

DAVIES COLLISON CAVE GROUP**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE, 2014**

	NOTE	2014	2013
CAPITAL			
1.7.2013		20,614,750	21,202,180
PROFIT		16,253,347	16,651,291
		<u>36,868,097</u>	<u>37,853,471</u>
DRAWINGS		17,429,105	17,238,721
		<u>\$19,438,992</u>	<u>\$20,614,750</u>
 NON-CURRENT ASSETS			
GOODWILL		18,790,019	18,790,019
OFFICE EQUIPMENT	2	2,061,578	2,700,673
MOTOR VEHICLES	3	922,611	1,119,046
PRACTICE MANAGEMENT SYSTEM	4	402,610	622,216
		<u>22,176,818</u>	<u>23,231,954</u>
 CURRENT ASSETS			
CASH		6,000	6,000
BANK		91,476	328,296
DEBTORS	5	19,314,579	20,825,664
OTHER DEBTORS	6	109,743	49,296
PREPAID EXPENSES	7	952,590	1,019,108
		<u>20,474,388</u>	<u>22,228,364</u>
		42,651,206	45,460,318
 Less:			
CURRENT LIABILITIES			
BANK	8	1,509,547	2,389,523
CREDITORS AND ACCRUED EXPENSES	9	7,265,556	6,498,068
FINANCE LEASES	10	173,267	191,336
HIRE PURCHASE	11	903,950	835,161
		<u>9,852,320</u>	<u>9,914,088</u>
 NON-CURRENT LIABILITIES			
BANK	8	9,500,000	10,000,000
PROVISION FOR LONG SERVICE LEAVE		1,864,000	1,988,000
FINANCE LEASES	10	169,362	342,629
HIRE PURCHASE	11	1,826,532	2,600,851
		<u>13,359,894</u>	<u>14,931,480</u>
		23,212,214	24,845,568
		<u>\$19,438,992</u>	<u>\$20,614,750</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP**PROFIT AND LOSS STATEMENT**
YEAR ENDED 30TH JUNE, 2014

	2014	2013
FEES	74,851,743	77,151,523
Less:		
ASSOCIATES' FEES	16,179,530	13,974,276
PATENT OFFICE FEES	8,368,594	10,844,021
OTHER DISBURSEMENTS	26,538	36,545
	24,574,662	24,854,842
NET FEES	50,277,081	52,296,681
CURRENCY EXCHANGE	1,133,429	1,142,046
RDN SERVICE FEES	1,683,531	1,405,703
DISBURSEMENTS RECOVERED	59,832	53,079
OTHER INCOME	5,898	15,228
	53,159,771	54,912,737
Less: EXPENSES		
PERSONNEL	24,133,178	23,971,222
ACCOUNTANCY AND AUDIT	406,553	241,497
BAD DEBTS	328,743	551,191
COMMUNICATIONS	752,097	1,049,803
INSURANCE	644,420	710,154
INTEREST AND BANK CHARGES	1,390,489	1,525,010
OCCUPANCY	3,058,872	3,423,958
OFFICE EQUIPMENT	2,333,504	3,187,704
MARKETING	2,754,447	2,565,112
SUBSCRIPTIONS	626,930	610,931
STATIONERY	357,260	396,971
OTHER EXPENSES	119,931	27,893
	36,906,424	38,261,446
PROFIT	16,253,347	16,651,291
CAPITAL 1.7.2013	20,614,750	21,202,180
	36,868,097	37,853,471
DRAWINGS	17,429,105	17,238,721
CAPITAL 30.6.2014	\$19,438,992	\$20,614,750

