Spruson & Ferguson Unit Trust

Annual report
For the year ended 30 June 2014

TABLE OF CONTENTS

SPRUSON & FERGUSON UNIT TRUST

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Revenue	5	72,211,923	66,952,925
Other income	6	4,855,289	6,830,835
Depreciation and amortisation expenses	12	(825,995)	(1,301,104)
Employee benefits expense		(20,848,830)	(19,941,134)
Rental expenses		(2,327,326)	(2,315,514)
Royalty expense		(826)	(177,585)
Finance costs		(301,196)	(372,736)
Agent fee expenses		(12,519,715)	(10,189,347)
Insurance expenses		(323,825)	(481,704)
Travel expenses		(459,232)	(475,046)
Printing & stationery expenses		(280,779)	(304,569)
Other expenses		(4,435,540)	(3,728,993)
Profit before income tax expense		34,743,948	34,496,028
Income tax expense	7	(2,589,087)	(1,495,920)
Profit for the year		32,154,861	33,000,108
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation		(72,932)	(247,590)
Other comprehensive loss for the year		(72,932)	(247,590)
Total comprehensive income for the year		32,081,929	32,752,518
Profit is attributable to:			
- Owners of Spruson & Ferguson Unit Trust		31,339,064	31,515,660
- Non-controlling interests		815,797	1,484,448
		32,154,861	33,000,108
Total comprehensive income is attributable to:			
- Owners of Spruson & Ferguson Unit Trust		31,271,157	31,307,510
- Non-controlling interests		810,772	1,445,008
		32,081,929	32,752,518

The accompanying notes form part of these financial statements.

SPRUSON & FERGUSON UNIT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	2013 $	2012 $
Current assets				
Cash and cash equivalents	8	4,321,294	4,608,884	3,978,728
Trade and other receivables	9	20,287,516	23,620,607	20,490,368
Other assets	10	1,070,653	1,133,465	794,323
Total current assets		25,679,463	29,362,956	25,263,419
Non-current assets				
Other financial assets	11	25,499	25,586	23,184
Property, plant and equipment	12	1,125,744	1,405,917	1,645,894
Other intangible assets	13	595,482	-	-
Total non-current assets		1,746,725	1,431,503	1,669,078
Total assets		27,426,188	30,794,459	26,932,497
Current liabilities				
Trade and other payables	14	6,422,870	6,001,926	4,344,954
Borrowings	15	2,506,448	2,626,417	1,865,937
Provisions	16	2,615,586	1,563,882	1,588,280
Current tax liabilities	7	2,505,977	1,804,041	1,734,684
Other financial liabilities	17	450,640	659	681
Deferred revenue	19	1,635,350	1,743,050	1,713,950
Other liabilities	18	7,181,739	11,455,581	8,238,922
Total current liabilities		23,318,610	25,195,556	19,487,408
Non-current liabilities				
Borrowings	15	3,590,838	4,172,479	240,016
Provisions	16	347,288	389,402	124,664
Deferred tax liabilities	7	21,332	22,716	293,616
Total non-current liabilities		3,959,458	4,584,597	658,296
Total liabilities		27,278,068	29,780,153	20,145,704
Net assets		148,120	1,014,306	6,786,793
Equity				
Issued capital	20	420,000	420,000	420,000
Reserves	21	(4,748,131)	(4,680,224)	-
Retained earnings	22	3,933,465	4,674,118	3,626,615
Equity attributable to owners of Spruson & Ferguson Unit Trust		(394,666)	413,894	4,046,615
Non-controlling interests	23	542,786	600,412	2,740,178
Total equity		148,120	1,014,306	6,786,793

The accompanying notes form part of these financial statements.

SPRUSON & FERGUSON UNIT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Issued capital	Foreign Currency Translation Reserve	Minority Interest Acquisition	Retained earnings	Parent	Non-controlling interests	Total equity
	$	$	$	$	$	$	$
Balance as at 1 July 2012	420,000	-	-	3,626,615	4,046,615	2,740,178	6,786,793
Profit for the year	-	-	-	31,515,660	31,515,660	1,484,448	33,000,108
Exchange differences on translation a foreign operation	-	(208,150)	-	-	(208,150)	(39,440)	(247,590)
Total comprehensive income for the year	-	(208,150)	-	31,515,660	31,307,510	1,445,008	32,752,518
Transactions with owners in their capacity as owners:							
Dividends paid to non-controlling interests	-	-	-	-	-	(3,817,181)	(3,817,181)
Distribution to trust unit holders	-	-	-	(30,468,157)	(30,468,157)	-	(30,468,157)
Transactions with non-controlling interest	-	-	(4,472,074)	-	(4,472,074)	232,407	(4,239,667)
Total transactions with owners in their capacity as owners	-	-	(4,472,074)	(30,468,157)	(34,940,231)	(3,584,774)	(38,525,005)
Balance as at 30 June 2013	**420,000**	**(208,150)**	**(4,472,074)**	**4,674,118**	**413,894**	**600,412**	**1,014,306**

The accompanying notes form part of these financial statements.

SPRUSON & FERGUSON UNIT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Issued capital	Foreign Currency Translation Reserve	Minority Interest Acquisition	Retained earnings	Parent	Non-controlling interests	Total equity
	$	$	$	$	$	$	$
Balance as at 1 July 2013	420,000	(208,150)	(4,472,074)	4,674,118	413,894	600,412	1,014,30
Profit for the year	-	-	-	31,339,064	31,339,064	815,797	32,154,86
Exchange differences on translation a foreign operation	-	(67,907)	-	-	(67,907)	(5,025)	(72,93
Total comprehensive income for the year	-	(67,907)	-	31,339,064	31,271,157	810,772	32,081,92
Transactions with owners in their capacity as owners:							
Dividends paid to non-controlling interests	-	-	-	-	-	(868,398)	(868,35
Distribution to trust unit holders	-	-	-	(32,079,717)	(32,079,717)	-	(32,079,71
Transactions with non-controlling interest	-	-	-	-	-	-	
Total transactions with owners in their capacity as owners	-	-	-	(32,079,717)	(32,079,717)	(868,398)	(32,948,11
Balance as at 30 June 2014	**420,000**	**(276,057)**	**(4,472,074)**	**3,933,465**	**(394,666)**	**542,786**	**148,12**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		87,861,454	77,131,590
Payments to suppliers and employees		(47,375,941)	(42,762,807)
Interest received		17,942	114,288
Interest paid		(301,196)	(372,736)
Income tax paid		(1,888,535)	(1,382,107)
Net cash provided by operating activities	31(b)	38,313,724	32,728,228
Cash flows from investing activities			
Net cash outflow on acquisition of non-controlling interest		-	(4,472,074)
Payments for property, plant and equipment and intangible assets		(1,140,704)	(981,441)
Net cash used in investing activities		(1,140,704)	(5,453,515)
Cash flows from financing activities			
Proceeds from issue of units		450,000	-
Payment for redemption of units		(19)	(22)
Proceeds from (repayment of) borrowings		(701,539)	4,692,872
Distributions paid		(36,353,559)	(27,291,498)
Dividends paid		(868,398)	(3,817,181))
Net cash used in financing activities		(37,473,515)	(26,375,829)
Net (decrease)/ increase in cash and cash equivalents		(300,495)	898,884
Cash and cash equivalents at the beginning of the financial year		4,608,884	3,978,728
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies		12,905	(268,728)
Cash and cash equivalents at the end of the financial year	31(a)	4,321,294	4,608,884

The accompanying notes form part of these financial statements.

