



Queensland Law Society

77th Annual Report 2004-05



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Letter of transmission



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Office of the President

Your ref:

Our ref: GWF:RG

27 July 2005

Hon Linda Lavarch MP
Attorney-General and Minister for Justice
GPO Box 149
BRISBANE QLD 4001

Dear Attorney

It is with very real pride and pleasure that I submit the Annual Report for 2004/05 of the Queensland Law Society.

It has been my honour to serve the profession and the Society for two years as President during the critical implementation phase of the new regulatory regime and all that flows from the *Legal Profession Act 2004* and, after some initial teething problems, the Society has adapted successfully to the new environment, consolidated its position, reinforced its relevance to the profession and it now has a sound and well-defined base to go on to further future success.

The past year has been one of unprecedented and very positive activity. With the new regulatory regime, our organisation was restructured and, to an extent, downsized to concentrate on our core responsibilities of delivering member services and promoting and defending the profession.

Nothing is more important for practitioners than staying up to date in their particular area of practice – that guarantee provides a tremendous assurance for clients and actively works to dampen any rises in professional indemnity insurance premiums.

In recent months, the Society has developed the most comprehensive and integrated Continuing Legal Education program – in part to meet the responsibilities we took on by deciding that mandatory continuing professional development for all practitioners would apply from 1 July 2005. This radical yet common-sense restructure has allowed practitioners to more easily identify those courses and events most suitable for their needs and the expanded curriculum with a wider diversity and greater number of events has given the program both relevancy and appeal. I believe that the suite of courses now being offered is second to none – the emphasis is deliberately on providing courses devised by members for members.

As you are aware, we are working with the Government towards a capped liability scheme and the mandatory CPD scheme is integral to the success of that.

I have stressed that communication with the membership is a major priority. Our flagship magazine *Proctor* continues to go from strength to strength and when we get unsolicited messages of praise from Chief Justice Paul de Jersey, Chief Magistrate Judge Marshall Irwin, High Court Justice Michael Kirby and a host of others – most importantly our own members – then we know that we are doing it right. *QLS Update* – the regular email bulletin – is also proving to be a vital communication tool and has won wide acceptance for its immediacy and relevance while the *Newsletter of the Law* and *The Verdict* continue to be improved.

To underline the fact that our publications are for the members by the members, we are now inviting members to submit articles for *Proctor*, the *Queensland Law Society Journal* and *The Verdict*.

www.qls.com.au

Letter of transmission

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The *QLS Legislation Update* has proven to be a great hit and plans have already been made to bring back the *Queensland Law Society Journal* – last published in 1996 – in electronic form. Importantly, our website, www.qls.com.au has been redesigned and is user-friendly, comprehensive and kept regularly up-to-date and showcases our strong focus on member services.

The Members' Library and its own publication *Addlib* are core services and the research capabilities were upgraded – there are now almost 16,000 requests a year for information – and it is a popular and useful service especially for those members who don't have ready access to other resources.

The *Solicitors Handbook* is in the process of being rewritten and updated as a comprehensive easy-reference guide. This project will include *Law Society Rules* and Council rulings as well as the standards, duties and responsibilities required in practice.

A whole host of member services was launched as a part of our new marketing plan including the relaunch of LawCare, the assistance program providing professional and confidential counselling paid for by the Society.

Under the new regulatory regime, we work closely and with mutual respect with the Legal Services Commission and believe that the new arrangements are working well to serve the best interests of all. There is now a transparency of process and defined responsibility which gives an assurance that complaints will be properly investigated.

We have retained responsibility for the issuing, cancellation and suspension of practising certificates, the audit of solicitors' trust accounts, the administration of the Legal Practitioners Fidelity Guarantee Fund, the three uncommenced areas concerning incorporated legal practices, multi-disciplinary practices and the registration of foreign lawyers and the making of recommendations to the Attorney-General and Minister for Justice.

We are working to finalise these yet-to-be resolved issues as a matter of priority, particularly incorporated legal practices and you would be aware that discussions with your department are continuing in an atmosphere of mutual good will.

Our corporate governance is founded on solid accountability principles and a new CEO – former President Peter Carne – has begun. It is both timely and appropriate after the repositioning and restructuring of the Society that our CEO be a respected lawyer who can help drive the future agenda.

It was both daunting and fulfilling to be able to oversee our LAWASIA involvement firstly as the successful bidder and then as host of the LAWASIA biennial conference in March. Those who attended this very special event hailed it as a huge success and it was certainly one of my proudest moments as President to be able to welcome guests from around Australia and the region. Certainly, we took risks to bid for the event but its outstanding success, financially and every other way, really put us on the map and it is now my very great honour to be a LAWASIA Vice-President.

What has emerged clearly and especially in the period since the new regulatory regime came into effect is the unanimous desire of members for the Society to have a more pro-active promotion and defence of the profession. We have moved on from the period when the media and others subjected us to unrelenting, unforgiving and often uninformed attacks and we have already begun to be more assertive.

One key initiative supported and endorsed by the State Government was the establishment of Smart Exporting Queensland (SEQ) which brought together in an alliance a wide range of professional groups who, united, can present an integrated suite of services for exporters and potential exporters. I was honoured to accept the position of inaugural president.

I take this final opportunity to thank you for your on-going interest, understanding and support for the Society.

Yours sincerely



Glenn W Ferguson
President

Our profile

The Queensland Law Society is the professional association for more than 6000 solicitors in Queensland. It is incorporated under an Act of Parliament – the *Legal Profession Act 2004* – and 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 entitled to engage in legal practice in Australia is eligible for membership of the Society. Associate membership is also available.

