



# Queensland **Law Society**

76th Annual Report 2003-04



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# Letter of transmission



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**Office of the President**

Your Ref:

Our Ref: GWF:RG

18 August 2004

Hon Rod Welford MP  
Attorney-General and Minister for Justice  
GPO Box 149  
**BRISBANE QLD 4001**

Dear Attorney

It is with very great pleasure that I present to you the 2003-2004 financial year Annual Report of the Queensland Law Society.

As you are aware, it has been a sometimes difficult and always challenging year for the Society and the profession but I believe that we have emerged from it with a renewed sense of vision and purpose. We are committed to full co-operation with, and support for, the new regulatory regime and believe that this will work well in the best interests of the profession and the general community.

The Society retains under that regime some significant statutory responsibilities which we will discharge with professionalism, fairness and objectivity, given our belief that the profession has a critical role in our democracy that can only be served by adherence to the highest professional and ethical standards.

Equally, the Society retains its proper role as the voice for the profession and as the advocate for the legitimate interests of solicitors.

I commend the Report to you.

Yours sincerely

A handwritten signature in black ink, appearing to read "Glenn W Ferguson".

Glenn W Ferguson  
**President**

# Our profile

The Queensland Law Society is the professional association for over 6000 solicitors in Queensland. It is incorporated under an Act of Parliament – the *Queensland Law Society Act 1952*. The Society is governed by a Council, elected by the membership.

While the Society is defined as a statutory authority in the *Financial Administration & Audit Act*, it remains an independent professional body, subject to the governance of its elected Council. The Attorney-General is represented by a nominee who is a Queensland solicitor in private practice.

The Society is funded mainly from annual fees paid by its members. Any person admitted as a solicitor of the Supreme Court of Queensland is eligible for membership of the Society. Associate membership is also available.

The Society has held specific statutory responsibilities in relation to the regulation and discipline of solicitors in Queensland, and has pursued those responsibilities diligently since 1928.

In addition to its statutory responsibilities, the Society has objectives which mirror the traditional obligations of any professional association including the preservation and maintenance of the integrity of the profession.

The functions and responsibilities of the Society include:

- issuing of practising certificates and maintaining records relating to solicitors
- providing continuing legal education for solicitors
- providing services and support to members
- researching and making submissions to government on matters of legal importance
- investigating complaints of unsatisfactory professional conduct against solicitors
- administering the Fidelity Guarantee Fund
- trust account controls and receivership of trust property
- providing to the public a referral service to solicitors and mediators.

One of the Society's main objectives is to increase community understanding of the law, to help protect the rights of the individual and to advise members of the public about benefits solicitors can provide.

The Society conducts ongoing programs to inform the community about the law and the legal profession, including the Schools and Higher Education Service, SCRAM (dispute resolution competition for high school students) and promotion of pro bono work for the many solicitors who provide legal advice free of charge to charities and other organisations.

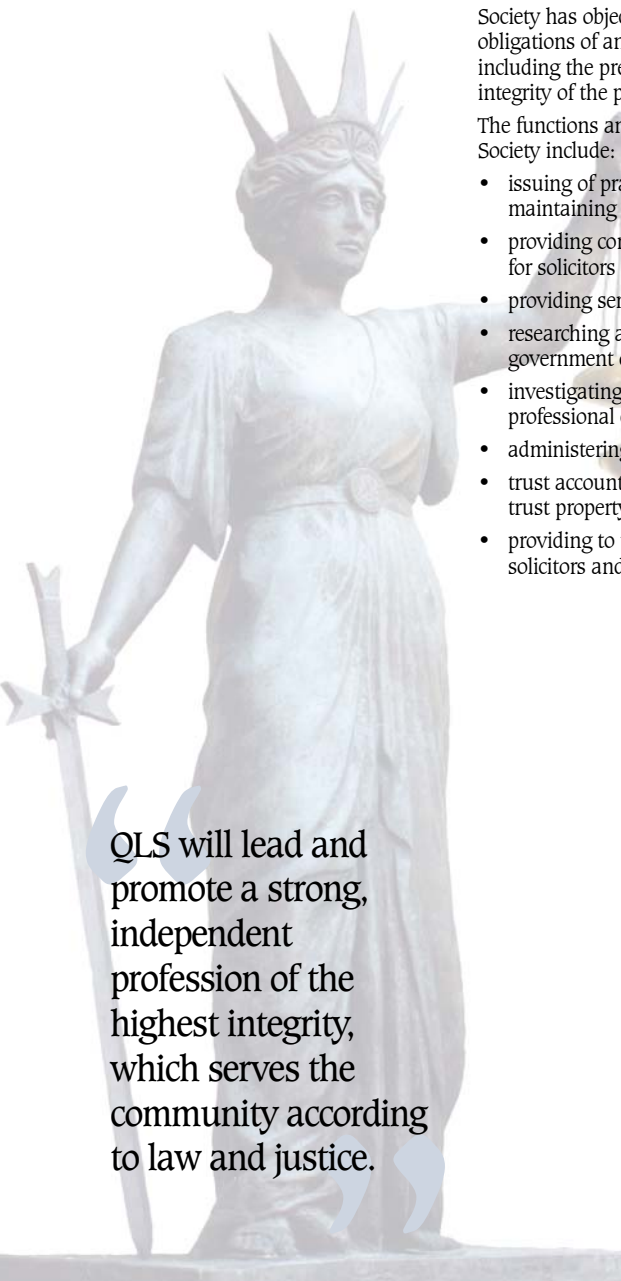
## Stakeholders

The Society has a wide range of stakeholders, including:

- our members
- the legal profession
- the Queensland Government
- the judiciary
- the people of Queensland
- government agencies
- advocates for law reform
- legal educators.

## Our vision

QLS will lead and promote a strong, independent profession of the highest integrity, which serves the community according to law and justice.

A large, light-colored statue of Lady Justice, the personification of the goddess of justice. She is depicted standing, wearing a long, flowing robe and a crown with three spikes. She holds a pair of scales in her left hand and a sword in her right hand. The statue is positioned on the left side of the page, partially overlapping the text.

QLS will lead and promote a strong, independent profession of the highest integrity, which serves the community according to law and justice.

# QLS council

Glenn Ferguson (President)  
Ron Ashton (Vice President)  
Tom Sullivan (Immediate Past President)  
Donald Armit  
Joan Bennett  
Ian Berry  
Patricia Conroy  
Rob Davis  
Scott Falvey  
Raoul Giudes  
Julie Harrington  
Brian Kilmartin  
Ian Hughes  
Megan Mahon  
Michael Meadows  
David O'Brien  
Joe Pinder  
Joe Tooma (until 29 July 2003)

## Executive

Glenn Ferguson  
Ron Ashton  
Rob Davis  
Joe Pinder  
Tom Sullivan



*Back row: Rob Davis, Joe Pinder, Joe Tooma (until 29 July 2003), Raoul Giudes, Ian Berry, Ian Hughes.  
Second row: David O'Brien, Scott Falvey (in front), Julie Harrington, Patricia Conroy, Joan Bennett, Megan Mahon, Don Armit.  
Front row: Ron Ashton (Vice President), Brian Kilmartin, Tom Sullivan (Immediate Past President), Glenn Ferguson (President), Geoff Stevenson (Chief Executive Officer until 5 March 2004).  
Inset: Michael Meadows.*

# President's review



It is with considerable pride and a real sense of achievement that I present the Annual Report of the Queensland Law Society for the year to 30 April 2004.

For the first three months of our reporting year, the President was my predecessor, Tom Sullivan and in August last year I wrote in my first column in *Proctor* that I was taking up the presidential baton "with mixed feelings of somewhat equal amounts of anticipation and apprehension." That feeling proved to be remarkably prescient.

## Legal profession reform

The storm which broke over the Society's real, imagined and alleged failures in its professional regulatory function was battering us unmercifully at that time despite the fact that we had long taken pro-active decisions to radically review and upgrade our response mechanisms for complaints. The cries of "Caesar judging Caesar" and "too little, too late" drowned out any serious debate and rational assessment of our vastly improved investigation and regulation functions.

Instead of debate, there was misinformation, populist media hype based so-called "expose" stories and political one-upmanship games. It seemed that every "complaint" was considered evidence of a profession riddled with incompetence and unprofessional conduct and the presumption of innocence principle for solicitors subject to complaints was abandoned, especially in the media. Utterly false claims that the Society was only concerned about protecting errant solicitors took hold in the public imagination and grew into persuasive urban myths.

On 6 May 2003, the Government took the decision to establish a new investigative and regulatory structure and the Society immediately announced its in-principle support for the concept although the Society had only been advised of the impending move on 2 May.

Our first meeting to discuss the proposal with the Government did not happen until 5 June 2003 where we repeated our public assurances of support and co-operation.

On becoming President in August 2003, I pledged that we would work constructively with the Government on the reforms but under no circumstances would we willingly surrender or compromise any of our professional rights. I made it clear that our integrity as professionals must remain absolute.

Our discussions with the Government were not as we had expected. On 26 June 2003 we were supplied with a 33-page Information Paper outlining the broad provisions of the proposed Bill and the first consultation draft of the Bill of 245 pages was provided on 19 September and we had ten working days to analyse it and provide a response.

On 1 October 2003 we were provided with the second draft Bill – a document of 297 pages – and given a three-day extension to analyse it and respond and on 16 October received yet another draft Bill – a document of 274 pages – with no invitation at all to comment on it. Thus, we were not able to provide a final and comprehensive analysis to the Government which, at that time, had announced a 1 January start-up date for the new regulatory regime.

The Attorney introduced the Legal Profession Bill 2003 to Parliament on 29 October 2003 and it subsequently became the *Legal Profession Act*.

The *Legal Profession Act 2004* came into effect 1 July 2004, which date saw the formal establishment of the Legal Services Commission. We have been working closely with the Department of Justice to ensure, as far as possible, a seamless transfer of responsibility to the Commission and will invest a considerable amount of time and effort in the coming year to building a mutually respectful, productive and professional relationship with the Commission.

Members have been kept informed of progress and of the details of the legislation by articles in *Proctor* and by QLS Update.

Understandably, the main focus of the past year has been on the process leading to the change in the regulatory regime and matters pertaining to that. Our analysis of the financial implications for the Society under the proposed new regime identified a significant effect and some tough decisions had to be taken at a Strategic Planning Workshop for Council and senior officers in February 2004.

As a result, the Society's administration is now tighter, leaner and more focussed on our primary role and responsibilities – the identification and delivery of member services. Of necessity, a new business plan is being devised and our members' survey results and other member feedback are the key planning tools for this program.

## Member services

The Society has taken decisive pro-active action to try and ensure as far as possible that our structure and programs are capable of being sustained in the future.

Council has made a decision in principle to introduce mandatory professional development from 2005 and this decision – bringing us into line with other jurisdictions – means that we have a serious responsibility to make available to members a comprehensive educational program. We continue to seek feedback for each and every program to fine tune and evaluate acceptability.

Specialist accreditation programs in family law, personal injuries law, succession law and property law were offered during the year and practitioners completing these courses have a true expertise and – importantly – a good marketing tool.

Members are encouraged to visit the website [www.qls.com.au](http://www.qls.com.au) to discover what programs are on offer and how they can register on-line.

Our member magazine *Proctor* was given a facelift which further enhanced its popularity and plans are well advanced to upgrade QLS Update – the email bulletin to members – and it will be sent to all members, not just managing partners. Our Members' Library with excellent research facilities and generous assistance once again maintained its place as a key member service.

Utterly false claims that the Society was only concerned about protecting errant solicitors took hold in the public imagination and grew into persuasive urban myths.

# President's review

## LAWASIA

One notable highlight of the year was our successful bid to host the 19th Biennial Conference of LAWASIA on the Gold Coast in March 2005. LAWASIA – established in 1966 – is the premier Asia-Pacific association of law societies and professional legal associations and its Secretariat was relocated to Law Society House in January 2004.

Now dubbed LAWASIA down under 2005, the conference will be the major highlight in the regional legal calendar in 2005 and some 1,500 delegates and guests are expected to attend. Concurrent with this prestigious conference will be the Conference of Chief Justices of Asia and the Pacific, our own Symposium 2005, the Australian Legal Convention, the Conference of Law Societies and other related legal profession events. I am also pleased to announce that the first meeting of the Standing Committee of Attorneys-General, SCAG, will also be held in conjunction with the conference.

Planning is now well advanced and a stellar list of speakers is being assembled. The Society has been a LAWASIA member since 1969 and is committed to an outreach program in the Asia-Pacific region to build on our already well-established links with other Societies.

## Conclusion

For the past quarter century, QLS Presidents have had a one-year term – not since Gerry Murphy was President in 1978-80 has a President had a two-year incumbency.

However, the Government has accepted the Society's proposal that the existing Council be extended for a further year to ensure continuity in critical change management and, therefore, I and all Councillors will continue in office until the end of July, 2005.

The new legislation will provide for one-year terms from 2005 for all office-bearers and a reduction in the size of the Council – again to save costs.

While the year has had its fair share – and probably more – of challenges, of occasional disappointments and demands to make hard decisions, it has also, on balance, had more highlights, positives, and achievements. I thank sincerely my family, the Council, the staff and all practitioners for their encouragement, support and understanding – and I pledge to all that the forthcoming year will be one of renewal now that we are dealing with the realities of the new professional environment and that past uncertainties have become history.



Glenn W Ferguson

“ Council has made a decision in principle to introduce mandatory professional development from 2005 and this decision ... means that we have a serious responsibility to make available to members a comprehensive educational program. ”



# CEFO's review



The 2003/04 year was yet another 12 months of significant change and adaptation for the Society. It is true that those words could have been written about most years in our recent history. However, with the continuing passage of the *Legal Profession Act* and the beginnings of the new regulatory system in Queensland, we can at least now begin to look to the future with a reasonable degree of certainty.

By far the most significant reforms to the Queensland legal profession, and by extension to the Society, in recent memory passed into law in large part during the year just completed. Although several years in the planning, the contents of the new legal profession legislation were relatively unknown until recent months, making it impossible to gauge their impact on the Society and our members. Indeed, it is likely that the new system will have been in operation for some time before the final impact becomes clear.

However, with several years of planning, consultation and drafting now reduced to print, it is easy to see that the Society had to act quickly and adapt to the new system to ensure costs to members were not increased. The final months of the 2003/04 QLS year saw a number of difficult decisions made for this very reason. Member services and Society activities were critically evaluated, new opportunities were investigated, overheads were cut, and, most difficult of all was the need to review the number of staff that could be afforded under the new legal reform agenda. As staff resigned via natural attrition they were not replaced, staff were allocated new duties while some staff were made redundant. The Society's staff numbers were reduced by sixteen as a consequence of the government changes.

The Society's organisational structure and reporting procedures were refined and a new Senior Management Team (SMT) accepted responsibility for the day to day running of the Society and to develop strategic initiatives with the guidance of the Council. The SMT is chaired by the Chief Executive/Financial Officer and the team members are Peter Byrnes (General Counsel), David Franklin (General Manager, Financial Assurance and Client Relations), Malcolm Hinton (General Manager, Legal Investigations and Prosecutions) and Bernie O'Donnell (Secretary to the Society). The President attends meetings by invitation.

The legal reform agenda required significant financial restructuring. The new reforms now have claims for fraud and misappropriation by practitioners met from the Legal Practitioners Fidelity Guarantee Fund (LPGF). However the source of income for the LPGF is solely levies on practitioners. No longer will a share of trust account interest be used to meet the cost of investigating and paying legitimate claims. While the LPGF has been supported by a cap on claims no special allocation has been made as start up funding for the LPGF.

The Society's commitment to an honest and ethical profession remains unchanged. While the responsibility for investigating complaints rests with the Legal Services Commissioner the Society's uncompromisingly high standards for the profession continue as the backbone that supports the image and integrity of the profession. The Society continues to perform the audit function to assist practitioners with the operation of their trust accounts and ensures systems and controls are in place to protect client's funds. The extremely important and valuable receivership function is another service performed by the Society on behalf of the profession which directly assists and contributes to the protection of the client's interests. Professional and ethical advice is also offered to practitioners on a confidential basis.

Matched with the maintenance of professional standards is the provision of legal education for practitioners. It is a necessity for the Society to provide practical, timely and relevant education services for the profession. During the year the Council resolved to introduce mandatory professional development and a discussion paper has been prepared and distributed to the profession for review and comment. Of specific concern is the need to improve the delivery of education services to regional practitioners. The specialist accreditation program continues to grow with immigration law being added to the existing program which incorporates family, personal injuries, succession and property law.

The well organised Symposium 2004 was held for the first time in many years at the Sunshine Coast. The conference battled extremes of weather to maintain a fine tradition of high quality legal education. While this year's Symposium was a significant event in its own right, next year it will take on even greater status as part of LAWASIA down under 2005, by far the biggest legal conference to be held in Australia next year, at the Gold Coast in March 2005. This major international legal event is being hosted by the Society and combines the LAWASIA Biennial conference, the Law Council's biennial Australian Legal Convention and other significant legal events. As an opportunity for members to be involved with their peers from throughout the Asia-Pacific region, this conference is unparalleled. Planning for this event has been underway since QLS won the right to host the 2005 conference in September 2003, and the tasks involved will continue and grow as the event approaches.

The provision of member services was again a high priority as is the need to determine if the services offered by the Society are meeting members' requirements and expectations. The Society conducted its own member survey in late 2003 and for the first time a benchmarking exercise was also performed by an independent consultant as part of a national professional survey. The results of these two surveys received at the time of legal reform

The legal reform agenda required significant financial restructuring.

# CEFO's review

implementation assisted the Society to review its activities and redefine our role and value to members. The survey message was clear, improve the image of the profession and more strongly lobby on behalf of members while delivering services that increase membership "value". The library has again continued to meet the many and varied research requests submitted by members. During the past year over 17,000 member research requests were addressed. The research request service is an especially valuable member service for regional members. Proctor was reviewed and a new format adopted to ensure it remains a valuable source of both technical and general information relevant to members.

The Society website is constantly upgraded and is becoming a recognised electronic resource for members. The member survey also disclosed the continued movement to this electronic medium by members and this is further enhanced by the increasing number of "hits". Emphasis has again been placed on the need to simplify the site, keep it up-to-date and user friendly. The Society will continue to review all services to determine what can be delivered to members electronically and what other services can make use of the e-commerce gateway. One obvious proposal under current review is the electronic delivery of practicing certificate application forms.

On behalf of members the Society develops detailed responses to proposed or actual government legislation. This work is a joint effort of the many Society committees and is coordinated by Peter Byrnes the Society's General Counsel. The Secretariat, duly administered by Bernie O'Donnell Secretary to the Council also has direct responsibility for a number of committees.

This year has seen the detail put to the legal reform agenda. The coming year will bring the financial challenges related to that agenda, a new investigative regime, disciplinary matters handled by the Legal Services Commission and a focus on member services identified by the member survey.

I express my personal thanks to President Glenn Ferguson, Vice President Ron Ashton and the Council for their leadership and support. Finally I would like to thank all General Managers and staff for their valuable contributions, hard work and support during the past year.



Murray Fox

“The survey message was clear, improve the image of the profession and more strongly lobby on behalf of members while delivering services that increase membership “value”.”

# Corporate governance

Good corporate governance is essential to ensure our strategic goals, performance targets and operational objectives are met within our legal and policy framework. Strict adherence to best practice corporate governance principles is unconditional at the Society.

The Society's procedures, policies, practices and operation are founded on a clear determination to operate ethically, honestly and effectively and a belief that performance must be benchmarked to the highest standards.

Representing and promoting the profession is our primary responsibility and that can only be done in a planned, coherent way if we have a system in place that allows flexibility, ongoing review, accountability and secure safeguards against any possible failure.

Our commitment to achieving the best possible organisation extends naturally to ensuring that we have the best possible people and that our team is dedicated to our core beliefs.

## Council

The Society is governed by an elected Council of not less than 14 or more than 17 members, namely:

- a barrister or practitioner appointed by the Attorney-General
- the President, Deputy President and Vice President and
- members of the Society, elected or appointed in accordance with the *Queensland Law Society Rules*.

Additionally, Council may appoint the Immediate Past President. Elections for Council are held in June of every second year, with all full Society members eligible to vote.

The President is elected for a term of one year, with the Deputy President succeeding to the office of President at the beginning of the second term.

Council representation covers the Brisbane CBD and suburbs as well as the Gold and Sunshine Coasts and major provincial towns.

Council meets monthly and provides the policy directions for the Society. A network of committees in a wide range of areas assists Council in the performance of its duties. These committees are made up of volunteer members from the profession, as well as representatives from other areas where appropriate, such as the government and universities.

## Executive Committee

Five members of Council, including the President, form the Executive Committee.

The Committee usually meets fortnightly or when necessary. The role of the Executive Committee is to assist Council with administration of the Society and implementation of Council's directions.

The Executive Committee for the 2003/2004 year was:

- Tom Sullivan
- Glenn Ferguson
- Ron Ashton
- Rob Davis
- Joe Pinder

## President

The role of the President is to lead the Council and to ensure it focuses on its key role of setting the corporate direction and goals and monitoring the performance of the Society.

In carrying out this role, the President's responsibilities include:

- chairing Council and Executive Committee meetings, including setting the agenda for business conducted at those meetings
- ensuring an effective flow of information between the Council and the organisation, through the CEFO
- representing or speaking on behalf of the Society in discussions or negotiations with key stakeholders, including the media, government, the judiciary, the Bar Association, the Law Council of Australia, and other Law Societies
- monitoring and reviewing the performance of the Council, CEFO and the organisation
- consultation and communication with members to ensure their views are heard and understood in Council – a responsibility shared with all Council members.

The President works closely with the CEFO to ensure the effective corporate governance of QLS. This includes facilitating the contribution of Council members to particular projects and activities as detailed in the Society's annual business plan.

Within this framework, it is common for Presidents to bring a specific emphasis to one or more key issues when they come into office, and this will be an important factor in shaping priorities of the Council and the organisation during the term of their presidency.

# Corporate governance

## Chief Executive/Financial Officer

The Chief Executive/Financial Officer is accountable to Council for the overall performance of the Society. Whilst the Council sets the strategic agenda through determining its overall goals, priorities, and policies, the CEFO manages the organisation to ensure that resources are focused on delivering the services agreed by Council in the annual business plan.

The CEFO also plays a key role in Council's development of the Society's strategic direction by identifying and analysing strategic risks and opportunities, political issues, member needs, formulating high level and detailed strategies, and informing Council of issues and developments.

The role of the CEFO includes:

- develop and oversee implementation and report to Council on the Society's annual business plan and budget
- ensure the sound financial management of the Society, including compliance with relevant financial management standards and legislation
- ensure the Society has sound corporate governance policies and mechanisms
- represent the Society to Government and other key stakeholders, and ensure the views of the Society are effectively communicated to these bodies
- represent and market the Society at seminars, presentations and conferences
- contribute to national and international forums and reform agendas such as the Law Council of Australia, LAWASIA and the International Institute of Law Association Chief Executives
- lead and provide direction to the Society's senior management team
- oversee the development and continued improvement of the Society's staff, technologies, assets, systems, policies, work practices and procedures to ensure effective and efficient operations.

## Senior Management Team

The Senior Management Team (SMT) is the body responsible for the day to day running of QLS. The SMT is chaired by the CEFO, and includes all General Managers, as well as the President attending by invitation.

The SMT generally meets fortnightly. At every meeting, each General Manager provides a comprehensive written report on the activities and achievements of his department since the previous meeting. The written reports are supplemented by a brief oral report of the highlights and any significant issues for discussion.

A significant part of the meeting is spent discussing issues relevant to the strategic direction of the Society, as it is the SMT who are primarily responsible for the implementation of the Corporate Planning process.

## Finance and administration

The Society has an up-to-date Financial Policy and Procedure Manual, which is available to all relevant officers. The Manual has recently been updated to ensure compliance with legislative requirements and sound financial governance guidelines.

Internal controls are in place to ensure protection of the Society's assets and revenues. The Chief Executive/Financial Officer reviews internal controls on an ongoing basis to ensure continued applicability and relevance.

The Society's Audit Committee is currently reviewing its charter to determine whether the role of the Committee is to be expanded and incorporate the risk management framework and policies.

The Finance department has responsibility for managing the Society's investments, specifically the professional indemnity insurance funds. An independent investment consultant is retained to give advice to the Council and that advice is in conjunction with actuarial reports to ensure investment time horizons are matched to the expected claims liability profile.

# Corporate governance

## Management Profiles



### Chief Executive/Financial Officer

#### Murray Fox BBus (Acc)

Murray Fox was appointed to the new dual role of Chief Executive/Financial Officer in March 2004. He is a Chartered Accountant having completed his tertiary qualifications in 1979 at the then Queensland Institute of Technology. Prior to joining the Society in 1988, he gained extensive experience in both the private and public sectors for over ten years. In 1993 he was appointed Director of Finance and the Society's Chief Financial Officer in 2002. He is a Director of QLS Insurance Pte Ltd and has been closely linked with the Society's professional indemnity insurance since the formation of the company in June 2001.



### Secretary to Council

#### Bernie O'Donnell LLB

Bernie O'Donnell is a graduate of Victoria University, Wellington, New Zealand. He was admitted as a Barrister and Solicitor of the High Court of New Zealand in 1973, and the Supreme Court of Victoria in 1984. In 1985 he was admitted as a Solicitor of the Supreme Court of Queensland. He practised as an employed solicitor, a sole practitioner and a partner in private practice prior to joining the Society in 1989 as a solicitor. He became Assistant Secretary/Insurance Manager in 1996, Deputy Secretary of the Society in 1998 and Secretary in 2002.



### General Counsel

#### Peter Byrnes BA LLB (Hons) STL (Rome) GradDipLib

Peter Byrnes commenced in his present position with the Society in February 2003 after having been Secretary to the Solicitors' Board. Prior to that, he had been Executive Director, Policy and Legislation Division, Department of Justice and Attorney-General. Previously, he held research and legal positions at Parliament House for 11 years and had also served as a police officer for five years. Peter was admitted as a barrister in 1988 and, on joining the Society, changed to the Solicitors' Roll. He has been an Adjunct Professor in the TC Beirne School of Law at the University of Queensland since 1999.



### General Manager, Legal Investigations and Prosecutions

#### Malcolm Hinton LLB (Hons) LLM GradCertAppMgt

Malcolm Hinton is a graduate of the Queensland University of Technology. His professional qualifications include: solicitor of the Supreme Court of Queensland, barrister of the Supreme Court of New South Wales and solicitor/barrister of the Supreme Court of the Australian Capital Territory. His career background includes working as a police officer in Queensland and East Timor and working in private practice.