NOTE 1: GENERAL INFORMATION

The Spruson & Ferguson Unit Trust is a trust limited by units, settled and domiciled in Australia.

The address of its registered office and principal place of business is as follows:
Level 35
31 Market Street
Sydney NSW 2000

The principal activity of the Spruson & Ferguson Unit Trust is the provision of intellectual property services throughout the Asia-Pacific region.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Accounting Standards and Interpretations.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Trust is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and the notes of the trust and the group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Trustees on 1 September 2014.

Basis of preparation of the financial report

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for services. All amounts are presented in Australian dollars unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observed or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements.

The nature and effects of the changes are explained below.

(i) First time adoption of Australian Accounting Standards (AASBs)

As a non-reporting entity the Spruson and Ferguson Unit Trust has historically prepared financial statements for the purposes of satisfying the trustees' reporting obligations under the Trust Deed. The Group changed its accounting policies on 1 July 2013 to comply with Australian Accounting Standards. The transition to Australian Accounting Standards is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Accounting Standards', with 1 July 2012 as the date of transition. An explanation of how the transition from superseded policies to Australian Accounting Standards has affected the Group's financial position, financial performance and cash flows is discussed in Note 35.

(a) Basis of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The Group's subsidiaries are listed in Note 29. The trust controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The Trust 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. When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Trust considers all relevant facts and circumstances in assessing whether or not the Trust's voting rights in an investee are sufficient to give it power, including:

- the size of the Trust's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Trust, other vote holders or other parties;
- rights arising from other contractual arrangements;

and any additional facts and circumstances that indicate that the Trust has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Trust and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Trust and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

First time consolidation of previously unconsolidated subsidiaries

As noted in Note 2, the Spruson and Ferguson Unit Trust has adopted all relevant Australian Accounting Standards with effect from the beginning of the comparative period, 1 July 2012, in accordance with AASB 1 First time adoption of Australian Accounting Standards ("AASBs").

The Group has elected to not apply AASB 3 retrospectively to past business combinations. The deemed goodwill, or gain on bargain purchase, in relation to past business combinations is determined as at transition date being 1 July 2012 as the difference between the parents interest in those adjusted carrying amounts and the cost in the parent's separate financial statements of its investment in the subsidiary.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Trust.

(b) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, 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. Nonmonetary 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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group'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 (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Trust are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(c) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Dividend revenue is recognised when the right to receive a dividend has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group 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.

Revenue from trust distributions is recognised when the right to receive a distribution has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). Other revenue, including commission revenue, is recognised when it is received or when the right to receive payment is established.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Work In Progress

Work in progress represents costs incurred and profit recognised on client assignments and services that are in progress at balance date. Work in progress (WIP) is valued at net realisable value after providing for any foreseeable losses and adjusted for expected tax to the unit holders when ultimately billed. WIP older than 90 days is reviewed and any work in progress not thought to be recoverable is written off.

(e) Disbursements recoverable

Client disbursements recoverable are recognised when invoiced. The amount recognised is net of any GST payable. Internally generated disbursements are credited directly to the profit & loss in the month they are charged to a client matter.

Disbursements older than 60 days are constantly being reviewed and any not thought to be recoverable are written off.

(f) Income tax

Where income tax is distributed to beneficiaries, the Trust is not liable to pay income tax.
In relation to subsidiary entities of Spruson & Ferguson Unit Trust the tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated 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 Group'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 consolidated 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(h) Trade and Other Receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 2(m) for further discussion on the determination of impairment losses.

Unearned income is recognised as a liability when received and is recognised as revenue once a patent service has been provided or completed.

(i) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 90 days of recognition of the liability.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments

Held-to-maturity investments

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method less any impairment.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-group balances and loans from or other amounts due to trustee-related entities.

Non-derivative financial liabilities are recognised at amortised cost using the effective interest method.

Trade accounts payable comprise the original debt less principal payments plus where applicable any accrued interest.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and the maturity amount and minus any write-down for impairment.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The carrying amount of financial assets is reviewed annually by trustees to assess whether there is any objective evidence that a financial asset is impaired.

Where such objective evidence exists, the trust recognises impairment losses.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation rates

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	6.67% - 16.67%	Straight line
Plant and equipment at cost	5% - 37.5%	Straight line
Furniture, fixtures and fittings at cost	5% - 20%	Straight line
Computer equipment at cost	20% - 33.3%	Straight line
Computer equipment under lease	20% - 33.3%	Straight line

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(l) Intangibles

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangibles (continued)

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(m) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

For the purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Short and long-term employee benefit

A liability is recognised or benefits accruing to employees in respect of wages and salaries, annual leave, long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of service provided by the employees up to reporting date.

(ii) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(q) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) 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 Tax 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. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Trust capital

Issued and paid up capital is recognised at the fair value of the consideration received or paid by the Trust. Any transaction costs arising on the issue of ordinary units, or buy-back and cancellation of units, are recognised directly in equity as a reduction of the proceeds received, or an increase in the payments made.

NOTE 3: STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

As at the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
IFRS 15 Revenue from Contracts with Customers	1 January 2017	30 June 2018

NOTE 4: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Trustees evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates

(i) Impairment - general

The Trustees assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgements

(i) Allowance for impairment of receivables

The allowance for impairment of receivables assessment requires a degree of estimation and judgement. The level of allowance is assessed by taking into account the recent sales experience, the aging of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

(ii) Leave provisions

Annual leave provisions as at 30 June for the majority of staff is expected to be used within 12 months of balance date.

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(iii) Estimate of asset lives, residual values and depreciation methods

Property, plant and equipment are depreciated over their useful lives taking into account residual values. Useful lives are affected by technology innovations. Future market conditions determine residual values. Depreciation and amortisation is calculated on a straight-line basis which may not represent the actual usage of the asset.

	2014 $	2013 $
NOTE 5: REVENUE		
Revenue from the rendering of services	72,211,923	66,952,925

NOTE 6: OTHER INCOME

	2014 $	2013 $
Investment income (i)	1,366,154	1,045,450
Interest income	17,942	114,288
Net foreign exchange gains	40,301	1,849,807
Commissions received	1,594,324	1,401,009
Consulting fees received	1,139,735	1,095,087
Other income	696,833	1,325,194
	4,855,289	6,830,835

(i) Investment income comprises distributions from the Spruson & Ferguson Lawyers Unit Trust which is an unconsolidated related entity (see Note 33).

NOTE 7: INCOME TAX

Income tax recognised in profit or loss

	2014 $	2013 $
Current tax		
In respect of the current year	2,590,471	1,597,869
Deferred tax		
In respect of the current year	(1,384)	(101,948)
Total income tax expense recognised in the current year	2,589,087	1,495,920

The income tax for the year can be reconciled to the accounting profit as follows:

	2014 $	2013 $
Profit before tax	34,743,948	34,496,028
Income tax expense calculated at 30.0% (2013: 30.0%)	10,423,184	10,348,808
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,746,020)	(1,749,518)
Effect of income distributed to beneficiaries	(6,088,077)	(7,103,370)
Income tax expense recognised in profit or loss	2,589,087	1,495,920

The tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities in taxable profits under Australian tax law.