The Society has specific statutory responsibilities in relation to the regulation and discipline of solicitors in Queensland.

In addition to its statutory responsibilities, the Society has objectives 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 referred to it by the Legal Services Commission

- administering the Fidelity Guarantee Fund
- trust account controls and receivership of trust property
- providing a public referral service for solicitors and mediators.

Increasing community understanding of the law, helping protect the rights of the individual and advising the public about benefits solicitors can provide are principle objectives.

The Society conducts ongoing programs to inform the community about the law and the legal profession including the Schools and Higher Education Service and promotion of pro bono (free) work undertaken by the many solicitors who provide legal advice to charities, other organisations and individuals.

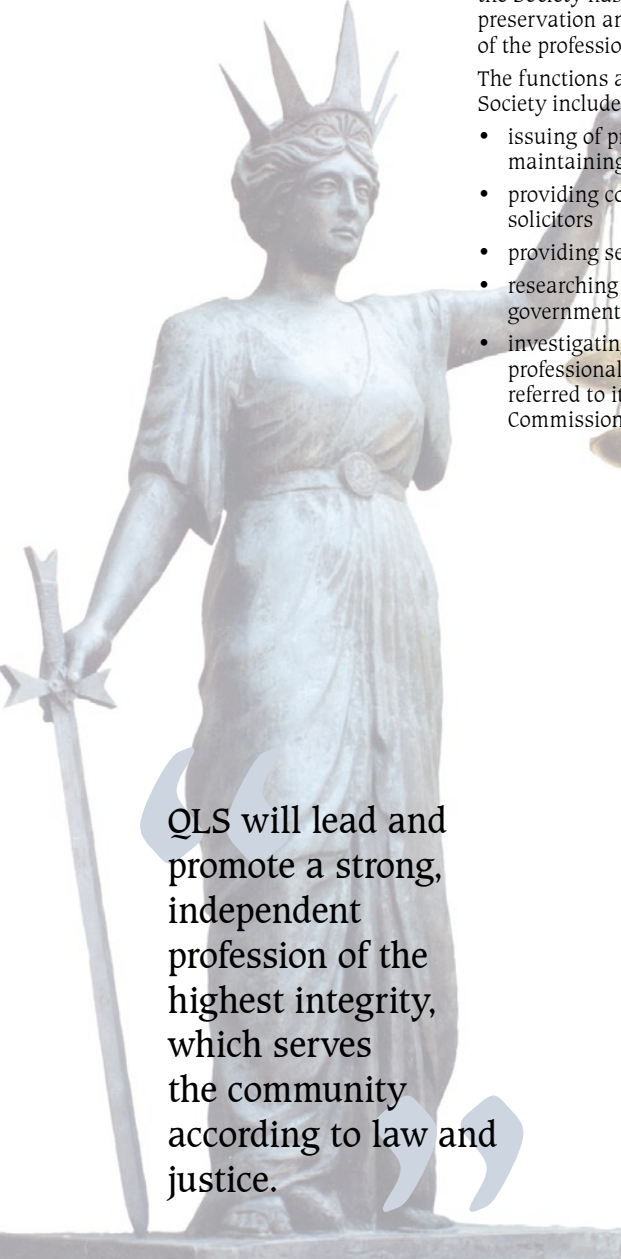
Stakeholders

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 leads and promotes a strong, independent profession of the highest integrity which serves the community according to law and justice.



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

QLS council

Council

Glenn Ferguson (President)
Rob Davis (Vice-President)
Tom Sullivan (Immediate Past President)
Don Armit
Joan Bennett
Ian Berry
Patricia Conroy
Scott Falvey
Raoul Giudes
Julie Harrington
Brian Kilmartin
Ian Hughes
Megan Mahon
Michael Meadows
David O'Brien
Joe Pinder
Ron Ashton (until 31 December 2004)

Executive

Glenn Ferguson (President)
Rob Davis (Vice-President)
Ian Berry
Megan Mahon
Joe Pinder
Megan Mahon replaced Tom Sullivan as an Executive Committee member during the 2004/2005 year.
Ian Berry replaced Ron Ashton as an Executive Committee member during the 2004/2005 year.



*front row (l to r): Glenn W Ferguson (President), Joe Pinder, Rob Davis (Vice-President),
second row (l to r): Tom Sullivan (Immediate Past President), Ron Ashton, Brian Kilmartin, Murray Fox (Chief Executive/Financial Officer)
third row (l to r): Scott Falvey, Megan Mahon, David O'Brien, Don Armit, Patricia Conroy
back row (l to r): Raoul Giudes, Joan Bennett, Ian Hughes, Michael Meadows, Ian Berry
absent: Julie Harrington*

CEFO's review



It is with pleasure I report to members that a year that started with significant uncertainty both in terms of our role and finances has ended with the Society achieving a budget surplus. The Society is now in a position to focus directly on the delivery of member services.

The State Government's continuing legal profession reform process and the move towards a national profession required the Society to review, restructure and adapt to a new operating environment in order to move forward and remain relevant. The financial uncertainty at the start of the year was due in part to an unclear understanding of what was defined in or deemed to be a regulatory activity, the requirement to submit budgetary documents to government regarding regulatory matters and also prepare the members' budget without knowing the outcome of the government budgetary process. There are inter-relationships between the two budgets and the members' budget was prepared with a degree of uncertainty and this also placed the Society in a difficult position.

