115,925</u>	<u>\$3,058,872</u>
OFFICE EQUIPMENT		
COMPUTER SOFTWARE	756,037	546,247
COMPUTER CONSULTANTS	1,605,012	768,929
DEPRECIATION AND AMORTISATION	699,115	732,764
LOSS ON DISPOSAL	8,537	8,808
CONSUMABLES	69,571	67,880
MAINTENANCE	84,494	208,876
	<u>\$3,222,766</u>	<u>\$2,333,504</u>
MARKETING		
ADVERTISING	651,689	655,395
CONVENTIONS AND SEMINARS	74,273	80,447
ENTERTAINMENT	700,698	649,390
FRINGE BENEFITS TAX	169,749	142,428
TRAVEL LOCAL	538,456	426,419
TRAVEL OVERSEAS	996,077	800,368
	<u>\$3,130,942</u>	<u>\$2,754,447</u>
SUBSCRIPTIONS		
PUBLICATIONS	383,394	361,466
PROFESSIONAL ORGANISATIONS	281,447	265,464
	<u>\$664,841</u>	<u>\$626,930</u>
STATIONERY		
PHOTO COPYING	216,352	225,567
OTHER	129,712	131,693
	<u>\$346,064</u>	<u>\$357,260</u>
OTHER EXPENSES		
LEGAL FEES	<u>\$144,652</u>	<u>\$119,931</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2015

1 STATEMENT OF ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared in order to satisfy the accounts preparation requirements of the partners of the Davies Collison Cave Group. The partners have determined that the Group is not a reporting entity.

The statements have been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 1031: Materiality

The report is prepared on an accruals basis from the records of the entities in the Group. The Group comprises Davies Collison Cave, Davies Collison Cave Law and DCC Holdings Pty Ltd. The group accounts are comprised solely of an aggregation of the financial statements of the entities, referred to above, as at 30 June, 2015 and are not a consolidation as defined by AASB 10: Consolidated Financial Statements as there is no common parent entity. The accounts have been prepared after eliminating balances and transactions between the entities.

The report is also based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific policies, which are consistent with the previous period unless otherwise stated, have been applied in the preparation of this report.

Foreign Currency Transactions:

Foreign currency transactions are converted to Australian dollars at the exchange rate ruling at the date of each transaction.

Amounts payable and receivable in foreign currency at balance date are converted to Australian dollars at the exchange rates ruling at that date. Gains and losses arising from foreign currency transactions are treated as revenue and expenses, respectively, in the period in which they arise. Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures are brought to account in the Profit and Loss Statement.

Employee Entitlements

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Management estimate the portion of the long service leave balance which is expected to be paid within 12 months of the reporting date. This estimation is then classified as current, with the remaining balance classified as non-current.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Goodwill

Goodwill of \$18,790,019 included in the accounts as a non-current asset is at the Firm's valuation. Goodwill is tested annually for impairment to ensure that its carrying value does not exceed its fair value.

DAVIES COLLISON CAVE GROUP

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2015

1 STATEMENT OF ACCOUNTING POLICIES

Office Equipment and Motor Vehicles

Office equipment and motor vehicles are measured on the cost basis. The carrying amount of these assets is reviewed annually by the partners to ensure it is not in excess of the recoverable amount from these assets.

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on the diminishing value method at taxation rates.

Practice Management System

Costs, amounting to \$1,098,027, incurred in implementing a new practice management system are being amortised over a period of five years from 1st May, 2011 when the system commenced operations. The costs comprise the cost of the software licence, installation and transfer of data from the previous system. It is expected that the period in which the system will be used by the Firm will exceed five years.

Leased Assets

Assets acquired under finance leases are capitalised. The initial amount of the leased asset and corresponding lease liability is the present value of the minimum lease payments. The assets are amortised on a straight line basis over their expected economic lives. Lease payments are allocated between interest expenses and lease liability. The interest component is charged against profit when incurred.

Operating leases are not capitalised and rental payments are written off as expenses as they are incurred.

Lease Incentive

During the 2012/13 year, a ten year extension to the lease of the Firm's Melbourne premises from 1st January 2016 was negotiated. As an incentive, the rent payable from 1st January 2013 to 31st December 2015 was reduced by 50% which is to be reflected as a rent reduction in the Financial Statements for that period.

Cash Flow Statement

For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank, bank overdrafts and commercial bills due within two months.

Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the client.