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP**PROFIT AND LOSS STATEMENT**
YEAR ENDED 30TH JUNE, 2014

	2014	2013
PERSONNEL		
SALARIES OPERATORS	8,422,761	8,326,585
SALARIES SECRETARIES	4,637,151	4,527,375
SALARIES ADMINISTRATION	6,901,635	6,842,477
	<hr/>	<hr/>
TEMPORARY STAFF	19,961,547	19,696,437
PAYROLL TAX	448,519	640,292
SUPERANNUATION	1,048,856	1,010,725
CONSULTANTS	1,760,815	1,646,078
INSURANCE	247,097	297,061
PAYROLL PREPARATION	84,930	68,679
RELOCATION EXPENSES	25,480	23,144
STAFF AMENITIES	27,990	1,724
STAFF RECRUITMENT	304,286	278,394
STAFF TRAINING	148,040	200,498
	75,618	108,190
	<hr/>	<hr/>
	\$24,133,178	\$23,971,222
ACCOUNTANCY AND AUDIT		
ACCOUNTANCY AND AUDIT	406,553	241,497
	<hr/>	<hr/>
	\$406,553	\$241,497
BAD DEBTS		
BAD DEBTS	419,748	686,310
PROVISION FOR DOUBTFUL DEBTS	(50,000)	(50,000)
BAD DEBTS RECOVERED	(91,663)	(132,861)
	<hr/>	<hr/>
	278,085	503,449
DEBT COLLECTION	50,658	47,742
	<hr/>	<hr/>
	\$328,743	\$551,191
COMMUNICATIONS		
COURIER AND POSTAGE	213,641	275,909
INTERNET	204,796	401,503
TELEPHONE AND FACSIMILE	333,660	372,391
	<hr/>	<hr/>
	\$752,097	\$1,049,803
INSURANCE		
PROFESSIONAL INDEMNITY	475,095	537,081
OTHER	169,325	173,073
	<hr/>	<hr/>
	\$644,420	\$710,154
INTEREST AND BANK CHARGES		
INTEREST	1,055,486	1,159,877
INTEREST: FINANCE LEASES	26,918	51,245
INTEREST RECEIVED	(215)	(221)
BANK CHARGES	308,300	314,109
	<hr/>	<hr/>
	\$1,390,489	\$1,525,010

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP**PROFIT AND LOSS STATEMENT**
YEAR ENDED 30TH JUNE, 2014

	2014	2013
OCCUPANCY		
RENT	2,569,501	2,904,899
RENT RECEIVED	(26,711)	(9,117)
CLEANING	156,444	156,607
CONSULTANTS	667	8,354
ELECTRICITY	142,592	154,335
MAINTENANCE	48,009	49,163
SECURITY	31,877	25,722
STORAGE	136,493	133,995
	<u>\$3,058,872</u>	<u>\$3,423,958</u>
OFFICE EQUIPMENT		
COMPUTER SOFTWARE	546,247	661,594
COMPUTER CONSULTANTS	768,929	1,107,185
DEPRECIATION AND AMORTISATION	732,764	1,152,867
LOSS ON DISPOSAL	8,808	8,912
CONSUMABLES	67,880	95,674
MAINTENANCE	208,876	161,472
	<u>\$2,333,504</u>	<u>\$3,187,704</u>
MARKETING		
ADVERTISING	655,395	467,495
CONSULTANTS	-	42,000
CONVENTIONS AND SEMINARS	80,447	145,300
ENTERTAINMENT	649,390	651,176
FRINGE BENEFITS TAX	142,428	142,230
TRAVEL LOCAL	426,419	411,975
TRAVEL OVERSEAS	800,368	704,936
	<u>\$2,754,447</u>	<u>\$2,565,112</u>
SUBSCRIPTIONS		
PUBLICATIONS	361,466	335,171
PROFESSIONAL ORGANISATIONS	265,464	275,760
	<u>\$626,930</u>	<u>\$610,931</u>
STATIONERY		
PHOTO COPYING	225,567	205,968
OTHER	131,693	191,003
	<u>\$357,260</u>	<u>\$396,971</u>
OTHER EXPENSES		
LEGAL FEES	<u>\$119,931</u>	<u>\$27,893</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2014

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, 2014 and are not a consolidation as defined by AASB 127: Consolidated and Separate 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, 2014

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 paid.