The only way financial viability could be guaranteed given the budgetary constraints was to develop more streamlined and cost-effective approaches to all areas of operation. This has been achieved and now the opportunity exists for the Society to focus on expanding members' services and the issues facing members and the profession.

Budget and financial result

The Society budget for the financial year commencing 1 May 2005 saw expenditure cut by 20%, or \$1.6 million. There were no fee increases in either the membership or practising certificate fees. It was essential that the Society's restructuring process incorporate cost reductions and efficiency gains not the easy option of fee increases. Staff numbers were reduced by 25% and a flatter management structure put in place. In the short term this no doubt led to a reduction in the ability to provide member services. Thankfully, this was only temporary and soon new member services were introduced.

The consolidated financial result for the year is a surplus of \$4,648,625. The consolidated result incorporates the Society's private membership activities, the professional indemnity insurance company QLS Insurance Pte Ltd and the Law Claims Levy Fund, and the regulatory responsibilities imposed by legislation.

For the first time the consolidated result reflects the legal reform requirements that regulatory activities be consolidated with the Society's privately funded members' activities. For this reason it is important to review the financial results individually and separate comments follow about each of the Society's activities.

Membership activities

These include the provision of library services, continuing legal education, the monthly publication Proctor and other member services. The provision of these services required significant review during the year to ensure financial viability. This was achieved without the requirement to increase the member fee. After major restructuring the result for the year was a surplus of \$1,137,567, which is significantly better than the budgeted deficit of \$10,239. The Society is now in a position to expand and investigate the delivery of new and enhanced member services.

The Society continued to offer a free members' library research and documentary delivery service with again more than 17,000 research requests satisfied. A new member service initiative was the introduction of the free legal update service which updates members on all new state and subordinate legislation with a brief commentary on the amendments. Another new initiative, which has been well received, is the members' free legal advice service. This new service provides the dual role of assisting members and hopefully resolving matters before they became serious, thereby contributing to maintaining a good professional image which is of benefit to all members of the profession.

After completion of the investigative phase of the electronic practising certificate renewal project, development work commenced during the year to deliver an internet based renewal process that is both more efficient and effective for members and the Society. The new streamlined technology while regretfully delayed to ensure all security issues were properly addressed came online towards the end of the latest practising certificate renewal process and operated successfully. Hopefully, next year more members will avail themselves of this new service as its real benefits become recognised. Combined with this new technology was the introduction of a new web page. The Society now has the web based infrastructure to expand electronic member and regulatory services.

Compulsory Professional Development (CPD) was introduced during the year and Society staff travelled the state to introduce this to the profession. Those introductory sessions were well received and have been supported by an expanded and restructured CLE program to ensure all members no matter what part of the state they practise in will have access to legal education resources. This has been greatly assisted by the introduction of a video conferencing network which has been provided by the financial support of Law Foundation Queensland.

The State Government's continuing legal profession reform process and the move towards a national profession required the Society to review, restructure and adapt to a new operating environment in order to move forward and remain relevant.

CEFO's review

QLS Insurance Pte Ltd

The company made a profit for the year of \$728,745 based on excellent investment returns of \$3,955,754. The company is structured to provide professional indemnity insurance coverage to Queensland solicitors at the cheapest possible cost while operating conservatively in recognition of the long tail nature of professional indemnity insurance. The insurance underwriting loss for the year was \$3,185,566 and this was more than offset by the investment returns. In order to provide the cheapest possible premiums for Queensland solicitors the Directors of the company and the Council of the Society aim to align the underwriting result and investment returns. The premium payable by practitioners was increased by less than 1.0% during the year due in part to the retention of risk by the Society's insurance company QLS Insurance Pte Ltd and the stability of reinsurance costs.

Law Claims Levy Fund

This fund operated the professional indemnity insurance program from 1987 to 1995. The fund is now in run-off. The fund also receives the share of professional indemnity premiums that have been allocated to claims management and retains these funds to meet the cost of claims management going forward. The Fund's financial result for the year was a surplus of \$1,624,649.

Regulatory activities

With the introduction of the *Legal Profession Act 2004* the Society has responsibility for the issuing of practising certificates and maintenance of the database of Queensland solicitors plus the investigation of some complaints referred by the Legal Services Commissioner. The cost of these and other regulatory activities are funded from practising certificate fees and a share of solicitors trust account interest that is administered by the Department of Justice. The share of trust account interest received by the Society is subject to the government budgetary process. In this the first year of operation the regulatory activities result was a surplus of \$713,331.

Professional indemnity insurance

During the year work commenced on the development of a new premium calculation model as the current methodology has been in place for over a decade and a review was both appropriate and necessary. While extensive work had been completed Council resolved to retain the current methodology and continue the consultation process to ensure a fair and equitable premium model is developed.

Looking forward, the development of systems and procedures to identify potential future problems for the profession must become a key strategy in risk management initiatives. There will need to be increased focus on the identification of issues and the communication of these issues to firms so that all practitioners are aware of potential pitfalls in specific areas of law, especially as the current claims data discloses a small number of issues continue to cost the profession dearly.

Acknowledgement

As stated earlier in this report the introduction of the legal reform agenda had a significant impact on the Society which saw a number of staff made redundant and or not replaced due to natural turnover. This was a difficult period during which all staff worked diligently and with purpose to achieve the nominated outcome of a streamlined efficient organisation. I express my personal thanks to all Society staff for their contributions and the results achieved.



Murray Fox

“ ... the internet-based practising certificate renewal project provides greater efficiency and effectiveness for members... ”

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.