Goods and Services Tax (GST)

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

DAVIES COLLISON CAVE GROUP

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2015

	2015	2014
2 OFFICE EQUIPMENT		
LEASED	352,807	851,639
LESS: ACCUMULATED AMORTISATION	183,445	509,011
	<u>169,362</u>	<u>342,628</u>
AT COST	4,586,246	4,300,808
LESS: ACCUMULATED DEPRECIATION	2,995,219	2,581,858
	<u>1,591,027</u>	<u>1,718,950</u>
	<u>\$1,760,389</u>	<u>\$2,061,578</u>
3 MOTOR VEHICLES		
AT COST	1,022,440	1,433,077
LESS: ACCUMULATED DEPRECIATION	402,810	510,466
	<u>\$619,630</u>	<u>\$922,611</u>
4 PRACTICE MANAGEMENT SYSTEM		
CAPITALISED COSTS	1,098,027	1,098,027
LESS: ACCUMULATED AMORTISATION	915,417	695,417
	<u>\$182,610</u>	<u>\$402,610</u>
5 DEBTORS		
DEBTORS	21,146,953	17,872,548
RECOVERABLE DISBURSEMENTS	602,190	1,064,607
CPA	992,053	877,424
	<u>22,741,196</u>	<u>19,814,579</u>
LESS: PROVISION FOR DOUBTFUL DEBTS	520,000	500,000
	<u>\$22,221,196</u>	<u>\$19,314,579</u>

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2015

	2015	2014
6 OTHER DEBTORS		
INSURANCE RECOVERIES	41,175	44,147
GST	36,955	
OVERSEAS TRAVEL REFUNDS	2,822	6,560
BONDS AND DEPOSITS	8,220	2,220
OTHER	320,488	56,816
	<u>\$409,660</u>	<u>\$109,743</u>
7 PREPAID EXPENSES		
HIRE PURCHASE CHARGES	193,694	343,343
INSURANCE	47,348	43,601
RENT	149,223	176,120
INTEREST	-	2,871
SUBSCRIPTIONS	61,795	93,166
COMPUTER SOFTWARE	15,051	155,349
TRAVEL OVERSEAS	84,451	13,522
OTHER	78,503	124,618
	<u>\$630,065</u>	<u>\$952,590</u>
8 BANK		
OVERDRAFTS	-	1,509,547
ADVANCES	9,500,000	9,500,000
	<u>\$9,500,000</u>	<u>\$11,009,547</u>
CURRENT	-	1,509,547
NON-CURRENT	9,500,000	9,500,000
	<u>\$9,500,000</u>	<u>\$11,009,547</u>
9 CREDITORS AND ACCRUED EXPENSES		
ASSOCIATES	4,050,797	3,270,546
CREDITORS AND ACCRUED CHARGES	2,914,131	2,526,043
GST	307,695	236,967
ANNUAL LEAVE ACCRUED	1,288,000	1,232,000
	<u>\$8,560,623</u>	<u>\$7,265,556</u>

DAVIES COLLISON CAVE GROUP

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2015

	2015	2014
10 FINANCE LEASES		
FINANCE LEASE EXPENDITURE		
COMMITMENTS PAYABLE:		
WITHIN ONE YEAR	79,930	185,947
BETWEEN ONE AND FIVE YEARS	99,913	179,843
AFTER FIVE YEARS		
MINIMUM PAYMENTS	179,843	365,790
LESS: FUTURE FINANCE CHARGES	10,481	23,161
TOTAL LIABILITY	<u>\$169,362</u>	<u>\$342,629</u>
 CURRENT	72,829	173,267
NON-CURRENT	96,533	169,362
	<u>\$169,362</u>	<u>\$342,629</u>
 11 HIRE PURCHASE		
HIRE PURCHASE EXPENDITURE		
COMMITMENTS PAYABLE:		
WITHIN ONE YEAR	1,339,810	903,950
BETWEEN ONE AND FIVE YEARS	669,152	1,826,532
AFTER FIVE YEARS		
TOTAL LIABILITY	<u>\$2,008,962</u>	<u>\$2,730,482</u>
 CURRENT	1,339,810	903,950
NON-CURRENT	669,152	1,826,532
	<u>\$2,008,962</u>	<u>\$2,730,482</u>
 12 LEASE COMMITMENTS		
OPERATING LEASE EXPENDITURE		
COMMITMENTS PAYABLE:		
WITHIN ONE YEAR	3,278,032	2,370,119
BETWEEN ONE AND FIVE YEARS	13,969,046	12,647,653
AFTER FIVE YEARS	16,032,930	18,497,845
	<u>\$33,280,008</u>	<u>\$33,515,617</u>