	2014 $	2013 $

NOTE 7: INCOME TAX (CONTINUED)

Current tax assets and liabilities

Current tax balances are presented in the statement of financial position as follows:

Current tax liabilities		
Income tax payable	2,505,977	1,804,041

Deferred tax balance

Deferred tax balances are presented in the statement of financial position as follows:

Deferred tax liabilities	21,332	22,716

NOTE 8: CASH AND CASH EQUIVALENTS

Cash on hand	40,674	3,000
Cash at bank	4,280,620	4,605,884
	4,321,294	4,608,884

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	19,739,459	22,299,710
Allowance for doubtful debts	(456,428)	(294,318)
	19,283,031	22,005,392
Other receivables	480,300	548,858
Due from related party	342,412	760,999
Loans to Trustees /Unit holders	181,773	305,358
	20,287,516	23,620,607

Impairment of trade receivables

Trade receivables are non-interest bearing with 30 day terms for local debtors and 60 day terms for foreign debtors. An impairment loss is recognised when there is objective evidence that the debtor is not recoverable and that an individual trade receivable is impaired. The impairment losses have been included within bad debt expenses in the consolidated statement of comprehensive income.

Movements in the accumulated impairment losses were:

	2014 $	2013 $
Opening balance at 1 July	294,318	213,238
Charge for the year	162,110	81,080
Closing balance at 30 June	456,428	294,318

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

Aged analysis

Trade receivables ageing analysis at 30 June is:

	Gross 2014 $	Impairment 2014 $	Gross 2013 $	Impairment 2013 $
Not past due	8,337,046	-	7,018,029	-
Past due 31-60 days	5,243,145	-	5,531,942	-
Past due 61-90 days	2,514,251	-	5,100,066	-
Past due more than 91 days	3,645,017	456,428	4,649,673	294,318
	19,739,459	456,428	22,299,710	294,318

NOTE 10: OTHER ASSETS

	2014 $	2013 $
Other assets	692,335	545,210
Prepayments	195,371	323,939
Accrued income	182,947	264,316
	1,070,653	1,133,465

NOTE 11: OTHER FINANCIAL ASSETS

NON CURRENT

Available for sale financial assets

	2014 $	2013 $
Unquoted shares (fair value and cost)	25,499	25,586

The investment in unquoted shares relates to an investment in a third party involved in the provision of professional services for intellectual property.

In view of the immaterial balance of the available-for-sale financial assets, the trustees believe that the financial assets' fair value approximates its cost and the changes of the fair value would not have a material impact on the financial statements.

	2014 $	2013 $
NOTE 12: PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements		
At cost	916,669	917,930
Accumulated depreciation	(868,749)	(810,989)
	47,920	106,941
Plant and equipment		
Plant and equipment at cost	438,244	424,880
Accumulated depreciation	(332,462)	(301,336)
	105,782	123,544
Furniture, fixtures and fittings at cost	797,903	747,638
Accumulated depreciation	(597,675)	(559,691)
	200,228	187,947
Computer equipment at cost	4,618,369	4,191,456
Accumulated depreciation	(3,846,555)	(3,203,971)
	771,814	987,485
Total plant and equipment	1,077,824	1,298,976
Total property, plant and equipment	1,125,744	1,405,917

Reconciliations

	2014 $	2013 $
Leasehold improvements		
Opening carrying amount	106,941	128,727
Additions	-	4,008
Disposals	-	-
Depreciation expense	(59,173)	(34,889)
Net foreign currency movements arising from foreign operation	152	9,095
Closing carrying amount	47,920	106,941
Plant and equipment		
Opening carrying amount	123,544	141,271
Additions	12,092	16,582
Disposals	-	-
Depreciation expense	(29,920)	(36,076)
Net foreign currency movements arising from foreign operation	66	1,767
Closing carrying amount	105,782	123,544

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations (continued)

	2014 $	2013 $
Furniture, fixtures and fittings		
Opening carrying amount	187,947	224,852
Additions	53,378	2,529
Disposals	-	-
Depreciation expense	(41,372)	(49,877)
Net foreign currency movements arising from foreign operation	275	10,443
Closing carrying amount	200,228	187,947
Computer equipment		
Opening carrying amount	987,485	1,178,558
Additions	479,752	958,322
Disposals	(3,769)	(12,695)
Depreciation expense	(695,530)	(1,180,262)
Net foreign currency movements arising from foreign operation	3,876	43,562
Closing carrying amount	771,814	987,485
Total property, plant and equipment		
Opening carrying amount	1,405,917	1,673,408
Additions	545,222	981,441
Disposals	(4,529)	(12,695)
Depreciation expense	(825,995)	(1,301,104)
Net foreign currency movements arising from foreign operation	5,129	64,867
Closing carrying amount	1,125,744	1,405,917

NOTE 13: OTHER INTANGIBLE ASSETS

	2014 $	2013 $
Carrying amounts of:		
Capitalised software development at cost	595,482	-
Cost		
Opening carrying amount	-	-
Additions	595,482	-
Disposals	-	-
Amortisation expense	-	-
Closing carrying amount	595,482	-

Other intangible assets have a useful life of 3 years and are amortised on a straight line basis over that period from the time they are ready for use.

	2014	2013
	$	$
NOTE 14: TRADE AND OTHER PAYABLES		
Trade payables	3,618,423	3,397,488
Sundry creditors and accruals	2,804,447	2,144,257
Other	-	460,181
	6,422,870	6,001,926

NOTE 15: BORROWINGS

	2014	2013
CURRENT		
Secured liabilities		
Second multi-option facility (i)	622,206	718,522
First progress draw facility (ii)	1,648,125	1,648,125
Hire purchase liability (iii)	236,117	259,770
	2,506,448	2,626,417
NON CURRENT		
Secured liabilities		
Second multi-option facility (i)	3,462,129	3,912,129
Hire purchase liability (iii)	128,709	260,350
	3,590,838	4,172,479

The Spruson & Ferguson Unit Trust entered into a Working Capital Facility Agreement dated 1 November 2012 (the "Agreement") with Australia and New Zealand Banking Group Limited ("ANZ").

(i) The facility has a term of four years commencing 1 November 2012 and is not subject to annual review. The weighted effective interest rate of the facility is 5.0% per annum (2013: 5.3 % per annum).

(ii) The facility is subject to annual review.

(iii) Secured by the assets under hire purchase. The borrowings are fixed rate debt with repayment periods not exceeding four years.

The facility is secured by charges over the assets of the Spruson and Ferguson group; the group being defined by the Agreement as comprising the Spruson & Ferguson Unit Trust, Spruson & Ferguson (Asia) Pte Ltd, Spruson & Ferguson SDN BHD and the Spruson & Ferguson Lawyers Trust, which is an unconsolidated related party. As at 30 June 2014, total non-current assets of the Spruson and Ferguson group including the unconsolidated related party were as follows:

2014	Per Consolidated Statement of Financial Position	Unconsolidated related party	Total
Total non-current assets	1,746,225	-	1,746,725
Total assets	27,426,188	894,453	28,320,641

NOTE 15: BORROWINGS (CONTINUED)

2013	Per Consolidated Statement of Financial Position	Unconsolidated related party	Total
Total non-current assets	1,431,503	1,158	1,432,661
Total assets	30,794,459	551,458	31,345,917

Subsequent to 30 June 2014, these facilities were extinguished by being repaid in full (see Note 34).

