

DAVIES COLLISON CAVE GROUP

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2013

	NOTE	2013	2012
CAPITAL			
1.7.2012		21,202,180	20,713,145
PROFIT		16,651,291	17,194,161
		<u>37,853,471</u>	<u>37,907,306</u>
DRAWINGS		17,238,721	16,705,126
		<u>\$20,614,750</u>	<u>\$21,202,180</u>
 NON-CURRENT ASSETS			
GOODWILL	1	18,790,019	18,790,019
OFFICE EQUIPMENT	2	2,700,673	3,268,890
MOTOR VEHICLES	3	1,119,046	1,226,911
PRACTICE MANAGEMENT SYSTEM	4	622,216	841,821
		<u>23,231,954</u>	<u>24,127,641</u>
 CURRENT ASSETS			
CASH		6,000	6,000
BANK		328,296	
DEBTORS	5	20,825,664	17,592,040
OTHER DEBTORS	6	49,296	111,832
PREPAID EXPENSES	7	1,019,108	1,108,339
		<u>22,228,364</u>	<u>18,818,211</u>
		<u>45,460,318</u>	<u>42,945,852</u>
 Less:			
CURRENT LIABILITIES			
BANK	8	2,389,523	1,269,556
CREDITORS AND ACCRUED EXPENSES	9	6,498,068	6,449,629
FINANCE LEASES	10	191,336	125,229
HIRE PURCHASE	11	835,161	1,584,051
		<u>9,914,088</u>	<u>9,428,465</u>
 NON-CURRENT LIABILITIES			
BANKS	8	10,000,000	7,500,000
PROVISION FOR LONG SERVICE LEAVE		1,988,000	1,732,000
FINANCE LEASES	10	342,629	229,763
HIRE PURCHASE	11	2,600,851	2,853,444
		<u>14,931,480</u>	<u>12,315,207</u>
		<u>24,845,568</u>	<u>21,743,672</u>
		<u>\$20,614,750</u>	<u>\$21,202,180</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP

PROFIT AND LOSS STATEMENT **YEAR ENDED 30TH JUNE, 2013**

	2013	2012
FEEES	77,151,523	72,429,721
Less:		
ASSOCIATES' FEES	13,974,276	13,407,722
PATENT OFFICE FEES	10,844,021	8,744,626
OTHER DISBURSEMENTS	36,545	23,011
	<u>24,854,842</u>	<u>22,175,359</u>
NET FEES	52,296,681	50,254,362
CURRENCY EXCHANGE	1,142,046	1,686,465
RDN SERVICE FEES	1,405,703	1,481,337
DISBURSEMENTS RECOVERED	53,079	99,315
OTHER INCOME	15,228	18,308
	<u>54,912,737</u>	<u>53,539,787</u>
Less: EXPENSES		
PERSONNEL	23,971,222	22,686,458
ACCOUNTANCY AND AUDIT	241,497	204,220
BAD DEBTS	551,191	422,760
COMMUNICATIONS	1,049,803	933,178
INSURANCE	710,154	712,477
INTEREST AND BANK CHARGES	1,525,010	1,594,496
OCCUPANCY	3,423,958	3,691,361
OFFICE EQUIPMENT	3,187,704	2,679,987
MARKETING	2,565,112	2,475,044
SUBSCRIPTIONS	610,931	583,379
STATIONERY	396,971	347,350
OTHER EXPENSES	27,893	14,916
	<u>38,261,446</u>	<u>36,345,626</u>
PROFIT	16,651,291	17,194,161
CAPITAL 1.7.2012	21,202,180	20,713,145
	<u>37,853,471</u>	<u>37,907,306</u>
DRAWINGS	17,238,721	16,705,126
CAPITAL 30.6.2013	<u>\$20,614,750</u>	<u>\$21,202,180</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP

PROFIT AND LOSS STATEMENT YEAR ENDED 30TH JUNE, 2013

	2013	2012
PERSONNEL		
SALARIES OPERATORS	8,326,585	7,924,873
SALARIES SECRETARIES	4,527,375	4,339,876
SALARIES ADMINISTRATION	6,842,477	6,705,498
	<u>19,696,437</u>	<u>18,970,247</u>
TEMPORARY STAFF	640,292	85,158
PAYROLL TAX	1,010,725	981,031
SUPERANNUATION	1,646,078	1,627,360
CONSULTANTS	297,061	341,331
INSURANCE	68,679	71,703
PAYROLL PREPARATION	23,144	23,880
RELOCATION EXPENSES	1,724	12,846
STAFF AMENITIES	278,394	271,194
STAFF RECRUITMENT	200,498	251,130
STAFF TRAINING	108,190	50,578
	<u>\$23,971,222</u>	<u>\$22,686,458</u>
ACCOUNTANCY AND AUDIT		
ACCOUNTANCY AND AUDIT	<u>\$241,497</u>	<u>\$204,220</u>
BAD DEBTS		
BAD DEBTS	686,310	463,605
PROVISION FOR DOUBTFUL DEBTS	(50,000)	(50,000)
BAD DEBTS RECOVERED	(132,861)	(18,451)
	<u>503,449</u>	<u>395,154</u>
DEBT COLLECTION	47,742	27,606
	<u>\$551,191</u>	<u>\$422,760</u>
COMMUNICATIONS		
COURIER AND POSTAGE	275,909	292,492
INTERNET	401,503	246,413
TELEPHONE AND FACSIMILE	372,391	394,273
	<u>\$1,049,803</u>	<u>\$933,178</u>
INSURANCE		
PROFESSIONAL INDEMNITY	537,081	550,254
OTHER	173,073	162,223
	<u>\$710,154</u>	<u>\$712,477</u>
INTEREST AND BANK CHARGES		
INTEREST	1,159,877	1,229,157
INTEREST: FINANCE LEASES	51,245	27,120
INTEREST RECEIVED	(221)	(1,112)
BANK CHARGES	314,109	339,331
	<u>\$1,525,010</u>	<u>\$1,594,496</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP

PROFIT AND LOSS STATEMENT YEAR ENDED 30TH JUNE, 2013

	2013	2012
OCCUPANCY		
RENT	2,904,899	3,210,557
RENT RECEIVED	(9,117)	(25,694)
CLEANING	156,607	156,438
CONSULTANTS	8,354	2,700
ELECTRICITY	154,335	144,067
MAINTENANCE	49,163	49,265
RELOCATION EXPENSES		
SECURITY	25,722	27,253
STORAGE	133,995	126,775
	<u>\$3,423,958</u>	<u>\$3,691,361</u>
OFFICE EQUIPMENT		
COMPUTER SOFTWARE	661,594	588,715
COMPUTER CONSULTANTS	1,107,185	290,261
DEPRECIATION AND AMORTISATION	1,152,867	1,509,918
LOSS ON DISPOSAL	8,912	17,394
CONSUMABLES	95,674	82,826
MAINTENANCE	161,472	190,873
	<u>\$3,187,704</u>	<u>\$2,679,987</u>
MARKETING		
ADVERTISING	467,495	409,272
CONSULTANTS	42,000	27,187
CONVENTIONS AND SEMINARS	145,300	200,070
ENTERTAINMENT	651,176	652,399
FRINGE BENEFITS TAX	142,230	55,313
TRAVEL LOCAL	411,975	447,261
TRAVEL OVERSEAS	704,936	683,542
	<u>\$2,565,112</u>	<u>\$2,475,044</u>
SUBSCRIPTIONS		
PUBLICATIONS	335,171	313,125
PROFESSIONAL ORGANISATIONS	275,760	270,254
	<u>\$610,931</u>	<u>\$583,379</u>
STATIONERY		
PHOTO COPYING	205,968	175,036
OTHER	191,003	172,314
	<u>\$396,971</u>	<u>\$347,350</u>
OTHER EXPENSES		
LEGAL FEES	\$27,893	\$14,916
	<u>\$27,893</u>	<u>\$14,916</u>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