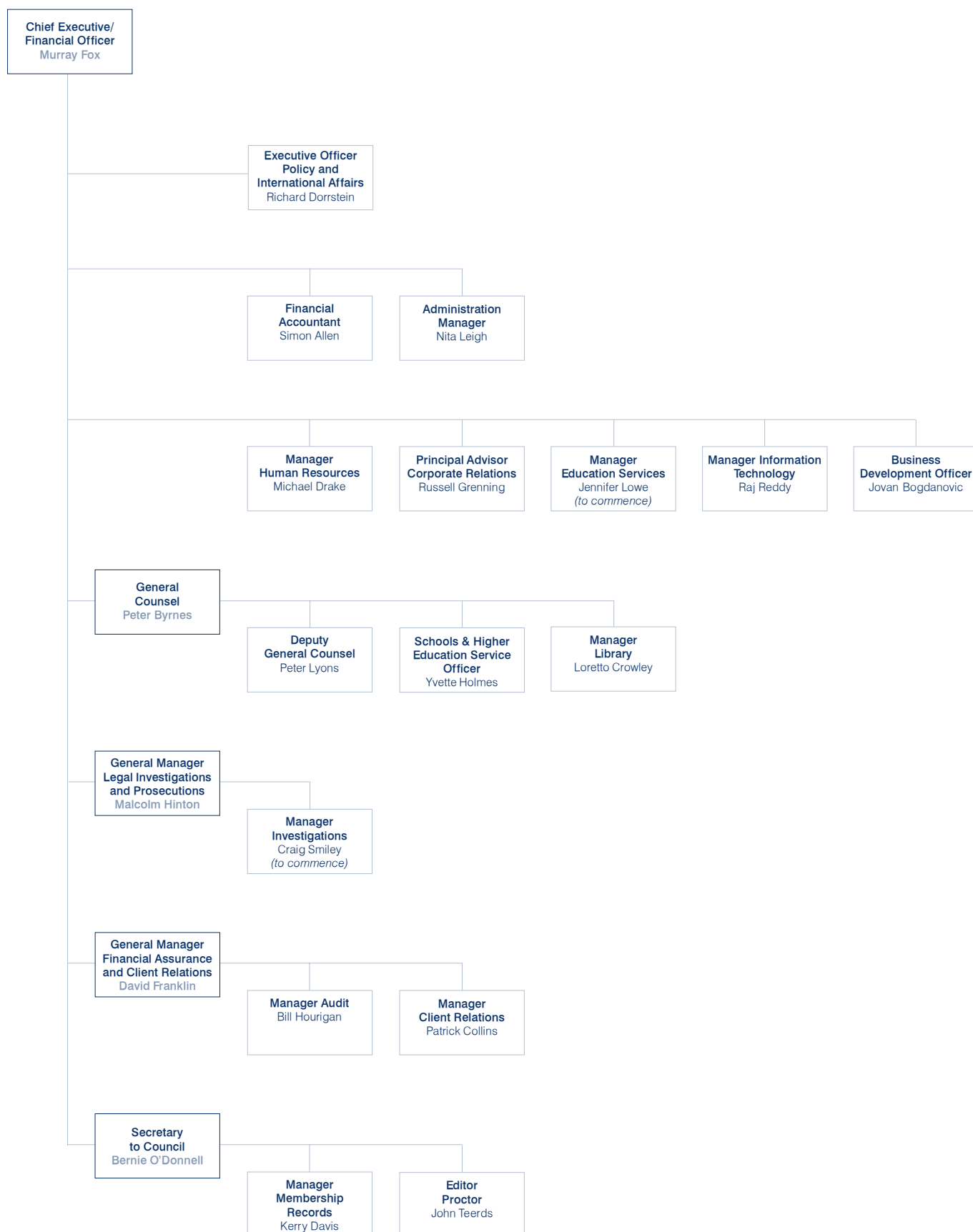
### General Manager, Financial Assurance and Client Relations

#### David Franklin BBus

David Franklin completed a Bachelor of Business Degree at the Central Queensland University. He has been a CPA (Certified Practising Accountant) since 1976. He joined the Queensland Law Society as an investigating accountant in January 1985. He was the Manager of the Society's Audit Branch from 1989 to December 2002 and the Assistant Director of the Professional Standards Department from 1994 to 2002.

# Corporate governance

## Organisational chart as at 30 April 2004



# Departmental reports

## General Counsel

The General Counsel, Peter Byrnes, provides advice on legal policy matters particularly in relation to new legislation and legal advice generally to Council and senior Society officers. His title was changed during the year from General Manager, Legal Policy and Corporate Counsel.

The most significant and on-going work involved issues arising from the *Legal Profession Act 2003* and the *Legal Profession Act 2004*. This work required negotiation and discussion with officers of the Department of Justice and Attorney-General, frequent analyses of the implications of the legislation, the preparation of reports for the President and Council as well as notices for *QLS Update* and *Proctor*.

Other submissions prepared for the consideration of Council included:

- personal injury legal services advertising;
- limits on fees for speculative personal injury actions;
- the onus on Council to report offences under s50A of the *Queensland Law Society Act 1952*;
- constitutional advice on aspects of the legal profession reform legislation;
- articles of clerkship;
- specialist accreditation.

Legislation updates were delivered to members via teleconferences and a presentation to the North Queensland District Law Association in October 2003.

General Counsel assisted in co-ordinating the Society's case in *Turner v Registrar of the Supreme Court of Queensland* (2003) AATA 887 (an appeal by a NSW-registered conveyancer against the refusal of his application to be admitted as a solicitor in Queensland), *Holland v Queensland Law Society* (2003) QSC 327 (the successful challenge to the Society's "no win, no fee rule") and the reference by the Registrar of the Supreme Court to that Court in relation to the admission of a Victorian practitioner under mutual recognition. The hearing of that case has been set down for 22 July 2004.

Other work related to membership of the Admissions and Legal Practice Working Parties established by the Law Council of Australia (LCA) to consider the provisions of the National Legal Profession Model Bill being developed by the Standing Committees of Attorneys-General and the LCA Working Party on Professional Standards Legislation.

General Counsel attended meetings of the LCA and the Conference of Law Societies and accompanied Justice Dowsett of the Federal Court to meetings convened by Registrar of that Court in April 2004 with District Law Associations in Townsville and Cairns to consider regular sittings of the Court in north Queensland.

## Legal Investigations and Prosecutions

The Legal Investigations and Prosecutions Department incorporates the Legal Investigations Branch which conducts investigations into the more serious allegations of professional misconduct and unprofessional conduct or practice and the Prosecutions Branch which advises the Legal Investigations Branch and the Financial Assurance and Client Relations Department and prosecutes matters before the Solicitors Complaints Tribunal.

### Legal Investigations Branch

The Legal Investigations Branch is managed by Peter Lyons and staffed by seven investigators with a diverse range of experience from legal, business and investigative backgrounds.

During the year the Department received 749 new written complaints for investigation compared with 691 the previous year and 456 in 2001/2002. A total of 568 complaints was finalised with each taking an average of six months to complete.

The complaints were about the following issues.

Subject matter of complaint	Number of complaints	Percentage of complaints
Unethical conduct	137	18.3%
Excessive costs	106	14.1%
Negligence	85	11.4%
Failure to carry out instructions	54	7.2%
Acting without instructions	47	6.2%
Conflict of interest	46	6.1%
Undue delay	43	5.7%

The Department received telephone enquiries about the following issues.

Subject matter of calls	Number of calls	Percentage of calls
Costs inquiry	348	11.9%
Ethical inquiry	226	7.7%
Conflict of interest	163	5.6%
Negligence	105	3.6%
Advertising	91	3.1%
Failure to carry out instructions	81	2.8%
Liens	66	2.3%

The Operating Procedure Manual for the investigation of complaints was finalised. This provides for a more thorough, transparent and accountable investigative methodology following recommendations by Retired District Court Chief Judge Pat Shanahan and the Legal Ombudsman. The revised procedures require the Society's investigators to adopt a more active role in obtaining affidavits from complainants and witnesses, the collection of material exhibits, the compilation of Briefs of Evidence and the drafting of charges. The Department regularly calls for, and examines, files to ensure a more timely assessment of the merits of a complaint and determination as to whether conduct charges arise.

# Departmental reports

An entirely new process for the handling of investigations was implemented and is "team based". The Department now has an Assessment Team to analyse all new complaints, an Investigation Team to investigate the complaints alleging serious professional misconduct and a Review & Analysis Team to finalise investigations when all relevant information has been collected. More flexible working arrangements enabling staff to better meet the needs of complainants and members in the more timely and effective investigation and resolution of complaints have been introduced.

## Prosecutions

Mr Ian Foote was appointed as an in-house prosecutor and to advise investigators about a wide range of legal issues arising during investigations, the need to obtain further evidential material, the drafting of charges and the presentation of less complex matters before the Solicitors Complaint Tribunal. Barristers and panel solicitors were instructed to represent the Society only in the more complicated matters and this was very effective, resulting in significant savings.

There was a significant increase in the number of prosecutions before the Solicitors Complaints Tribunal. Thirty-one solicitors appeared before the Tribunal to face charges during the year, compared with twenty-seven the previous year and eighteen in 2001/2002.

A total of nine was struck off, seven were suspended and fifteen were fined. The suspensions ranged from six to twelve months and the fines ranged from \$3,000.00 to \$25,000.00. Five solicitors were ordered to pay compensation totalling more than \$90,000.00 to complainants.

Charges were also brought before the Solicitors Complaints Tribunal against a law clerk and he was banned from working in a legal office for twelve months.

## Financial Assurance and Client Relations

The Financial Assurance and Client Relations Department includes the Audit Branch which examines the accounting records of legal practices, the Fidelity Guarantee Fund Administrator to administer that Fund and the Client Relations Centre which investigates complaints assessed as being able to be resolved by negotiation.

### Audit Branch

Managed by Bill Hourigan, the Branch has two accountants who examine legal practice accounting records, two clerks and an administrative assistant. The clerks and administrative assistant also assist the Fidelity Guarantee Fund Administrator.

The Branch has three primary roles – to detect fraud or improper handling of trust monies, to provide assistance to legal practices to ensure they maintain their trust accounting records to comply with the *Trust Accounts Act 1973* and generally have good accounting practices and to analyse audit reports lodged with the Society by solicitor-appointed trust account auditors.

A total of 263 examinations were conducted during the year compared to 219 in the previous year and the vast majority of investigations resulted in recommended changes to procedures to ensure compliance with good accounting practices and the proper maintenance of trust records and monies. The examinations also resulted in the decision to bring conduct charges against six solicitors before the Solicitors Complaints Tribunal while a further 22 examinations revealed the need to conduct a further examination. In those 22 cases, two legal practices agreed to pay the cost of the further examination.

A total of 1,166 audit reports received from solicitor-appointed auditors were analysed. Depending on the individual reports, action included requesting clarification of reported matters from the auditors, advising and ensuring relevant firms took appropriate action to address the reported matters and audit examinations.

Some 5,000 telephone calls and a significant number of letters were received from solicitors, their staff and solicitor-appointed trust account auditors seeking advice and assistance.

Society officers were appointed as co-signatories to a solicitor's trust account pursuant to s10 of the *Queensland Law Society Act 1952* as an examination had revealed that accounting records had not been kept satisfactorily and it was considered there was a risk that trust monies could be improperly handled by the firm. Six solicitors' trust accounts are now co-signed by Society officers and these practices are required to produce relevant accounting records and other documents to satisfy the co-signatory that proposed disbursements from the trust account are to persons entitled to the money or in accordance with their directions.

### Fidelity Fund Administrator

The Administrator, Glenn Forster, has the main responsibility for approving payments pursuant to these s10 appointments.

He also manages the receivership of trust property – trust money, other trust property, client files and safe custody documents. The Society appointed itself receiver of the trust property of seven legal practices following the suspension or strike off of a solicitor and it is our role as receiver to return the property to those entitled to it or to deal with it in accordance with their instructions. Invariably after such an appointment, there is a period of frenetic activity including communicating with the clients of such practices to advise them of the appointment and the need to advise them to instruct another solicitor to act for them.

Some 1,100 telephone calls were made and received about receivership administrations and Section 10 appointments during the year.

The Administrator also receives claims against the Fidelity Guarantee Fund, makes recommendations to the Committee of Management of the Fund about whether or not claims should be admitted and endeavours to recover money for the Fund.



# Departmental reports

Claims against the Fund are admitted if the Committee of Management is satisfied that the claimant has suffered pecuniary loss as a result of theft or fraudulent misappropriation by a partner or employee of a legal practice and during the year 21 claims were admitted to be paid a total of \$1,179,928.72. Eleven of the claims totalling \$478,504.50 related to the actions of Stephen Hockey whose practising certificate was cancelled by the Society on 8 January 2004 following his admission that he had misappropriated client funds.

## Client Relations Centre

The Client Relations Centre, managed by Patrick Collins, is staffed by three full-time and two part-time Client Relations Officers and two administrative assistants.

Centre staff investigate the less serious written complaints – determined by the Assessment Committee as being capable of resolution – and handle all telephone inquiries about solicitors and their staff and the complaint investigation process. A pro-active approach is taken to negotiate a satisfactory outcome for both the complainant and the relevant practitioner and this may be achieved by simply making a series of telephone calls or writing to both parties, interviewing both parties to the dispute and determining a resolution strategy or sponsoring a mediation process.

A total of 872 complaints were referred to the Centre during the year compared to 911 the previous year.

The most common complaints were:

Allegations of over-charging	33%
Allegations of delay	10%
Allegations of failure to carry out instructions	7%
Refusal to hand over documents	–
Exercise of a lien over documents	6%
Complaint about another party's solicitor	6%
Allegations of negligence	5%

The areas of law attracting the most complaints were:

Conveyancing	27%
Family law	20%
Personal injury, workers' compensation claims	13%
Deceased estates and trusts	10%
Civil litigation	8%
Criminal law	5%

A total of 800 complaints were finalised during the year compared to 801 the previous year and of these, 632 (79%) were resolved or the complainant was satisfied with the investigation. This was a significant improvement on the 68% total the previous year.

The Legal Ombudsman can direct the Society to conduct further investigations if he determines further investigations might assist in the assessment and resolution of a complaint and during the year he reviewed 46 complaints and was satisfied with the handling of 41.

Apart from the written complaints, Centre officers received and made some 13,500 telephone calls about complaints and inquiries during the year and about 80% related to new matters.

The calls about new matters related to:

Costs inquiries	21%
General inquiries	21%
Alleged lack of communication	9%
Alleged negligence	7%
Alleged delay	6%
Alleged failure to carry out instructions	5%
Alleged overcharging	5%

## Secretariat

The Secretariat, headed by the Secretary Bernie O'Donnell, provides legal and compliance advice to the Society, undertakes numerous regulatory functions and maintains member records.

Under the Society's Act, the Secretary's responsibilities include practising certificates, regulatory obligations, maintaining the role of members, Council elections, the Annual General Meeting and the registration of professional indemnity insurance on behalf of the profession. The Secretary is the initial contact for the profession for a range of issues related to practising law in Queensland – including professional indemnity insurance, sharing of premises, bankruptcy and general practice requirements.

The Secretariat has been assisted since February 2003 by General Counsel to provide advice to the Council, the President, the Executive Committee, other departments and sub-committees of the Council. Research is also carried out on legal matters affecting the Society's operations and the affairs of the profession generally.

The Secretariat and General Counsel are called upon regularly to make submissions on behalf of the Society to both State and Federal Governments on a range of issues. These submissions are often generated by the sub-committees of Council, which are co-ordinated by the Secretariat and the assistance provided by volunteer members of Society committees has been invaluable.

The Secretariat provides direct support and assistance to the numerous sub-committees of Council, with members of the Department representing the Society on external boards and committees to further the interests of the profession. It is also responsible for ensuring compliance by the Society with the *Freedom of Information Act 1992 (Qld)* and the Queensland Privacy Guidelines.

Membership Records maintains the database of all Queensland solicitors and is responsible for the issue and renewal of practising certificates, third party trust account authorities, certificates of fitness and generally anything involving membership records.

During the year, 894 solicitors were admitted and a total of 6,332 current practising certificates were issued.

# Departmental reports

The Secretariat's main achievements during the 2003-04 year were:

- the 2003 AGM
- the 2003 Convocation for the District Law Associations
- the negotiation of the 2003-04 Professional Indemnity Insurance for the profession with the assistance of the Professional Indemnity Insurance Review Committee and the Chief Financial Officer
- liaising with various stakeholders in respect of legal profession reform
- liaising with various stakeholders in respect of the review of the Society's committees' structure
- co-ordinating and preparing submissions to the Law Council of Australia on Legal Profession Reform at state and national levels with the assistance of various committees of the Society
- co-ordinating and preparing of submissions to government in respect of various of issues including workers' compensation, Queensland CTP scheme, expert evidence, double jeopardy, Professional Standards Bill 2004.

It has been a challenging year for the Secretariat with both internal and external changes resulting from legal profession reform.

# Committee report

## Professional Standards Committee Report

The Professional Standards Committee met on eleven occasions between 1 May 2003 and 30 April 2004.

The Committee's primary role includes:

- Consideration of investigation reports in respect of complaints about solicitors and solicitors' employees.
- Consideration of reports about the examination, pursuant to s31 of the *Queensland Law Society Act 1952*, of solicitors' accounting records ("s31 examinations").
- Making recommendations to the Council that disciplinary action be taken against solicitors and solicitors' employees and advising on what is considered to be the reasonable range of sanctions that should be sought by the Society in the event a practitioner is found guilty of professional misconduct or unprofessional conduct by the Solicitors Complaints Tribunal.
- Reviewing the Society's policies and procedures in relation to the investigation of complaints, examination of solicitors' accounting records and the conduct of disciplinary proceedings.
- Imposition of censures or admonitions on practitioners, or the obtaining of undertakings from practitioners, where the Committee considers a practitioner's conduct has been unsatisfactory but does not warrant charges before the Solicitors Complaints Tribunal.

The Committee is chaired by Retired Chief Judge of the District Court Pat Shanahan. In addition, five members of Council and two lay members serve on the Committee.

The five Council members are Michael Meadows who is the Deputy Chairman of the Committee, Ian Berry, Patricia Conroy, Brian Kilmartin and David O'Brien.

The two lay members are Ken Hinds, an engineer, who has been a lay member of the Committee since 1994 when the Society first appointed two lay members, and Bill East, an accountant, who was appointed as a lay member of the Committee in August 2002. Brett Codd, an engineer, also served as a lay member from November 1997 up to and including the meeting on 27 November 2003 when he resigned due to his impending admission as a barrister, thus making him ineligible to serve as a lay member of the Committee.

The Society has been very fortunate to have members of such a high calibre serve the Society as members of the Committee. The lay members are preeminent in their fields and very highly regarded and add transparency to the Society's regulatory process.

During the year, the Committee considered reports prepared by the staff of the Legal Investigations and Prosecutions department and the Financial Assurance and Client Relations department in respect of seventy-seven new matters. The Committee resolved to:

- Bring charges against fifteen practitioners as a consequence of the matters disclosed in those reports.
- Censure or admonish two practitioners.
- Conduct twenty-three follow-up s31 examinations.

- Obtain two undertakings from practitioners to complete the Practice Management Course.
- Report one auditor to the relevant accounting body and to the Department of Justice & Attorney-General for alleged failure to properly conduct an audit of a solicitor's trust account.

Thirty-one practitioners appeared, during the year, before the Solicitors Complaints Tribunal to face charges of professional misconduct or unprofessional conduct or practice as a consequence of recommendations made by the Committee to Council. Most of these appeared before the Tribunal as the result of decisions made in the previous financial year.

The commencement of the *Legal Profession Act 2004* with effect from 1 July 2004 has meant that since then, all written complaints about the conduct of a solicitor, or a law office employee, have been made to the Legal Services Commissioner ("the Commissioner"). The Commissioner can refer complaints to the Society to investigate and make recommendations to him as to whether disciplinary action should be taken. Council has determined that the Committee will continue to oversee the performance of the Society's investigators for the purpose of making recommendations to the Commissioner and, when it is considered that charges are warranted, to recommend to Council that Council recommend to the Commissioner that charges be brought.

### Performance highlights

Finalisation of Operating Procedure Manuals for the investigation of complaints by Legal Investigations and Prosecutions department and the Client Relations Centre to document the more thorough, transparent investigative methodology implemented as a result of the recommendations of Retired District Court Chief Judge Pat Shanahan and the Legal Ombudsman. The revised procedures require the Society's investigators to adopt a more active role in obtaining affidavits from complainants and witnesses, the collection of material exhibits and the compilation of Briefs of Evidence.

The Society made significant ongoing contributions to the Law Council of Australia National Rules Project in respect of trust accounts, Fidelity Guarantee Fund, admissions, complaints and discipline.

A checklist questionnaire was finalised by the Society in conjunction with the accounting bodies and the Department of Justice and Attorney-General for completion by trust account auditors to assist them to complete more effective audits of solicitors' trust accounts.

The recent passage of the *Legal Profession Act 2004* and the commencement of most of the provisions of the Act with effect from 1 July 2004 has resulted in a period of frenetic activity by the Society in implementing revised operating procedures to cope with the new external intervention provisions which now see the Society able to appoint a supervisor of trust money, or a receiver of trust property, or a manager of a legal practice if the Society has concerns in relation to the manner in which the legal practice has dealt with trust money or other trust property or the manner in which the legal practice has been managed.

# Event highlights

## Queensland Bar Centenary

The Queensland Bar celebrated its centenary in 2003 with a ceremonial sitting of the Full Court of the Supreme Court of Queensland in the Banco Court, Brisbane.



## 2003 – the 75th year of the Queensland Law Society (Inc)

History on hand... 16 past Presidents and current President Glenn Ferguson posed for an informal group photo at the annual Past Presidents' dinner at Law Society House.

*From left, back row: Hugh Grant, Tom Sullivan, Glenn Ferguson, George Fox, Ray Rinaudo, Peter Carne, Greg Vickery, Julie-Anne Schaffer. Front row: Peter Short, Joe Tooma, Paul McCafferty, Raoul Giudes, Ross Grainger-Smith, Justin O'Sullivan, John O'Keefe, John Wadley, Gerry Murphy.*



## QLS honours top law students

2004 winners of the annual QLS university prizes were honoured at a lunch held at Law Society House, where they were presented with their awards by Attorney-General Rod Welford. The students from the state's five law faculties, who achieved the highest aggregate marks in specific subjects, were each awarded certificates and prize money of \$1500.



## Lunch with the President #3

QLS held the third in its series of lunches with the President at the Stamford Plaza in June 2004, with special guest speaker her Excellency, the Governor of Queensland, Ms Quentin Bryce.

*From left: Peter Brampton, Stamford Plaza General Manager; her Excellency Governor Quentin Bryce and QLS President Glenn Ferguson*



## Christmas cheer

QLS held its annual Christmas function in the River Room of the Riverside Restaurant, South Bank Parklands, in December 2003.

*QLS President Glenn Ferguson, left, presented Justin O'Sullivan pictured with wife Rita, the 2003 President's Award for exceptional service to Australian society through a personal outstanding contribution to the advancement of law and justice.*



## Inaugural lunch with the President hits a six

Australian cricket great John Buchanan, the inaugural guest speaker at lunch with the President in September 2003, and QLS President Glenn Ferguson show off the bat for raffle signed by the Australian cricket team which toured the West Indies in 2003.



# Statistics of the profession

## Practising Certificates Issued

	1993/1994	1995/1996	2001/2002	2002/2003	2003/2004
Principal Level	2240	2350	2314	2333	2380
Conditional Level	212	221	521	758	764
Employee Level	1922	2253	2982	3250	3291
<b>TOTAL</b>	<b>4374</b>	<b>4824</b>	<b>5817</b>	<b>6341</b>	<b>6435</b>

Overall 10 year increase 47%

## Admissions to Practise in Queensland

	1993/1994	1995/1996	2001/2002	2002/2003	2003/2004
Admissions	562	536	718	799	894

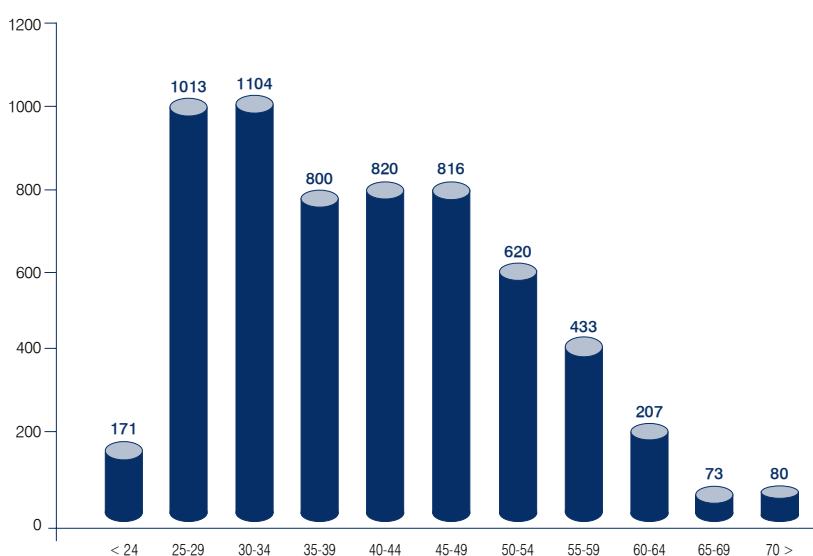
10 year increase 59%

## Membership

	1993/1994	1995/1996	2001/2002	2002/2003	2003/2004
Members	4240	4967	5784	6073	6121
Associate Members	–	30	27	39	41
Complimentary Members	2	36	50	69	40
Honorary Members	11	8	14	16	11
<b>TOTAL</b>	<b>4253</b>	<b>5011</b>	<b>5875</b>	<b>6197</b>	<b>6203</b>

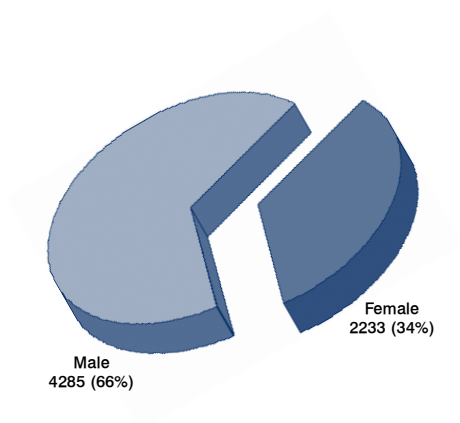
Overall 10 year increase 46%

## Age of solicitors practising in Queensland

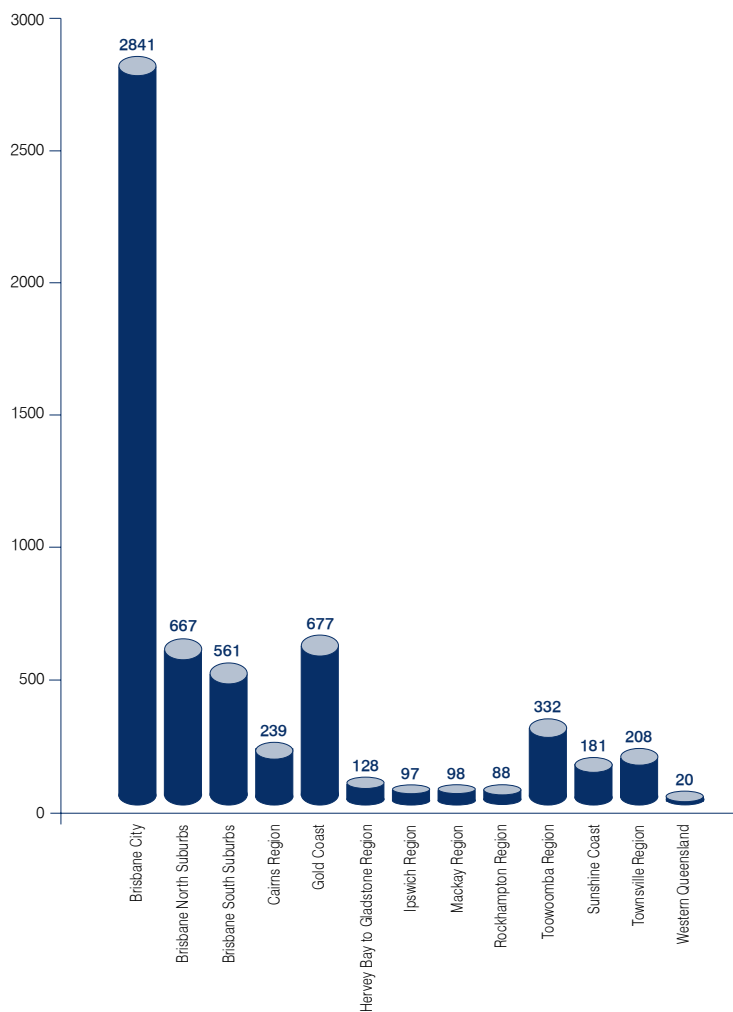


# Statistics of the profession

## Gender of solicitors



## Geographical distribution of solicitors practising in Queensland



# QLS committees

QLS Committees assist the Society to develop policies and responses to Government on proposed legislative amendments by reviewing the legislation, discussing its impact on all potential stakeholders and proposing any suggested amendments to address problems. They also provide a forum to consider practical problems and the dissemination of information to members and some Committees have specific purposes to meet the Society's statutory functions.