Spruson & Ferguson (Asia) Pte Limited entered into an agreement dated 23 April 2013 with United Overseas Bank for a Line of Credit facility for a total of $1,697,000 Singapore dollars and a foreign exchange facility of $1,000,000 Singapore dollars. The overdraft is repayable on demand and is subject to interest at 1.25% per annum over the bank's prime lending rate.

	2014 $	2013 $
ANZ Working Capital Facilities		
Overdraft facility - revolving		
- amount used	-	-
- amount unused	500,000	500,000
	500,000	500,000
Multi-option facility		
- amount used	360,843	520,119
- amount unused	639,157	479,881
	1,000,000	1,000,000
First progress draw facility		
- amount used	1,648,125	1,648,125
- amount unused	1,476,875	1,476,875
	3,125,000	3,125,000
Letter of credit issuance facility		
- amount used	579,839	-
- amount unused	41,900	621,739
	621,739	621,739
Second multi-option facility – 2nd progressive draw		
- amount used	3,912,129	4,362,129
- amount unused	450,001	262,871
	4,362,130	4,625,000
Second multi-option facility – foreign currency loan		
- amount used	172,206	268,522
- amount unused	-	-
	172,206	268,522

NOTE 15: BORROWINGS (CONTINUED)

	2014 $	2013 $
ANZ Working Capital Facilities (continued)		
Standby letter of credit facility		
- amount used	1,648,072	-
- amount unused	-	-
	1,648,072	-
United Overseas Bank (Singapore) facilities		
Overdraft		
- amount used	-	-
- amount unused	1,147,471	1,151,386
	1,147,471	1,151,386
Renovation Loan	-	19,420
- amount used	-	20,665
- amount unused	-	40,085

NOTE 16: PROVISIONS

	2014 $	2013 $
CURRENT		
Employee benefits	2,615,586	1,563,882
NON CURRENT		
Employee benefits	347,288	389,402
Aggregate employee benefits liability	2,962,874	1,953,284

The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees.

NOTE 17: OTHER FINANCIAL LIABILITIES

CURRENT		
Fully paid A and C class units	450,640	659

Fully paid units	2014 Number	2014 $	2013 Number	2013 $
Opening Balance	659	659	681	681
Units issued	450,000	450,000	-	-
Units redeemed	(19)	(19)	(22)	(22)
	450,640	450,640	659	659

The Spruson & Ferguson Unit Trust has issued unit capital amounting 320 A Units (2013: 320), Nil B Units (2013: 19) and 450,320 C Units (2013: 320) at $1.00 each and 320 Ordinary Units at $1,312.50 each.

The A, B and C units are classified as financial liabilities as in the event of termination of the Trust, the A and C units are entitled to receive the amount paid of $1 per unit over all other units including ordinary units. Ordinary units are classified as equity (see Note 20).

The A Units shall not be entitled to receive any part of the net income of the Trust.

The B Units have special rights attaching to them including the distribution of an agreed share of the net income in preference to other unit holders in the Trust.

The C Units issued have special rights attaching to them including the distribution of an agreed share of the net income from relevant country entity dividend income.

NOTE 18: OTHER LIABILITIES

CURRENT		
Unit holder accounts	7,181,739	11,455,581

Movements in unit holder accounts:

Balance at beginning of year	11,455,581	131,792
Distributions declared and paid/payable to unit holders	32,079,717	30,468,157
Distributions paid out to unit holders	(36,353,559)	(19,144,368)
Balance at end of year	7,181,739	11,455,581

NOTE 19: DEFERRED REVENUE

Unearned income	1,635,350	1,743,050

NOTE 20: ISSUED CAPITAL

Issued and paid-up capital		
320 (2013: 320) fully paid ordinary units	420,000	420,000

	2014		2013	
Fully paid ordinary units	**Number**	**$**	**Number**	**$**
Opening Balance	320	420,000	320	420,000
Units issued	-	-	-	-
Units redeemed	-	-	-	-
	320	420,000	320	420,000

Ordinary units are entitled to the distribution of the remaining net income for the period. Ordinary units participate in distributions and the proceeds on winding up of the Trust in proportion to the number of units held.

At the unit holders' meetings each ordinary unit is entitled to one vote when a poll is called, otherwise each unit holder has one vote on a show of hands.

(i) Other unit classes
The trust has several classes of issued units. In addition to the ordinary units noted above, at year end both A and C class units are also on issue. The A and C units on issue have been classified as a financial liability (see Note 17).

The Spruson & Ferguson Unit Trust has issued unit capital amounting 320 A Units, 450,320 C Units at $1.00 each and 320 Ordinary Units at $1,312.50 each.

	2014 $	2013 $
NOTE 21: RESERVES		
Foreign currency translation reserve (i)	(276,057)	(208,150)
Minority interest acquisition reserve (ii)	(4,472,074)	(4,472,074)
	(4,748,131)	(4,680,224)

Nature and purpose of reserves

(i) Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Australian dollars) are recognised directly in other comprehensive income and accumulated in the FCTR.

(ii) Gains or losses on transactions that result in changes in ownership interests while retaining control are recognised in the reserve on changes in non-controlling interests. The amount recognised represents the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received.

NOTE 22: RETAINED EARNINGS

	2014	2013
Balance at beginning of the year	4,674,118	3,626,615
Profit attributable to trust unit holders	31,339,064	31,515,660
Distribution to trust unit holders	(32,079,717)	(30,468,157)
Balance at end of the year	3,933,465	4,674,118

NOTE 23: NON-CONTROLLING INTEREST

	2014	2013
Balance at beginning of the year	600,412	2,740,178
Transactions with non-controlling interest	-	232,407
Share of total comprehensive income for the year	810,772	1,445,008
Dividend paid	(868,398)	(3,817,181)
Balance at end of the year	542,786	600,412

Acquisition of NCI

In November 2012, the Group acquired an additional 30% interest in Spruson & Ferguson (Asia) Pte Limited increasing its ownership from 65% to 93 % ,and an additional 30% interest in Spruson & Ferguson SDN BHD increasing its ownership from 70% to 100% , for SGD $5,658,068 in cash. The Group recognised an increase in the minority interest acquisition reserve of $4,472,074 representing the premium paid for the non-controlling interest.

NOTE 24: FINANCIAL INSTRUMENTS

Capital management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

The capital of the Group consists of net debt (borrowings and other financial liabilities detailed in Notes 15 and 17, offset by cash and bank balances and equity of the Group comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in Notes 20 to 23. The Group is not subject to any externally imposed capital requirements.

Financial risk management objectives

The trustees have overall responsibility for identifying and managing the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

(a) Foreign currency risk management

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group undertake certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations. At 30 June 2014, the group held various foreign currencies as part of cash and cash equivalents, trade receivables, trade payables and borrowings.

Sensitivity

The Group is mainly exposed to the currencies of the US dollar, Singapore dollars and Euros.

If foreign exchange rates were to increase/decrease by 10% from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year is as follows:

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(b) Foreign currency risk management (continued)

	2014 $	2013 $
United States dollars		
+ / - 10% United States dollars		
Increase (decrease) on profit before tax	(1,239,120)	(1,208,884)
Euro		
+ / - 10% Euro		
Increase (decrease) on profit before tax	(142,804)	(173,743)
Singapore Dollars		
+ / - 10% Singapore Dollars		
Increase (decrease) on profit before tax	17,646	23,075
Other currencies		
+ / - 10% Other currencies		
Increase (decrease) on profit before tax	20,432	25,705

(c) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Group's main exposure to interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to interest rate risk.