DAVIES COLLISON CAVE GROUP

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2013

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, 2013 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, 2013

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, 2013

	2013	2012
2 OFFICE EQUIPMENT		
LEASED	851,639	591,444
LESS: ACCUMULATED AMORTISATION	317,675	236,452
	<u>533,964</u>	<u>354,992</u>
AT COST	4,377,437	7,898,592
LESS: ACCUMULATED DEPRECIATION	2,210,728	4,984,694
	<u>2,166,709</u>	<u>2,913,898</u>
	<u>\$2,700,673</u>	<u>\$3,268,890</u>
3 MOTOR VEHICLES		
AT COST	1,520,593	1,576,694
LESS: ACCUMULATED DEPRECIATION	401,547	349,783
	<u>\$1,119,046</u>	<u>\$1,226,911</u>
4 PRACTICE MANAGEMENT SYSTEM		
CAPITALISED COSTS	1,098,027	1,098,027
LESS: ACCUMULATED AMORTISATION	475,811	256,206
	<u>\$622,216</u>	<u>\$841,821</u>
5 DEBTORS		
DEBTORS	19,668,132	16,391,889
RECOVERABLE DISBURSEMENTS	791,078	947,252
CPA	916,454	852,899
	<u>21,375,664</u>	<u>18,192,040</u>
LESS: PROVISION FOR DOUBTFUL DEBTS	550,000	600,000
	<u>\$20,825,664</u>	<u>\$17,592,040</u>
6 OTHER DEBTORS		
INSURANCE RECOVERIES	7,352	18,518
GST	14,484	37,898
OVERSEAS TRAVEL REFUNDS	1,672	17,162
BONDS AND DEPOSITS	2,220	1,720
OTHER	23,568	36,534
	<u>\$49,296</u>	<u>\$111,832</u>
7 PREPAID EXPENSES		
HIRE PURCHASE CHARGES	516,044	768,755
INSURANCE	37,608	44,752
RENT	249,643	102,132
INTEREST: COMMERCIAL BILLS	33,748	32,774
SUBSCRIPTIONS	97,397	96,865
COMPUTER SOFTWARE	46,840	46,840
TRAVEL OVERSEAS	37,828	16,221
	<u>\$1,019,108</u>	<u>\$1,108,339</u>

DAVIES COLLISON CAVE GROUP

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE, 2013

	2013	2012	
8	BANK		
	OVERDRAFTS	2,389,523	1,269,556
	COMMERCIAL BILLS	10,000,000	7,500,000
		<u>\$12,389,523</u>	<u>\$8,769,556</u>
	CURRENT	2,389,523	1,269,556
	NON-CURRENT	10,000,000	7,500,000
		<u>\$12,389,523</u>	<u>\$8,769,556</u>
9	CREDITORS AND ACCRUED EXPENSES		
	ASSOCIATES	2,769,265	2,812,628
	CREDITORS AND ACCRUED CHARGES	2,078,555	2,052,296
	GST	170,248	263,705
	ANNUAL LEAVE ACCRUED	1,480,000	1,321,000
		<u>\$6,498,068</u>	<u>\$6,449,629</u>
10	FINANCE LEASES		
	FINANCE LEASE EXPENDITURE		
	COMMITMENTS PAYABLE:		
	WITHIN ONE YEAR	218,254	146,945
	BETWEEN ONE AND FIVE YEARS	365,790	244,342
	AFTER FIVE YEARS		
	MINIMUM PAYMENTS	<u>584,044</u>	<u>391,287</u>
	LESS: FUTURE FINANCE CHARGES	50,079	36,295
	TOTAL LIABILITY	<u>\$533,965</u>	<u>\$354,992</u>
	CURRENT	191,336	125,229
	NON-CURRENT	342,629	229,763
		<u>\$533,965</u>	<u>\$354,992</u>
11	HIRE PURCHASE		
	HIRE PURCHASE EXPENDITURE		
	COMMITMENTS PAYABLE:		
	WITHIN ONE YEAR	835,161	1,584,051
	BETWEEN ONE AND FIVE YEARS	2,600,851	2,853,444
	AFTER FIVE YEARS		
	TOTAL LIABILITY	<u>\$3,436,012</u>	<u>\$4,437,495</u>
	CURRENT	835,161	1,584,051
	NON-CURRENT	2,600,851	2,853,444
		<u>\$3,436,012</u>	<u>\$4,437,495</u>
12	LEASE COMMITMENTS		
	OPERATING LEASE EXPENDITURE		
	COMMITMENTS PAYABLE:		
	WITHIN ONE YEAR	2,291,989	3,175,643
	BETWEEN ONE AND FIVE YEARS	12,375,012	10,390,044
	AFTER FIVE YEARS	21,140,605	782,627
		<u>\$35,807,606</u>	<u>\$14,348,314</u>