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, 2014

	2014	2013
2 OFFICE EQUIPMENT		
LEASED	851,639	851,639
LESS: ACCUMULATED AMORTISATION	509,011	317,675
	<u>342,628</u>	<u>533,964</u>
AT COST	4,300,808	4,377,437
LESS: ACCUMULATED DEPRECIATION	2,581,858	2,210,728
	<u>1,718,950</u>	<u>2,166,709</u>
	<u>\$2,061,578</u>	<u>\$2,700,673</u>
3 MOTOR VEHICLES		
AT COST	1,433,077	1,520,593
LESS: ACCUMULATED DEPRECIATION	510,466	401,547
	<u>\$922,611</u>	<u>\$1,119,046</u>
4 PRACTICE MANAGEMENT SYSTEM		
CAPITALISED COSTS	1,098,027	1,098,027
LESS: ACCUMULATED AMORTISATION	695,417	475,811
	<u>\$402,610</u>	<u>\$622,216</u>
5 DEBTORS		
DEBTORS	17,872,548	19,668,132
RECOVERABLE DISBURSEMENTS	1,064,607	791,078
CPA	877,424	916,454
	<u>19,814,579</u>	<u>21,375,664</u>
LESS: PROVISION FOR DOUBTFUL DEBTS	500,000	550,000
	<u>\$19,314,579</u>	<u>\$20,825,664</u>
6 OTHER DEBTORS		
INSURANCE RECOVERIES	44,147	7,352
GST	-	14,484
OVERSEAS TRAVEL REFUNDS	6,560	1,672
BONDS AND DEPOSITS	2,220	2,220
OTHER	56,816	23,568
	<u>\$109,743</u>	<u>\$49,296</u>
7 PREPAID EXPENSES		
HIRE PURCHASE CHARGES	343,343	516,044
INSURANCE	43,601	37,608
RENT	176,120	249,643
INTEREST: COMMERCIAL BILLS	2,871	33,748
SUBSCRIPTIONS	93,166	97,397
COMPUTER SOFTWARE	155,349	46,840
TRAVEL OVERSEAS	13,522	37,828
OTHER	124,618	-
	<u>\$952,590</u>	<u>\$1,019,108</u>

DAVIES COLLISON CAVE GROUP

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2014

	2014	2013
8 BANK		
OVERDRAFTS	1,509,547	2,389,523
COMMERCIAL BILLS	9,500,000	10,000,000
	<u>\$11,009,547</u>	<u>\$12,389,523</u>
CURRENT	1,509,547	2,389,523
NON-CURRENT	9,500,000	10,000,000
	<u>\$11,009,547</u>	<u>\$12,389,523</u>
9 CREDITORS AND ACCRUED EXPENSES		
ASSOCIATES	3,270,546	2,769,265
CREDITORS AND ACCRUED CHARGES	2,526,043	2,078,555
GST	236,967	170,248
ANNUAL LEAVE ACCRUED	1,232,000	1,480,000
	<u>\$7,265,556</u>	<u>\$6,498,068</u>
10 FINANCE LEASES		
FINANCE LEASE EXPENDITURE		
COMMITMENTS PAYABLE:		
WITHIN ONE YEAR	185,947	218,254
BETWEEN ONE AND FIVE YEARS	179,843	365,790
AFTER FIVE YEARS	-	-
MINIMUM PAYMENTS	365,790	584,044
LESS: FUTURE FINANCE CHARGES	23,161	50,079
TOTAL LIABILITY	<u>\$342,629</u>	<u>\$533,965</u>
CURRENT	173,267	191,336
NON-CURRENT	169,362	342,629
	<u>\$342,629</u>	<u>\$533,965</u>
11 HIRE PURCHASE		
HIRE PURCHASE EXPENDITURE		
COMMITMENTS PAYABLE:		
WITHIN ONE YEAR	903,950	835,161
BETWEEN ONE AND FIVE YEARS	1,826,532	2,600,851
AFTER FIVE YEARS	-	-
TOTAL LIABILITY	<u>\$2,730,482</u>	<u>\$3,436,012</u>
CURRENT	903,950	835,161
NON-CURRENT	1,826,532	2,600,851
	<u>\$2,730,482</u>	<u>\$3,436,012</u>
12 LEASE COMMITMENTS		
OPERATING LEASE EXPENDITURE		
COMMITMENTS PAYABLE:		
WITHIN ONE YEAR	2,370,119	2,291,989
BETWEEN ONE AND FIVE YEARS	12,647,653	12,375,012
AFTER FIVE YEARS	18,497,845	21,140,605
	<u>\$33,515,617</u>	<u>\$35,807,606</u>