Membership is voluntary and nominations are reviewed annually by the President and Council and the system allows the Council to select from the widest possible Society membership to ensure an appropriate age, gender and experience mix.

The existing structure is under active review and consideration is being given to a fundamental restructure with the creation of lesser number of Sections which, depending on their portfolio size, may include separate committees within their ambit. A final decision is anticipated in the second half of 2004.

## Access to Justice/Pro Bono

P J Mullins (Chair)  
L E Bretherton  
M D Byres  
J K Cockburn  
P A Conroy  
B J Doyle  
B S Hughes  
C C Hughes  
S Kift  
Professor M McGregor-Lowndes  
R J Reed  
L S Reidy  
P S Russo  
G G Shoebridge  
D G Thorne  
A H Woodyatt  
\* T P Byrne

### Retired

C A Foster	13 May 2003
A B C Douglas	30 October 2003
D G Searles	3 March 2004
P J Heraghty	13 April 2004

## Accident Compensation

G A Murphy AM (Chair)  
T S Balaam  
The Hon P Braddy  
J P Cameron  
S S Carter  
R J Davis  
P C Eardley  
S A Falvey  
M R Garbett  
R M Giudes  
D Hamblin  
J Hand  
M Hopsick  
B J Hunt  
B P Kilmartin  
P Koutsoukis  
R A McConaghy  
M A Miller  
L T Murphy  
M A O'Connor  
G P O'Driscoll  
J N L Pinder  
K A Ryan  
T Schultz

The Hon C A Sciacca MP  
G R Senior  
N Singleton  
M J Smith  
K M Splatt  
W H Tutt  
\* B B O'Donnell

### Retired

P H Worthy 1 May 2003

## Administrative Law

A C Wood (Chair)  
M E H Anning  
P G Callaghan  
J K Cockburn  
R G Hancock  
D F Ingwersen  
D M McGann  
W J Mitchell  
L T Murphy  
D G Thomas  
\* P J Byrnes

## Aged Care and Retirement

A S O'Connor (Chair)  
S M Field  
B J Herd  
T J Longwill  
M R Streeting  
D C D Sutherland  
P J Thomas  
P Wilson  
J D Wrathmall  
M P Zgrajewski  
\* T P Byrne

## Alternative Dispute Resolution

O Rinaudo (Chair)  
Dr N M Alexander  
D G Bancroft  
G W Ferguson  
G C Fox  
K L Johnston  
B R Kasten  
M O Klug  
P J Mullins  
G W Rooney  
P B Scott  
M J Shirley  
G G Shoebridge  
G R Smith  
T B Stodulka  
G J Vickery AM  
B D Wolski  
\* T P Byrne

## Audit

R S Ashton (Chair)  
R J Davis  
I D M Hughes  
M J D Meadows  
\* M A Fox

## Banking and Finance Law

A MacGillivray (Chair)  
G Brown  
Professor B J Collier  
J R Cowen  
J A Czinki  
R J Dennings  
K D Dorney QC  
J N Gallimore  
I D Heathwood

# QLS committees

D McGill  
J W Mountford  
P M O'Shea  
P L Pennington  
A J Shearer-Smith  
G T Smith  
Associate Professor C Turner  
C L Uhr  
C C Wappett  
\* R B Dorrstein

## Children's

G J Quinlivan (Chair)  
S J Cleary  
N L Davies  
S Ganasan  
M J Giles  
P R Hall  
M M Kruger  
W J Mitchell  
L Moynihan  
T J Ryan  
N J Straker  
A Tait  
L Willmott  
\* T P Byrne

### Retired

N Giess 12 June 2003  
J L Wight 5 August 2003  
E L Rayment 17 November 2003

## Claims

M J D Meadows (Chair)  
B D Bartley  
P D Carne  
I D M Hughes  
L M King  
P J Mullins  
J A Tooma  
\* B B O'Donnell

### Retired

T M Sullivan 29 July 2003

## Company Law

G J Vickery AM (Chair)  
Professor P E von Nessen  
R J Burrell  
L J Clarke  
Professor B J Collier  
F L Connolly  
J R Cowen  
B C Cowley  
S A Cranston  
S C Fisher  
D J Grace  
T G Handicott  
A G Hay  
J B L Heading  
J J Hutson  
A E Knox  
P Little  
Professor M McGregor-Lowndes  
R C McNally  
S A M Pitkin  
T C Reid  
M D Reynolds  
G M Tanzer  
\* R B Dorrstein

### Retired

J R Cooper 19 February 2004  
E D Higgins 19 February 2004

## Construction Law

R S Williams (Chair)  
R D Backstrom  
J L Bickford  
K D Broadfoot  
J C Carey  
R V Ensbey  
J P Feehely  
F M Forde  
R A Holt  
B S Kelleher  
G L Kent  
S J Lambert  
R P Landsberg  
A S Leis  
B W Lipman  
M J Luchich  
D B Maunsell  
W G Morrissey  
A C Orange  
P B Scott  
J Scrivens  
L R Smith  
C B Sullivan  
B R Thomas  
M F Wilson  
D E Young  
\* T P Byrne

### Retired

C G L Roney 25 February 2004

## Continuing Legal Education

M J Crouch (Chair)  
C A Brewer  
M L Carkeet  
A P Colman  
G M Cranny  
S M Field  
M L Logan  
J K R Miller  
P Wilson

### Retired

\* M Ceresa 26 March 2004  
\* A S Kurtz 28 November 2004

## Court Practice and Procedure

T J McBride (Chair)  
D J Abernethy  
D A Castley  
P D Garrett  
W A Hickey  
P A Hunter  
S M Jackson  
M G Johnston  
J A McDonnell  
L J Preston  
S C Russell  
J E Tudberry  
\* J J Tracey

## Criminal Law

L S Reidy (Chair)  
M F Bosscher  
T A Browne  
C J Callaghan  
D Cameron  
G M Cranny  
D J Creevey  
M P J Deed  
B G Devereaux  
R L Devereaux  
T W Fisher



# QLS committees

T M Hishon  
J E Magoffin  
J D Mawson  
J W McDonald  
L R Middleton  
P T Murphy  
M E O'Connor  
T P O'Gorman  
W M Potts  
M P Quinn  
P S Russo  
\* P J Byrnes

## Electronic Conveyancing

J A Tooma (Chair)  
S A Christensen  
R J Dennings  
Dr A J McCullagh  
R H Seymour  
R A Trigge  
\* B B O'Donnell

### Retired

T M Sullivan 29 July 2003

## Equalising Opportunity in Law

K M Torlach (Chair)  
P A Conroy  
T C M Hutchinson  
G H Kahlert  
S A Kane  
H L Loban  
J R Logan  
G M Neal  
G J Quinlivan  
A L Ross  
M P Ryan  
A N Weller  
\* T P Byrne

### Retired

J A Tooma 23 February 2004

## Family Law Accreditation Advisory

D M Leembruggen (Chair)  
D M Cooper  
R A Gillies  
J L McPhee  
W A Westbrook

### Retired

A J Black 13 June 2003  
\* M Ceresa 26 March 2004

## Family Law

J A Harrington (Chair)  
K A Atkins  
D M Cooper  
N L Davies  
K L Finn  
K A Hind  
D P Macpherson  
S F Maguire  
T D Newman  
K A Phillips  
A L Ross  
L Toomey  
\* T P Byrne

### Retired

C J Bowrey 10 February 2004  
B J Doyle 10 February 2004  
M J Emerson 10 February 2004  
H J Frew 10 February 2004  
J A Hamilton 10 February 2004  
T A Kane 10 February 2004

M F McArdle MP 10 February 2004  
G G Shoebridge 10 February 2004  
S M Tonkin 10 February 2004

## Franchising and Intellectual Property Law

D C D Sutherland (Chair)  
J E Bywaters  
M L Carkeet  
C G Londy  
P A McLaughlin  
J S Panettiere  
J M Rigby-King  
S M Young  
\* T P Byrne

## Government Lawyers

F M FitzPatrick (Chair)  
D G Bancroft  
T G Beale  
R M L Beer  
D G Campbell  
N R N Camphorst  
A R Chadwick  
L G Clarkson  
R D Duhig  
M R Green  
G E Klein  
M L Logan  
P G Wedge  
\* P J Byrnes

### Retired

\* M Ceresa 26 March 2004  
R J Silver 28 October 2003

## Grants

B P Kilmartin (Chair)  
S J Cleary  
S L Cleary  
G W Ferguson  
N J Straker  
T M Sullivan  
J A Tooma  
\* T P Byrne

## Industrial Law

E A Milner (Chair)  
J K Cockburn  
A J Coulthard  
P J Gallagher  
S A Kane  
B P Kilmartin  
H A Lepahe  
D R Miller  
P Russell  
S A Sullivan  
B F Ward  
D C Williams  
\* B B O'Donnell

## Insolvency

G W Rodgers (Chair)  
B J Bathersby  
J L Bickford  
P R Box  
J W C Broadley  
R S Butler  
Professor B J Collier  
J N Conomos  
J B Daniel  
K J Kimball  
I D Kindermann

# QLS committees

G J Litster  
L S Nash  
P Y Pan  
D F Pennicott  
S B Roberts  
S C Russell  
J L Saunders  
P W Sayer  
A J Wilson  
\* B B O'Donnell

## Intellectual Property

J M Rigby-King (Chair)  
P T Bolam  
K A Chambers  
J C Charlston  
A J Conaghan RFD  
A P Greenwood  
T E Harrip  
X J Kelly  
J W Kenny

## International Relations

R J B Winter (Chair)  
J Corrin-Care  
G W Ferguson  
G C Fox  
R M Giudes  
Professor M E Hiscock  
D P McFadden  
D M O'Brien  
I G Prentice  
A J Savage  
R Thompson  
B D White  
\* R B Dorrstein

### Retired

S M Greenwood 9 March 2004

## Information Technology and Telecommunications

J V Swinson (Chair)  
J A About  
A C W Austin  
J L Bickford  
P T Bolam  
A Davidson  
J R M Ffrench  
R J Field  
P D Green  
N Hooper  
P A Hourigan  
P McDonald  
P Mendes  
S D G Newcomb  
N O'Brien  
M J Sparksman  
\* T P Byrne

## LawCare

G P D Maskiell (Chair)  
A J Crooke  
S A Falvey  
G J Moroney  
R W Spencer  
K M Torlach  
\* T P Byrne

## Legal Education

M J Crouch (Chair)  
K M Chapple  
A J Chay  
Professor M Cope  
Professor M E Hiscock  
E J P F Lennon QC  
G Orr  
L Taylor  
G J Vickery AM  
Professor J H Wade

### Retired

\* M Ceresa 26 March 2004

## Library

M J D Meadows (Chair)  
P A Conroy  
L M Crowley  
G W Ferguson  
R M Giudes

### Retired

\* M Ceresa 26 March 2004

## Management

R M Giudes (Chair)  
D A Armit  
R S Ashton  
J M Bennett  
S A Falvey  
I D M Hughes  
M L Mahon  
\* G A Forster

### Retired

\* W Melzer 28 November 2003

## Personal Injury Specialist

### Accreditation Advisory

J N L Pinder (Chair)  
J A Bligh  
W G Bradley  
F McGlone  
R E R Miller  
M T Morton  
J C Rennick

### Retired

\* M Ceresa 26 March 2004

## Plain English

Dr R M Macdonald (Chair)  
J Buttner  
D Clark-Dickson  
Z A Morton  
N J Noble  
G M Ryan  
J A Tooma  
F S Yeang

### Retired

\* T P Byrne 10 June 2003  
\* A S Kurtz 28 November 2003

## Planning and Environment

R R Bowie (Chair)  
L M Bowie  
C O Harkness  
T M Knauer  
R M Meurling  
P J Rowell  
B W Smith  
K M Trainor  
I B Walker  
\* T P Byrne

# QLS committees

## Practice Course

M J Crouch (Chair)  
J A Bligh  
J E Brooks  
J A Gahagan  
M Horvath  
G L Kent  
S E Lim  
Dr P J Lynch  
G K McGoldrick  
S R Pate  
R J Stevenson  
\* M Nambiar

## Retired

K L King 20 June 2003  
J R McNamara 20 June 2003  
B W J Kidston 8 December 2003

## Proctor

G W Ferguson (Chair)  
G M Cranny  
B Hocking  
K L Johnston  
R C McNally  
B B Patane  
J A Tooma  
J J Turnbull  
A E Wallace  
P Wilson  
\* J Teerds

## Retired

\* I L Muil 15 November 2003  
T M Sullivan (Chair) 29 July 2003

## Profession Review

R S Ashton (Chair)  
P D Carne  
J Fittler  
R M Giudes  
G N Harley  
K D MacDonald  
M J D Meadows  
S D Mosch  
J D Story  
\* P J Byrnes

## Retired

T M Sullivan 29 July 2003

## Professional Indemnity Insurance

R S Ashton (Chair)  
B D Bartley  
C T Coyne  
G W Ferguson  
M A Fox  
M J D Meadows  
J A Tooma  
\* B B O'Donnell

## Retired

T M Sullivan (Chair) 29 July 2003

## Professional Standards

Ret Chief Judge J P Shanahan AO RFD ED (Chair)  
I M Berry  
P A Conroy  
W J East  
K J Hinds (Lay Member)  
B P Kilmartin  
M J D Meadows  
D M O'Brien  
\* D J Franklin

## Retired

B Codd (Lay Member) 1 December 2003  
R J Davis 1 December 2003  
G W Ferguson 1 December 2003  
J A Harrington 1 December 2003

## Property Law and Practice

P G Newman (Chair)  
A S Biggar  
G F Bugden  
P D Burton  
S A Christensen  
B G Cronin  
W G Denny  
R S Gregory  
S E Jones  
W L LeMass  
R D Praeger  
C J H Scott  
R H Seymour  
M A Slingsby  
A M T Weil  
\* P J Byrnes

## Retired

A M Huelin 12 August 2003  
R A Trigge 10 December 2003  
L E Stone 13 January 2004

## Property Law Specialist Accreditation Advisory

M J D Meadows (Chair)  
S A Christensen  
W G Denny  
W M Dixon  
R S Gregory  
W L LeMass  
P G Newman  
W T Purcell

## Retired

\* M Ceresa 26 March 2004

## Revenue Law

P J Allen (Chair)  
J L Bickford  
X F Clarke  
D G Cominos  
A J Eden  
M S Kelly  
H G Lakis  
Dr J G Mann AM  
Dr D S Morrison  
P M Paxton-Hall  
W B Prescott  
D A Stitt  
W D Thompson  
\* R B Dorrstein

## Retired

D S Clifford 28 November 2003

## Schools Education

G W Ferguson (Chair)  
A Cahill  
C C Endicott  
R M Giudes  
M Marton  
L Paulsen  
K Sawtell  
J A Tooma  
\* Y K Holmes

## Retired

J E Taylor 27 November 2003

# QLS committees

## Section 31 (Audit)

G W Ferguson (Chair)  
P A Conroy  
R J Davis  
J A Harrington  
B P Kilmartin  
M J D Meadows  
D T O'Brien  
\* D J Franklin

## Small Practices

I M Berry (Chair)  
M C Behm  
G Hatzis  
M M Meehan  
K J Rennick  
M A Smith  
W J Tegg  
\* B B O'Donnell

## Retired

J P O'Brien 29 August 2003

## Specialist Accreditation Board

P D Carne (Chair)  
I T Davies  
T A Kane  
J W C Lowes  
M L McNamara  
G A Murphy AM  
O Rinaudo  
P M Schmidt  
S W Woodward

## Retired

\* M Ceresa 26 March 2004

## Succession Law

Dr J K de Groot (Chair)  
G R Dickson  
C B Fleming  
G R Funnell  
G F Lanham  
K J Lynch  
G L Mann  
D G Mullins SC  
M M Sheehan  
T C Whitney  
P Wilson  
A C Wordsworth  
\* P J Byrnes

## Succession Law Specialist

### Accreditation Advisory

Dr J K de Groot (Chair)  
G R Dickson  
G F Lanham  
W A Lee  
K J Lynch  
P A McGowan  
D G Mullins SC  
P Wilson  
A C Wordsworth

## Retired

\* M Ceresa 26 March 2004

## Symposium

J M Bennett (Chair)  
I M Berry  
G M Cranny  
J Fittler  
A L Greenhow  
L C Johnston  
R C Schulte  
A J Shah  
L M Townsend  
\* J Lowe

## Retired

\* M Ceresa 26 March 2004  
\* A S Kurtz 28 November 2003

## Tort Reform Co-ordinating

G W Ferguson (Chair)  
R J Davis  
P C Eardley  
P D Garrett  
G A Murphy AM  
K M Splatt

## Young Lawyers'

S A Falvey (Chair)  
R H Castles  
G W Ferguson  
J L Hetherington  
M Horvath  
L A Ingham-Myers  
J A Marsden  
P W Sutton  
M V Timmins  
\* T P Byrne

## Retired

G F Turner 30 July 2003  
F J Fitzpatrick 22 October 2003  
K L Grover 1 December 2003

\* QLS committee secretary

# District law associations

The Society represents the interests of the most geographically widespread legal profession in Australia.

The vastness of Queensland has nurtured the growth and strength of 19 District Law Associations. Their enthusiastic involvement in local community activities and their support of the Society's efforts to inform and educate Queenslanders of their rights and responsibilities under the law is of immense value.

## Brisbane

### North Brisbane Lawyers' Association

**Russell Walters**, Walters & Co  
GPO Box 306 Brisbane 4001

### Southern District Law Association

**Frank Carroll**, Frank Carroll  
PO Box 6007 Upper Mount Gravatt 4122

### Redcliffe & Pine Rivers District Law Association

**Brad Davies**, Wallace Davies  
PO Box 511 Redcliffe 4020

## Ayr

### North Queensland Law Association

**Barry Torkington**, Groves and Clark  
PO Box 586 Ayr 4807

## Bundaberg

### Bundaberg Law Association

**Geoff Ebert**, Finemore Walters & Story  
PO Box 704 Bundaberg 4670

## Caboolture

### Caboolture Law Association

**Kurt Fowler**, Watling Fowler Solicitors  
PO Box 822 Caboolture 4510

## Cairns

### Far North Queensland Law Association

**Joanne Lillywhite**, MacDonnells  
PO Box 5046 Cairns 4870

## Gladstone

### Gladstone Law Association

**Warren Klein**, Klein & Associates  
PO Box 5272 Gladstone 4680

## Gold Coast

### Gold Coast Law Association

**Dermot Kehoe**, Legal Aid Queensland  
PO Box 1275 Southport BC 4215

## Gympie

### Gympie Law Association

**John Joyce**, Jeffery Cuddihy & Joyce  
PO Box 614 Gympie 4570

## Hervey Bay

### Fraser Coast Law Association

**Toby Nielsen**, Bell Dixon Butler  
PO Box 5014 Torquay 4655

## Ipswich

### Ipswich & District Law Association

**Clark Bushnell**, Bushnells  
PO Box 584 Ipswich 4305

## Kingaroy

### South Burnett Law Association

**Andrew Kelly**, Kelly & Down  
PO Box 320 Kingaroy 4610

## Mackay

### Mackay District Law Association

**David Strutynski**, McKays  
PO Box 37 Mackay 4740

## Mount Isa

### North West Law Association

**John Bolton**, Anderson Telford Lawyers  
PO Box 7084 Mout Isa East 4825

## Noosa Heads

### Sunshine Coast Law Association

**Julian McNamara**, McNamara Garrahy Litigation  
Lawyers PO Box 1557 Noosa Heads 4567

## Rockhampton

### Central Queensland Law Association

**John Siganto**, Grant & Simpson  
PO Box 50 Rockhampton 4700

## Toowoomba

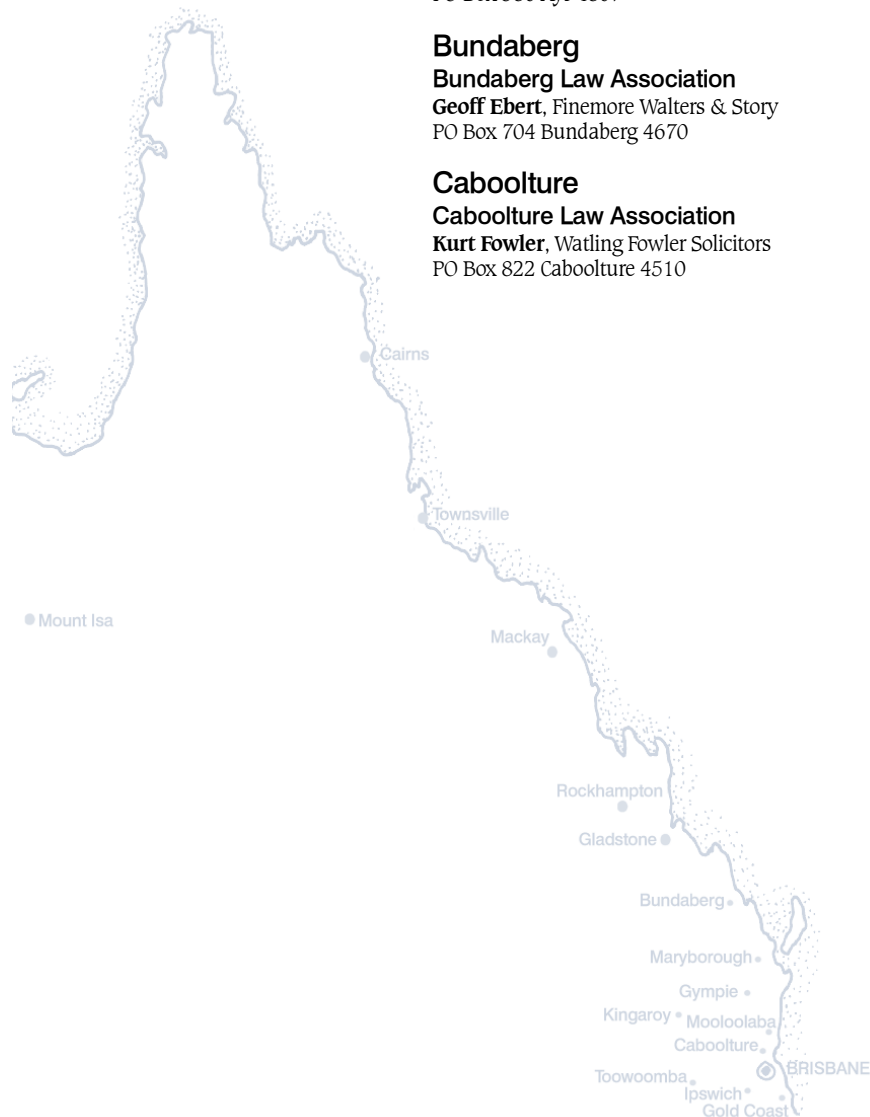
### Downs & South-West Law Association

**Darryl Cox**, Shine Roche McGowan  
PO Box 668 Toowoomba 4350

## Townsville

### Townsville Practitioners' Association

**Kathryn Rayner**, Boulton Cleary & Kern  
PO Box 1099 Townsville 4810



# Senior counsellors

The Society appoints experienced, senior practitioners as Senior Counsellors for six-year terms to advise solicitors on professional and ethical problems and to give career advice to junior solicitors. Communications between a solicitor seeking advice and a Senior Counsellor attract the same degree of confidentiality as communications between a solicitor and client.

A Senior Counsellor who is consulted by a solicitor may act for the solicitor in any subsequent proceedings in respect of the matter the subject of the consultation but cannot act for any client of the solicitor in respect of the matter other than with the consent of the solicitor.

