

Freehills Patent Attorneys

ABN 69 113 651 229

financial report (unaudited) for the year ended 30 June 2013



FREEHILLS PATENT ATTORNEYS
ABN 69 113 651 229

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**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 \$	2012 \$
Income			
Fee income	1(e)	20,521,306	20,899,668
Net movement in work in progress		1,094,584	(338,449)
Disbursements billed		725,749	675,213
Interest income	2(a)	25,072	-
Other income		230,950	94,500
Total income	2	<u>22,597,661</u>	<u>21,330,932</u>
Bad debts	3(a)	(217,332)	(134,429)
Doubtful debts provision movement		(52,625)	27,508
Net income		<u>22,327,704</u>	<u>21,224,011</u>
Less expenses			
Bank fees		85,355	-
Business development expenses		373	328
Couriers		10	1,104
Entertainment expenses		26,865	25,382
Fringe benefit tax		3,921	3,021
General expenses		141,470	158,389
Interest paid	3(a)	83,027	258,683
Management fee expense		7,961,913	11,156,861
Payroll tax		173,404	-
Professional memberships		26,065	31,381
Practicing certificates		6,747	13,863
Recruitment		-	55,202
Rewards & Recognition		460	2,593
Salaries and wages		3,687,894	3,717,593
Search and filing fees		74	-
Sponsorships		2,670	4,545
Staff amenities		3,712	11,647
Staff training		95,703	62,008
Superannuation		288,879	285,584
Travel and accomodation		187,339	292,326
Workcover expense		11,163	36,122
Total expenses		<u>12,787,044</u>	<u>16,116,632</u>
Operating profit (Profit available for distribution)	11	<u><u>9,540,660</u></u>	<u><u>5,107,379</u></u>

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**BALANCE SHEET
AS AT 30 JUNE 2013**

	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	4	946,420	-
Trade and other receivables	5	5,659,435	4,551,545
Inventories	6	1,956,493	630,989
Other current assets	7	41,408	75,191
		<u>8,603,756</u>	<u>5,257,725</u>
Total assets		<u><u>8,603,756</u></u>	<u><u>5,257,725</u></u>
Current liabilities			
Trade and other payables	8	1,662,606	3,241,454
Interest bearing liabilities	9	2,000,000	-
Provisions	10	187,513	195,764
		<u>3,850,119</u>	<u>3,437,218</u>
Non-current liabilities			
Provisions	10	267,853	253,169
		<u>267,853</u>	<u>253,169</u>
Total liabilities		<u>4,117,972</u>	<u>3,690,387</u>
Net assets		<u><u>4,485,784</u></u>	<u><u>1,567,338</u></u>
Partner funds			
Current accounts		<u>4,485,784</u>	<u>1,567,338</u>
Total partner funds		<u><u>4,485,784</u></u>	<u><u>1,567,338</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 1: Statement of significant accounting policies

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Partnership Agreement. The partners have determined that the entity is not a reporting entity.

The significant accounting policies under AIFRS are provided below. The financial report has been prepared in accordance with recognition and measurement requirements of all applicable Australian Accounting Standards. The requirements set out by the standards in relation to presentation and disclosure have not been applied.

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

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

(a) AASB102: Inventories

Work in progress ultimately owed to Freehills Patent Attorneys are unbilled fees that can be directly allocated to specific projects.

(b) AASB 119: Employee benefits

Provision is made for the entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements arising from salaries and leave expected to be settled within one year have been measured at their nominal amount. Employee entitlements payable later than one year have been measured at their present value. Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

(c) AASB 118: Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Other revenue is recognised when the right to receive the revenue has been established. All revenue is stated net of the amount of goods and services tax (GST).

(d) AASB 139: Financial Instruments: Recognition and Measurement

All financial assets, liabilities, loans and receivables have been recorded at cost.

(e) Comparatives

Comparative balance sheet information is provided based upon the balances purchased from Herbert Smith Freehills (previously Freehills) at 1 July 2012.

Comparative income statement information is provided based upon financial results from which the 30 June 2012 income tax return was prepared. These income statement figures are inclusive of the trade marks practice up until 1 March 2012. Absent the trade mark practice, the patent practice made \$18.430 million of revenue during FY 2012.