The Group's exposures to interest rate risk on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity

If interest rates were to increase/decrease by 100 basis points, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year is as follows:

	2014 $	2013 $
+ / - 100 basis points		
Increase (decrease) on profit before tax	60,973	68,225

This is mainly attributable to the Group's exposure to interest rates on its borrowings.

Other price risks

The Group is not exposed to significant equity price risk arising from equity instruments.

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main exposure to credit risk in the group is represented by the trade receivables owing to the group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure of forward exchange contracts is the net fair value of these contracts.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the group.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of clients.

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian and overseas banks.

(ii) Trade receivables

Credit risk for trade receivables is managed by performance of a pre-engagement assessment. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The ageing analysis of trade and other receivables is provided in Note 9. As the group undertakes transactions with a large number of clients and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

(e) Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The group manages liquidity risk by monitoring cash flows and ensuring adequate borrowing facilities are maintained. The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

For current financing facilities refer to Note 15.

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Liquidity risk management (continued)

Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The table also includes the weighted average effective interest rate.

Year ended 30 June 2014	Weighted average effective interest rate	< 6 months	6-12 months	1-5 years	Total
	%	$	$	$	$
Trade payables	-	6,422,870	-	-	6,422,870
Borrowings*	5.0%	2 ,400,660	99,190	3,528,256	6,028,106
Hire purchase liability	6.2%	129,377	118,428	130,723	378,528
Net maturities		8,952,907	217,618	3,658,979	12,829,504
Year ended 30 June 2013					
Trade payables	-	6,001,926	-	-	6,001,926
Borrowings*	5.3%	2,511,541	-	4,202,421	-
Capital repayment account	-	11,936	-	-	-
Hire purchase liability	7.7%	110,902	110,903	271,765	493,570
Net maturities		8,636,305	234,921	4,474,186	13,345,412

* On 25 August 2014, the Principals of the Spruson & Ferguson Unit Trust and Spruson and Ferguson (Asia) Pte Limited entered into a new Facilities Agreement ("the Agreement") with Australian and New Zealand Banking Group Limited (see Note 34).

As at the date of the Agreement, existing borrowings under the Working Capital Facility (see Note 15) were extinguished.

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2014

		Carrying amount				Fair value			
	Note	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value									
Equity securities	*11*	-	25,499	-	25,499	-	-	25,499	25,499
		-	25,499	-	25,499	-	-	25,499	25,499
Financial assets not measured at fair value									
Trade and other receivables	*9*	20,278,516	-	-	20,278,516				
Cash and cash equivalents	*8*	4,321,294	-	-	4,321,494				
		24,599,810			24,599,810				
Financial liabilities not measured at fair value									
Trade and other payables	*14*		-	6,422,870	6,422,870				
Borrowings **	*15*		-	6,097,286	6,097,286	-	6,097,286	-	6,097,286
Other financial liabilities	*17*		-	450,640	450,640				
Other liabilities	*18*			7,181,739	7,181,739				
				20,152,535	20,152,535	-	6,097,286	-	6,097,286

** Subsequent to year end, these facilities were extinguished by being repaid in full (see Note 34) and therefore fair value approximates carrying value as at 30 June 2014.

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Accounting classifications and fair values (continued)

30 June 2013

		Carrying amount				Fair value			
	Note	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity securities	*11*	-	25,586	-	25,586	-	-	25,586	25,586
		-	25,586	-	25,586	-	-	25,586	25,586
Financial assets not measured at fair value									
Trade and other receivables	*9*	23,620,607	-	-	23,620,607				
Cash and cash equivalents	*8*	4,608,884	-	-	4,608,884				
		28,229,491			28,229,491				
Financial liabilities not measured at fair value									
Trade and other payables	*14*		-	6,001,926	6,001,926				
Borrowings **	*15*		-	6,798,896	6,798,896	-	6,798,896	-	6,798,896
Other financial liabilities	*17*		-	659	659				
Other liabilities	*18*			11,455,581	11,455,581				
				24,257,062	24,257,062	-	6,798,896	-	6,798,896

** Subsequent to year end, these facilities were extinguished by being repaid in full (see Note 34) and therefore fair value approximates carrying value as at 30 June 2014.

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Accounting classifications and fair values (continued)

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique
Equity securities	In view of the immaterial balance of the available for sale financial assets, the trustees believe financial assets' fair value approximates its cost (see Note 11).

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Borrowings	Discounted cash flows	Not applicable

(ii) Transfers between Level 1 and 2

There were no transfers in either direction in 2014 and 2013.

(iii) Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balance for Level 3 fair values.

	Note	Equity securities available for sale	
		2014 $	2013 $
Balance at 1 July		25,586	23,184
Net foreign currency movements arising from foreign operations		(87)	2,402
Balance at 30 June	*11*	25,499	25,586

NOTE 25: OBLIGATIONS UNDER HIRE PURCHASE

The Group leases computer equipment under hire purchase. The average lease term is 5 years (2013: 5 years). The Group's obligations under hire purchase are secured by the lessor's title to the assets under hire purchase. Interest rates underlying all obligations under hire purchase are fixed at respective contract dates ranging from 5.48% to 8.13% per annum (2013: 5.48% to 8.13%).

	2014 $	2013 $
Future hire purchase commitments of the Group are payable as follows:		
Less than one year	259,969	283,623
Between one and five years	140,124	271,765
Minimum hire purchase payments	400,093	555,368
Less future finance charges	(35,267)	(35,269)
Total hire purchase liability	364,826	520,119
Included in the consolidated financial statements as:		
Current borrowings	236,117	259,770
Non-current borrowings	128,709	260,349
	364,826	520,119

The fair value of the hire purchase liabilities is approximately equal to their carrying amount.

NOTE 26: OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

Less than one year	1,563,311	2,001,280
Between one and five years	3,933,742	5,486,427
	5,497,053	7,487,707

The operating lease expense is included in 'rental expenses'. The operating leases represent property leases of the Groups' office premises with terms of between two and five years.

NOTE 27: OPERATING PROFIT

Profit before income tax has been determined after:	2014 $	2013 $
Finance costs	301,196	372,736
Rental expenses	2,327,326	2,315,514
Depreciation	825,995	1,301,104
Bad and doubtful debts	726,072	247,701
Employee benefits	19,189,244	18,415,876
Defined contribution plans	1,659,586	1,525,258
Loss on disposal of non-current assets	270	40

NOTE 28: PARENT ENTITY DETAILS

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

	2014 $	2013 $
Financial position		
Assets		
Current assets	13,724,012	16,885,938
Non-current assets	8,088,965	7,706,521
Total assets	21,812,977	24,592,459
Liabilities		
Current liabilities	17,454,851	19,609,920
Non-current liabilities	3,938,126	4,561,880
Total liabilities	21,392,977	24,171,800
Net assets	420,000	420,659
Equity		
Issued capital	420,000	420,659
Total equity	420,000	420,659
Financial performance		
Profit for the year	32,079,717	30,468,157
Other comprehensive income for the year	-	-
Total comprehensive income for the year	32,079,717	30,468,157