Our 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 are our primary responsibilities and those tasks can only be done in a planned, coherent way if we have a system 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 available people and that our team is dedicated to our core beliefs.

Council

The Society is governed by an elected Council of not less than fourteen (14) or more than seventeen (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 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 every second month and provides the policy directions for the Society. A network of Sections/Committees in a wide range of areas assists Council in the performance of its duties.

The current Council members are:

Glenn Ferguson (President)
Rob Davis (Vice-President)
Tom Sullivan (Immediate Past President)
Don Armit
Joan Bennett
Ian Berry
Patricia Conroy
Scott Falvey
Raoul Giudes
Julie Harrington
Brian Kilmartin
Ian Hughes
Megan Mahon
Michael Meadows
David O'Brien
Joe Pinder

Ron Ashton (until 31 December 2004)

Legal Profession Reform will result in the size of Council being reduced from seventeen (17) members to ten (10) members at the Council Election in June 2005.

Executive Committee

Five (5) members of Council, including the President, form the Executive Committee.

The Committee usually meets every second month 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 current Executive Committee members are:

Glenn Ferguson (President)
Rob Davis (Vice-President)
Ian Berry
Megan Mahon
Joe Pinder

Megan Mahon replaced Tom Sullivan as an Executive Committee member during the 2004/2005 year.

Ian Berry replaced Ron Ashton as an Executive Committee member during the 2004/2005 year.

Corporate governance

President

The President leads the Council and ensures it focuses on its key role of setting the corporate direction and goals and monitoring the performance of the Society.

In this role, the President's responsibilities include:

- chairing Council and Executive Committee meetings and setting the agenda for business conducted at those meetings
- ensuring an effective flow of information between the Council and the organisation, through the CE/FO
- 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, CE/FO and the organisation
- consulting and communicating 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 CE/FO to ensure effective corporate governance and this includes facilitating the contribution of Council members to particular projects and activities as detailed in the annual business plan.

Within this framework, it is common for a President to bring a specific emphasis to one or more key issues when he/she comes into office and this is an important factor shaping priorities of the Council and the organisation during the term of his/her presidency.

Chief Executive/Financial Officer (CE/FO)

The CE/FO is accountable to Council for overall performance. The Council sets the strategic agenda by determining its overall goals, priorities and policies and the CE/FO manages the organisation to ensure resources are focused to deliver the services agreed by Council in the annual business plan.

The CE/FO also plays a key role in the development of the strategic direction by Council 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 CE/FO includes:

- developing and overseeing implementation and reporting to Council on the annual business plan and budget
- ensuring sound financial management, including compliance with relevant financial management standards and legislation

- ensuring sound corporate governance policies and mechanisms
- representing the Society to Government and other key stakeholders and ensuring the views of the Society are communicated effectively
- representing and marketing the Society at seminars, presentations and conferences
- contributing to national and international forums including the Law Council of Australia, LAWASIA and the International Institute of Law Association Chief Executives
- leading and providing direction to the Senior Management Team
- overseeing 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), the body responsible for the day to day running of QLS, is chaired by the CE/FO and includes all Directors. The President can attend by invitation.

The SMT generally meets fortnightly. At every meeting Directors give a brief oral report on the activities and achievements of their departments since the previous meeting and highlight any significant issues for discussion.

Issues relevant to the strategic direction of the Society are discussed as the SMT is primarily responsible for the implementation of the Corporate Planning process.

Finance and administration

The Financial Policy and Procedure Manual – which is available to all relevant officers – has been updated recently to ensure compliance with legislative requirements and sound financial governance guidelines.

Internal controls are in place to ensure protection of assets and revenue. The CE/FO reviews internal controls on an ongoing basis to ensure continued applicability and relevance.

The Audit Committee is reviewing its charter to determine whether its role should be expanded to incorporate the risk management framework and policies.

The Finance department has responsibility for managing investments – specifically the professional indemnity insurance funds. An independent investment consultant is retained to give advice to the Council and that advice, in conjunction with actuarial reports, ensures 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 the Society

Bernie O'Donnell LLB

Bernie O'Donnell is a graduate of Victoria University, Wellington, New Zealand. He was admitted as a Barrister & Solicitor of the High Court of New Zealand in 1973 and the Supreme Court of Victoria in 1984. He was admitted as a Solicitor of the Supreme Court of Queensland in 1985. He practised as an employed solicitor, a sole practitioner, a partner in private practice and as the Officer-in-Charge of the Legal Aid Office at Maroochydore prior to joining the Society in 1989 as a solicitor in the Law Claims department. 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) GradDiplLib

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.



Director, Professional Standards

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.



Director, Corporate Services

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.