## Brisbane

**J R Byrne** James Byrne & Rudz

102 Adelaide Street Brisbane 4000

**P D Carne** Carne Reidy Herd

Level 9 193 North Quay Brisbane 4000

**J D Carroll** Walsh Halligan Douglas

Level 11 307 Queen Street Brisbane 4000

**M B Conroy** Conroy & Associates

Suite 13 Toowong Terraces 31 Sherwood Road Toowong 4066

**P L Cooper** Hunt & Hunt

Level 22 Central Plaza Two 66 Eagle Street Brisbane 4000

**C C Endicott** Macrossans Lawyers

Level 23 AMP Place 10 Eagle Street Brisbane 4000

**J D Fitzgerald** Biggs Fitzgerald Pike

The Bank Building 823 Gympie Road Chermside 4032

**F M FitzPatrick** Body Corporate and Community Management

GPO Box 1401 Brisbane 4001

**R V Forgione** Forgione Lawyers

Central Park Chambers 188 Algester Road Algester 4115

**A C Freeleagus AO CBE RFD AE DUniv**

Clayton Utz  
215 Adelaide Street Brisbane 4000

**G J Hutchinson** Cooke & Hutchinson

19 Redcliffe Parade Redcliffe 4020

**J P Kelly** Corrs Chambers Westgarth

Levels 34 & 35 Waterfront Place 1 Eagle Street Brisbane 4000

**G E Klein** Public Trustee of Queensland

12th Floor 444 Queen Street Brisbane 4000

**M O Klug** Clayton Utz

215 Adelaide Street Brisbane 4000

**S Leonard** Hatzis Lawyers

64 Pinelands Road Sunnybank Hills 4109

**M R Lockhart** Flower & Hart

Level 19 NAB House 255 Adelaide Street Brisbane 4000

**A MacGillivray** Canning Weil MacGillivray Halligan

Level 3 293 Queen Street Brisbane 4000

**J G Mann AM** Mallesons Stephen Jaques

Level 30 Waterfront Place 1 Eagle Street Brisbane 4000

**M A Miller** Quinlan Miller & Treston

Level 32 239 George Street Brisbane 4000

**G A Murphy AM** MurphySchmidt

Level 23 Riverside Centre 123 Eagle Street Brisbane 4000

**J A Nagel** John Nagel & Co

Cnr Logan Road & Selborne St Mount Gravatt 4122

**P G Nolan** Queensland Police Union of Employees

217 North Quay Brisbane 4000

**T P O'Gorman** Robertson O'Gorman

Cnr Herschel Street & North Quay Brisbane 4000

**W T Purcell** W T Purcell Chadwick & Skelly

Level 10 141 Queen (Cnr Albert) Street Brisbane 4000

**M P Quinn** Gilshenan & Luton

Level 4 Quay Central 95 North Quay Brisbane 4000

**O Rinaudo**

New Farm 4006

**D G Searles** McCullough Robertson

Level 12 Central Plaza Two 66 Eagle Street Brisbane 4000

**D P Spence** Thynne & Macartney

Level 27 Comalco Place 12 Creek Street Brisbane 4000

**W H Tutt** Tutt Down McKeering Solicitors 7th

Floor Commonwealth Bank Building Cnr Adelaide & Albert Streets Brisbane 4000

**G J Vickery AM** Deacons

Level 17 175 Eagle Street Brisbane 4000

## Ayr

**B J Baxter** Ruddy Tomlins & Baxter

126 Young Street Ayr 4807

## Caboolture

**G P D Maskiell** Maskiells

Cnr East & Annie Streets Caboolture 4510

## Cairns

**A L English** Bottoms English

Ground Floor 10 Grafton Street Cairns 4870

**R J Reaston** Reaston Lawyers

4/161 Aumuller Street Cairns 4870

## Gladstone

**K M Bates** V A J Byrne & Co

City Arcade 69 Goondoon Street Gladstone 4680

## Gold Coast

**R B Attwood** Richard Attwood

6/397 Golden Four Drive Tugun 4224

**K R Copley** Collas Moro Ross

Equity House Peninsular Drive & Watson Esplanade Surfers Paradise 4217

**B F Cronin**

Level 1 35-39 Scarborough Street Southport 4215

**P E M McCafferty** Grays Professional

Services Group

Level 4 "The Forum" 26 Orchid Avenue Surfers Paradise 4217

**W M Potts** Price & Roobottom

44 Davenport Street Southport 4215

## Gympie

**G R Neilson** Neilson Stanton & Parkinson

236 Mary Street Gympie 4570

## Innisfail

**V J Vandeleur** Vandeleur & Todd

35 Rankin Street Innisfail 4860

# Senior counsellors

## Ipswich

**P M Fallu** Dale & Fallu  
142 Brisbane Street Ipswich 4305

**R Zande** Richard Zande & Associates  
49 Ellenborough Street Ipswich 4305

## Mackay

**A P F Ghusn** Macrossan & Amiet  
55 Gordon Street Mackay 4740

**S B Wright** S B Wright & Wright and Condie  
5 Sydney Street Mackay 4740

## Maryborough

**T W Young** Carswell & Company  
1st Floor 192 Bazaar Street Maryborough 4650

## Nambour

**M D Bray** Bradley & Bray  
First Floor 15 Ann Street Nambour 4560

## Rockhampton

**A R Batts** Connolly Schirmer & Batts  
6 William Street Rockhampton 4700

**H C Grant** Grant & Simpson  
226 Quay St Rockhampton City 4700

**V N Jackson** South & Geldard  
128 Victoria Parade Rockhampton 4700

**J L Shaw** Swanwick Murray Roche  
74 Victoria Parade Rockhampton 4700

## Stanthorpe

**M C Bathersby** Neil Sullivan & Bathersby 37  
Railway Street Stanthorpe 4380

## Sunshine Coast

**M Buck**  
Landsborough 4550

**R G Hyett** Richard Hyett  
Suite 10 Level 1 Headland Business Centre 72  
Wises Road Maroochydore 4558

**M O Richardson** Cartwrights Tebbett & Ostwald  
First Floor "Noosa Central" Bottlebrush Avenue  
Noosa Heads 4567

## Toowoomba

**J C Blakeney** Bernays Lawyers  
Level 2 516 Ruthven Street Toowoomba 4350

**G C Fox** Wonderley & Hall  
"Wonderley Place" Cnr Margaret & Neil Streets  
Toowoomba 4350

**K M Walker** Walkers  
327A Margaret Street Toowoomba 4350

## Townsville

**R C Barnes** Roberts Nehmer McKee  
111 Charters Towers Road Townsville 4810

**C O Harkness** Wilson, Ryan Grose  
Halsbury House Level 1, 15 Sturt Street Townsville  
4810

**P G B Mackey** Mackey & Wales  
3rd Floor Walker House 122 Walker Street  
Townsville 4810

## Warwick

**N D Maxwell** Maxwell & McMeniman  
33 Guy Street Warwick 4370

# Financial statements

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# Financial overview

The Queensland Law Society Incorporated is constituted under the provisions of the *Queensland Law Society Act 1952*. The Society is self-funded and under its legislation is required to maintain the following seven funds:

- 1 Queensland Law Society Inc
- 2 Law Claims Levy Fund
- 3 QLS Insurance Pte Ltd
- 4 Legal Practitioners' Fidelity Guarantee Fund
- 5 General Trust Accounts Contribution Fund
- 6 Interest on Trust Accounts
- 7 Grants Fund

The first three funds listed above are controlled entities of the Society and in accordance with Australian Accounting Standards are consolidated for the purpose of presentation of the financial result and position at the end of the financial year. Separate financial statements are also prepared for each individual fund. Income for these funds is provided directly by the solicitors of Queensland.

The remaining four funds do not form part of the Society's consolidated accounts as these funds are administered in accordance with legislation. Individual financial statements are presented for each fund. Income for these four funds is to a major extent, provided via a share or distribution of the interest earned on solicitors' trust accounts.

The *Legal Profession Act 2004* (Qld) came into effect on 31 May 2004. The provisions contained within the Act cover a range of matters including funding arrangements for the Legal Practitioners' Fidelity Guarantee Fund and a number of technical measures including those relating to transitional provisions to facilitate the transfer to the new legislation. As part of the transitional provisions, the responsibility for the financial management of the General Trust Account Contribution Fund, Interest on Trust Accounts and the Grants Fund will be transferred to the Department of Justice and Attorney-General as at 1 July 2004 and will no longer form part of the Queensland Law Society's Annual Report.

## Queensland Law Society Incorporated

The Society is the professional association for the solicitors of Queensland and is funded mainly from annual fees paid by its members. Any person admitted to practice as a solicitor of the Supreme Court of Queensland is eligible for membership of the Society and associate membership is available for law students and staff of law firms. The responsibilities of the Society include:

- preserving and maintaining the integrity and status of the legal profession;
- determining matters of professional conduct;
- issuing of practising certificates to solicitors and administration of the Legal Practitioners' Fidelity Guarantee Fund; and
- provision of continuing legal education and other services to the profession.

Most activities are funded from either annual membership fees or on a user-pays basis. The Society's financial budget is prepared on a breakeven basis and it is on this basis that the level of practising certificate and membership fees are determined each year.

This year the Society has also received support from the Queensland Law Foundation, which has provided \$72,727 for specific purposes. The financial result for the financial year ended 30 April 2004 is a surplus of \$296,896 with net assets of \$25,414,887.

## Law Claims Levy Fund

The Law Claims Levy Fund ('the Fund') was established in 1987 and provided professional indemnity insurance to Queensland solicitors for the period 1987 to 1995. The Fund, while not an insurance company, did retain the primary layer of risk. The insurance cover available was to a limit of \$1.1 million per claim with the Fund meeting the first \$100,000 of each and every claim for the years 1987 to 1994 and \$500,000 for the 1995 year. Aggregate limits also applied to each year of insurance to cap the liability of the Fund.

All costs and claims in excess of individual claim limits or aggregate limits are payable by third party insurers. Only one year, 1990, has exceeded its aggregate limit and the majority of claims have been finalised within the individual claim limits of the Fund. The Fund is now in run off with only 35 files remaining open as at 30 June 2004. Claim reserves are \$2,022,512 with cash and investments of \$12,798,991 available to meet reserves. The Fund has been prudently managed and always had funds available to meet all claim reserves and cover the aggregate limits for each respective year of insurance.

The Fund has received no further premium income since 1995 and the only major sources of income since that time have been investment interest and deductibles, which are payable by the insured on settlement of a claim. Claim payments are offset by reduced reserves and in the past year investment income exceeded claim payments. The financial result for the year was a surplus of \$1,181,171. The claims liability of the fund has been capped at \$2,022,512 by way of a stop loss insurance policy with QLS Insurance Pte Ltd, referred to below.

## QLS Insurance Pte Ltd

QLS Insurance Pte Ltd is wholly owned by the Queensland Law Society and licensed as a general insurer in Singapore. When the company was incorporated in June 2001 it was the intention of Council that the company would, from time to time, participate at the retail or reinsurance level in the Society's compulsory professional indemnity insurance program. The level of participation would be calculated to smooth and control premiums on an ongoing basis while maintaining or improving the level of cover.

The company was capitalised to \$9,000,000 with this funding provided from surpluses within the Law Claims Levy Fund. QLS Insurance Pte Ltd holds an insurance licence and is able to:

- retain risk at a retail or reinsurance level to reduce the total cost of risk to the Society and its members;
- provide specific coverage not available in the conventional insurance market;
- capitalise on the rewards for good risk management and claims management practice;
- achieve premium cash flow benefits;

# Financial overview

- access the professional reinsurance market; and
- act as a reinsurer or insurer in the Society's compulsory program.

In its second year of operation the company issued one insurance policy to the Queensland Law Society Incorporated to provide professional indemnity via a master policy to Queensland solicitors. The level of premium charged by the company was based on independent actuarial assessment. The company has reinsurance in place to limit its liability.

QLS Insurance Pte Ltd, like the Law Claims Levy Fund is designed to provide insurance to members at cost price. It is not intended that the company makes a profit as the insurance premium charged has been designed on a breakeven basis.

Utilisation of the Law Claims Levy Fund surplus funding permits the company to selectively enter the insurance market. Unlike other insurers, QLS Insurance Pte Ltd does not have any capital raising costs and is not required to return a profit. This directly contributes to the reduced premiums, which can be passed on to members. The success of this policy is directly dependent on the future claims pattern and is unable to be judged in the short term. It is for this reason that claims reserves are fully covered by funds on hand. It is the policy of the company to only enter the marketplace when actuarial assessment deems market premiums are well in excess of the level of risk that is being transferred. One of the major benefits of QLS Insurance Pte Ltd is the flexibility with which it and the Society can operate.

The financial result for the year to 30 April 2004 was a profit of \$123,253. This result has been determined after allowance for future claim reserves of \$30,047,000 which are unlikely to be settled for a number of years. During this time the company will continue to earn investment income. Net assets available at balance date were \$6,145,893 and this is more than adequate to meet expected future claim payments.

## Consolidated Result

The QLS consolidated financial statements incorporate the results of the Queensland Law Society Incorporated, Law Claims Levy Fund and QLS Insurance Pte Ltd. The consolidated net assets of \$35,936,290 place the Society and its insurance entities in a very strong financial position. The consolidated financial result for the year is a surplus of \$2,919,665 after increasing insurance provisions for future claims by \$13,074,024. All insurance liabilities are independently actuarially assessed.

## Overseas Travel

There were ten (10) overseas trips undertaken by officers of the Society during 2003-04:

- a Council representative, Mr Raoul Giudes, attended the Fiji Law Society's Annual Conference in Fiji in August 2003 at a cost of \$1,795
- a Council representative, Mr Scott Falvey, attended the 18th Biennial Conference of LawAsia 2003 in Tokyo, Japan in September 2003 at a cost of \$4,231
- the President, Mr Glenn Ferguson, attended the 18th Biennial Conference of LawAsia 2003 in Tokyo, Japan and visited the Taiwan Law Association in Taipei, China in September 2003 at a cost of \$11,535
- the President, Mr Glenn Ferguson, represented the Queensland Law Society and the Law Council of Australia as part of a delegation to India by the Federal Attorney-General and the Australian Trade Commission in March 2004 at a cost of \$9,300
- the former President, Mr Tom Sullivan, attended the 15th Pacific Judicial Conference in Madang, Papua New Guinea as a keynote speaker in June 2003 at a cost of \$6,779
- the President, Mr Glenn Ferguson, attended the Malaysian Bar Conference in Kuala Lumpur, Malaysia in December 2003 at a cost of \$1,415
- the President, Mr Glenn Ferguson, visited the Law Society of England and Wales (London), Immigration Law Practitioners' Association (London), the Law Society of Scotland (Edinburgh), the Law Society of Ireland (Dublin), the Association of Trial Lawyers of America (Washington), the American Bar Association (Washington), and the American Immigration Lawyers Association (Washington) at a cost of \$19,910
- the former Chief Executive Officer, Mr Geoff Stevenson, attended as a delegate, the International Institute of Law Association Chief Executives Conference in Montreal, Canada in August 2003 at a cost of \$27,101
- the Chief Executive/Financial Officer, Mr Murray Fox, attended as a delegate, the AON Captive Insurance Conference in Budapest, Hungary in September 2003 at a cost of \$9,068
- the Chief Executive/Financial Officer, Mr Murray Fox, attended Director meetings in Singapore in relation to QLS Insurance Pte Ltd at a cost of \$3,266.

## Consultancies

### Professional/technical

Preparation, analysis and review of member services: \$44,000

Review into the *Financial Services Reform Act 2001*: \$41,400

### Management

Review into Queensland Law Society's history: \$10,000

### Information and technology

Case study review into information technology usage: \$9,600

## Special payments

During the year, the Society made no special payments as defined under ss41 and 98A of the *Financial Management Standard 1997*.

# Financial statements

## Queensland Law Society Incorporated Statement of Financial Performance for the year ended 30 April 2004

	Note	Consolidated		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>Revenue from Ordinary Activities</b>					
Membership and Practitioners' Fees	3	4,625,925	4,282,178	4,625,925	4,282,178
Administration Costs Recovered	4	1,042,023	941,936	1,129,523	1,079,436
Continuing Legal Education	5	1,378,259	1,310,731	1,378,259	1,310,731
Investment Income		3,189,959	1,916,248	423,369	471,790
Proctor Advertising and Subscriptions		286,125	218,694	286,125	218,694
Rent Received	6	322,771	320,631	322,771	320,631
Claims Management		406,318	211,364	–	–
Insurance Premium – Refund		–	3,250,000	–	–
Insurance Premiums, Levies and Deductibles		20,214,433	10,695,369	–	–
Other Income	7	604,681	698,856	596,607	698,856
Adjustment to Non-Current Investments	2	1,501,605	–	–	–
<b>Total Revenue from Ordinary Activities</b>		<b>33,572,099</b>	<b>23,846,007</b>	<b>8,762,579</b>	<b>8,382,316</b>
<b>Expenses from Ordinary Activities</b>					
Administration	8	7,125,491	6,818,603	6,047,791	6,055,500
Continuing Legal Education	5	792,117	748,538	792,117	748,538
Council and Committee Costs	9	795,815	805,862	795,815	805,862
Law Council Capitation Fees		386,100	377,650	386,100	377,650
Communications and Public Affairs	10	100,249	172,003	100,249	172,003
Member Services and Events	11	309,299	288,333	309,299	288,333
Movement in Value of Investments	2	–	–	(123,253)	2,569,725
Proctor Production Costs		157,565	234,632	157,565	234,634
Reinsurance Premium		4,435,092	1,118,247	–	–
Insurance Premium		–	492,544	–	–
Claims Paid		3,476,682	644,826	–	–
Provision for Outstanding Claims	12	13,074,024	12,711,845	–	–
<b>Total Expenses from Ordinary Activities</b>		<b>30,652,434</b>	<b>24,413,083</b>	<b>8,465,683</b>	<b>11,252,245</b>
<b>Surplus/(Deficit) from Ordinary Activities</b>		<b>2,919,665</b>	<b>(567,076)</b>	<b>296,896</b>	<b>(2,869,929)</b>
<b>Non-Owner transaction changes in equity</b>					
Adjustments to Asset Revaluation Reserve	17	1,048,252	–	1,048,252	–
Net changes in Contribution Distribution Account	16	2,627,644	1,848,460	2,627,644	1,848,460
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>6,595,561</b>	<b>1,281,384</b>	<b>3,972,792</b>	<b>(1,021,469)</b>

The Statement of Financial Performance is to be read in conjunction with the accompanying Notes to and forming part of the Financial Statements.

# Financial statements

## Queensland Law Society Incorporated Statement of Financial Position as at 30 April 2004

	Note	Consolidated		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>Current Assets</b>					
Cash Assets	24(a)	74,852	149,475	5,226	46,445
Receivables and Prepayments	13	3,488,130	2,229,847	1,487,023	1,196,424
Other Financial Assets	24(a)	31,404,904	43,870,692	11,074,088	8,250,041
<b>Total Current Assets</b>		<b>34,967,887</b>	<b>46,250,014</b>	<b>12,566,337</b>	<b>9,492,910</b>
<b>Non-Current Assets</b>					
Investment in Controlled Entity	2	–	–	6,145,893	6,022,640
Other Financial Assets	2	31,902,942	–	–	–
Property, Plant and Equipment	15	8,973,220	8,296,551	8,973,220	8,296,551
<b>Total Non-Current Assets</b>		<b>40,876,162</b>	<b>8,296,551</b>	<b>15,119,113</b>	<b>14,319,191</b>
<b>Total Assets</b>		<b>75,844,049</b>	<b>54,546,565</b>	<b>27,685,450</b>	<b>23,812,101</b>
<b>Current Liabilities</b>					
Payables	14	2,066,649	2,116,419	1,815,189	1,903,049
Income in Advance		1,882,318	788,637	–	–
Unearned Premium Reserve		3,342,405	2,750,395	–	–
Solicitors' Deductibles		56,146	52,587	–	–
Provisions for Employee Entitlements	19	241,286	249,800	241,286	249,800
Provision for Outstanding Claims	12	3,104,867	3,403,658	–	–
<b>Total Current Liabilities</b>		<b>10,693,671</b>	<b>9,361,496</b>	<b>2,056,475</b>	<b>2,152,849</b>
<b>Non-Current Liabilities</b>					
Provisions for Employee Entitlements	19	214,088	217,157	214,088	217,157
Provision for Outstanding Claims	12	29,000,000	15,627,184	–	–
<b>Total Non-Current Liabilities</b>		<b>29,214,088</b>	<b>15,844,341</b>	<b>214,088</b>	<b>217,157</b>
<b>Total Liabilities</b>		<b>39,907,759</b>	<b>25,205,837</b>	<b>2,270,563</b>	<b>2,370,006</b>
<b>Net Assets</b>		<b>35,936,290</b>	<b>29,340,729</b>	<b>25,414,887</b>	<b>21,442,095</b>
<b>Equity</b>					
Retained Funds		23,065,057	20,145,392	12,543,654	12,246,758
Contribution Distribution Account	16	7,929,790	5,302,146	7,929,790	5,302,146
Reserves	17	4,941,443	3,893,191	4,941,443	3,893,191
<b>Total Equity</b>		<b>35,936,290</b>	<b>29,340,729</b>	<b>25,414,887</b>	<b>21,442,095</b>

The Statement of Financial Position is to be read in conjunction with the accompanying Notes to and forming part of the Financial Statements.

# Financial statements

## Queensland Law Society Incorporated Statement of Cash Flows for the year ended 30 April 2004

	Note	Consolidated		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>Cash Flows from Operating Activities</b>					
Receipts from the Profession		44,066,649	33,994,698	37,201,444	28,733,436
Payments to Suppliers and Employees		(29,536,280)	(17,830,523)	(34,994,965)	(26,951,266)
Interest Received		1,552,778	1,860,060	699,669	473,880
<b>Net Cash Provided by/ (Used in) Operating Activities</b>	<b>23(c)</b>	<b>16,083,149</b>	<b>18,024,235</b>	<b>2,906,148</b>	<b>2,256,050</b>
<b>Cash Flows from Investing Activities</b>					
Payments for Investments		(21,600,001)	–	–	–
Interest from Non-current Investments		507,995	–	–	–
Reclassification of Investments		(10,171,574)	–	–	–
Payments for Property, Plant and Equipment	15(a)	(123,320)	(343,924)	(123,320)	(343,924)
<b>Net Cash Provided by/ (Used in) Investing Activities</b>		<b>(31,386,900)</b>	<b>(343,924)</b>	<b>(123,320)</b>	<b>(343,924)</b>
<b>Net Increase/(Decrease) in Cash held</b>		<b>(15,303,751)</b>	<b>17,680,311</b>	<b>2,782,828</b>	<b>1,912,126</b>
<b>Cash at the beginning of the Financial Year</b>	<b>23(a)</b>	<b>44,020,166</b>	<b>26,339,856</b>	<b>8,296,486</b>	<b>6,384,360</b>
<b>Cash at the end of the Financial Year</b>	<b>23(a)</b>	<b>28,716,415</b>	<b>44,020,167</b>	<b>11,079,314</b>	<b>8,296,486</b>

The Statement of Cash Flows is to be read in conjunction with the accompanying Notes to and forming part of the Financial Statements.

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### Notes

#### Scope of Operation

The Queensland Law Society Incorporated ('the Society') is the professional association for solicitors in Queensland and is incorporated under the *Queensland Law Society Act 1952* ('the Act'). While the Society is defined as a statutory body under the *Financial Administration and Audit Act 1977*, it remains an independent professional body, subject to the governance of its elected Council.

The Society is responsible for issuing of practicing certificates, providing continuing legal education, investigating complaints of unsatisfactory professional conduct against solicitors, administering funds under the control of the Society and providing services and support to members and the general public. Major sources of income for the Society include annual fees paid by its members, continuing legal education to the profession and investment income.

#### 1 Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the Society's financial statements are:

##### (a) Basis of Preparation

The financial report is a General Purpose Financial Report which has been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements.

The financial report has also been prepared on the basis of historical cost and except where stated does not take into account changing money values. The accounting policies are consistent with those of the previous year and amounts in the report have been rounded to the nearest dollar. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

##### (b) The Reporting Entity

The financial statements include the values of all revenues, expenses, assets, liabilities and equity of the Society and the entities that it controls where they are material.

The Society controlled the following entities at reporting date:

##### Law Claims Levy Fund

This Fund was wholly controlled for the whole period 1 May 2003 to 30 April 2004; however it currently has a 30 June year end. Additional accounts were prepared for the period ended 30 April 2004 for consolidation purposes.

##### QLS Insurance Pte Ltd

This Company was established on 23 June 2001 in Singapore and is 100% owned by the Society. This Company was wholly controlled for the whole period 1 May 2003 to 30 April 2004.

The following controlled entity is considered immaterial and therefore has not been consolidated:

- (i) Queensland Law Society Superannuation Pty Ltd

##### (c) Principles of Consolidation

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences to the date control ceases. In the process of reporting the Society as a single economic entity, unrealised gains and losses, inter-entity balances resulting from transactions with or between controlled entities are eliminated on consolidation where material. The accounting policies have been consistently applied by each entity in the consolidated entity except where stated in Note 2.

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### (d) Taxation

The Society has been granted exemption from income tax by the Australian Taxation Office (ATO) per s24AK of the *Income Tax Assessment Act 1936* with the exception of Fringe Benefits Tax (FBT) and the 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 ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

QLS Insurance Pte Ltd is registered in Australia for income tax and GST. QLS Insurance Pte Ltd pays tax in Singapore and credits are available in Australia for any tax paid in Singapore. Deferred income tax is provided in full, the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Current enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Income tax reconciliation for QLS Insurance Pte Ltd is provided in note 25.

### (e) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### (f) Revenue

Revenues are recognised at fair value of the consideration received net of any amount of GST payable to the ATO. Practitioner Fees are recognised when payment is received. Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges. Premium revenue is recognised in the financial statements at the commencement of the risk period covered by the policies.

### (g) Recovery of Expenditure

Under the rules of the Act, certain operating expenses of the Society are recoverable from the Legal Practitioners' Fidelity Guarantee Fund, General Trust Accounts' Contribution Fund, Grants Fund and Interest on Trust Accounts. The gross amounts recovered are disclosed as income. Expenses incurred on behalf of the above funds' form part of the administration expenses incurred by the Society.

### (h) Cash and Other Financial Assets

For the purposes of the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 April as well as deposits on call with financial institutions. The Cash Deposit Account is an interest bearing account which is readily convertible to cash on hand at the Society's option. These investments are disclosed at the fair values indicated in note 24(c). Interest income is brought to account on an accrual basis.

### (i) Receivables

All receivables are carried at actual amounts and the collectability of trade debtors is assessed at reporting date and a specific provision is made for any doubtful accounts. Interest receivable represents interest accruals for amounts received in the month after balance date.

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### (j) Property, Plant and Equipment

#### (i) Acquisition of Assets

All assets acquired are recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. All assets acquired are expensed unless the initial cost exceeds \$500. All library acquisitions are expensed in the year of purchase.

#### (ii) Recoverable Amount of Non-Current Assets Valued on a Cost Basis

The carrying amounts of non-current assets valued on a cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

#### (iii) Depreciation

All assets including strata title buildings have limited useful lives and are depreciated using straight line method over their estimated useful lives, taking into account estimated residual values.

Assets are depreciated from the date of acquisition and any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount depreciated over the remaining useful life of the asset. Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation rates used for each class of asset are as follows:

<i>Asset Class</i>	2004	2003
Strata Title Building	2.5%	2.5%
Plant and Equipment (including Office Equipment)	5% – 33%	5% – 33%

#### (iv) Revaluations

The strata title building is measured at fair value and is independently revalued every five years to ensure the carrying amount does not materially differ from the fair value at reporting date. In between independent valuations, the Society uses Implicit Price Deflator for non-residential buildings indices to index the carrying amount of the building where there has been a material variation in the index. Revaluation increments are recognised in the asset revaluation reserve except where amounts reversing a decrement previously recognised as an expense are recognised as revenues. Revaluation decrements are only offset against revaluation increments and any excess is recognised as an expense.