DAVIES COLLISON CAVE GROUP

CASH FLOW STATEMENT

YEAR ENDED 30TH JUNE, 2014

	NOTE	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS FROM CLIENTS		78,421,690	75,847,301
PAYMENTS TO ASSOCIATES, THE PATENT OFFICE, SUPPLIERS AND EMPLOYEES		(58,305,807)	(60,168,004)
INTEREST RECEIVED		215	221
INTEREST AND OTHER FINANCE COSTS PAID		(1,441,362)	(1,572,973)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3	<u>18,674,736</u>	<u>14,106,545</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
PAYMENTS FOR:			
OFFICE EQUIPMENT	2	<u>(102,475)</u>	<u>(159,495)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(102,475)</u>	<u>(159,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM BORROWINGS			2,500,000
BORROWINGS REPAYED		(500,000)	
CAPITAL CONTRIBUTED		732,500	806,250
CAPITAL REPAYED		(1,325,749)	(1,308,039)
DRAWINGS		(16,835,856)	(16,736,932)
NET CASH USED IN FINANCING ACTIVITIES		<u>(17,929,105)</u>	<u>(14,738,721)</u>
NET INCREASE (DECREASE) IN CASH HELD		643,156	(791,671)
CASH 1ST JULY 2013		(2,055,227)	(1,263,556)
CASH 30TH JUNE 2014	1	<u><u>(\$1,412,071)</u></u>	<u><u>(\$2,055,227)</u></u>

DAVIES COLLISON CAVE GROUP

NOTES TO CASH FLOW STATEMENT **YEAR ENDED 30TH JUNE, 2014**

	2014	2013
1 CASH RECONCILIATION		
CASH	6,000	6,000
CASH AT BANK	91,476	328,296
BANK OVERDRAFT	(1,509,547)	(2,389,523)
	<u>(\$1,412,071)</u>	<u>(\$2,055,227)</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	-	1,406,381
MOTOR VEHICLES	172,930	362,561
	<u>\$172,930</u>	<u>\$1,768,942</u>
3 RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO PROFIT		
PROFIT	16,253,347	16,651,291
DEPRECIATION:		
OFFICE EQUIPMENT	205,033	256,886
PRACTICE MANAGEMENT SYSTEM	219,605	219,605
LOSS (PROFIT) ON DISPOSAL:		
OFFICE EQUIPMENT	8,808	8,912
PROVISION FOR DOUBTFUL DEBTS	(50,000)	(50,000)
PROVISION FOR LONG SERVICE LEAVE	(124,000)	256,000
CHANGES IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN DEBTORS	1,500,638	(3,121,088)
(INCREASE) DECREASE IN PREPAID EXPENSES	(106,183)	(163,500)
INCREASE (DECREASE) IN CREDITORS	767,488	48,439
	<u>\$18,674,736</u>	<u>\$14,106,545</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, 2014 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

11 February, 2015



LEON KEITH ALLEN
Managing Partner

11 February, 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAVIES COLLISON CAVE

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 2014, 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 company 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 members.

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 2014 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
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 11 February 2015