NOTE 29: SUBSIDIARIES

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

Entity Name	Country of incorporation	Ownership interest held by the group 2014 %	Ownership interest held by the group 2013 %	Ownership interest held by NCI 2014 %	Ownership interest held by NCI 2013 %
Spruson & Ferguson (Asia) Pte. Ltd.	Singapore	93	93	7	7
Spruson & Ferguson SDN BHD	Malaysia	100	100	-	-
Spruson & Ferguson Pty Limited	Australia	100	100	-	-
Spruson & Ferguson Lawyers Pty Limited (i)	Australia	100	-	-	-
IPH Services Limited (ii)	Australia	100	-	-	-

(i) Incorporated on 7 May 2014
(ii) Incorporated on 6 June 2014

NOTE 30: AUDITORS' REMUNERATION

Remuneration of auditors for:	2014	2013
Pitcher Partners (Sydney)	$	$
Audit and review of financial report	-	80,000
Corporate and taxation services	-	71,042
	-	151,042
Deloitte & Touche (Sydney)		
Audit and review of financial report	75,000	-
Investigating Accountants Report and associated services	195,000	-
	270,000	-

The auditors of the Group are Deloitte Touche Tohmatsu and were appointed on 6 June 2014. Pitcher Partners were the auditors of the Group in the prior year. The auditors of the Singapore subsidiary in the prior year were Low, Yap & Associates.

NOTE 30: AUDITORS' REMUNERATION (CONTINUED)

	2014 $	2013 $
Remuneration of auditors for:		
Low, Yap & Associates (Singapore)		
Audit and review of financial report	-	21,495
Corporate and taxation services	-	3,537
	-	25,032
RSM (Singapore)		
Audit and review of financial report	19,255	-
Corporate and taxation services	3,288	-
	22,543	-
RSM (Shanghai)		
Audit and review of financial report	5,106	-
Corporate and taxation services	-	-
	5,106	-

NOTE 31: CASH FLOW INFORMATION

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2014 $	2013 $
Cash and cash equivalents	4,321,294	4,604,884

NOTE 31: CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of Profit for the year to net cash flows from operating activities

	2014 $	2013 $
Profit for the year	32,154,861	33,000,108
Depreciation and amortisation	825,995	1,301,104
Unrealised foreign exchange losses (gains)	985,317	(1,577,933)
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	2,131,549	(1,552,306)
Other assets	62,812	(339,142)
Deferred tax assets	(1,384)	(101,948)
(Decrease)/increase in liabilities:		
Trade and other payables	550,748	1,886,700
Current tax liabilities	701,936	215,761
Deferred revenue	(107,700)	(29,100)
Provisions	1,009,590	(75,016)
Net cash provided by operating activities	38,313,724	32,728,228

NOTE 32: SEGMENT INFORMATION

(a) *Basis for segmentation*

The Group operates in two geographic locations, which are its reportable segments. These business units are managed separately; the Australian office operates as a hub for activities in Australia, New Zealand and the Pacific providing patent, trademark and design filings, and Asia operates as a hub for Asia providing patent, design filing and prosecution services.

There are varying levels of integration between the Australian and Asia segments. This integration includes provision of professional services, shared technology and management services.

NOTE 32: SEGMENT INFORMATION (CONTINUED)

(b) Information about reportable segments

Information related to each of the reportable segments is set out below and is shown in Australian dollars.

Geographical Segments	Australia		Asia		Total	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
Revenue and other income	46,749,060	47,106,646	30,300,210	26,562,826	77,049,270	73,669,472
Interest revenue	16,594	113,413	1,348	875	17,942	114,288
Inter-segment revenue	12,396,941	7,355,772	1,159,606	1,136,134h	13,556,547	8,491,906
Segment revenue	59,162,595	54,575,831	31,431,476	27,669,835	90,623,756	82,275,666
Segment profit before tax	32,079,717	30,468,157	14,450,355	10,818,117	46,530,072	41,286,274
Interest income	16,594	113,413	1,348	875	17,942	114,288
Depreciation and amortisation	512,270	466,187	313,275	834,917	825,995	1,301,104
Segment assets	21,834,134	24,592,459	12,196,033	12,939,129	34,030,167	37,531,588
Segment liabilities	(21,964,242)	(24,129,525)	(5,662,365)	(5,811,063)	(27,626,607)	(29,940,588)

NOTE 32: SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable segments to financial statements

	2014 $	2013 $
(i) Revenues		
Total revenue for reportable segments	90,623,759	82,275,666
Elimination of inter-segment revenue	(13,556,547)	(8,491,906)
Consolidated revenue	77,067,212	73,783,760
(ii) Profit before tax		
Total profit for reportable segments	46,530,072	41,286,274
Elimination of inter-segment profit	(11,786,124)	(6,790,246)
Consolidated profit before tax	34,743,948	34,496,028
(iii) Assets		
Total assets for reportable segments	34,030,167	37,531,588
Elimination of inter-segment assets	(6,603,979)	(6,737,129)
Consolidated assets	27,426,188	30,794,459
(iv) Liabilities		
Total liabilities for reportable segments	(27,626,607)	(29,940,588)
Elimination of inter-segment liabilities	348,539	160,435
Consolidated liabilities	(27,278,068)	(29,780,153)

(c) Major customer

No single customer contributed 10% of more to the Group's revenue during either 2014 or 2013.

NOTE 33: RELATED PARTIES

(a) Transactions with key management personnel

(i) Loans to key management personnel

During 2014, no new interest bearing, secured loans were advanced to key management personnel (2013: $95,711). At 30 June 2014, the balance of these liabilities due to the Group were $181,773 (2013: $305,358) and is included in 'trade and other receivables' (see Note 9).

Interest is payable at the rate charged by ANZ to the Group for its foreign currency loan plus a margin of 0.50% per annum and a line fee of 2.00%. Repayments are required on a quarterly basis commencing on 30 September 2012 for the loan advanced in the year ended 30 June 2013, with a final repayment date of 30 June 2016.

(ii) Key management personnel compensation

The key management personnel of Spruson & Ferguson Unit Trust include the trustees and the principals of the Australian operations and directors of the Singaporean based subsidiaries. As unit holders in the Trust, they are remunerated via trust distributions rather than via set management compensation.

(iii)Key management personnel transactions

From time to time key management personnel, or their related entities, may buy services from the Group. These purchases on the same terms and conditions as those entered into by other Group employees or customers.

There were no other transactions with key management personnel.

(c) Other related party transactions

(i) During the year, group entities entered into the following trading transactions with a related party that is not a member of the Group. The Spruson & Ferguson Lawyers Unit Trust is a discretionary trust operated by the Group.

	Sales of services		**Purchases of services**	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Spruson & Ferguson Lawyers Unit Trust	1,705,202	1,649,496	-	-

NOTE 33: RELATED PARTIES (CONTINUED)

(c) Other related party transactions (continued)

(ii) The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	2014	2013	2014	2013
	$	$	$	$
Spruson & Ferguson Lawyers Unit Trust	342,412	760,999	-	-

(iii) During the year ended 30 June 2014, the Group received distributions of $1,366,154 (2013: $1,045,450) from the Spruson & Ferguson Lawyers Unit Trust.

(iv) At 30 June 2014, the Spruson & Ferguson Lawyers Unit Trust assigned a debt for the amount of $634,741 to the Spruson & Ferguson Unit Trust. Accordingly, an amount of $154,741 has been recognised in trade and others receivables and an amount of $480,000 recognised as a bad and doubtful debt on the basis that the Group does not expect the full amount of the assigned debtor to be recoverable.