#### (v) Disposal of Revalued Assets

The profit or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal. Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to retained funds.

### (k) Operating Leases

Payments made under operating leases are expensed in the year in which they are incurred.

### (l) Payables

Trade creditors are recognised on receipt of the goods or services and are carried at actual amounts, gross of applicable trade and other discounts. Amounts are unsecured and are generally settled on 30 day terms.



# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### (m) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Provision for claims are made for the estimated costs of all claims incurred but not settled, less reinsurance recoveries, using the best information available at balance date. In addition, a provision is made for claims incurred but not reported ('IBNR') at balance date based on claims experience and industry experience. The provision for unexpired risk is calculated on a time proportion basis using the 1/365 method.

### (n) Employee Entitlements

#### (i) Annual Leave

Annual leave entitlements represent present obligations resulting from services provided by employees up to balance date, calculated at undiscounted amounts based on remuneration rates that the entity expects to pay as at reporting date including related on-costs, such as, employer superannuation contributions, workers compensation insurance and payroll tax.

#### (ii) Sick Leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur in future periods and therefore it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

#### (iii) Long Service Leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employee's services provided to reporting date.

The provision is calculated using expected future increases in remuneration rates including related on-costs and is based on experience of employee departure per year of service. Long service leave expected to be paid in the next 12 months is recorded as a current liability in the Statement of Financial Position. Long service leave expected to be paid later than one year is recorded as a non-current liability and is discounted using the Commonwealth Bond rate at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

### (o) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rate of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### (p) Adoption of International Financial Reporting Standards

The Financial Reporting Council has announced that from 1 January 2005, all Australian reporting entities will be required to apply the Australian Equivalents to International Financial Reporting Standards (IFRS) to their financial statements.

The Society has been consistently reviewing Australian Equivalents and other relevant documentation to assess the possible impact on its external reporting requirements, financial systems, policies and procedures. The Society has identified as at reporting date that the following major differences in accounting policies will occur with the adoption of Australian Equivalents to IFRS:

Anticipated Accounting Policy Change	Treatment under IFRS	Treatment under current accounting policies
Financial Instruments	Financial instruments will be required to be measured at fair value.	QLS Insurance records investments at lower of cost or market value, determined on an aggregate portfolio basis by category of investment in accordance with Singapore Financial Reporting Standards.
Income Tax	Deferred tax balances are to be calculated using the 'balance sheet' method, which calculates the temporary or timing differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.	Deferred tax balances are calculated using the income statement method, where items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.
Property, Plant and Equipment	The future depreciation rate (residual value) of an asset is to be reviewed annually.  Annual impairment testing will be required to be performed on all non-current assets.	Done only when the asset is revalued.  Assets carried at cost are reviewed to ensure that carrying amount did not exceed recoverable amount.

The dollar value of the above changes cannot be reliably estimated at the date of this report.

### (q) *Legal Profession Act 2004*

The *Legal Profession Act 2004* (Qld) came into effect on 31 May 2004. The new Act repeals the *Legal Profession Act 2003* but re-enacts its provisions (which have been amended and updated) and consolidates them into the one Act. In addition, the *Legal Profession Act 2004* (Qld) will ultimately replace the *Queensland Law Society Act 1952*.

The provisions contained within the Act cover a range of matters including the establishment of the Legal Services Commission, Legal Practice Tribunal and Committee and the Legal Practitioners' Admissions Board, together with a number of technical measures including those relating to transitional provisions to facilitate the transfer to the new legislation. Under the new legislation, the Society will be responsible for the administration of the new Legal Practitioners' Fidelity Guarantee Fund and also will be responsible for the administration of the Legal Practitioners' Admissions Board.

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### 2 Investment in QLS Insurance Pte Ltd

In June 2001, QLS Insurance Pte Ltd was incorporated in Singapore as the captive insurer of the Society. The company was capitalised with \$9,000,000 via surplus funds from the Society controlled Law Claims Levy Fund. The \$9,000,000 share capital of the company is fully owned by the Society and the company is a controlled entity of the Society.

The captive insurer, QLS Insurance Pte Ltd, acts as one of the reinsurers for the 2001 professional indemnity insurance year and is the primary insurer for the 2002, 2003 and 2004 years. QLS Insurance Pte Ltd also provides cover to cap the liability of the Law Claims Levy Fund at \$5,000,000. As at reporting date, the company had total shareholder equity of \$6,145,893 (2003 – \$6,022,640) after recognition of net profit of \$123,253 (2003 – \$2,569,725 loss) for the financial year ended 30 April 2004.

Adjustment to Non-Current Investments which is contained on the Statement of Financial Performance recognises the difference between Singapore and Australian Accounting standards for disclosure of non-current investments.

	Note	2004 \$
Investments shown at cost in QLS Insurance Pte Ltd		30,401,337
Adjustment to QLS Insurance Pte Ltd non-current assets		1,501,605
Investments shown at fair value in Consolidation	24(a)	<u>31,902,942</u>

### 3 Membership and Practitioner Fees

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Practising Certificate Fees	2,508,520	2,310,959	2,508,520	2,310,959
Member Fees	1,852,561	1,714,027	1,852,561	1,714,027
Certificate of Fitness	11,395	12,800	11,395	12,800
Corporate Marketing Levy	225,109	218,992	225,109	218,992
Late Application Levy	28,340	25,400	28,340	25,400
	<u>4,625,925</u>	<u>4,282,178</u>	<u>4,625,925</u>	<u>4,282,178</u>

### 4 Administration Cost Recovered

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Legal Practitioners' Fidelity Guarantee Fund	883,331	783,209	883,331	783,209
General Trust Accounts Contribution Fund	43,548	42,194	43,548	42,194
Interest on Trust Accounts	82,037	81,848	82,037	81,848
Grants Fund	33,107	34,685	33,107	34,685
QLS Insurance Pte Ltd	–	–	87,500	137,500
	<u>1,042,023</u>	<u>941,936</u>	<u>1,129,523</u>	<u>1,079,436</u>

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### 5 Continuing Legal Education

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Income</b>				
Seminars	838,757	833,547	838,757	833,547
Publications	99,900	162,377	99,900	162,377
Practice Management Courses	200,915	194,223	200,915	194,223
Practice Management Seminars	7,409	–	7,409	–
Management Consulting	5,220	–	5,220	–
Specialist Accreditation	146,037	117,814	146,037	117,814
Texts and Course Material	78,957	–	78,957	–
Other	1,064	2,770	1,064	2,770
	<u>1,378,259</u>	<u>1,310,731</u>	<u>1,378,259</u>	<u>1,310,731</u>
<b>Expenditure</b>				
Seminars	545,427	538,811	545,427	538,811
Publications	37,459	26,025	37,459	26,025
Practice Management Courses	161,081	170,433	161,081	170,433
Practice Management Seminars	3,966	–	3,966	–
Management Consulting	178	–	178	–
Specialist Accreditation	22,493	13,269	22,493	13,269
Texts and Course Material	21,513	–	21,513	–
	<u>792,117</u>	<u>748,538</u>	<u>792,117</u>	<u>748,538</u>

### 6 Rent Received

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Legal Practitioners' Fidelity Guarantee Fund	253,860	253,860	253,860	253,860
Car Parking Bays	56,779	57,601	56,779	57,601
Other	12,132	9,170	12,132	9,170
	<u>322,771</u>	<u>320,631</u>	<u>322,771</u>	<u>320,631</u>

### 7 Other Income

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Media and Public Relation Sales	34,400	1,600	34,400	1,600
Schools Program	29,400	38,693	29,400	38,693
Body Corporate Administration Fees	11,000	11,000	11,000	11,000
Commissions Received	180,185	150,130	180,185	150,130
Diary Profit	39,978	44,519	39,978	44,519
FOI Income	60	139	60	139
Grants Received – Grants Fund	180,004	182,135	180,004	182,135
Member Services Centre	10,636	5,484	10,636	5,484
Other Income	32,168	36,852	24,093	36,852
Sponsorship	10,000	18,808	10,000	18,808
Queensland Law Foundation	72,727	192,851	72,727	192,851
Mediation Services	4,123	16,645	4,123	16,645
	<u>604,681</u>	<u>698,856</u>	<u>596,607</u>	<u>698,856</u>

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### 8 Administration

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Actuarial Fees	21,537	28,310	–	–
Advertising	8,477	6,893	8,477	6,893
Audit Fees	82,677	67,097	55,000	34,000
Bad Debts	212,478	800	–	800
Bank Charges	14,949	13,419	13,905	11,922
Claims Management Fees	–	255,000	–	–
Computer Maintenance	191,157	316,617	191,157	316,617
Depreciation – Equipment	251,909	244,747	251,909	244,747
Electricity	51,852	48,224	51,852	48,224
Foreign Exchange Loss	4,026	1,276	–	–
Fringe Benefits Tax	35,560	22,473	35,560	22,473
Insurance	191,149	110,012	191,149	110,012
Investment Management Fees	–	12,100	–	–
Law Society House:				
Body Corporate Levies	111,552	88,284	111,552	88,284
Depreciation – Building	235,617	206,700	235,617	206,700
Rates and Taxes	62,127	64,624	62,127	64,624
Offsite Storage	11,998	25,564	11,998	25,564
Payroll Tax	192,314	129,794	192,314	129,794
Postage	159,655	87,525	159,655	87,525
Presentations and Gifts	20,377	10,714	20,377	10,714
Printing and Stationery	165,633	204,613	163,360	204,613
Professional and Consulting Fees	900,963	776,778	147,519	357,332
Registrations and Subscriptions	47,524	58,857	42,643	58,857
Repairs and Maintenance	133,202	105,058	133,202	105,058
Salaries and Wages	3,415,208	3,339,442	3,415,208	3,339,442
Staff Advertising	4,603	15,251	4,603	15,251
Staff Amenities	12,592	1,379	12,592	1,379
Staff Training	13,492	48,382	13,492	48,382
Staff Travel	56,943	54,615	56,943	54,615
Sundry Expenses	86,611	60,810	36,271	48,433
Superannuation	303,023	284,406	303,023	284,406
Taxis and Couriers	21,258	22,871	21,258	22,871
Telephone	105,028	105,968	105,028	105,968
	<b>7,125,491</b>	<b>6,818,603</b>	<b>6,047,791</b>	<b>6,055,500</b>

### 9 Council and Committee Costs

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Committee Room Catering	87,683	83,819	87,683	83,819
Community Donations	66,091	15,407	66,091	15,407
Convocation	10,130	9,676	10,130	9,676
District Law Associations	10,500	–	10,500	–
Functions and Entertainment	85,090	121,996	85,090	121,996
Honorarium	256,470	227,940	256,470	227,940
Travel and Accommodation	279,851	347,024	279,851	347,024
	<b>795,815</b>	<b>805,862</b>	<b>795,815</b>	<b>805,862</b>

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### 10 Communication and Public Affairs

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Advertising and Promotional Brochures	36,243	97,853	36,243	97,853
Law Week	10,502	34,082	10,502	34,082
Media and Press Clippings	19,956	–	19,956	–
Annual Report	23,315	–	23,315	–
Schools Program	793	30,560	793	30,560
SCRAM	9,363	9,508	9,363	9,508
Medico-Legal Society	77	–	77	–
	100,249	172,003	100,249	172,003

### 11 Member Services and Events

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Annual General Meeting	150	364	150	364
Law Care	32,231	27,978	32,231	27,978
Members Library	198,915	221,286	198,915	221,286
Members Shopping Service	18,264	14,702	18,264	14,702
Membership Cards	14,891	18,665	14,891	18,665
Trade Exhibits	–	700	–	700
Members' Lounge Functions	3,502	4,638	3,502	4,638
Practice Functions	29,046	–	29,046	–
Member Survey	12,300	–	12,300	–
	309,299	288,333	309,299	288,333

### 12 Provision for Outstanding Claims

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Opening Balance at start of year	19,030,843	6,318,998	–	–
Movement in Provision	13,074,024	12,711,845	–	–
Closing Balance at end of year	32,104,867	19,030,843	–	–
Current Liability	3,104,867	3,403,658	–	–
Non-Current Liability	29,000,000	15,627,185	–	–
	32,104,867	19,030,843	–	–
Law Claims Levy Fund	2,057,867	3,064,323	–	–
QLS Insurance Pte Ltd	30,047,000	15,966,520	–	–
	32,104,867	19,030,843	–	–

The Law Claims Levy Fund has stop loss insurance that capped the fund's liability at \$5,000,000 as at 1 July 2002 and this liability has been reduced as claims have been settled. The fund's liability is \$2,057,867 (2004) compared to \$3,064,323 (2003). Under the terms of that policy, the maximum outstanding liability is \$2,057,867.

QLS Insurance Pte Ltd has assessed its provisions for outstanding claims based upon an independent actuarial assessment as at 30 April 2004 by Mr J Carroll (Fellow of the Institute of Actuaries of Australia) of Mellon Human Resources and Investor Solutions Pty Limited. The gross provision for outstanding claims represent provisions for claims incurred but not reported and reserves for case claims as at 30 April 2004. An average rate of investment income of 5% per annum has been assumed by the actuary.

# Financial statements

Queensland Law Society Incorporated  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

## 13 Receivables and Prepayments

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Accounts Receivables	1,362,146	70,462	95,786	70,462
<i>Less</i> Provision for Doubtful Debts	(212,478)	(2,800)	–	(2,800)
	<u>1,149,668</u>	<u>67,662</u>	<u>95,786</u>	<u>67,662</u>
Prepaid Expenses and Accruals	2,338,462	2,162,185	1,391,237	1,128,762
	<u>3,488,130</u>	<u>2,229,847</u>	<u>1,487,023</u>	<u>1,196,424</u>

## 14 Payables

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Payables	1,559,277	1,894,633	1,307,817	1,681,263
Subscriptions and Registrations in Advance	507,372	221,786	507,372	221,786
	<u>2,066,649</u>	<u>2,116,419</u>	<u>1,815,189</u>	<u>1,903,049</u>

## 15 Property, Plant and Equipment

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Strata Title Building at independent valuation and indexation	9,424,693	8,268,000	9,424,693	8,268,000
<i>Less</i> Accumulated Depreciation	(912,482)	(568,425)	(912,483)	(568,425)
	<u>8,512,211</u>	<u>7,699,575</u>	<u>8,512,210</u>	<u>7,699,575</u>
Office Furniture and Equipment at cost	1,390,965	1,523,250	1,390,965	1,523,250
<i>Less</i> Accumulated Depreciation	(929,955)	(926,274)	(929,955)	(926,274)
	<u>461,010</u>	<u>596,976</u>	<u>461,010</u>	<u>596,976</u>
	<u>8,973,220</u>	<u>8,296,551</u>	<u>8,973,220</u>	<u>8,296,551</u>

An independent valuation of the strata title building was carried out as at 22 August 2000 by Mr D R Bullen AAPI and is on the basis of the open market value of Law Society House in vacant possession with all units combined. The Council are of the opinion that this basis provides a reasonable estimate of recoverable amount.

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### (a) Property, Plant and Equipment Reconciliation

Reconciliation of the carrying amount for Property, Plant and Equipment is set out below:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Carrying amount at the start of the year	8,296,551	8,404,073	8,296,551	8,404,073
Add Acquisitions	123,320	343,924	123,320	343,924
Add Revaluation	1,048,252	–	1,048,252	–
Less Disposals	(7,377)	–	(7,377)	–
Less Depreciation	(487,526)	(451,446)	(487,526)	(451,446)
Carrying amount at the end of the year	8,973,220	8,296,551	8,973,220	8,296,551

### 16 Contribution Distribution Account

This account represents the balance of moneys received from the General Trust Accounts' Contribution Fund, disbursements of which are subject to the Minister's approval in accordance with Part IIIA of the Act.

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Opening Balance at start of year	5,302,146	3,453,686	5,302,146	3,453,686
<b>Income</b>				
Distribution Received:				
General Trust Accounts' Contribution Fund	2,335,812	1,666,803	2,335,812	1,666,803
Interest	291,832	181,657	291,832	181,657
	2,627,644	1,848,460	2,627,644	1,848,460
<b>Expenditure</b>				
Continuing Legal Education	–	–	–	–
SCRAM/Schools	–	–	–	–
Law Week	–	–	–	–
Legal Brochures	–	–	–	–
	–	–	–	–
Net Movement	2,627,644	1,848,460	2,627,644	1,848,460
Closing Balance at end of year	7,929,790	5,302,146	7,929,790	5,302,146

### 17 Reserves

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Opening Balance at start of year	3,893,191	3,893,191	3,893,191	3,893,191
Add Revaluation increment on Strata Title Building	1,048,254	–	1,048,252	–
Closing Balance at end of year	4,941,445	3,893,191	4,941,443	3,893,191

### 18 Heal Street Building – Grants Fund

Funds of \$88,999 were received from the Grants Fund during 1988 to enable the purchase of a suitable property from which Caxton Legal Services could continue operation as a community legal service. The property is held in trust for the Grants Fund and upon sale of the property for whatever reason the proceeds of that sale revert to the Grants Fund in total.



# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### 19 Provision for Employee Entitlements

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>Current</b>				
Provision for Annual Leave	211,286	242,272	211,285	242,272
Provision for Long Service Leave	30,000	7,528	30,000	7,528
	<u>241,286</u>	<u>249,800</u>	<u>241,285</u>	<u>249,800</u>
<b>Non-Current</b>				
Provision for Long Service Leave	214,086	217,157	214,088	217,157
	<u>214,086</u>	<u>217,157</u>	<u>214,088</u>	<u>217,157</u>

The present values of employee entitlements not expected to be settled within twelve months of reporting date have been calculated using the following averages:

	2004	2003
Assumed rate of increase in remuneration rates	3%	3%
Discount rate	5.64%	4.85%
Settlement terms (years)	10	10
Number of employees at year end	45	60

### 20 Commitments

#### (a) Operating Leases

	Consolidated		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
Within one year	20,219	38,481	20,219	38,481
One to five years	8,527	–	8,527	–
Over five years	–	–	–	–
	<u>28,746</u>	<u>38,481</u>	<u>28,746</u>	<u>38,481</u>

#### (b) Capital Leases

Capital expenditure contracted for at 30 April 2004 but not provided for was nil (2003 – nil).

### 21 Remuneration

#### (a) Council Members

The President's and Vice-President's firms were paid an honorarium of \$192,353 (2003 – \$181,590) and \$64,118 (2003 – \$46,350) respectively for the twelve months ending 30 April 2004.

No remuneration is paid to any other Council member or their firm. Council members are reimbursed for actual expenses incurred in relation to Society business.

### 22 Contingent Liabilities

All known insurance claims have been actuarially assessed and expected liabilities have been brought to account as Provision for Outstanding Claims.

There are no other known contingent liabilities of a significant nature at balance date.

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### 23 Notes to the Statement of Cash Flows

#### (a) Reconciliation of Cash

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

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at Bank	74,852	149,475	5,226	46,445
Cash Deposit Accounts	28,641,563	43,870,692	11,074,088	8,250,041
	<u>28,716,415</u>	<u>44,020,167</u>	<u>11,079,314</u>	<u>8,296,486</u>

#### (b) Financing Facilities

The Society has no credit facility with any financial institution to meet any financing requirements.

# Financial statements

Queensland Law Society Incorporated  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

(c) **Reconciliation of Net Cash Provided by Operating Activities to the Surplus/  
(Deficit) for the Year**

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Surplus/(Deficiency) for the Year</b>	2,919,665	(567,076)	296,896	(2,869,929)
Adjustments for:				
Adjustment to Non- Current Investments	(1,501,605)	–	–	–
Investment income	(1,393,104)	–	–	–
Interest income	(477,926)	–	–	–
Add/(less) non-cash items				
(Profit)/Loss on disposal of non-current assets	7,377	–	7,377	–
Retained Earnings	–	1,044,521	–	–
Depreciation	487,526	451,447	487,526	451,447
Add: Contributions				
Distribution Account	2,627,644	1,848,460	2,627,644	1,848,460
<i>Change in Assets and Liabilities</i>				
(Increase)/Decrease in Assets				
Accounts Receivables	(1,225,854)	(1,056,826)	(290,599)	(521,799)
Investment in QLS Insurance Pte Ltd	–	–	(123,253)	2,569,725
Inventory	–	12,903	–	12,903
Increase/(Decrease) in Liabilities				
Accounts Payables	1,573,425	3,597,286	(87,860)	784,085
Employee Benefits	(11,583)	(18,843)	(11,583)	(18,843)
Provision for Outstanding Claims	13,074,026	12,711,846	–	–
Solicitors Deductibles	3,558	517	–	–
<b>Net Cash Provided by/ (Used in) Operating Activities</b>	<b>16,083,149</b>	<b>18,024,235</b>	<b>2,906,148</b>	<b>2,256,049</b>

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### 24 Financial Instruments

#### (a) Interest Rate Risk Exposure

The exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

	Floating Interest Rate		Non Interest Bearing		Total Carrying Amount		Weighted Average Interest Rate	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 %	2003 %
<b>Financial Assets</b>								
<i>Current</i>								
Cash Assets	-	-	75	149	75	149	-	-
Receivables	-	-	3,488	2,230	3,488	2,230	-	-
Other Financial Assets	31,405	43,871	-	-	31,405	43,871	4.80	4.30
	31,405	43,871	3,558	2,379	34,968	46,250		
<i>Non-Current</i>								
Other Financial Assets	31,903	-	-	-	31,903	-	14.41	-
	31,903	-	-	-	31,903	-		
<b>Total Financial Assets</b>	<b>63,308</b>	<b>43,871</b>	<b>3,558</b>	<b>2,379</b>	<b>66,871</b>	<b>46,250</b>		
<b>Financial Liabilities</b>								
<i>Current</i>								
Payables	-	-	2,067	2,116	2,067	2,116	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,067</b>	<b>2,116</b>	<b>2,067</b>	<b>2,116</b>		

#### (b) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position is the carrying amount of trade debtors, net of any provision for doubtful debts. The Society considers that there are no concentrations of credit risk.

#### (c) Net Fair Value

The net fair value of cash, cash deposit account, receivables and creditors approximate their carrying amount.

	Total Carrying Amount		Aggregate Net Fair Value	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Financial Assets</b>				
<i>Current</i>				
Cash Assets	75	149	75	149
Receivables	3,488	2,230	3,488	2,230
Other Financial Assets	31,405	43,871	31,405	43,871
	34,968	46,250	34,968	46,250
<i>Non-Current</i>				
Other Financial Assets	31,903	-	31,903	-
	31,903	-	31,903	-
<b>Total Financial Assets</b>	<b>66,871</b>	<b>46,250</b>	<b>66,871</b>	<b>46,250</b>
<b>Financial Liabilities</b>				
<i>Current</i>				
Payables	2,067	2,116	2,067	2,116
<b>Total Financial Liabilities</b>	<b>2,067</b>	<b>2,116</b>	<b>2,067</b>	<b>2,116</b>

# Financial statements

## Queensland Law Society Incorporated Notes to and forming part of the Financial Statements for the year ended 30 April 2004

### 25 Income Tax Reconciliation

The reconciliation of actual tax expense/(credit) compared to the prima facie tax expense/(credit) that would be expected based on the surplus/(deficit) from the ordinary activities of QLS Insurance Pte Ltd is as follows:

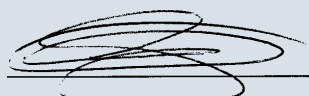
	2004	2003
	\$	\$
Profit/(loss) before tax	123,253	(2,505,937)
Tax calculated at a tax rate of 10% (2002: 10%)	12,325	(250,594)
Expenses not deductible for tax purposes	20,083	821
Income not subject to tax	–	(15,819)
Deferred tax asset not recognised	–	265,592
Utilisation of tax losses not capitalised in previous years	(32,408)	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>

# Financial statements

## Certificate of Queensland Law Society Incorporated

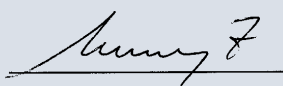
The general-purpose financial report has been prepared pursuant to s46F(5) of the *Financial Administration and Audit Act 1977* ("the Act") and other prescribed requirements. In accordance with s46F(3) of the Act we certify that in our opinion:

- (a) the foregoing financial statements with other information and notes to and forming part thereof are in agreement with the accounts and records of the Queensland Law Society Incorporated and its controlled entities; and
- (b) in our opinion –
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the Queensland Law Society Incorporated and its controlled entities for the financial year 1 May 2003 to 30 April 2004 and of the financial position as at the close of that year.



President

Glenn Ferguson



Chief Executive/Financial Officer

Murray Fox

22/7/04

22/7/04

# Financial statements

## Independent Audit Report

### To the Council of the Queensland Law Society Incorporated

#### Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the Queensland Law Society Incorporated for the year ended 30 April 2004 included on the Queensland Law Society Incorporated's web site. The Council is responsible for the integrity of the Queensland Law Society Incorporated's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

#### Scope

##### The financial statements

The financial statements of the Queensland Law Society Incorporated include the consolidated financial statements of the consolidated entity comprising the Queensland Law Society Incorporated and the entities it controlled at the end of the year or from time to time during the year. The general purpose financial statements of the Queensland Law Society Incorporated consist of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash flows, notes to and forming part of the financial statements, and certificates given by the President and the Chief Executive/Financial Officer of the Queensland Law Society Incorporated, for the year ended 30 April 2004.

##### The Council's responsibility

The Council is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

##### Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial statements are presented fairly, in accordance with the requirements outlined in note 1.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Society,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

#### Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

#### Audit Opinion

In accordance with s46G of the *Financial Administration and Audit Act 1977* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

- (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the transactions of the Queensland Law Society Incorporated and the consolidated entity for the financial year 1 May 2003 to 30 April 2004 and of the financial position as at the end of that year.

**P J DAJ CZ, CPA**  
Director of Audit  
(as Delegate of the Auditor-General of Queensland)

**Queensland Audit Office**  
Brisbane

# Financial statements

**Queensland Law Society Incorporated  
Law Claims Levy Fund  
Statement of Financial Performance  
for the year ended 30 June 2004**

	Notes	2004 \$	2003 \$
<b>Revenue from Ordinary Activities</b>			
Additional Levies	2	483,242	110,000
Claim Management Fee	3	435,364	253,636
Investment Income		950,704	539,920
Professional Indemnity Premiums		–	81,979
Solicitors' Deductibles		–	27,631
Sundry Income		8,075	–
<b>Total Revenue from Ordinary Activities</b>		<b>1,877,385</b>	<b>1,013,166</b>
<b>Expenses from Ordinary Activities</b>			
Administration Expenses		2,407	66,230
Audit Fees		9,200	4,100
Claims Expenses – Levy Fund & Deductibles		1,053,698	442,788
Claims Management Expense	3	472,129	297,273
Increase/(Decrease) in Provision for Outstanding Claims	4	(1,053,698)	(442,788)
Provision for Doubtful Debts		212,478	–
Solicitors' Deductible Refunds		–	1,475
<b>Total Expenses from Ordinary Activities</b>		<b>696,214</b>	<b>369,078</b>
<b>Surplus/(Deficit) from Ordinary Activities</b>		<b>1,181,171</b>	<b>644,088</b>
<b>Non-Owner transaction changes in equity</b>			
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity		–	–
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>1,181,171</b>	<b>644,088</b>

The Statement of Financial Performance is to be read in conjunction with the accompanying Notes to and forming part of the Financial Statements.