DAVIES COLLISON CAVE GROUP

CASH FLOW STATEMENT **YEAR ENDED 30TH JUNE, 2013**

	NOTE	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS FROM CLIENTS		75,847,301	75,491,816
PAYMENTS TO ASSOCIATES, THE PATENT OFFICE, SUPPLIERS AND EMPLOYEES		(60,168,004)	(54,713,825)
INTEREST RECEIVED		221	1,112
INTEREST AND OTHER FINANCE COSTS PAID		(1,572,973)	(1,623,214)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3	<u>14,106,545</u>	<u>19,155,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
PAYMENTS FOR:			
OFFICE EQUIPMENT	2	<u>(159,495)</u>	<u>(330,501)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(159,495)</u>	<u>(330,501)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM BORROWINGS		2,500,000	
CAPITAL CONTRIBUTED		806,250	1,238,750
CAPITAL REPAID		(1,308,039)	(1,162,500)
DRAWINGS		(16,736,932)	(16,781,376)
NET CASH USED IN FINANCING ACTIVITIES		<u>(14,738,721)</u>	<u>(16,705,126)</u>
NET INCREASE (DECREASE) IN CASH HELD CASH 1ST JULY		(791,671) (1,263,556)	2,120,262 (3,383,818)
CASH 30TH JUNE	1	<u>(\$2,055,227)</u>	<u>(\$1,263,556)</u>

DAVIES COLLISON CAVE GROUP

NOTES TO CASH FLOW STATEMENT YEAR ENDED 30TH JUNE, 2013

	2013	2013
1 CASH RECONCILIATION		
CASH	6,000	6,000
CASH AT BANK	328,296	
BANK OVERDRAFT	(2,389,523)	(1,269,556)
	<u>(\$2,055,227)</u>	<u>(\$1,263,556)</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	271,306
MOTOR VEHICLES	362,561	833,192
	<u>\$1,768,942</u>	<u>\$1,104,498</u>
3 RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO PROFIT		
PROFIT	16,651,291	17,194,161
DEPRECIATION:		
OFFICE EQUIPMENT	256,886	368,122
PRACTICE MANAGEMENT SYSTEM	219,605	219,605
LOSS (PROFIT) ON DISPOSAL:		
OFFICE EQUIPMENT	8,912	17,394
PROVISION FOR DOUBTFUL DEBTS	(50,000)	(50,000)
PROVISION FOR LONG SERVICE LEAVE	256,000	125,000
CHANGES IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN DEBTORS	(3,121,088)	629,299
(INCREASE) DECREASE IN PREPAID EXPENSES	(163,500)	218,717
INCREASE (DECREASE) IN CREDITORS	48,439	433,591
	<u>\$14,106,545</u>	<u>\$19,155,889</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, 2013 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:



KEITH LESLIE
Senior Partner

12th February, 2014



LEON KEITH ALLEN
Managing Partner

12th February, 2014

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Melbourne VIC 3000

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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 2013, 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 2013 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.



MOORE STEPHENS
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 19 February 2014