NOTE 34: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 August 2014, Spruson & Lawyers Pty Limited commenced operations after being incorporated on 7 May 2014

On 5 August 2014, Spruson & Ferguson Pty Limited changed its name to Spruson & Ferguson (NSW) Pty Limited.

On 25 August 2014, IPH Limited (a director related entity and potential future parent company), the Principals of the Spruson & Ferguson Unit Trust and Spruson and Ferguson (Asia) Pte Limited ("the Group") entered into a new Facilities Agreement ("the Agreement") with Australian and New Zealand Banking Group Limited. As at the date of the Agreement, existing borrowings under the Working Capital Facility (see Note 15) were extinguished.

The facilities under the new Agreement comprise:

(i) A multi-option facility with a term of three years for the general corporate purposes of the Group. The limit of the facility will range from a minimum of $14 million to a maximum of $30 million based on certain criteria.

(ii) A $2 million revolving credit facility with a term of on year (subject to annual review) allowing for financial guarantees and standby letters of credit to be issued for the general corporate purposes of the Group.

The Agreement will be subject to specific financial covenants and conditions precedent.

NOTE 34: EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

Other than the matters noted above, there have been no events subsequent to balance date which would have a material effect on the Group's consolidated financial statements as at 30 June 2014.

NOTE 35: IMPACTS ON THE ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS

The Group changed its accounting policies on 1 July 2012 to comply with Australian Accounting Standards in the preparation of its first general purpose consolidated financial report for the year ended 30 June 2014. The transition to Australian Accounting Standards is accounted for in accordance with AASB 1 'First-time Adoption of Australian Accounting Standards' with 1 July 2012 as the date of transition.

As noted in Note 2(a), in the preparation of its first general purpose consolidated financial report for the year ended 30 June 2014, the Group has performed a first time consolidation of previously unconsolidated subsidiaries.

An explanation of how the transition to Australian Accounting Standards has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

NOTE 35: IMPACTS ON THE ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS (CONTINUED)

Effect of transition on the statement of financial position as at 1 July 2012

	Notes	Superseded policies* $	Effect of transition $	Australian Accounting Standards $
Current assets				
Cash and cash equivalents	*(a)(b)*	1,385,198	2,593,530	3,978,728
Trade and other receivables	*(a)(b)*	11,627,594	7,862,374	20,490,368
Other assets	*(a)(b)*	712,993	1,081,730	794,323
Total current assets		13,725,785	11,537,634	25,263,419
Non-current assets				
Trade and other receivables	*(b)*	23,873	(23,873)	-
Investments	*(a)*	1,747,604	(1,747,604)	-
Other financial assets	*(b)*	-	23,184	23,184
Property, plant and equipment	*(a)*	813,392	832,502	1,645,894
Total non-current assets		2,584,869	(915,791)	1,669,078
Total assets		16,310,654	10,621,843	26,932,497
Current liabilities				
Trade and other payables	*(a)(b)*	3,956,904	388,050	4,344,954
Borrowings	*(b)*	1,889,808	(23,871)	1,865,937
Provisions	*(b)*	1,375,729	212,551	1,588,280
Current tax liabilities	*(a)*	-	1,734,684	1,734,684
Deferred revenue	*(b)*	-	1,713,590	1,713,590
Other financial liabilities	*(c)*	-	681	681
Other liabilities	*(d)*	-	8,238,922	8,238,922
Total current liabilities		7,222,441	12,264,967	19,487,408
Non-current liabilities				
Borrowings	*(b)*	173,287	66,729	240,016
Provisions	*(b)*	254,323	39,293	293,616
Deferred tax liabilities	*(a)*	-	124,664	124,664
Total non-current liabilities		427,610	230,686	658,296
Total liabilities		7,650,051	12,495,653	20,145,704
Net assets		8,660,603	(1,873,810)	6,786,793

NOTE 35: IMPACTS ON THE ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS (CONTINUED)

Effect of transition on the statement of financial position as at 1 July 2012 (continued)

	Notes	Superseded policies** $	Effect of transition $	Australian Accounting Standards $
Equity				
Issued capital	*(c)*	420,681	(681)	420,000
Retained earnings	*(d)*	8,239,922	(4,613,307)	3,626,615
Equity attributable to owners of Spruson & Ferguson Unit Trust		8,660,603	(4,613,988)	4,046,615
Non-controlling interests	*(a)*	-	2,740,178	2,740,178
Total equity		8,660,603	(1,873,810)	6,786,793

* Reported financial position as at 30 June 2012 for the Spruson & Ferguson Unit Trust.

Effect of transition on the statement of financial performance for the year ended 30 June 2013

	Notes	Superseded policies** $	Effect of transition $	Australian Accounting Standards $
Revenue	*(a)(e)*	34,817,078	32,135,847	66,952,925
Other income	*(a)(e)*	15,069,272	(8,238,437)	6,830,835
Depreciation and amortisation expenses	*(a)(e)*	(417,013)	(884,091)	(1,301,104)
Employee benefits expense	*(a)*	(13,379,075)	(6,562,059)	(19,941,134)
Rental expenses	*(a)(e)*	(1,829,626)	(485,888)	(2,315,514)
Royalty expense	*(a)*	-	(177,585)	(177,585)
Finance costs	*(a)*	(365,464)	(7,282)	(372,736)
Agent fee expenses	*(e)*	-	(10,189,347)	(10,189,347)
Insurance expenses	*(a)*	(388,924)	(92,780)	(481,704)
Travel expenses	*(a)*	(330,981)	(144,065)	(475,046)
Printing & stationary expenses	*(a)*	(180,994)	(123,575)	(304,569)
Other expenses	*(a)(e)*	(2,526,127)	(1,202,866)	(3,728,993)
Profit before income tax expense		30,468,156	4,027,872	34,496,028
Income tax expense	*(a)*	-	(1,495,920)	(1,495,920)
Profit for the year		30,468,156	2,531,952	33,000,108

NOTE 35: IMPACTS ON THE ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS (CONTINUED)

Effect of transition on the statement of financial performance for the year ended 30 June 2013 (continued)

	Notes	Superseded policies** $	Effect of transition $	Australian Accounting Standards $
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operation	*(a)*	-	(247,590)	(247,590)
Other comprehensive loss for the year		-	(247,590)	(247,590)
Total comprehensive income for the year		30,468,156	2,284,362	32,752,518
Profit is attributable to:				
- Owners of Spruson & Ferguson Unit Trust	*(a)*	30,468,156	1,047,504	31,515,660
- Non-controlling interests	*(a)*	-	1,484,448	1,484,448
		30,468,156	2,531,952	33,000,108
Total comprehensive income is attributable to:				
- Owners of Spruson & Ferguson Unit Trust	*(a)*	30,468,156	839,354	31,307,510
- Non-controlling interests	*(a)*	-	1,445,008	1,445,008
		30,468,156	2,284,362	32,752,518

** Reported financial performance for the year ended 30 June 2013 for the Spruson & Ferguson Unit Trust.

Effect of transition on the statement of financial position as at 30 June 2013

	Notes	Superseded policies*** $	Effect of transition $	Australian Accounting Standards $
Current assets				
Cash and cash equivalents	(a)	1,079,043	3,529,841	4,608,884
Trade and other receivables	(a)	14,890,450	8,730,157	23,620,607
Other assets	(a)	418,213	715,252	1,133,465
Total current assets		16,387,706	12,975,250	29,362,956