# Financial statements

Queensland Law Society Incorporated  
Law Claims Levy Fund  
Statement of Financial Position  
as at 30 June 2004

	Notes	2004 \$	2003 \$
<b>Current Assets</b>			
Cash Assets		14,756	9,241
Receivables	5	231,347	38,682
Other Financial Assets	7	12,784,235	11,765,562
<b>Total Current Assets</b>		<b>13,030,338</b>	<b>11,813,485</b>
<b>Total Assets</b>			
		<b>13,030,338</b>	<b>11,813,485</b>
<b>Current Liabilities</b>			
Income in Advance – Claims Management	3	1,811,000	746,364
Creditors & Accruals		4,800	–
Provision for Outstanding Claims	4	1,022,512	1,076,210
Solicitors' Deductibles		62,714	42,770
<b>Total Current Liabilities</b>		<b>2,901,026</b>	<b>1,865,344</b>
<b>Non-current Liabilities</b>			
Provision for Outstanding Claims	4	1,000,000	2,000,000
<b>Total Non-current Liabilities</b>		<b>1,000,000</b>	<b>2,000,000</b>
<b>Total Liabilities</b>		<b>3,901,026</b>	<b>3,865,344</b>
<b>Net Assets</b>		<b>9,129,312</b>	<b>7,948,141</b>
<b>Equity</b>			
Retained Profits/(Accumulated losses)		9,129,312	7,948,141
<b>Total Equity</b>		<b>9,129,312</b>	<b>7,948,141</b>

The Statement of Financial Position is to be read in conjunction with the accompanying Notes to and forming part of the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Law Claims Levy Fund  
Statement of Cash Flows  
for the year ended 30 June 2004

	Notes	2004 \$ Inflows (Outflows)	2003 \$ Inflows (Outflows)
<b>Cash Flows from Operating Activities</b>			
Receipts from the Profession and Commutation Benefits		12,350,667	9,609,906
Claims & Expenses		(12,008,472)	(5,680,816)
Interest Received		681,993	506,321
<b>Net cash provided by/(used in) operating activities</b>	<b>6(c)</b>	<b>1,024,188</b>	<b>4,435,411</b>
<b>Cash Flows from Investing Activities</b>			
Reclassification of Investments		(2,835,738)	-
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>(2,835,738)</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash held</b>		<b>(1,811,550)</b>	<b>4,435,411</b>
<b>Cash at the beginning of the Financial Year</b>		<b>11,774,803</b>	<b>7,339,392</b>
<b>Cash at the end of the Financial Year</b>	<b>6(a)</b>	<b>9,963,254</b>	<b>11,774,803</b>

The Statement of Cash Flows is to be read in conjunction with the accompanying Notes to and forming part of the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Law Claims Levy Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2004

## Notes

### Scope of Operation

The Queensland Law Society Incorporated ('the Society'), pursuant to s5A of the *Queensland Law Society Act 1952* ('the Act') is authorised to establish and maintain a fund for the purposes of providing indemnity against loss arising from claims in respect of civil liability incurred by a practising or former practicing practitioner. Therefore, the Law Claims Levy Fund ('The Fund') was created in 1987 to provide professional indemnity insurance to Queensland solicitors. The Law Claims Levy Fund is responsible for the professional indemnity insurance of practitioners for the years 1987 to 1995 and its role now is to administer the run off of insurance claims in the process of finalisation. The fund also administers ongoing claims management fees.

### 1 Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the Law Claims Levy Fund's financial statements are:

#### (a) Basis of Preparation

The financial report is a General Purpose Financial Report which has been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements.

The financial report has also been prepared on the basis of historical cost and except where stated does not take into account changing money values. The accounting policies are consistent with those of the previous year and amounts in the report have been rounded to the nearest dollar. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

#### (b) Revenue

Additional levies may be imposed in accordance with the indemnity rules and are accounted for separately and disclosed as income of the Fund. Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

#### (c) Taxation

The Fund has been granted exemption from income tax by the Australian Taxation Office (ATO) per s24AK of the *Income Tax Assessment Act 1936* with the exception of Fringe Benefits Tax (FBT) and the 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 ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (d) Solicitors' Deductibles

Solicitors' deductibles which are received in accordance with the Master Policy agreement are brought to account as revenue in the Statement of Financial Performance. The unexpended balance is accounted for as a current liability at balance date.

#### (e) Cash and Other Financial Assets

For the purposes of the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits on call with financial institutions. The Cash Deposit Account is an interest bearing account which is readily convertible to cash on hand at the Society's option. Investments are brought to account at fair value as indicated in note 6(a). Interest income is brought to account on an accrual basis.

# Financial statements

**Queensland Law Society Incorporated**  
**Law Claims Levy Fund**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2004**

**(f) Receivables**

Interest receivable represents interest accruals for amounts received in the month after balance date.

The Fund has brought to account solicitors' deductibles and penalties receivable from practitioners. These receivables have been recognised on an accrual basis and are carried at actual amounts and the collectibility of trade debtors is assessed at reporting date and a specific provision is made for any doubtful accounts.

**(g) Claims**

Claims are actuarially assessed and the movement in the actuarial assessment is disclosed in the Statement of Financial Performance as Movement in Provision of Outstanding Claims. Actual claim payments are separately disclosed. Actual claim payments match the reduction in the provision for outstanding claims.

**(h) Professional Indemnity Insurance**

The Queensland Law Society Incorporated entered into a Master Policy agreement with Professional Indemnity Insurers to limit the maximum liability of the Fund for both individual claims and aggregate amounts. The Fund incurs all expenses up to a prescribed amount per individual claim until such time as the aggregate amount has been reached at which time the Professional Indemnity Insurers incur all future costs. The respective individual liability per claim is listed in note 8.

**(i) Adoption of International Financial Reporting Standards**

The Financial Reporting Council has announced that from 1 January 2005, all Australian reporting entities will be required to apply the Australian Equivalents to International Financial Reporting Standards (IFRS) to their financial statements.

The Society has established a working party which has been consistently reviewing Australian Equivalents and other relevant documentation to assess the possible impact on its external reporting requirements, financial systems, policies and procedures. Due to the nature of the Fund's transactions, the Society has not identified any major difference in accounting policies that will occur upon the adoption of Australian Equivalents to IFRS.

**2 Additional Levies**

	2004 \$	2003 \$
Additional Levies – Appiil	411,000	95,000
Additional Levies 1987 – 1995	72,242	15,000
	483,242	110,000

**3 Claims Management**

The Law Claims Levy Fund received contributions from practitioners to meet the claim management costs for the insurance year commencing 1 July 2002. Claims management fees for the insurance period 1987 to 1995 are met from existing reserves.

<b>Future Claims Management Fee</b>	2004 \$	2003 \$
Opening Balance	746,364	–
Contributions received	1,500,000	1,000,000
Less Claims Management fee paid	(435,364)	(253,636)
	1,811,000	746,364

<b>Claims Management Expense</b>	2004 \$	2003 \$
<i>Years of insurance</i>		
1987 – 1995	36,765	43,637
2002 – 2003	168,909	253,636
2003 – 2004	266,455	–
	472,129	297,273

# Financial statements

Queensland Law Society Incorporated  
Law Claims Levy Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2004

**4 Provision for Outstanding Claims**

	2004 \$	2003 \$
Opening Balance at start of reporting period	3,076,210	3,518,998
<i>Less</i> Movement in Provision	(1,053,698)	(442,788)
Closing Balance at end of reporting period	2,022,512	3,076,210
	<b>2004</b> <b>\$</b>	<b>2003</b> <b>\$</b>
Current Liability	1,022,512	1,076,210
Non-current Liability	1,000,000	2,000,000
	2,022,512	3,076,210

The Fund has a stop loss policy with QLS Insurance Pte Ltd which initially capped its liability at \$5,000,000 at 1 July 2002. The effect of this is that the Fund's insurance exposure is capped at the current provision.

**5 Receivables**

	2004 \$	2003 \$
Current		
Trade Debtors	399,430	-
<i>Less</i> : Provision for doubtful debts	(212,478)	-
	186,952	-
Interest Receivable & Prepayments	41,506	34,476
GST Receivable	2,889	4,206
	231,347	38,682

**6 Notes to the Statement of Cash Flows**

**(a) Reconciliation of Cash**

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

	2004 \$	2003 \$
Cash Assets	14,756	9,241
Cash Deposit Account	9,948,498	11,765,562
	9,963,254	11,774,803

**(b) Financing Facilities**

The Fund has no external non-cash financing nor any standby credit facilities or any other loan facilities.

# Financial statements

**Queensland Law Society Incorporated**  
**Law Claims Levy Fund**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2004**

**(c) Reconciliation of Net Cash Provided by Operating Activities to the Surplus/ (Deficit) for the Year**

	2004	2003
	\$	\$
Surplus/(Deficit) for the Period	1,181,171	644,088
<i>Changes in Assets and Liabilities</i>		
Decrease/(Increase) in Accounts Receivables	(192,665)	3,216,297
Decrease in Loan – QLS Incorporated	–	286,792
Increase/(Decrease) in Provision for Outstanding Claims	(1,053,698)	(442,788)
Increase/(Decrease) in Accounts Payables	4,800	(211)
Increase/(Decrease) in Income in Advance	1,064,636	746,364
Increase/(Decrease) in Solicitors' Deductibles	19,944	(15,131)
Net Cash Provided by/(Used in) Operating Activities	1,024,188	4,435,411

Due to the Fund acting as the collecting agent for insurance premiums, gross receipts and payments disclosed in the Statement of Cash Flows exceed revenue and expenditure disclosed in the Fund's Statement of Financial Performance.

**7 Other Financial Assets**

	2004	2003
	\$	\$
Managed Funds at Market Value	2,835,737	2,574,057
Short Term Deposits at Cost	9,948,498	9,191,505
	12,784,235	11,765,562

**8 Contingent Liabilities**

Under the present insurance agreements the total liability of the Fund for the respective years of insurance is limited to \$100,000 (1987-1994) and \$500,000 (1995) per individual claim and this amount is reduced by the amount of the solicitors' deductible. Also an aggregate limit per respective year of insurance applies and this limits the total liability of the Fund.

Based on the actuarial advice in respect of the position of the Fund as at 30 June 2004, the insurance in place with regard to the limits per file, and the overall Fund's aggregate limit as at 30 June 2004, the Society is of the opinion that the funds on hand together with future investment income and deductibles, and in conjunction with Stop Loss cover (see note 4) will ensure that all future claims will be met as and when they fall due.

**9 Financial Instruments**

**(a) Interest Rate Risk Exposure**

The Fund's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is detailed below:

Cash assets are represented by amounts held in bank accounts. Cash at Bank is a working cheque account and is not exposed to interest rate risk. Cash Deposit Account is held with Commonwealth Bank of Australia. The average interest rate for the year ended 30 June 2004 was 4.80%.

**(b) Credit Risk Exposure**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The concentration of credit risk in relation to the Fund lies with Loan Receivable and has been assessed as minimal due to previous repayment history and the value and frequency of the repayment amount.

**(c) Net Fair Value**

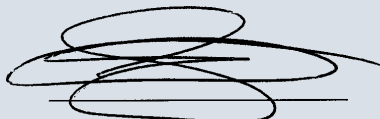
The net fair value of cash, interest bearing term deposits, special deposit accounts, receivables and creditors approximate their carrying amount.

# Financial statements

## Queensland Law Society Incorporated Certificate of Law Claims Levy Fund

The foregoing financial statements have been prepared to the provisions of the *Financial Administration and Audit Act 1977* ('the Act') and other prescribed requirements and we certify that in our opinion:

- (a) the foregoing financial statements with other information and notes to and forming part thereof are in agreement with the accounts and records of the Law Claims Levy Fund; and
- (b) in our opinion –
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the Law Claims Levy Fund for the financial year 1 July 2003 to 30 June 2004 and of the financial position as at the close of that year.



President

Glenn Ferguson

19.7.04



Chief Executive/Financial Officer

Murray Fox

19.7.04

# Financial statements

## Independent Audit Report

To the Council of the Queensland Law Society Incorporated

### Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the Law Claims Levy Fund for the year ended 30 June 2004 included on the Queensland Law Society Incorporated's web site. The Council is responsible for the integrity of the Queensland Law Society Incorporated's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

### Scope

#### The financial statements

The general purpose financial statements of the Law Claims Levy Fund, a subsidiary fund of the Queensland Law Society Incorporated, consist of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash flows, notes to and forming part of the financial statements, and certificates given by the President and the Chief Executive/Financial Officer of the Queensland Law Society Incorporated, for the year ended 30 June 2004.

#### The Council's responsibility

The Council is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

#### Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial statements are presented fairly, in accordance with the requirements outlined in note 1.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Society,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

### Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### Audit Opinion

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
- (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the transactions of the Law Claims Levy Fund for the financial year 1 July 2003 to 30 June 2004 and of the financial position as at the end of that year.

**P J NOTTINGHAM FCPA**  
**Audit Manager**  
**(as Delegate of the Auditor-General of Queensland)**

**Queensland Audit Office**  
**Brisbane**



# Financial statements

## QLS Insurance Pte Ltd Income Statement for the financial year ended 30 April 2004

	Notes	2004 A\$	1 July 2002 to 30 April 2003 A \$
Gross premiums written		20,054,430	16,457,279
<b>Underwriting loss for the financial year/period</b>		<b>(1,605,818)</b>	<b>(3,139,975)</b>
Other income/(charges)			
Investment income		1,393,104	158,232
Interest income		477,926	601,415
Net foreign exchange loss		(4,026)	(2,666)
Other expenses		(137,933)	(122,943)
<b>Operating profit/(loss) before tax</b>	<b>3</b>	<b>123,253</b>	<b>(2,505,937)</b>
Tax	5	–	–
<b>Net profit/(loss)</b>		<b>123,253</b>	<b>(2,505,937)</b>

# Financial statements

QLS Insurance Pte Ltd  
General Insurance Revenue Account  
for the financial year ended 30 April 2004

	Notes	2004 A\$	1 July 2002 to 30 April 2003 A\$
<b>Underwriting income</b>			
Gross premiums written	8	20,054,430	16,457,279
Outwards reinsurance premiums		(4,550,000)	(3,850,000)
Net premiums written		15,504,430	12,607,279
Movement in unearned premiums – gross		(592,010)	(2,750,395)
Movement in unearned premiums – ceded		114,909	643,425
Net premiums earned		15,027,329	10,500,309
Gross claims paid		(2,185,624)	(188,651)
Net claims paid		(2,185,624)	(188,651)
Movements in net outstanding claims		(14,080,480)	(13,166,520)
Net claims incurred	7	(16,266,104)	(13,355,171)
Commission expense		(163,332)	(116,667)
Other operating expenses		(203,711)	(168,446)
<b>Insurance underwriting loss transferred to income statement</b>		<b>(1,605,818)</b>	<b>(3,139,975)</b>

# Financial statements

## QLS Insurance Pte Ltd Balance Sheet as at 30 April 2004

	Notes	2004 A\$	2003 A\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		7,696,245	16,863,702
Investments		–	7,408,232
Prepaid reinsurance premium		758,334	643,425
Premium receivable		844,430	107,279
Other receivables and prepayments	9	161,412	67,784
		<u>9,460,421</u>	<u>25,090,422</u>
<b>Non-current assets</b>			
Investments		30,401,337	–
		<u>30,401,337</u>	<u>–</u>
<b>Total assets</b>		<b><u>39,861,758</u></b>	<b><u>25,090,422</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to immediate holding corporation (non-trade)	6	75,000	137,500
Accrued operating expenses		251,460	213,367
Provision for unexpired risk		3,342,405	2,750,395
		<u>3,668,865</u>	<u>3,101,262</u>
Technical balances			
Provision for outstanding claims	7	30,047,000	15,966,520
		<u>30,047,000</u>	<u>15,966,520</u>
<b>Total liabilities</b>		<b><u>33,715,865</u></b>	<b><u>19,067,782</u></b>
<b>Net assets</b>		<b><u>6,9145,893</u></b>	<b><u>6,022,640</u></b>
<b>Shareholder's equity</b>			
Share capital	10	9,000,000	9,000,000
Accumulated losses		(2,854,107)	(2,977,360)
		<u>6,145,893</u>	<u>6,022,640</u>

# Financial statements

## QLS Insurance Pte Ltd Statement of Changes in Shareholder's Equity for the financial year ended 30 April 2004

	Share capital A\$	Accumulated losses A\$	Total A\$
<b>Balance at 1 May 2003</b>	9,000,000	(2,977,360)	6,022,640
Net profit and total recognised gain for the year	–	123,253	123,253
<b>Balance at 30 April 2004</b>	<b>90000,000</b>	<b>(2,854,107)</b>	<b>6,145,893</b>
<b>Balance at 1 July 2002</b>	9,000,000	(471,423)	8,528,577
Net loss and total recognised loss for the period	(2,505,937)	(2,505,937)	
<b>Balance at 30 April 2003</b>	<b>9,000,000</b>	<b>(2,977,360)</b>	<b>6,022,640</b>

# Financial statements

QLS Insurance Pte Ltd  
Cash Flow Statement  
for the financial year ended 30 April 2004

	2004 A\$	1 July 2002 to 30 April 2003 A\$
<b>Cash flows from operating activities</b>		
Operating profit/(loss) before taxation	123,253	(2,505,937)
Adjustments for:		
Investment income	(1,393,104)	(158,232)
Interest income	(477,926)	(601,415)
Operating loss before working capital change	(1,747,777)	(3,265,584)
Change in working capital:		
(Decrease)/increase in recoverable from a reinsurer	(114,909)	2,056,575
Increase in other receivables & prepayments	(123,696)	(1,450)
Increase due to immediate holding corporation	(62,500)	(3,474,293)
Increase in provision for outstanding claims	14,080,480	13,166,520
Accrued operating expenses	38,093	125,277
Increase in premium receivable	(737,151)	(107,279)
Increase in unearned premium reserve	592,010	2,750,395
<b>Net cash from operating activities</b>	<b>11,924,550</b>	<b>11,250,161</b>
<b>Cash flows from investing activities</b>		
Interest received	507,994	646,426
Payments for investments	(21,600,001)	(7,250,000)
<b>Net cash outflow from investing activities</b>	<b>(21,092,007)</b>	<b>(6,603,574)</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>	<b>(9,167,457)</b>	<b>4,646,587</b>
Cash and cash equivalents at the beginning of the financial year	16,863,702	12,217,115
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7,696,245</b>	<b>16,863,702</b>

# Financial statements

## QLS Insurance Pte Ltd Notes to the Financial Statements for the financial year ended 30 April 2004

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1 General

The Company is incorporated and domiciled in Singapore. The address of its registered office is as follows: 20 Raffles Place, #09-01, Ocean Tower, Singapore 048620. The principal place of businesses is 50 Raffles Place, #32-00, Singapore 048623.

The principal activity of the Company is that of a general insurance company licensed under the Insurance Act. The company may underwrite risks of its holding and related corporations, as defined under s6 of the *Companies Act* and such other companies as the Monetary Authority of Singapore may allow.

### 2 Significant accounting policies

#### (a) Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore *Companies (Amendment) Act* 2002, with effect from financial years commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory accounts in accordance with Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Company prepared its statutory accounts in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have a material impact on the accounting policies and figures presented in the statutory accounts for the financial year ended 30 April 2003, other than arising from the use of Australian Dollars (A\$) as the Company's measurement currency upon the adoption of INT FRS 19 during the financial year ended 30 April 2004.

Items included in the financial statements of the Company for the financial year ended 30 April 2003 were measured in A\$ and presented using Singapore Dollars (S\$) as the Company was statutorily required to present its financial statements in S\$. Upon adoption of INT FRS 19, the Company determined A\$ as its measurement and presentation currency as A\$ best reflects the economic substance of the underlying events and circumstances relevant to the Company. Items in the financial statements, including the comparative figures have been measured and presented in A\$.

#### (b) Basis of preparation

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

#### (c) Premium income

Premium income is recognised in the financial statements at the commencement of the risk period covered by the policies. See also note 2(e).

Interest income is accrued on a day to day basis.

#### (d) Provision for claims

Provision is made for the estimated costs of all claims incurred but not settled at the balance sheet date, less reinsurance recoveries, using the best information available at that time. In addition, provision is made for claims incurred but not reported ("IBNR") at the date of the balance sheet based on claims experience and industry statistics.

#### (e) Provision for unexpired risks

The provision for unexpired risk is calculated on a time proportion basis using the 1/365 method.

#### (f) Premium receivable

Premium receivable is stated at original invoice amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. An allowance for doubtful receivables is made when there is objective evidence that the Company will not be able to collect all amounts due accounting to the original terms of the receivables. Bad debts are written off when identified.

# Financial statements

## QLS Insurance Pte Ltd Notes to the Financial Statements for the financial year ended 30 April 2004

### (g) Foreign currency translation

#### (1) Measurement currency

Items included in the financial statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The financial statements of the Company are presented in A\$, which is the measurement currency of the Company.

#### (2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Foreign currency monetary assets and liabilities are translated into A\$ at the rates of exchange prevailing at the balance sheet date.

#### (h) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### (i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### (j) Investments

Investments are stated at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Investments are held within unlisted unit trusts. Market value is determined by prices quoted by the managers of the various unit trusts at the close of business on the balance sheet date.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

Previously, the Company stated investments at market value. The restatement of investments at the lower of cost and market value in the current financial year has caused investment income to be reduced by A\$158,232.

### (k) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 3 Operating before tax

The following items have been included in arriving at profit from operations:

	2004 A\$	2003 A\$
<i>Crediting:</i>		
Interest income	477,926	601,415
Net foreign exchange gain	(4,026)	(2,666)

### 4 Number of employees

The Company does not have any employees as their daily operations have been outsourced to a management company for a management fee.

# Financial statements

## QLS Insurance Pte Ltd Notes to the Financial Statements for the financial year ended 30 April 2004

### 5 Tax

The reconciliation of actual tax expense/(credit) compared to the prima facie tax expense/(credit) that would be expected based on the operating profit/(loss) is as follows –

	2004 A\$	2003 A\$
Profit/(loss) before tax	123,253	(2,505,937)
Tax calculated at a tax rate of 10% (2002: 10%)	12,325	(250,594)
Expenses not deductible for tax purposes	20,083	821
Income not subject to tax	–	(15,819)
Deferred tax asset not recognised	–	265,592
Utilisation of tax losses not capitalised in previous years	(32,408)	–
	–	–

Deferred tax assets are recognised for unutilised tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. As at the financial year end, the Company has unutilised tax losses of A\$2,819,921 (2003: \$3,174,074) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements and agreement by the Comptroller of Income Tax. The potential deferred tax asset has not been recognised in the financial statements.

### 6 Immediate and ultimate holding corporation (non-trade)

The immediate and ultimate holding corporation is Queensland Law Society Inc. incorporated in Australia.

The amounts due to the holding corporation are unsecured, interest free and repayable on demand.

### 7 Provision for outstanding claims

	2004 A\$	2003 A\$
Balance at the beginning of the financial year	15,966,520	2,800,000
Claims incurred	16,266,104	13,355,171
Net claims paid	(21,185,624)	(188,651)
Balance at end of the financial year	30,047,000	15,966,520

The gross provision for outstanding claims represent provisions for claims incurred but not reported and reserves for case claims.

### 8 Written premium earned

	2004 A\$	1 July 2002 to 30 April 2003 A\$
Gross premium	20,054,430	16,457,279
Less: Provision for unexpired risk	(592,010)	(2,750,395)
	19,462,420	13,706,884

### 9 Other receivables and prepayment

	2004 A\$	2003 A\$
Interest receivable	32,873	62,941
Other debtors	125,886	1,444
Prepayment	2,653	3,399
	161,412	67,784



# Financial statements

## QLS Insurance Pte Ltd Notes to the Financial Statements for the financial year ended 30 April 2004

### 10 Share capital of QLS Insurance Pte Ltd

#### (a) Authorised ordinary share capital

The authorised number of ordinary shares is 12,000,000 shares (2002: 12,000,000 shares) with par value of A\$1 (2003: \$1 per share) per share.

#### (b) Issued ordinary share capital

	Shares	A\$
Balance at the beginning and end of the financial year	9,000,000	9,000,000

### 11 Related party transactions

The following significant transactions took place between the Company and the holding corporation during the financial year on terms agreed by the parties concerned.

	2004 A\$	2003 A\$
Management fees due to holding corporation	87,500	62,500
Gross premiums received/receivable from holding corporation	20,054,430	16,457,279
Management fees paid to a firm of which a director of the Company is a director	69,967	34,359

### 12 Net fair values

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, premium receivable, other receivables and due to immediate holding corporation.

### 13 Financial risk management

#### Foreign currency risk

The Company is not exposed to significant foreign currency risk in relation to its functional currency as the majority of the Company's transactions, assets and liabilities are denominated in Australian dollars.

#### Interest rate risk

The Company's exposure to market risk for changes in interest rate relates primarily to the Company's investment portfolio managed by an external fund manager.

#### Credit risk

The Company has no significant concentrations of credit risk as all underwriting services were to its holding company and related corporations. Credit risk arising on funds placed with an external fund manager and on reinsurance activities is managed by established policies to ensure that the counter-parties have adequate financial ratings and appropriate credit history.

#### Liquidity risk

The Company's ability to meet its funding obligations is managed by maintaining sufficient cash and bank deposits.

### 14 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on 25 June 2004.

# Financial statements

## QLS Insurance Pte Ltd Directors' Report for the financial year ended 30 April 2004

The directors present their report to the shareholder together with the audited financial statements of the Company for the financial year ended 30 April 2004.

### Directors

The directors of the Company at the date of this report are:

Ronald Shaw Ashton

Tan Kim Hiang Betty

Michael Meadows (alternate director to Ronald Shaw Ashton)

Murray Alan Fox (appointed on 30 October 2003)

Glenn Wayne Jude Ferguson (appointed on 30 October 2003)

### Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' interest in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at 30 April 2004 had any interest in the shares in, or debentures of, the Company or any related corporations.

### Directors' contractual benefits

Since the end of the previous financial period, no director has received or become entitled to receive a benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except that certain directors have received remuneration from the holding corporation in their positions as executives of that corporation.

### Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

### Auditors

Our auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

### On behalf of the directors

Murray Alan Fox  
Director

Tan Kim Hiang Betty  
Director

25 June 2004

# Financial statements

## QLS Insurance Pte Ltd Statement by Directors

In the opinion of the directors,

- (a) the financial statements of the Company as set out on pages 5 to 17 are drawn up so as to give a true and fair view of the state of affairs of the Company at 30 April 2004 and of the results of the business, changes in equity and cash flows of the Company for the year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### On behalf of the directors

**Murray Alan Fox**  
Director

**Tan Kim Hiang Betty**  
Director

25 June 2004

# Financial statements

## Auditors' Report to the Shareholder of QLS Insurance Pte Ltd

### Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of QLS Insurance Pte Ltd for the financial year ended 30 April 2004 included on Queensland Law Society's web site. The Queensland Law Society Council is responsible for the integrity of the Queensland Law Society's web site. We have not been engaged to report on the integrity of the Queensland Law Society's web site. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

We have audited the financial statements of QLS Insurance Pte. Ltd. for the financial year ended 30 April 2004 set out above. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements of the Company are properly drawn up in accordance with the provisions of the *Companies Act*, Cap 50 ('the Act') and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 30 April 2004 and the results, changes in equity and cash flows of the Company for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**PricewaterhouseCoopers**  
**Certified Public Accountants**  
**Singapore, 25 June 2004**

# Financial statements

**Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund  
Statement of Financial Performance  
for the year ended 30 April 2004**

	Notes	2004 \$	2003 \$
<b>Revenue from Ordinary Activities</b>			
Standard Practitioners Fees		103,660	95,080
Additional Practitioner Fees		1,774,285	1,127,574
Distribution received from Interest on Trust Accounts		3,437,256	2,305,188
Interest on Investments		92,198	101,046
Solicitors Complaints Tribunal Fines		131,000	43,000
Other Income		8,625	5,741
Costs Recovered	3	479,156	918,634
<b>Total Revenue from Ordinary Activities</b>		<b>6,026,180</b>	<b>4,596,263</b>
<b>Expenses from Ordinary Activities</b>			
Administration Expenses	4	2,891,832	2,176,730
Claims Payments		844,045	784,090
Complaint and Disciplinary Investigative Costs		204,989	71,317
Expenses Reimbursed to the Queensland Law Society Incorporated	5	883,331	783,206
Legal Ombudsman Expenses		89,779	76,426
Solicitors Complaints Tribunal Costs	6	1,000,782	1,035,688
Receivership costs		60,606	41,831
<b>Total Expenses from Ordinary Activities</b>		<b>5,975,364</b>	<b>4,969,288</b>
<b>Surplus/(Deficit) from Ordinary Activities</b>		<b>50,816</b>	<b>(373,025)</b>
<b>Non-Owner transaction changes in equity</b>			
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity		-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>50,816</b>	<b>(373,025)</b>

The Statement of Financial Performance is to be read in conjunction with the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund  
Statement of Financial Position  
as at 30 April 2004

	Notes	2004 \$	2003 \$
<b>Current Assets</b>			
Cash Assets	10(a)	24,438	56,024
Receivables	7	564,746	75,913
Cash Deposit Account	10(a)	1,131,659	2,008,283
<b>Total Current Assets</b>		<b>1,720,843</b>	<b>2,140,220</b>
<b>Non-Current Assets</b>			
Receivables	7	74,740	–
<b>Total Non-Current Assets</b>		<b>74,740</b>	<b>–</b>
<b>Total Assets</b>		<b>1,795,583</b>	<b>2,140,220</b>
<b>Current Liabilities</b>			
Payables	8	582,314	996,659
Provisions for Employee Entitlements	9	149,089	141,000
<b>Total Current Liabilities</b>		<b>731,403</b>	<b>1,137,659</b>
<b>Non-Current Liabilities</b>			
Provisions for Employee Entitlements	9	120,501	109,698
<b>Total Non-Current Liabilities</b>		<b>120,501</b>	<b>109,698</b>
<b>Total Liabilities</b>		<b>851,904</b>	<b>1,247,357</b>
<b>Net Assets</b>		<b>943,679</b>	<b>892,863</b>
<b>Equity</b>			
Retained Profits/(Accumulated losses)		943,679	892,863
<b>Total Equity</b>		<b>943,679</b>	<b>892,863</b>

The Statement of Financial Position is to be read in conjunction with the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund  
Statement of Cash Flows  
for the year ended 30 April 2004

	Notes	2004 \$ Inflows (Outflows)	2003 \$ Inflows (Outflows)
<b>Cash Flows from Operating Activities</b>			
Contributions by Practitioners and Cost Recoveries		2,024,379	2,378,595
Distribution Received from Interest on Trust Accounts		3,088,164	2,305,188
Claim Payments and Administration Expenses		(6,116,525)	(4,787,661)
Interest Received		95,772	100,307
<b>Net cash provided by/(used in) operating activities</b>	<b>10(c)</b>	<b>(908,210)</b>	<b>(3,571)</b>
<b>Net Increase/(Decrease) in Cash held</b>		<b>(908,210)</b>	<b>(3,571)</b>
<b>Cash at the beginning of the Financial Year</b>		<b>2,064,307</b>	<b>2,067,878</b>
<b>Cash at the end of the Financial Year</b>	<b>10(a)</b>	<b>1,156,097</b>	<b>2,064,307</b>

The Statement of Cash Flows is to be read in conjunction with the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

## Notes

### Scope of Operation

The Queensland Law Society Incorporated ('the Society'), pursuant to s12 of the *Queensland Law Society Act 1952* ('the Act') is required to establish and maintain a fund called the Legal Practitioners' Fidelity Guarantee Fund (the "Fund"). The Fund has been established for the purposes of reimbursing persons who suffer loss through stealing or fraudulent misappropriation by a practitioner (or his or her clerk or employee) of any money or other property held in trust. The Fund is also used to defray costs incurred in the administration of disciplinary matters, audit of solicitors' trust accounts and receivership of solicitors' trust accounts.

A major source of income for the Fund is a share of interest earned on solicitors' trust accounts. The Fund is subject to a statutory cap under s20(5) of the Act. Due to this cap the Fund has had no opportunity to build up reserves to meet claims as and when they are received. Refer also to details of legal reform as outlined in note 1(k) below.

### 1 Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the Fund's financial statements are:

#### (a) Basis of Preparation

The financial report is a General Purpose Financial Report which has been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements.

The financial report has also been prepared on the basis of historical cost and except where stated does not take into account changing money values. The accounting policies are consistent with those of the previous year and amounts in the report have been rounded to the nearest dollar. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

#### (b) Taxation

The Fund has been granted exemption from income tax by the Australian Taxation Office (ATO) per s24AK of the *Income Tax Assessment Act 1936* with the exception of Fringe Benefits Tax (FBT) and the 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 ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (c) Revenue

Revenues are recognised at fair value of the consideration received net of any amount of GST payable to the ATO. Practitioner Fees are recognised when payment is received. Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

#### (d) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.



# Financial statements

Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

**(e) Cash and Other Financial Assets**

For the purposes of the Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 April as well as deposits on call with financial institutions. The Cash Deposit Account is an interest bearing account which is readily convertible to cash on hand at the Society's option. These investments are brought to account at fair value as indicated in note 10(a). Interest income is brought to account on an accrual basis.

**(f) Receivables**

Interest receivable represents interest accruals for amounts received in the month after balance date.

The Fund has brought to account Fines and Cost Recoveries receivable from practitioners. These receivables have been recognised on an accrual basis and are carried at actual amounts and the collectibility of trade debtors is assessed at reporting date and a specific provision is made for any doubtful accounts.

**(g) Payables**

Payables are carried at actual amounts and represent accrued distributions resulting from the interest accrual referred to above as part of receivables

**(h) Employee Entitlements**

**Annual leave**

Annual leave entitlements represent present obligations resulting from services provided by employees up to balance date, calculated at undiscounted amounts based on remuneration rates that the entity expects to pay as at reporting date including related on-costs, such as, employer superannuation contributions, workers compensation insurance and payroll tax.

**Sick leave**

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur in future periods and therefore it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

**Long service leave**

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employee's services provided to reporting date.

The provision is calculated using expected future increases in remuneration rates including related on-costs and is based on experience of employee departure per year of service. Long service leave expected to be paid in the next 12 months is recorded as a current liability in the Statement of Financial Position. Long service leave expected to be paid later than one year is recorded as a non-current liability and is discounted using the Commonwealth Bond rate at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

**(i) Claims**

Claims are brought to account in the year they are paid/approved.

**(j) Adoption of International Financial Reporting Standards**

The Financial Reporting Council has announced that from 1 January 2005, all Australian reporting entities will be required to apply the Australian Equivalents to International Financial Reporting Standards (IFRS) to their financial statements.

The Society has established a working party which has been consistently reviewing Australian Equivalents and other relevant documentation to assess the possible impact on its external reporting requirements, financial systems, policies and procedures. Due to the nature of the Fund's transactions, the Society has not identified any major difference in accounting policies that will occur upon to the adoption of Australian Equivalents to IFRS.

# Financial statements

Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

(k) **Legal Profession Act 2004**

The *Legal Profession Act 2004* (Qld) came into effect on 31 May 2004. The new Act repeals the *Legal Profession Act 2003* but re-enacts its provisions (which have been amended and updated) and consolidates them into the one Act. In addition, the *Legal Profession Act 2004* (Qld) will ultimately replace the *Queensland Law Society Act 1952*.

The provisions contained within the Act cover a range of matters including the establishment of the Legal Services Commission, Legal Practice Tribunal and Committee and the Legal Practitioners Admissions Board, together with a number of technical measures including those relating to transitional provisions to facilitate the transfer to the new legislation.

The new Act will require the Fund to be split into two separate accounts. The first will receive practicing certificate fees and a share of trust account interest and incur expenses associated with the regulation of Queensland solicitors. The second account will receive solicitors' levies while expenses will be the cost of claims for fraud or misappropriation and the related investigating costs.

The balance of the Fund as at 30 June 2004 will be dissected and paid to the respective new accounts in recognition of the liability status taken over from the Fund as at 1 July 2004.

2 **Additional Practitioner Fees**

With a view to ensuring that the Fund is able to meet its financial commitments when they fall due, the Council of the Queensland Law Society resolved to levy each practitioner \$300 (2003 – \$200) in accord with s21 of the Act.

3 **Costs Recovered**

	2004	2003
	\$	\$
Claims	–	821,887
Defaulting Practitioners	479,156	96,722
Receivership's	–	25
	<u>479,156</u>	<u>918,634</u>

# Financial statements

Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

4 Administration Expenses

	2004	2003
	\$	\$
Audit Fees – Fidelity Fund	6,770	6,727
Audit Fees – Interest on Trust Accounts	6,060	5,450
Bad Debt Expense	144,072	–
Bank Charges	697	24
Catering	5,730	3,955
Computer Maintenance	47,932	2,635
Insurance	4,732	16,913
Offsite Storage	24,686	19,738
Payroll Tax	93,198	74,635
Photocopier Expenses	4,720	3,602
Postage	13,566	14,012
Printing and Stationery	8,304	33,114
Professional Fees	46,950	139,114
Registrations and Subscriptions	11,783	8,907
Rent and Electricity	272,469	269,769
Salaries	1,930,209	1,342,876
Staff Advertising	8,003	26,718
Staff Training	8,898	8,586
Sundry Expenses	15,677	3,874
Superannuation	176,059	132,808
Taxi and Couriers	6,389	7,861
Telephone	14,352	13,534
Travel and Accommodation	11,143	9,955
Trust Account Audit Expenses	29,432	31,923
	<u>2,891,832</u>	<u>2,176,730</u>

# Financial statements

**Queensland Law Society Incorporated**  
**Legal Practitioners' Fidelity Guarantee Fund**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 April 2004**

**5 Expenses Reimbursed to the Queensland Law Society Incorporated**

The Fund, pursuant to s15 of the Act and rule 116(3)(e) of the Society, is required to reimburse the Society for all costs and expenses incurred in the administration of the Fund. The Society performs all managerial and administrative tasks on behalf of the Fund, and continually reviews bank contributions to ensure they are maintaining satisfactory levels.

The Fund has incurred the following listed administration costs to comply with the functions and duties which have been previously listed in the Scope of Operations note to the Accounts.

	2004	2003
	\$	\$
Advertising	1,601	1,537
Computer Maintenance and Resources	167,745	134,874
Council Travel	13,152	14,844
Honoraria	13,388	11,898
Insurance	42,626	24,533
Payroll Tax	17,082	15,229
Postage	13,194	15,075
Printing and Stationery	73,838	69,637
Rent	88,592	88,592
Salaries	359,624	320,629
Staff Advertising	1,026	3,401
Staff Amenities	12,633	9,530
Staff Training	5,394	4,809
Superannuation	38,081	32,747
Taxi and Courier	4,741	5,554
Telephone	30,614	30,317
	883,331	783,206
	883,331	783,206

**6 Solicitors Complaints Tribunal Costs**

	2004	2003
	\$	\$
Clerk of The Tribunal	217,860	170,536
Legal Costs for Investigation and Prosecution	707,629	805,506
Shorthand Fees	37,891	34,783
Tribunal Costs	7,317	-
Sundry Expenses	30,086	24,863
	1,000,782	1,035,688
	1,000,782	1,035,688

**7 Receivables**

	2004	2003
	\$	\$
<b>Current</b>		
Trade Debtors	305,728	150
Less: Provision for doubtful debts	(144,072)	-
	161,656	150
Interest Receivable & Prepayments	390,563	55,989
GST Receivable	12,527	19,774
	564,746	75,913
	564,746	75,913
<b>Non-current</b>		
Trade Debtors	74,740	-
	74,740	-
	74,740	-

# Financial statements

Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

**8 Payables**

	2004	2003
	\$	\$
Approved Claims *	118,592	511,015
Other Payables and Accruals	463,722	485,644
	582,314	996,659

\* Refer to note 1(i) for details concerning payment of approved claims.

**9 Provisions**

	2004	2003
	\$	\$
<b>Current</b>		
Provision for Annual Leave	119,089	41,240
Provision for Long Service Leave	30,000	99,760
	149,089	141,000
<b>Non-current</b>		
Provision for Long Service Leave	120,501	109,699
	120,501	109,699

The present values of employee entitlements not expected to be settled within twelve months of reporting date have been calculated using the following averages:

	2004	2003
Assumed rate of increase in remuneration rates	3%	3%
Discount rate	5.64%	4.85%
Settlement terms (years)	10	10
Number of employees at year end	34	25

**10 Notes to the Statement of Cash Flows**

**(a) Reconciliation of Cash**

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

	2004	2003
	\$	\$
Cash Assets	24,438	56,024
Cash Deposit Account	1,131,659	2,008,283
	1,156,097	2,064,307

**(b) Financing Facilities**

The Fund has no external non-cash financing nor any standby credit facilities or any other loan facilities.

# Financial statements

**Queensland Law Society Incorporated**  
**Legal Practitioners' Fidelity Guarantee Fund**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 April 2004**

**(c) Reconciliation of Net Cash Provided by/(Used in) Operating Activities to the Surplus/(Deficit) for the Year**

	2004	2003
	\$	\$
Surplus/(Deficit) for the Period	50,816	(373,025)
<i>Changes in Assets and Liabilities</i>		
(Increase)/Decrease in Receivables	(563,573)	(59,769)
(Decrease)/Increase in Creditors	(414,345)	496,525
(Decrease)/Increase in Employee Entitlements	18,892	(67,302)
Net Cash Provided by/(Used in) Operating Activities	(908,210)	(3,571)

**11 Contingent Liabilities**

As at 30 April 2004, the Fidelity Fund was in the process of considering a number of outstanding claims. Due to the nature of the Fund, it is not possible or practical to be able to determine an exact value of these claims. However, the Fund has estimated the following amount for outstanding claims not yet approved.

	2004	2003
	\$	\$
Outstanding claims not yet approved	1,091,589	949,500
	1,091,589	949,500

**12 Operating Lease Expense Commitments**

	2004	2003
	\$	\$
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	23,328	5,826
One year or later and no later than five years	10,604	–
	33,932	5,826

**13 Financial Instruments**

**(a) Interest Rate Risk Exposure**

The Fund's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is detailed below:

Cash assets are represented by amounts held in bank accounts. Cash Deposit Account is held with Commonwealth Bank of Australia. The effective weighted average interest rate for the year ended 30 April 2004 was 4.706%.

No significant interest rate risk has been identified for receivables or payables.

**(b) Credit Risk Exposure**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the fund which have been recognised on the statement of financial position is the carrying amount of trade debtors, net of any provision for doubtful debts.

**(c) Net Fair Value**

The net fair value of cash, interest bearing term deposits, special deposit accounts, receivables and creditors approximate their carrying amount.

# Financial statements

## Queensland Law Society Incorporated Certificate of Legal Practitioners' Fidelity Guarantee Fund

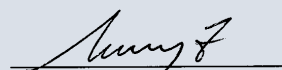
The foregoing financial statements have been prepared pursuant to s16 *Queensland Law Society Act 1952* and other prescribed requirements and we certify that –

- (a) the foregoing financial statements with other information and notes to and forming part thereof are in agreement with the accounts and records of the Legal Practitioners' Fidelity Guarantee Fund; and
- (b) in our opinion –
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the Legal Practitioners' Fidelity Guarantee Fund for the financial year 1 May 2003 to 30 April 2004 and of the financial position as at the close of that year.



President  
Glenn Ferguson

19 7 04



Chief Executive/Financial Officer  
Murray Fox

19 7 04

# Financial statements

## Independent Audit Report

### To the Council of the Queensland Law Society Incorporated

#### Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the Legal Practitioners' Fidelity Guarantee Fund for the year ended 30 April 2004 included on the Queensland Law Society Incorporated's web site. The Council is responsible for the integrity of the Queensland Law Society Incorporated's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

#### Scope

##### The financial statements

The general purpose financial statements of the Legal Practitioners' Fidelity Guarantee Fund, a trust fund vested in the Queensland Law Society Incorporated, consist of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash flows, notes to and forming part of the financial statements, and certificates given by the President and the Chief Executive/Financial Officer of the Queensland Law Society Incorporated, for the year ended 30 April 2004.

##### The Council's responsibility

The Council is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

##### Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial statements are presented fairly, in accordance with the requirements outlined in note 1.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Society,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

#### Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

#### Audit Opinion

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
- (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the transactions of the Legal Practitioners' Fidelity Guarantee Fund for the financial year 1 May 2003 to 30 April 2004 and of the financial position as at the end of that year.

**P J NOTTINGHAM FCPA**  
**Audit Manager**  
**(as Delegate of the Auditor-General of Queensland)**

**Queensland Audit Office**  
**Brisbane**



# Financial statements

Queensland Law Society Incorporated  
General Trust Accounts' Contribution Fund  
Statement of Financial Performance  
for the year ended 30 April 2004

	Notes	2004 \$	2003 \$
<b>Revenue from Ordinary Activities</b>			
Interest earned on Solicitors' Trust Accounts		23,253,698	16,617,952
Interest on Investments		150,667	94,767
<b>Total Revenue from Ordinary Activities</b>		<b>23,404,365</b>	<b>16,712,719</b>
<b>Expenses from Ordinary Activities</b>			
Administration & Committee Expenses		43,347	42,370
Audit Fees		2,500	2,320
Distributions –			
Legal Aid Queensland		17,518,887	12,501,022
Supreme Court Library		2,335,852	1,666,803
Queensland Law Society Incorporated – Contributions Distribution Account		2,335,852	1,666,803
Queensland Law Society Incorporated – Grants Fund		1,167,926	833,401
Sundry Expenses		1	–
<b>Total Expenses from Ordinary Activities</b>		<b>23,404,365</b>	<b>16,712,719</b>
<b>Surplus/(Deficit) from Ordinary Activities</b>		–	–
<b>Non-Owner transaction changes in equity</b>			
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity		–	–
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		–	–

The Statement of Financial Performance is to be read in conjunction with  
the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
General Trust Accounts' Contribution Fund  
Statement of Financial Position  
as at 30 April 2004

	Notes	2004 \$	2003 \$
<b>Current Assets</b>			
Cash Assets		3,522	9,929
Receivables	3	2,023,544	1,463,141
Interest Bearing Term Deposits		2,118,962	1,375,217
<b>Total Current Assets</b>		<b>4,146,028</b>	<b>2,848,287</b>
<b>Total Assets</b>		<b>4,146,028</b>	<b>2,848,287</b>
<b>Current Liabilities</b>			
Payables	4	4,146,028	2,848,287
<b>Total Current Liabilities</b>		<b>4,146,028</b>	<b>2,848,287</b>
<b>Total Liabilities</b>		<b>4,146,028</b>	<b>2,848,287</b>
<b>Net Assets</b>		<b>-</b>	<b>-</b>
<b>Equity</b>			
Retained Profits/(Accumulated losses)		-	-
<b>Total Equity</b>		<b>-</b>	<b>-</b>

The Statement of Financial Position is to be read in conjunction with the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
General Trust Accounts' Contribution Fund  
Statement of Cash Flows  
for the year ended 30 April 2004

	Notes	2004 \$ Inflows (Outflows)	2003 \$ Inflows (Outflows)
<b>Cash Flows from Operating Activities</b>			
Interest earned on Solicitors' Trust Accounts		22,695,393	16,131,761
Distributions Paid & Administration Expenses		(22,106,414)	(15,997,401)
Interest Received		148,359	94,046
<b>Net cash provided by/(used in) operating activities</b>	<b>5(c)</b>	<b>737,338</b>	<b>228,406</b>
<b>Net Increase/(Decrease) in Cash held</b>		<b>737,338</b>	<b>228,406</b>
<b>Cash at the beginning of the Financial Year</b>		<b>1,385,146</b>	<b>1,156,740</b>
<b>Cash at the end of the Financial Year</b>	<b>5(a)</b>	<b>2,122,484</b>	<b>1,385,146</b>

The Statement of Cash Flows is to be read in conjunction with the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
General Trust Accounts' Contribution Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

## Notes

### Scope of Operation

The Queensland Law Society Incorporated ('the Society'), pursuant to s36B of the *Queensland Law Society Act 1952* ('the Act') is required to establish and maintain a fund called the General Trust Accounts' Contribution Fund (the "Fund") for the collection of interest earned on Solicitor's Trust Accounts for the purposes of the Act. The major sources of income for the Fund are interest earned on Solicitor's Trust Accounts and interest on investments.

### 1 Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the Fund's financial statements are:

#### (a) Basis of Preparation

The financial report is a General Purpose Financial Report which has been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements. Section 36 of the Act requires the Society to prepare annual audited accounts in respect of the Fund.

The financial report has also been prepared on the basis of historical cost and except where stated does not take into account changing money values. The accounting policies are consistent with those of the previous year and amounts in the report have been rounded to the nearest dollar. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

#### (b) Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

#### (c) Taxation

The Fund has been granted exemption from income tax by the Australian Taxation Office (ATO) per s24AK of the *Income Tax Assessment Act 1936* with the exception of Fringe Benefits Tax (FBT) and the 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 ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (d) Cash and Other Financial Assets

For the purposes of the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 April as well as deposits on call with financial institutions. The Cash Deposit Account is an interest bearing account which is readily convertible to cash on hand at the Society's option. These investments are brought to account at fair value as indicated in note 5(a). Interest income is brought to account on an accrual basis.

#### (e) Receivables

Receivables are carried at actual amounts and represent interest accruals for amounts received in the month after balance date.

#### (f) Payables

Payables are carried at actual amounts and represent accrued distributions resulting from the interest accrual referred to above as part of receivables.

# Financial statements

**Queensland Law Society Incorporated  
General Trust Accounts' Contribution Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004**

**(g) Adoption of International Financial Reporting Standards**

The Financial Reporting Council has announced that from 1 January 2005, all Australian reporting entities will be required to apply the Australian Equivalents to International Financial Reporting Standards (IFRS) to their financial statements.

The Society has been consistently reviewing Australian Equivalents and other relevant documentation to assess the possible impact on its external reporting requirements, financial systems, policies and procedures. Due to the nature of General Trust Accounts' Contribution Fund transactions, the Society has not identified any major differences in accounting policies that will occur upon the adoption of Australian Equivalents to IFRS.

**(h) Legal Profession Act 2004**

The *Legal Profession Act 2004 (Qld)* came into effect on 31 May 2004. The new Act repeals the *Legal Profession Act 2003* but re-enacts its provisions (which have been amended and updated) and consolidates them into the one Act. In addition, the *Legal Profession Act 2004 (Qld)* will ultimately replace the *Queensland Law Society Act 1952*.

The provisions contained within the Act cover a range of matters including the establishment of the Legal Services Commission, Legal Practice Tribunal and Committee and the Legal Practitioners Admissions Board, together with a number of technical measures including those relating to transitional provisions to facilitate the transfer to the new legislation. As part of the transitional provisions, all outstanding balances, bank accounts and the responsibility for the financial management of the General Trust Accounts' Contribution Fund will be transferred to the Department of Justice and Attorney-General as at 1 July 2004.

**2 Administration Expenses**

The Fund, pursuant to s36E of the Act is required to reimburse the Society for all costs and expenses incurred in the administration of the Fund. The Society performs all managerial and administrative tasks on behalf of the Fund, and continually reviews bank contributions to ensure they are maintaining satisfactory levels.

**3 Receivables**

	2004 \$	2003 \$
Accrued Bank Contributions	2,018,010	1,459,705
Accrued Interest	5,534	3,226
GST Payable	–	210
	2,023,544	1,463,141

**4 Payables**

	2004 \$	2003 \$
Administration Fees	19,548	18,194
Audit Fees	2,500	2,720
June distribution accrued as at reporting date		
Legal Aid Queensland	3,092,985	2,120,530
Supreme Court Library	412,398	282,737
Queensland Law Society Incorporated – Contributions Distribution Account	412,398	282,737
Queensland Law Society Incorporated – Grants Fund	206,199	141,369
	4,146,028	2,848,287

# Financial statements

Queensland Law Society Incorporated  
General Trust Accounts' Contribution Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

## 5 Notes to the Statement of Cash Flows

### (a) Reconciliation of Cash

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

	2004 \$	2003 \$
Cash Assets	3,522	9,929
Interest Bearing Term Deposits	2,118,962	1,375,217
	<u>2,122,484</u>	<u>1,385,146</u>

### (b) Financing Facilities

The Fund has no external non-cash financing nor any standby credit facilities or any other loan facilities.

### (c) Reconciliation of Net Cash Provided by Operating Activities to the Surplus/ (Deficit) for the Year

	2004 \$	2003 \$
Surplus/(Deficit) for the Period	–	–
<i>Changes in Assets and Liabilities</i>		
(Increase)/Decrease in Receivables	(560,403)	(486,912)
(Decrease)/Increase in Creditors	1,297,741	715,318
Net Cash Provided by Operating Activities	<u>737,338</u>	<u>228,406</u>

## 6 Contingent Liabilities

There were no known contingent liabilities at 30 April 2004

## 7 Financial Instruments

### (a) Interest Rate Risk Exposure

The Fund's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is detailed below:

Cash assets are represented by amounts held in bank accounts.

Interest Bearing Term Deposits are held with Commonwealth Bank of Australia. The term of the investment is usually within a range of one (1) to three (3) months depending on the perceived need for cash and movement in interest rates. The effective weighted average interest rate for the year ended 30 April 2004 was 4.80%.