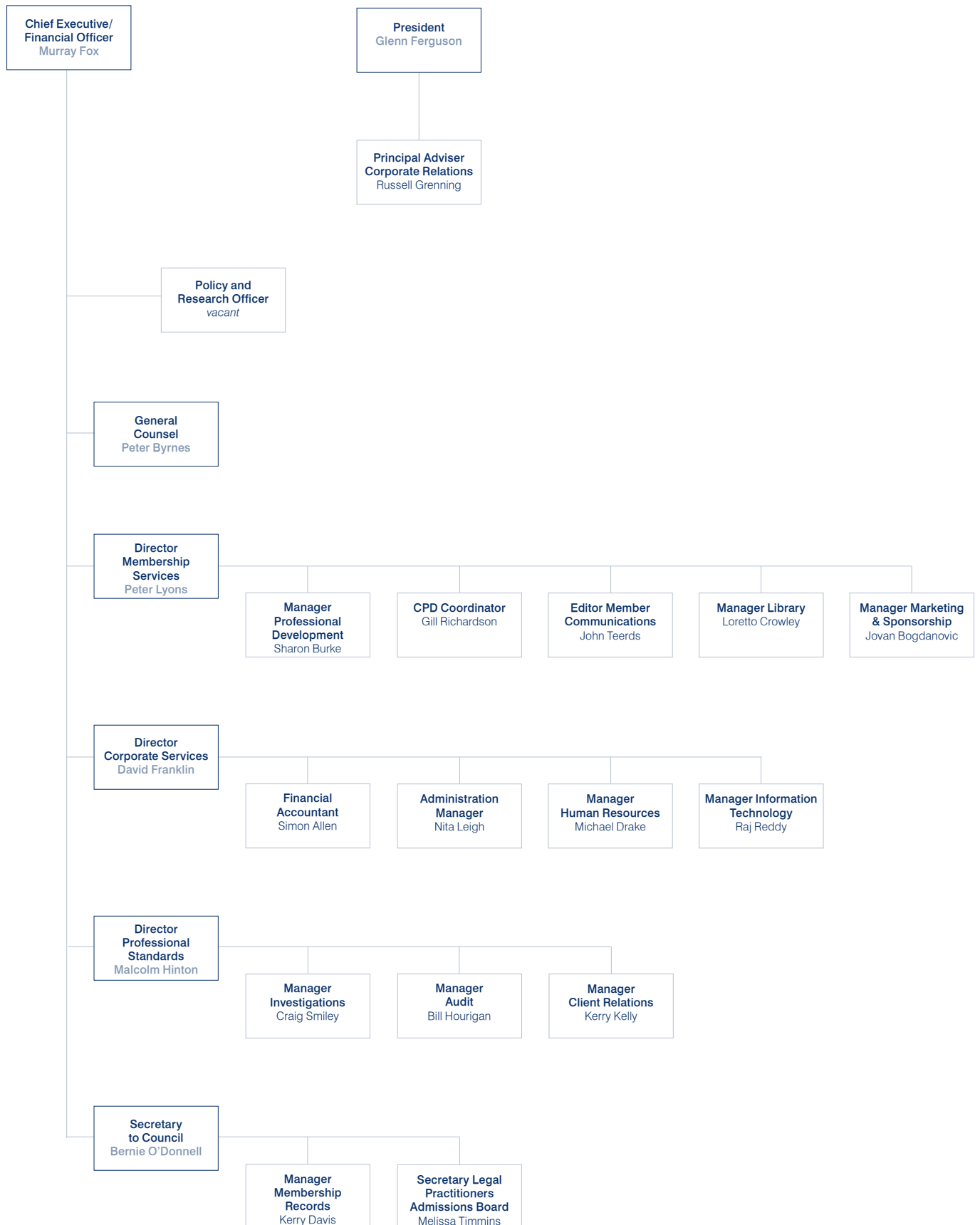
Director, Membership Services

Peter Lyons LLB LLM MA (Justice Studies)

Peter Lyons is a graduate of the Queensland University of Technology and was admitted as a solicitor in October 1986. He was further admitted as a solicitor of the High Court in 1990 and admitted as a barrister of the Supreme Court of Queensland in 1995. He began in his current position with the Society in October 2004 and previously had been Deputy General Counsel and Manager, Investigations. He held legal positions with the Crime and Misconduct Commission and was a practitioner for 10 years in private practice.

Corporate governance

Organisational chart as at 30 April 2005



Departmental reports

Membership Services

A year of rebuilding

The core commitment of the Society is to provide professional, innovative and worthwhile member services. The year was a time of rebuilding for membership services and key internal contributors – Professional Development (incorporating Continuing Legal Education), Continuing Professional Development, Publications, Library and Membership Marketing and Sponsorship – have developed and strengthened services provided to practitioners.

Professional development

The Professional Development department amalgamated core educational programs into one cohesive section which includes:

- Continuing Legal Education
- Specialist Accreditation
- Practice Management Course
- the Schools and Community Education Service
- Business Partners.

Professional development initiatives

These new initiatives were commenced by the Professional Development department:

- QLS Member Services Calendar
- Business Partners Scheme
- Reintroduction of the *QLS Journal* (in e-journal format).

CLE program

There was a substantial rebuilding of the CLE program, particularly in the second half of the year.

All CLE events were moved into 'series' of events (for example, Master Series, Young Lawyers Series etc), to assist practitioners in selecting appropriate educational programs. This 'streaming' provided a user-friendly and efficient way for practitioners to identify those events most suitable to their individual levels of expertise and experience.

The CLE curriculum was expanded with a greater number and wider diversity of events and a number of non-traditional programs were introduced into the core program, including the Soft Skills Series and Newsflash Series.

The continued expansion in both event numbers and topic diversity will continue.

Specialist accreditation

The Specialist Accreditation program continues to grow, with the Immigration program being added. The introduction of the inaugural Specialist Accreditation Conference in March 2005 was a resounding success, with almost 300 practitioners attending this multi-streamed specialist event. With plans for new programs to be introduced, specialist accreditation remains an integral element of the Society's Professional Development department.

Practice management

A Practice Management Seminar Breakfast Series was added into traditional events programming in March 2005 to complement the Practice Management Course. In partnership with the Australian Legal Practice Management Association (ALPMA), this five-part series will continue. Given the early success of this program, such events will feature regularly in future Professional Development programs to provide timely and relevant educational, business and networking opportunities for practitioners working in sole to mid-size firms.