NOTE 35: IMPACTS ON THE ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS (CONTINUED)

Effect of transition on the statement of financial position as at 30 June 2013 (continued)

	Notes	Superseded policies*** $	Effect of transition $	Australian Accounting Standards $
Non-current assets				
Investments	(a)	6,576,694	(6,551,108)	25,586
Property, plant and equipment	(a)	1,102,091	303,826	1,405,917
Total non-current assets		7,678,785	(6,247,282)	1,431,503
Total assets		24,066,491	6,727,968	30,794,459
Current liabilities				
Trade and other payables	(a)(b)	1,714,441	4,287,485	6,001,926
Borrowings	(a)(b)	6,779,476	(4,153,059)	2,626,417
Provisions	(b)	1,953,284	(389,402)	1,563,882
Current tax liabilities	(a)	-	1,804,041	1,804,041
Deferred revenue	(b)	1,743,050	-	1,743,050
Other financial liabilities	(c)	-	659	659
Other liabilities	(d)	-	11,455,581	11,455,581
Total current liabilities		12,190,251	13,005,305	25,195,556
Non-current liabilities				
Borrowings	(b)	-	4,172,479	4,172,479
Provisions	(b)	-	389,402	389,402
Deferred tax liabilities	(a)	-	22,716	22,716
Total non-current liabilities		-	4,584,597	4,584,597
Total liabilities		12,190,251	17,589,902	29,780,153
Net assets		11,876,240	(10,861,934)	1,014,306
Equity				
Issued capital	(c)	420,659	(659)	420,000
Retained earnings	(d)	11,455,581	(6,781,463)	4,674,118
Reserves	(a)	-	(4,680,224)	(4,680,224)
Equity attributable to owners of Spruson & Ferguson Unit Trust		11,876,240	(11,462,346)	413,894
Non-controlling interests	(a)	-	600,412	600,412
Total equity		11,876,240	(10,861,934)	1,014,306

*** Reported financial position as at 30 June 2013 for the Spruson & Ferguson Unit Trust.

NOTE 35: IMPACTS ON THE ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS (CONTINUED)

Effect of transition on the statement of cash flows for the year ended 30 June 2013

	Notes	Superseded policies*** $	Effect of transition $	Australian Accounting Standards $
Cash flows from operating activities				
Receipts from customers	*(a)*	42,209,066	34,922,524	77,131,590
Payments to suppliers and employees	*(a)*	(22,384,952)	(20,377,855)	(42,762,807)
Interest received	*(a)*	113,413	875	114,288
Interest paid	*(a)*	(365,454)	(7,282)	(372,736)
Income tax paid	*(a)*	-	(1,382,107)	(1,382,107)
Net cash provided by operating activities		19,572,073	13,156,155	32,728,228
Cash flows from investing activities				
Dividends and distributions received	*(a)*	7,835,656	(7,835,656)	-
Net cash outflow on acquisition of non-controlling interest	*(a)*	(4,472,074)	-	(4,472,074)
Payments for property, plant and equipment and intangible assets	*(a)*	(705,712)	(275,729)	(981,441)
Net cash used in investing activities		2,657,910	(8,111,425)	(5,453,515)
Cash flows from financing activities				
Payment for redemption of units	*(a)*	(22)	-	(22)
Proceeds from (repayments of) borrowings	*(a)*	4,716,381	(23,509)	4,692,872
Distributions paid	*(a)*	(27,252,497)	999	(27,251,498)
Dividends paid	*(a)*	-	(3,817,181)	(3,817,181)
Net cash used in financing activities		(22,536,138)	(3,839,691)	(26,375,829)
Net (decrease)/ increase in cash and cash equivalents	*(a)*	(306,155)	1,205,039	898,884
Cash and cash equivalents at the beginning of the financial year	*(a)*	1,385,198	2,593,530	3,978,728
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	*(a)*	-	(268,728)	(268,728)
Cash and cash equivalents at the end of the financial year	*(a)*	1,079,043	3,529,841	4,608,884

NOTE 35: IMPACTS ON THE ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS (CONTINUED)

Notes to the reconciliations of income and equity

(a) First-time consolidation

The Group changed its accounting policies on 1 July 2013 to comply with Australian Accounting Standards (see Note 2a). The superseded policies are those of the Spruson & Ferguson Unit Trust financial statements which were prepared historically for the purposes of satisfying the trustees' reporting obligations under the Trust Deed.

The effect of transition on the opening statement of financial position as at 1 July 2012, the statement of financial position as at 30 June 2013, the statement of financial performance and statement of cash flows for the year ended 30 June 2013 is to consolidate the Trust's subsidiaries.

(b) Statement of financial position reclassifications

As the result of first time preparation of the consolidated financial statements of the Group, a number of reclassifications have been made of amounts included on the statement of financial position as at 30 June 2012 and the statement of financial position as at 30 June 2013. These reclassifications have been performed to provide improved financial reporting in accordance with Australian Accounting Standards.

(c) Trust issued capital

On transition to Australian Accounting Standards, the Group has reassessed the classification of trust issued capital and determined that unit classes A, B and C in the Spruson & Ferguson Unit Trust should be classified as debt (see Note 17).

(d) Unit holder accounts

On transition to Australian Accounting Standards, the Group reassessed the classification of the trust unit holder accounts and determined that the unit holder accounts in the Spruson & Ferguson Unit Trust should be classified as debt (see Note 18).

(e) Statement of financial performance reclassifications

As the result of first time preparation of the consolidated financial statements of the Group, a number of reclassifications have been made of amounts included on the statement of financial performance for the year ended 30 June 2013. These reclassifications have been performed to provide improved financial reporting in accordance with Australian Accounting Standards.

SPRUSON & FERGUSON UNIT TRUST

TRUSTEES' DECLARATION

The trustees of the trust declare that:

1. The financial statements and notes, as set out on pages 1 - 54:

   (a) comply with Accounting Standards in Australia; and

   (b) as stated in Note 1, the financial statements also comply with *International Financial Reporting Standards*; and

   (c) give a true and fair view of the financial position as at 30 June 2014 and performance for the year ended on that date of the trust.

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

This declaration is made in accordance with a resolution of the Board of Trustees.

Trustee: ______________________________

Trustee: ______________________________

Dated this 26th day of September 2014

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1219 Australia

Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report to the Unitholders of Spruson & Ferguson Unit Trust & Controlled Entities

We have audited the accompanying financial report of Spruson & Ferguson Unit Trust and its controlled entities, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the trustees' declaration of the consolidated entity comprising the trust and the entities it controlled at the year's end or from time to time during the financial year.

Trustees' Responsibility for the Financial Report

The trustees responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the trust deed and for such internal control as the trustees determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the trustees also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We 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 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 and fair presentation of the financial report 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 trustees, 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.

Deloitte.

Opinion

In our opinion:

(a) In our opinion, the financial report of Spruson & Ferguson Unit Trust presents fairly, in all material respects, the trusts and consolidated entity's financial position as at 30 June 2014 and its financial performance for the year then ended in accordance with Australian Accounting Standards and the trust deed.

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants
Sydney, 26 September 2014