Complete financial statements were not made for Freehills Patent and Trade Mark Attorneys at 30 June 2012 as they were included as part of the parent company group.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 \$	2012 \$
Note 2: Revenue			
Operating activities			
Fee income		20,521,306	20,899,668
Net movement in work in progress		1,094,584	(338,449)
Disbursements billed		725,749	675,213
Interest income	2(a)	25,072	-
Other income		230,950	94,500
Total revenue		<u>22,597,661</u>	<u>21,330,932</u>
(a) Interest from:			
- other persons		<u>25,072</u>	<u>-</u>
(b) Included in fee income and disbursements billed			
- Foreign currency exchange gain/(loss)		<u>(230,035)</u>	<u>49,835</u>
Note 3: Profit from ordinary activities			
Profit/(losses) from ordinary activities before income tax expenses (income tax revenue) has been determined after:			
(a) Expenses:			
Borrowing costs:			
- Interest paid: other persons		<u>83,027</u>	<u>258,683</u>
Bad debts		<u>217,332</u>	<u>134,429</u>
Note 4: Cash and cash equivalents			
Bank Account - ANZ		944,420	-
Petty cash		2,000	-
		<u>946,420</u>	<u>-</u>
Notes 5: Trade and other receivables			
Current			
Trade accounts receivable		5,938,663	4,699,305
Less: Provision for doubtful debts		<u>(203,057)</u>	<u>(150,433)</u>
		5,735,606	4,548,872
Unapplied Cash		(135,015)	-
GST receivable		54,129	-
Other receivables		4,715	2,673
		<u>5,659,435</u>	<u>4,551,545</u>
Note 6: Inventories			
Work in progress		1,856,525	565,911
Unbilled disbursements		327,311	96,391
Less: Provision for WIP and unbilled disbursements		<u>(227,343)</u>	<u>(31,313)</u>
		<u>1,956,493</u>	<u>630,989</u>
Note 7: Other current assets			
Prepayments		<u>41,408</u>	<u>75,191</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012
	\$	\$
Note 8: Trade and other payables		
<i>Unsecured liabilities</i>		
Trade payables	585,868	-
Accruals	122,657	-
Loans from related entity - FPA Services Trust	954,081	213,633
Loans from associated entity - Herbert Smith Freehills	-	3,027,821
	<u>1,662,606</u>	<u>3,241,454</u>
Note 9: Interest bearing liabilities		
<i>Secured liabilities</i>		
ANZ Working Capital Facility	1,000,000	-
ANZ Partner Capital Contribution Facility	1,000,000	-
	<u>2,000,000</u>	<u>-</u>
Note 10: Provisions		
Current		
Provision for annual leave	148,870	125,296
Provision for long service leave	38,643	70,468
	<u>187,513</u>	<u>195,764</u>
Non-current		
Provision for annual leave	44,561	41,765
Provision for long service leave	223,292	211,404
	<u>267,853</u>	<u>253,169</u>
Note 11: Retained profits		
Profit available for distribution	9,540,660	5,107,379
Distributions to partners	(9,540,660)	(5,107,379)
Retained profits at the end of the year	<u>-</u>	<u>-</u>

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PARTNERS' DECLARATION

The partners have determined that the partnership is not a reporting entity.

The partners have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 of the financial statements.

The partners acknowledge responsibility for the reliability, accuracy and completeness of the accounting records, and that all material and relevant information has been provided for the purposes of the completion of the financial report.

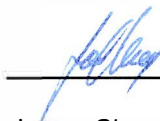
The partners declare that:

1. The financial statements and notes
 - (a) present fairly the partnership's financial position as at 30 June 2013 and financial performance for the year ended 30 June 2013 in accordance with the accounting standards as outlined in Note 1 of the financial statements,
and
 - (b) give a true and fair view of the partnership's financial position as at 30 June 2013 and financial performance for the year ended 30 June 2013 in accordance with the accounting policies described in Note 1 of the financial statements.

2. In the partners' opinion there are reasonable grounds to believe that the partnership will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the partners.

Director



James Cherry - Managing Partner

Dated

19-11-2013