Schools and community education scheme (SCES)

Formerly called the Schools and Higher Education Service (SHES), a more 'pastoral' approach was introduced into this program – with a change of name being the first step in reflecting the expanded focus of this subscription service. The SCES subscriber magazine, *The Verdict*, also reflected this community approach by adding informative articles from respected community organisations. Further evolution of this program will continue.

Continuing professional development

The Council considered a discussion paper about the introduction of a mandatory Continuing Professional Development ('CPD') Scheme in mid-February, 2004 and resolved:

"That a mandatory Continuing Professional Development Scheme will be introduced for all Queensland solicitors from 1 July 2005."

By developing an educational program that assists practitioners to complete ten units of compulsory professional development, the Society has sought to ensure that:

- practitioners receive informative guidance as to what seminars and other CPD programs provided by in-house or by commercial providers they may rely upon to gain CPD points
- the maintenance and quality of the courses provided comply with the requirements for a minimum standard of course content and presentation and
- they provide, where appropriate, practitioners with cost-efficient methods of CPD delivery.

The Society is ensuring the profession is informed about the scheme and understands compliance provisions by providing every practitioner with a helpful CPD scheme guidebook and presenting statewide seminars to provide practitioners with relevant CPD information. To ensure such issues were addressed, the assistance of a significant financial grant from the Queensland Law Foundation is acknowledged.

A key commitment to maintaining professional standards of the highest order for the profession is the inclusion of compulsory units of trust accounting, professional standards and risk management within the CPD scheme, and a scheme which allows for the accreditation of both in-house and external CPD providers has been introduced.

Departmental reports

Publications

Proctor

The flagship Society publication *Proctor* continues to grow in both size and popularity and is now in a 60-page full-colour format. The design and production moved in-house in 2004, at a substantial cost saving, and during the year unsolicited comments testified to its quality and popularity:

"I congratulate those responsible for an interesting and readable journal."

– Justice Michael Kirby, High Court of Australia

"Proctor, by the way, continues in my view as an instructive and entertaining storehouse of information..."

– Chief Justice Paul de Jersey AC

"Thank you for the excellent article in Proctor. I have received a great deal of positive feedback both from within the magistracy and externally. I have no doubt that it has been a positive for the magistracy... and is typical of the support I have received from the Law Society over the last 12 months."

– Chief Magistrate Judge Marshall Irwin

"Just a short note to say congratulations on such an excellent July edition of Proctor. And thank you too."

"I have noted a marked improvement since the survey done some time ago. I now look very much forward to each edition. And when I get my copy, I can't put it down. I now keep it in my briefcase until I have completed reading Proctor cover to cover. I particularly 'enjoy' and appreciate the practice-focused articles. They are a great help to me personally and professionally."

– Roderick George, Browns Plains

QLS Update

QLS Update containing important news and information is emailed weekly to members and other subscribers. During the year, it was upgraded from plain text to HTML format which created a more attractive and user-friendly publication. The subscription base continues to grow to include many members of the judiciary, among others.

Other publications

The *Newsletter of the Law* service and the Schools and Community Education Service electronic publication, *The Verdict* – which broadened its subscriber base to include public libraries – were improved.

New initiatives

Two important new projects were initiated:

Return of the QLS Journal: The *Queensland Law Society Journal* will be re-launched in electronic format. The *Journal*, last published in 1996, will return with articles of high legal scholarship from early October 2005.

Back to Basics compilation: A book of the popular Kylie Downes' columns, a regular feature of *Proctor* since mid-2000, is being compiled for publication.

Library

The Members' Library provides legal research and document delivery, and there were many positive changes to these services. The Members' Lounge, originally located on the ground floor, has been relocated to the Library after alterations to the layout. This facility, providing a quiet working atmosphere for practitioners to meet with their clients, is an obvious benefit for our regional membership and is patronised equally by Brisbane suburban and CBD practitioners.

Addlib

The library continues to provide informative publications to members and *Addlib* – a library publication produced monthly – is a widely used resource informing practitioners about current developments in the library as well as assisting members to conduct their own legal research and alerting them to significant cases and articles of interest. Although members are encouraged to download their copy from the website, some 300 copies are still mailed out – a decrease of 400 from the previous year.

The library also publishes a regular newsletter.

Research facility

The research capabilities provided by the library have been upgraded to provide online subscriptions from the CD format or the printed format. The library has a highly resourced legal collection which is monitored and upgraded regularly.

Practitioners visiting the library can access our suite of online products and delivery of requested information has been assisted by use of a photocopier with scanning facilities and members are encouraged to submit their requests via the website. This process has been warmly received and provides a more efficient information delivery.

The research service provided by the Library is especially valuable for those firms not having access to extensive legal resources and 15,688 requests were received, which is slightly down from the previous year, as library staff have redirected members to locate information on free sites (where appropriate) allowing them to obtain information more quickly and to locate information at any time.

The central focus for the Library is the provision of services electronically as far as possible and the Queensland Law Foundation generously upgraded the existing library management system. The implementation of this system has assisted the management of the huge volume of research enquiries, to track progress and to allow the collection of statistics electronically. The capabilities of this system have improved the level of information which can be provided via a catalogue record.

Departmental reports

Membership, marketing and sponsorship

Marketing

A Membership and Marketing Plan to provide a focus for activities for at least the next 18 months was created.