### (b) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. No significant credit risks have been identified.

### (c) Net Fair Value


The net fair value of cash, interest bearing term deposits, special deposit accounts, receivables and creditors approximate their carrying amount.

# Financial statements

## Queensland Law Society Incorporated Certificate of General Trust Accounts' Contribution Fund

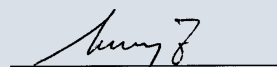
The foregoing financial statements have been prepared pursuant to s36R of the *Queensland Law Society Act 1952* and other prescribed requirements and we certify that in our opinion –

- (a) the foregoing financial statements with other information and notes to and forming part thereof are in agreement with the accounts and records of the General Trust Accounts' Contribution Fund; and
- (b) in our opinion –
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the General Trust Accounts' Contribution Fund for the financial year 1 May 2003 to 30 April 2004 and of the financial position as at the close of that year.



President  
Glenn Ferguson

19 | 7 | 04



Chief Executive/Financial Officer  
Murray Fox

19 | 7 | 04

# Financial statements

## Independent Audit Report

To the Council of the Queensland Law Society Incorporated

### Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the General Trust Accounts' Contribution Fund for the year ended 30 April 2004 included on the Queensland Law Society Incorporated's web site. The Council is responsible for the integrity of the Queensland Law Society Incorporated's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

### Scope

#### The financial statements

The general purpose financial statements of the General Trust Accounts' Contribution Fund, a trust fund vested in the Queensland Law Society Incorporated, consist of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash flows, notes to and forming part of the financial statements, and certificates given by the President and the Chief Executive/ Financial Officer of the Queensland Law Society Incorporated, for the year ended 30 April 2004.

#### The Council's responsibility

The Council is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

#### Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial statements are presented fairly, in accordance with the requirements outlined in note 1.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Society,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

### Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### Audit Opinion

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
- (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the transactions of the General Trust Accounts' Contribution Fund for the financial year 1 May 2003 to 30 April 2004 and of the financial position as at the end of that year.

**P J NOTTINGHAM FCPA**  
Audit Manager  
(as Delegate of the Auditor-General of Queensland)

**Queensland Audit Office**  
Brisbane



# Financial statements

Queensland Law Society Incorporated  
Interest on Trust Accounts  
Statement of Financial Performance  
for the six month period ended 30 April 2004

	Notes	April 2004 \$	April 2003 \$
<b>Revenue from Ordinary Activities</b>			
Interest on Special Deposit Accounts		3,648,835	2,521,966
Interest on Investments		9,256	5,229
<b>Total Revenue from Ordinary Activities</b>		<b>3,658,091</b>	<b>2,527,195</b>
<b>Expenses from Ordinary Activities</b>			
Administration Expenses		21,189	60,849
Distribution –			
Legal Aid Queensland		1,818,436	1,233,173
Queensland Law Society Incorporated – Legal Practitioners Fidelity Guarantee Fund		1,818,436	1,233,173
<b>Total Expenses from Ordinary Activities</b>		<b>3,658,091</b>	<b>2,527,195</b>
<b>Surplus/(Deficit) from Ordinary Activities</b>		<b>–</b>	<b>–</b>
<b>Non-Owner transaction changes in equity</b>			
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity		–	–
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>–</b>	<b>–</b>

The Statement of Financial Performance is to be read in conjunction with  
the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Interest on Trust Accounts  
Statement of Financial Position  
as at 30 April 2004

	Notes	April 2004 \$	April 2003 \$
<b>Current Assets</b>			
Cash Assets		2	2
Receivables		738,221	491,089
Interest Bearing Term Deposits	3	96,500,000	39,000,000
Special Deposit Accounts	3	72,278,673	86,519,357
<b>Total Current Assets</b>		<b>169,516,896</b>	<b>126,010,448</b>
<b>Total Assets</b>			
		<b>169,516,896</b>	<b>126,010,448</b>
<b>Current Liabilities</b>			
Payables		738,223	491,089
Deposits Held – Solicitors' Trust Accounts	3	168,778,673	125,519,357
<b>Total Current Liabilities</b>		<b>169,516,896</b>	<b>126,010,446</b>
<b>Total Liabilities</b>			
		<b>169,516,896</b>	<b>126,010,446</b>
<b>Net Assets</b>			
		<b>–</b>	<b>2</b>
<b>Equity</b>			
Retained Profits/(Accumulated losses)		–	2
<b>Total Equity</b>		<b>–</b>	<b>2</b>

The Statement of Financial Position is to be read in conjunction with the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Interest on Trust Accounts  
Statement of Cash Flows  
for the six month period ended 30 April 2004

	Notes	April 2004 \$ Inflows (Outflows)	April 2003 \$ Inflows (Outflows)
<b>Cash Flows from Operating Activities</b>			
Lodgements to Special Deposit Accounts	3	72,013,905	43,085,829
Withdrawals from Special Deposit Accounts	3	(55,109,138)	(22,221,892)
Interest Received		3,489,476	2,306,584
Lodgements to Term Deposit Interest Bearing Accounts	3	27,500,000	5,000,000
Distributions and Administration		(3,489,476)	(2,306,584)
<b>Net cash provided by/(used in) operating activities</b>		<b>44,404,767</b>	<b>25,863,937</b>
<b>Net Increase/(Decrease) in Cash held</b>		<b>44,404,767</b>	<b>25,863,937</b>
<b>Cash at the beginning of the Financial Period</b>		<b>124,373,908</b>	<b>99,655,422</b>
<b>Cash at the end of the Financial Period</b>	<b>4(a)</b>	<b>168,778,675</b>	<b>125,519,359</b>

The Statement of Cash Flows is to be read in conjunction with the accompanying Notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Interest on Trust Accounts  
Notes to and forming part of the Financial Statements  
for the six month period ended 30 April 2004

## Notes

### 1 Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the Interest on Trust Accounts financial statements are:

#### (a) Basis of Preparation

The Queensland Law Society Incorporated ('the Society'), pursuant to s51(11) & (12) of the *Legal Practitioner's Act 1995* ('the Act'), shall keep and maintain accounts of all monies deposited with the Society by solicitors. The Act requires:

- that such accounts shall be maintained separately from all other accounts maintained by the Society, and
- half-yearly audited accounts are to be lodged with the Minister, Legal Aid Queensland and the Council of the Society.

The financial report is considered to be a General Purpose Financial Report, and is prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements.

The financial report has also been prepared on the basis of historical cost and except where stated does not take into account changing money values. The accounting policies are consistent with those of the previous year and amounts in the report have been rounded to the nearest dollar. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

#### (b) Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

#### (c) Cash and Other Financial Assets

For the purposes of the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 April as well as deposits on call with financial institutions. Interest Bearing Term Deposits consists of investments with short periods to maturity that are convertible readily to cash on hand at the Society's option. These investments are brought to account at fair value as indicated in note 4(a). Interest income is brought to account on an accrual basis.

#### (d) Receivables

Receivables which are assessed at reporting date are carried at actual amounts and represent interest accruals for amounts received in the month after balance date.

#### (e) Payables

Payables which are assessed at reporting date are carried at actual amounts and represent accrued distributions resulting from the interest accrual referred to above as part of receivables.

#### (f) Adoption of International Financial Reporting Standards

The Financial Reporting Council has announced that from 1 January 2005, all Australian reporting entities will be required to apply the Australian Equivalents to International Financial Reporting Standards (IFRS) to their financial statements.

The Society has been consistently reviewing Australian Equivalents and other relevant documentation to assess the possible impact on its external reporting requirements, financial systems, policies and procedures. Due to the nature of Interest on Trust Accounts transactions, the Society has not identified any major difference in accounting policies that will occur upon to the adoption of Australian Equivalents to IFRS.

# Financial statements

## Queensland Law Society Incorporated Interest on Trust Accounts Notes to and forming part of the Financial Statements for the six month period ended 30 April 2004

### (g) *Legal Profession Act 2004*

The *Legal Profession Act 2004* (Qld) came into effect on 31 May 2004. The new Act repeals the *Legal Profession Act 2003* but re-enacts its provisions (which have been amended and updated) and consolidates them into the one Act. In addition, the *Legal Profession Act 2004* (Qld) will ultimately replace the *Queensland Law Society Act 1952*. The provisions contained within the Act cover a range of matters including the establishment of the Legal Services Commission, Legal Practice Tribunal and Committee and the Legal Practitioners Admissions' Board, together with a number of technical measures including those relating to transitional provisions to facilitate the transfer to the new legislation.

As part of the transitional provisions, the financial effect on the Interest on Trust Accounts position and performance from discontinuing this activity will be that all outstanding balances, bank accounts and the responsibility for the financial management of the Interest on Trust Accounts will be transferred to the Department of Justice and Attorney-General as at 1 July 2004.

### 2 Administration

Interest on Trust Accounts, pursuant to s51(9) of the Act is required to reimburse the Society for all costs and expenses incurred in the administration of Interest on Trust Accounts. The Society performs all managerial and administrative tasks on behalf of Interest on Trust Accounts, and continually reviews bank contributions to ensure they are maintaining satisfactory levels.

Audit fees for the Interest on Trust Accounts are paid by the Legal Practitioners' Fidelity Guarantee Fund in accordance with s51(12) of the Act. The audit fee for the period ending 30 April 2004 is estimated at \$2,500 exclusive of GST.

### 3 Schedule of Special Deposit Account Balances & Interest Bearing Term Deposits

Bank	Balance 1-Oct-03	Withdrawals	Deposits	Balance 30-Apr-04
ANZ Banking Group Limited	13,051,566	12,262,957	8,944,793	9,733,402
Bank of New Zealand	4,922,755	123,457	2,022,088	6,821,386
Bank of Queensland Limited	6,995,685	5,494,438	8,986,502	10,487,749
Bendigo Bank	1,291,215	5,267	1,326,843	2,612,791
Commonwealth Bank of Australia	3,181,593	3,571,199	11,494,031	11,104,425
Macquarie Bank Limited	1,782,497	100,000	753,702	2,436,199
National Aust Bank Limited	9,128,968	17,127,343	16,083,067	8,084,692
Qld. Police Credit Union	27,700	—	21,000	48,700
St George Bank	4,872,050	280,260	2,458,648	7,050,438
Suncorp-Metway	3,320,142	439,100	2,308,226	5,189,268
Westpac Banking Corporation	6,799,735	15,705,117	17,615,005	8,709,623
	55,373,906	55,109,138	72,013,905	72,278,673
<b>Interest Bearing Term Deposits</b>				
ANZ Banking Group Limited	10,000,000	—	10,500,000	20,500,000
Commonwealth Bank of Australia	20,000,000	—	—	20,000,000
National Australia Bank Limited	20,000,000	—	11,500,000	31,500,000
Westpac Banking Corporation	19,000,000	—	5,500,000	24,500,000
	69,000,000	—	27,500,000	96,500,000
	<b>124,373,906</b>	<b>55,109,138</b>	<b>99,513,905</b>	<b>168,778,673</b>

The balance shown in the above schedule as at 30 April 2004 represent amounts in solicitors' trust accounts which are held in the Queensland Law Society's name. These balances are due and payable to solicitors and are therefore disclosed as a liability in the statement of Financial Position at balance date.

# Financial statements

Queensland Law Society Incorporated  
Interest on Trust Accounts  
Notes to and forming part of the Financial Statements  
for the six month period ended 30 April 2004

## 4 Notes to the Statement of Cash Flows

### (a) Reconciliation of Cash

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

	April 2004 \$	April 2003 \$
Cash Assets	2	2
Special Deposit Accounts	72,278,673	86,519,357
Interest Bearing Term Deposits	96,500,000	39,000,000
	<u>168,778,675</u>	<u>125,519,359</u>

### (b) Financing Facilities

The Interest on Trust Accounts has no external non-cash financing nor any standby credit facilities or any other loan facilities.

### (c) Reconciliation of Net Cash Provided by Operating Activities to the Surplus/ (Deficit) for the Period

	April 2004 \$	April 2003 \$
Surplus/(Deficit) for the Period	-	-
<i>Changes in Assets and Liabilities</i>		
(Increase)/Decrease in Receivables	(168,617)	(491,089)
(Decrease)/Increase in Special Deposit Accounts	44,404,767	25,863,937
(Decrease)/Increase in Creditors	168,617	491,089
Net Cash Provided by Operating Activities	<u>44,404,767</u>	<u>25,863,937</u>

## 5 Contingent Liabilities

There were no known contingent liabilities at 30 April 2004.

## 6 Financial Instruments

### (a) Interest Rate Risk Exposure

Interest on Trust Accounts exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is detailed below:

Cash assets are represented by amounts held in bank accounts.

Interest Bearing Term Deposits are held with most of the major banks. The term of the investment is usually within a range of one (1) to three (3) months depending on the perceived need for cash and movement in interest rates. The effective weighted average interest rate for the six (6) month period was 5.01%.

Special Deposit Accounts represent the cumulative total of letters of credit held by all Queensland solicitors with their respective bankers. Interest is paid on these funds at rates negotiated between the Society and the individual banks. The negotiated interest rates are linked to money market rates of interest and automatically adjust for any interest rate movement.

### (b) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. No significant credit risks have been identified.

### (c) Net Fair Value

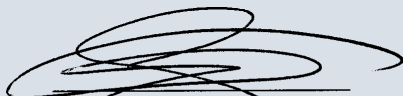
The net fair value of cash, interest bearing term deposits, special deposit accounts, receivables and creditors approximate their carrying amount.

# Financial statements

## Queensland Law Society Incorporated Certificate of Interest on Trust Accounts

The foregoing financial statements have been prepared pursuant to s51(12) of the *Legal Practitioners Act* 1995 and other prescribed requirements and we certify that in our opinion –

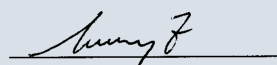
- (a) the foregoing financial statements with other information and notes to and forming part thereof are in agreement with the accounts and records of the Interest on Trust Accounts; and
- (b) in our opinion –
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the Interest on Trust Accounts for the period 1 November 2003 to 30 April 2004 and of the financial position as at the close of that period.



President

Glenn Ferguson

19/7/04



Chief Executive/Financial Officer

Murray Fox

19/7/04

# Financial statements

## Independent Audit Report

### To the Council of the Queensland Law Society Incorporated

#### Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of Interest on Trust Accounts for the half year ended 30 April 2004 included on the Queensland Law Society Incorporated's web site. The Council is responsible for the integrity of the Queensland Law Society Incorporated's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

#### Scope

##### The financial statements

The general purpose financial statements of Interest on Trust accounts, consist of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash flows, notes to and forming part of the financial statements, and certificates given by the President and the Chief Executive/Financial Officer of the Queensland Law Society Incorporated, for the six month period ended 30 April 2004.

##### The Council's responsibility

The Council is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

##### Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial statements are presented fairly, in accordance with the requirements outlined in note 1.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Society,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

#### Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

#### Audit Opinion

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
- (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the transactions of the Interest on Trust Accounts for the period 1 November 2003 to 30 April 2004 and of the financial position as at the end of that period.

**P J NOTTINGHAM FCPA**  
**Audit Manager**  
**(as Delegate of the Auditor-General of Queensland)**

**Queensland Audit Office**  
**Brisbane**



# Financial statements

Queensland Law Society Incorporated  
Grants Fund  
Statement of Financial Performance  
for the year ended 30 April 2004

	Notes	2004 \$	2003 \$
<b>Revenue from Ordinary Activities</b>			
Distribution from General Trust Accounts' Contribution Fund (Trust Account Interest)		1,167,926	833,401
Interest on Investments		22,164	18,330
Grants Recovered		–	3,334
Loan Recognised		29,166	–
<b>Total Revenue from Ordinary Activities</b>		<b>1,219,256</b>	<b>855,065</b>
<b>Expenses from Ordinary Activities</b>			
Administration & Committee Expenses	2	33,127	34,685
Audit Fees		2,600	2,114
Grants Approved		364,037	329,157
Legal Aid Queensland – Community Legal Centres		712,919	510,458
<b>Total Expenses from Ordinary Activities</b>		<b>1,112,683</b>	<b>876,414</b>
<b>Surplus/(Deficit) from Ordinary Activities</b>		<b>106,573</b>	<b>(21,349)</b>
<b>Non-Owner transaction changes in equity</b>			
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity		–	–
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>106,573</b>	<b>(21,349)</b>

The Statement of Financial Performance is to be read in conjunction with  
the accompanying notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Grants Fund  
Statement of Financial Position  
as at 30 April 2004

	Notes	2004 \$	2003 \$
<b>Current Assets</b>			
Cash Assets	5(a)	34,621	2,283
Receivables	3	234,303	143,448
Interest Bearing Term Deposits	5(a)	484,199	502,185
<b>Total Current Assets</b>		<b>753,123</b>	<b>647,916</b>
<b>Total Assets</b>		<b>753,123</b>	<b>647,916</b>
<b>Current Liabilities</b>			
Payables	4	370,835	372,201
<b>Total Current Liabilities</b>		<b>370,835</b>	<b>372,201</b>
<b>Total Liabilities</b>		<b>370,835</b>	<b>372,201</b>
<b>Net Assets</b>		<b>382,288</b>	<b>275,715</b>
<b>Equity</b>			
Retained Profits/(Accumulated losses)		382,288	275,715
<b>Total Equity</b>		<b>382,288</b>	<b>275,715</b>

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Grants Fund  
Statement of Cash Flows  
for the year ended 30 April 2004

	Notes	2004 \$ Inflows (Outflows)	2003 \$ Inflows (Outflows)
<b>Cash Flows from Operating Activities</b>			
Distribution from General Trust Accounts' Contribution Fund		1,103,075	798,175
Interest Received		21,972	18,283
Grants Paid & Administration Expenses		(1,114,029)	(814,629)
<b>Net cash provided by/(used in) operating activities</b>		<b>11,018</b>	<b>1,829</b>
<b>Cash Flows from Financing Activities</b>			
Loans Recovered		3,334	3,334
<b>Net cash provided by/(used in) financing activities</b>		<b>3,334</b>	<b>3,334</b>
<b>Net Increase/(Decrease) in Cash held</b>	5(c)	<b>14,352</b>	<b>5,163</b>
<b>Cash at the beginning of the Financial Year</b>		<b>504,468</b>	<b>499,305</b>
<b>Cash at the end of the Financial Year</b>	5(a)	<b>518,820</b>	<b>504,468</b>

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the Financial Statements.

# Financial statements

Queensland Law Society Incorporated  
Grants Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

## Notes

### Scope of Operation

The Queensland Law Society Incorporated ('the Society'), pursuant to s36F of the *Queensland Law Society Act 1952* ('the Act') is required to establish and maintain in trust, all moneys constituting the Grants Fund ('the Fund') for the purposes of the Act. The objectives of the Fund are to promote, encourage and facilitate programs and other activities which result in better outcomes in the practice of law for the legal profession and for the wider community. The major sources of income for the Fund are distributions from the General Trust Accounts' Contribution Fund and interest on investments.

### 1 Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the Grants Fund's financial statements are:

#### (a) Basis of Preparation

The financial report is a General Purpose Financial Report which has been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements. Section 36 of the *Queensland Law Society Act 1952* requires the Society to prepare annual audited accounts in respect of the Fund.

The financial report has also been prepared on the basis of historical cost and except where stated does not take into account changing money values. The accounting policies are consistent with those of the previous year and amounts in the report have been rounded to the nearest dollar. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

#### (b) Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

#### (c) Taxation

The Fund has been granted exemption from income tax by the Australian Taxation Office (ATO) per s24AK of the *Income Tax Assessment Act 1936* with the exception of Fringe Benefits Tax (FBT) and the 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 ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (d) Cash and Other Financial Assets

For the purposes of the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 April as well as deposits on call with financial institutions. The Cash Deposit Account is an interest bearing account which is readily convertible to cash on hand at the Society's option. These investments are brought to account at fair value as indicated in note 5(a). Interest income is brought to account on an accrual basis.

#### (e) Receivables

Receivables represent interest accruals and a loan to Woman's Legal Services. Interest accruals represent actual amounts for amounts received in the month after balance date. Loan receivable is carried at recoverable amount represented by the gross value of the outstanding balance.

#### (f) Payables

Payables are carried at actual amounts and represent accrued distributions resulting from the interest accrual referred to above as part of receivables

# Financial statements

## Queensland Law Society Incorporated Grants Fund

### Notes to and forming part of the Financial Statements for the year ended 30 April 2004

#### (g) Adoption of International Financial Reporting Standards

The Financial Reporting Council has announced that from 1 January 2005, all Australian reporting entities will be required to apply the Australian Equivalents to International Financial Reporting Standards (IFRS) to their financial statements.

The Society has been consistently reviewing Australian Equivalents and other relevant documentation to assess the possible impact on its external reporting requirements, financial systems, policies and procedures. Due to the nature of Grants Fund transactions, the Society has not identified any major difference in accounting policies that will occur upon the adoption of Australian Equivalents to IFRS.

#### (h) Legal Profession Act 2004

The *Legal Profession Act 2004* (Qld) came into effect on 31 May 2004. The new Act repeals the *Legal Profession Act 2003* but re-enacts its provisions (which have been amended and updated) and consolidates them into the one Act. In addition, the *Legal Profession Act 2004* (Qld) will ultimately replace the *Queensland Law Society Act 1952*.

The provisions contained within the Act cover a range of matters including the establishment of the Legal Services Commission, Legal Practice Tribunal and Committee and the Legal Practitioners Admissions Board, together with a number of technical measures including those relating to transitional provisions to facilitate the transfer to the new legislation. As part of the transitional provisions, all outstanding balances, bank accounts and the responsibility for the financial management of the Grants Fund will be transferred to the Department of Justice and Attorney-General as at 1 July 2004.

#### 2 Administration and Committee Expenses

Section 36M of the *Queensland Law Society Act 1952* provides that the Secretary of the Society shall be the Secretary of the Grants Committee, in the absence of any other such appointment by that Committee, to assist that Committee in the administration of the Grants Fund.

For the management and administrative work performed by the Secretary and for maintenance of accounting records and investment of surplus monies, an administration fee is paid by the Grants Fund to the Society pursuant to s72 of the *Trusts Act 1973*.

#### 3 Receivables

	2004 \$	2003 \$
Accrued Distribution due from the –		
General Trust Accounts' Contribution Fund	206,199	141,369
Loan Receivable	25,833	–
Accrued Interest	2,271	2,079
	<hr/>	<hr/>
	234,303	143,448
	<hr/>	<hr/>

#### 4 Payables

	2004 \$	2003 \$
Grants Approved but not yet paid	234,146	272,930
Administration Fees	9,107	10,685
Audit Fees	2,500	2,000
Legal Aid for Community Legal Centres	125,082	86,586
	<hr/>	<hr/>
	370,835	372,201
	<hr/>	<hr/>

# Financial statements

Queensland Law Society Incorporated  
Grants Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

## 5 Notes to the Statement of Cash Flows

### (a) Reconciliation of Cash

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

	2004 \$	2003 \$
Cash Assets	34,621	2,283
Interest Bearing Term Deposits	484,199	502,185
	<u>518,820</u>	<u>504,468</u>

### (b) Financing Facilities

The Fund has no external non-cash financing nor any standby credit facilities or any other loan facilities.

### (c) Reconciliation of Net Cash Provided by Operating Activities to the Surplus/ (Deficit) for the Year

	2004 \$	2003 \$
Surplus/(Deficit) for the Period	106,573	(21,349)
<i>Add/(less) items classified as financing activities</i>		
Loans Recovered	(3,334)	(3,334)
<i>Changes in Assets and Liabilities</i>		
(Increase)/Decrease in Receivables	(90,855)	(35,273)
(Decrease)/Increase in Creditors	(1,366)	61,785
Net Cash Provided by Operating Activities	<u>11,018</u>	<u>1,829</u>

## 6 Heal Street Building Grant

A grant of \$88,999 was paid to the Queensland Law Society in March 1988 to enable the purchase of a building on behalf of the Caxton Legal Service. The building is held by the Society in trust for the Grants Fund and upon the sale of the property for whatever reason, the proceeds of the sale revert to the Grants Fund in total.

## 7 Contingent Liabilities

There were no known contingent liabilities at 30 April 2004.

## 8 Financial Instruments

### (a) Interest Rate Risk Exposure

Grants Fund exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is detailed below:

Cash assets are represented by amounts held in bank accounts. Cash at Bank is a working cheque account and is not exposed to interest rate risk. Cash Deposit Account is held with Commonwealth Bank of Australia. The average interest rate for the year ended 30 April 2004 was 4.80%.

### (b) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The concentration of credit risk in relation to the Fund lies with Loan Receivable and has been assessed as minimal due to previous repayment history and the value and frequency of the repayment amount.

# Financial statements

Queensland Law Society Incorporated  
Grants Fund  
Notes to and forming part of the Financial Statements  
for the year ended 30 April 2004

(c) **Net Fair Value**

The net fair value of cash, interest bearing term deposits, special deposit accounts, receivables and creditors approximate their carrying amount.

**9 Post Balance Date Event**


The Women's Legal Services loan balance of \$25,833 was forgiven by the Grants Committee on 30 June 2004.

# Financial statements

## Queensland Law Society Incorporated Certificate of Grants Fund

The foregoing financial statements have been prepared pursuant to s36R of the *Queensland Law Society Act* 1952 and other prescribed requirements and we certify that in our opinion –

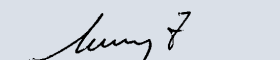
- (a) the foregoing financial statements with other information and notes to and forming part thereof are in agreement with the accounts and records of the Grants Fund; and
- (b) in our opinion –
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the Interest on Trust Accounts for the financial year 1 May 2003 to 30 April 2004 and of the financial position as at the close of that year.



President

Glenn Ferguson

19 7 04



Chief Executive/Financial Officer

Murray Fox

19 7 04



# Financial statements

## Independent Audit Report

### To the Council of the Queensland Law Society Incorporated

#### Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the Grants Fund for the year ended 30 April 2004 included on the Queensland Law Society Incorporated's web site. The Council is responsible for the integrity of the Queensland Law Society Incorporated's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

#### Scope

##### The financial statements

The general purpose financial statements of the Grants Fund, a trust fund vested in the Queensland Law Society Incorporated, consist of a Statement of Financial Performance, a Statement of Financial Position, a Statement of Cash flows, notes to and forming part of the financial statements, and certificates given by the President and the Chief Executive/Financial Officer of the Queensland Law Society Incorporated, for the year ended 30 April 2004.

##### The Council's responsibility

The Council is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

##### Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial statements are presented fairly, in accordance with the requirements outlined in note 1.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Society,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

#### Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

#### Audit Opinion

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

- (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the transactions of the Grants Fund for the financial year 1 May 2003 to 30 April 2004 and of the financial position as at the end of that year.

**P J NOTTINGHAM FCPA**  
**Audit Manager**  
**(as Delegate of the Auditor-General of Queensland)**

**Queensland Audit Office**  
**Brisbane**