DAVIES COLLISON CAVE GROUP

CASH FLOW STATEMENT

YEAR ENDED 30TH JUNE, 2015

	NOTE	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS FROM CLIENTS		83,592,810	78,421,690
PAYMENTS TO ASSOCIATES, THE PATENT OFFICE, SUPPLIERS AND EMPLOYEES		(60,627,470)	(58,305,807)
INTEREST RECEIVED		523	215
INTEREST AND OTHER FINANCE COSTS PAID		(1,475,463)	(1,441,362)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3	<u>21,490,400</u>	<u>18,674,736</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
PAYMENTS FOR:			
OFFICE EQUIPMENT	2	<u>(374,410)</u>	<u>(102,475)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(374,410)</u>	<u>(102,475)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
BORROWINGS REPAYED			(500,000)
CAPITAL CONTRIBUTED		2,475,000	732,500
CAPITAL REPAYED		(861,250)	(1,325,749)
DRAWINGS		<u>(20,958,314)</u>	<u>(16,835,856)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(19,344,564)</u>	<u>(17,929,105)</u>
NET INCREASE (DECREASE) IN CASH HELD		1,771,426	643,156
CASH 1ST JULY		(1,412,071)	(2,055,227)
CASH 30TH JUNE	1	<u>\$359,355</u>	<u>(\$1,412,071)</u>

DAVIES COLLISON CAVE GROUP

NOTES TO CASH FLOW STATEMENT **YEAR ENDED 30TH JUNE, 2015**

	2015	2014
1 CASH RECONCILIATION		
CASH	6,514	6,000
CASH AT BANK	352,841	91,476
BANK OVERDRAFT		(1,509,547)
	<u>\$359,355</u>	<u>(\$1,412,071)</u>
2 NON CASH INVESTING ACTIVITIES		
OFFICE EQUIPMENT AND MOTOR VEHICLES ACQUIRED BY FINANCE LEASE OR HIRE PURCHASE (NOT REFLECTED IN THE CASH FLOW STATEMENT):		
OFFICE EQUIPMENT	203,045	172,930
MOTOR VEHICLES	<u>\$203,045</u>	<u>\$172,930</u>
3 RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO PROFIT		
PROFIT	22,942,550	16,253,347
DEPRECIATION:		
OFFICE EQUIPMENT	224,904	205,033
PRACTICE MANAGEMENT SYSTEM	220,000	219,605
LOSS (PROFIT) ON DISPOSAL:		
OFFICE EQUIPMENT	8,537	8,808
PROVISION FOR DOUBTFUL DEBTS	20,000	(50,000)
PROVISION FOR LONG SERVICE LEAVE	(167,000)	(124,000)
CHANGES IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN DEBTORS	(3,226,534)	1,500,638
(INCREASE) DECREASE IN PREPAID EXPENSES	172,876	(106,183)
INCREASE (DECREASE) IN CREDITORS	1,295,067	767,488
	<u>\$21,490,400</u>	<u>\$18,674,736</u>

DAVIES COLLISON CAVE GROUP

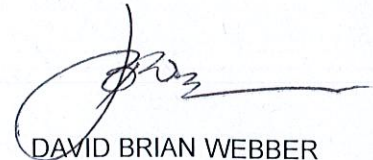
PARTNERS' DECLARATION

The partners of the Davies Collison Cave Group have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting standards and the basis of accounting outlined in Note 1 to the financial statements.

The partners of the Group declare that:

- 1 The financial statements and notes to the financial statements:
 - (a) comply with the accounting standards as detailed in note 1 to the financial statements; and
 - (b) give a true and fair view of the Group's financial position as at 30th June, 2015 and of its performance for the year ended on that date in accordance with the accounting policies described in note 1 to the financial statements.
- 2 In the partners' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is signed for and on behalf of the partners by:



DAVID BRIAN WEBBER
Partner
10th December, 2015



LEON KEITH ALLEN
Managing Partner
10th December, 2015

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF DAVIES COLLISON CAVE GROUP

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report for Davies Collison Cave Group, which comprises the statement of financial position as at 30 June 2015, the profit and loss statement for the period then ended, capital accounts, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the partners' declaration.

Partners' Responsibility for the Financial Report

The partners of the Group are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the partners.

The partners' responsibility also includes such internal control as the partners determine is necessary to enable the preparation of a financial report that 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 partners, 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 Australian professional ethical pronouncements.

Opinion

In our opinion, the financial report presents fairly, in all material respects the financial position of Davies Collison Cave Group as at 30 June 2015 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of satisfying the account preparation requirements of the partners of the Davies Collison Cave Group. As a result, the financial report may not be suitable for another purpose.

ShineWing Australia

ShineWing Australia (formerly Moore Stephens)
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 10 December 2015