Membership and marketing

The foundation of the Marketing Plan recognises that members cover a diverse range and have, in the course of their careers, many roles, including small business owners, large business owners, executives, employees, experts, novices, mentors and 'perpetual students of the law' which means that the services required to meet their needs are diverse.

In the past, the term "member benefits" has been associated with commercial benefits offered by third-party providers while other services offered by the Society have been taken as being intrinsic and not a benefit. As anecdotal evidence indicates membership of the Society is seen as "accepted" by the members. The Society acknowledges that membership needs to be seen as desirable and this is better able to be achieved with a membership services plan.

Membership and marketing plan

The challenge is to how best deliver services to meet the majority demands, benefit the diversity of membership and broaden the appeal of membership to present and potential members by positioning the Society as a relevant organisation by:

- extending the terms "benefits", "member benefits" and "member advantages" to refer to all services provided and not just the commercial benefits offered by third party providers
- reinforcing that there is an advantage to being a member and that the benefits include access to information, discounted and complimentary services, and the satisfaction that comes from being a part of a relevant and vibrant organisation
- informing members of the benefits of membership
- reinforcing to members that the Society is a unique professional body with both statutory and membership responsibilities and
- actively increasing membership.

Deriving from the plan, new services have been introduced to increase the appeal of membership and there has been a greater use of *Proctor* and *QLS Update* to launch or reintroduce these services which include:

- introduction of Queensland Law Society American Express Credit Card
- introduction of AMP Banking Home Loans
- introduction of Automotive Broking and Finance Services
- introduction of complimentary movie tickets (over 280 responses)
- revival of Qantas Club Corporate Membership

- relaunch of LawCare
- launch of the Initiatives 2005.

American Express

More than 1300 members have accepted the Queensland Law Society American Express Card, which waives some fees and includes a bonus scheme in its rewards scheme. The driving force behind the marketing success has been the use of direct mail to members' firms. Members can decline further involvement in these direct mail campaigns but fewer than 0.05% have done so.

AMP Banking

An arrangement with AMP Banking provides a home loan facility with reduced rates and while it is too early to judge the popularity of the offer, early indications are matching expectations.

Qantas Club

A renewed interest in Qantas Club Membership was created through a promotion in *QLS Update* and *Proctor*. Members can save up to \$175 on the standard corporate rate.

Complimentary movie tickets

A link with film promotion companies has provided members with complimentary tickets and while most of these tickets are for Brisbane cinemas, negotiations are continuing to include regional areas.

Introduction of Automotive Broking and Finance Services (ABFS)

The successful introduction of ABFS (an automotive broker to assist members with free advice about purchasing a new or used vehicle) used *QLS Update* as a trial to determine if members were open to the idea of using it as a conduit for member benefit/service information. An encouraging number of responses have lead to other member services being broadcast to members.

Relaunch of LawCare

LawCare provides an employee assistance program which is a professional, confidential counselling service for members and their immediate family members which is paid for by the Society. The use of *QLS Update* and *Proctor* will increase awareness of this program.

Increased use of *Proctor*

In February 2005, there was an increased presence for members' benefits with articles in *Proctor* explaining how the Society can assist a member professionally, commercially and connectively under the banner of "QLS Member Information".

Increased use *QLS Update*

While keeping the integrity of *QLS Update* intact, more member services and benefits have been settled with the proof of acceptance being the immediate response to various offers – the 100 movie double passes were claimed within 45 minutes of emails being received.



Departmental reports

Launch of the Initiatives 2005

A communication campaign to remind members of Continuing Professional Development, the comprehensive Continuing Legal Education program, the review of professional indemnity insurance, the confidential professional advice, the online practising certificate review, the professional responsibility advice scheme, relaunch of LawCare and the reintroduction of the *QLS Journal* online, was launched in March 2005.

Income stream from member benefits

The Society may receive a financial benefit from members' use of some benefits and this helps to fund services and income generated is expected increase as the Society explores how benefits are structured and delivered.

New member recruitment

A campaign to recruit law students is under way and more than 250 expressions of interest to become associate members were received during the Society's participation in on-campus careers fairs at the University of Queensland, the Queensland University of Technology and the Nathan and the Gold Coast Griffith University Campuses.

The number of law student associate members is expected to increase substantially once the membership recruitment program is in place with all universities and law student associations.

The lessons learnt from this program will be used to further a recruitment drive to increase the membership base of the Society and there are plans to offer government and corporate lawyers, interstate and overseas lawyers, academics, non-practising lawyers, members of the judiciary, librarians, barristers, practice office managers and HR managers with associate membership.

Sponsorship

The goal of sponsorship is to reduce costs and extend the viability of events and initiatives. There was good support for the "President's Lunch with the Governor", ongoing support for conferences conducted by the Society, and an active involvement in sourcing contributors to the LAWASIA biennial 2005 conference. In the case of the 2004 Society calendar the costs associated with its production and publication was met by a single sponsor and strong relationships have been established with other sponsors.

Despite the brief hiatus experienced by Continued Legal Education, relationships with sponsors remained strong and an increase in sponsorship revenues is expected.

Outgoing sponsorship saw continued support of Beyond Blue and the addition of Queensland Blue Light Association as a Society-sponsored organisation. Other charities were offered a presence at various conferences and inclusion in the *QLS Update* to aid their fund-raising activities. Charities receive a discount when advertising in *Proctor* and the *QLS Diary*.

Professional Standards

The year saw the introduction of significant regulatory changes for the profession with the introduction of the *Legal Profession Act* 2004 from 1 July 2004. Among other things, it created the Legal Services Commission which took over responsibility for receiving and investigating complaints about the conduct of practitioners and their employees and the prosecution of disciplinary charges before the relevant disciplinary body.

The Act established a co-regulatory regime with the Society maintaining responsibility for:

- the issuing, cancellation and suspension of practising certificates
- the audit of solicitors' Trust Accounts
- the administration of the Legal Practitioners Fidelity Guarantee Fund
- the appointment of Supervisors, Managers and Receivers to a law practice
- the three un-commenced areas concerning Incorporated Legal Practices, Multi Disciplinary Practices and registration of foreign lawyers and
- the making of recommendations to the Minister for Justice and Attorney General about legal profession rules.

The Act created a distinction between 'conduct' complaints and 'consumer disputes' with the former involving issues of 'unsatisfactory professional conduct' or 'professional misconduct' by a practitioner or 'misconduct' by an employee while the latter do not. How complaints are dealt with is determined by the category of them.

"Conduct" complaints, if not summarily dismissed by the Legal Services Commissioner, must be investigated and 'consumer disputes' may be mediated or otherwise resolved.

The Society has retained a role in both the investigation of complaints and the resolution of 'consumer disputes' referred to it by the Legal Services Commission. In relation to 'conduct' complaints, our role is limited to conducting the investigation and making a recommendation as to what, if any, disciplinary action is believed to be warranted. The Society is required to provide the Commission with a draft of the disciplinary application together with the supporting evidence when disciplinary action is recommended and this is reviewed by the Commissioner who determines any action. If the Commissioner brings a disciplinary application, the matter proceeds before either the Legal Practice Tribunal (chaired by the Chief Justice) or the Legal Practice Committee (chaired by Mr Peter Cooper). These two disciplinary bodies replaced the Solicitors Complaints Tribunal.

The Society attempts to resolve consumer disputes to the mutual satisfaction of the parties.

Departmental reports

There was significant organisational and structural reform as a result of the new Act. From 1 May 2004 until 30 June 2004, the Legal Investigations and Prosecutions department consisted of the Legal Investigations branch which conducted investigations into the more serious allegations of professional misconduct and unprofessional conduct or practice and the Prosecutions branch which provided advice to the staff of the Legal Investigations branch, the Financial Assurance and Client Relations department and prosecuted matters before the Solicitors Complaints Tribunal.

From 1 July 2004, the Legal Investigations and Prosecutions department ceased its prosecutorial role (apart from those matters that had already commenced in the Solicitors Complaints Tribunal) and reallocated its resources to the preparation of draft disciplinary applications, the compilation of briefs of evidence and the provision of advice to investigators, auditors and client relations officers concerning issues relating to their duties.

In September 2004, the Investigations department and the Financial Assurance and Client Relations Centre department were amalgamated to form the Professional Standards department. This department, managed by Mr Malcolm Hinton, consists of:

- the Investigations branch
- the Audit branch
- the Client Relations Centre
- Fidelity Fund Administrator/External Intervention and
- the Senior Solicitor/Advisor.

The Investigations branch

The Investigations branch is managed by Mr Craig Smiley and staffed by 7.2 full-time investigators with a diverse range of experience from legal, business and investigative backgrounds.

From 1 May 2004 until 30 June 2004, eighty-three new written complaints for investigation were received. Table 1 describes the conduct about which complaints were received.

Table 1

category	no.	%
advertising	3	4%
another party's solicitor	2	2%
breach of confidentiality	2	2%
conflict of interest	2	2%
costs – other	1	1%
costs – overcharging	14	17%
failure – comply with QLS Act or Rules	5	7%
failure – supervision	1	1%
failure to honour undertaking	1	1%
failure to transfer – lien/no lien	1	1%
fraud/misappropriation/stealing	2	2%
instructions – not followed/acting without	2	2%
lack of communication	2	2%
misleading/dishonest conduct	5	7%
negligence	11	13%
other	7	9%
undue delay	3	4%
unethical conduct	19	23%
total complaint files opened	83	100%

Table 2 identifies the area of law out of which the complaint arose.

Table 2

matter type	no.	%
advertising	3	4%
commercial/company law	9	11%
conveyancing	22	27%
criminal law	2	2%
deceased estates or trusts	3	4%
family law	9	11%
industrial law	1	1%
leases/mortgages	4	5%
litigation	11	13%
other	7	8%
personal injuries/workcover litigation	12	14%
total complaint files opened	83	100%

During this same period, the Society finalised 217 complaints. The outcome of those matters finalised is set out in the following table.

Departmental reports

Table 3

closing code	no.	%
cannot investigate productively	15	7%
closed – costs referred to costs assessor	3	1%
closed – matter before court	5	2%
complaint withdrawn	16	7%
exonerated	15	7%
matter resolved	12	6%
not substantiated	143	66%
substantiated – disciplinary action	2	1%
substantiated – no formal disciplinary action	6	3%
total complaint files closed	217	100%

Since 1 July 2004, the Legal Services Commission has referred 386 new complaints to the Society for investigation and, in that period, 475 investigations were finalised and returned to the Commission for its review and final determination.

The Investigations branch also received 1,450 telephone enquiries about various professional conduct issues.

The Audit branch

The Audit branch, managed by Bill Hourigan, is staffed by three 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 money
- to provide assistance to legal practices to ensure that they maintain their trust accounting records in accordance with the requirements of the *Trust Accounts Act 1973* and good accounting practices and
 - to analyse audit reports lodged with the Society by solicitor appointed trust account auditors.

The branch conducted 256 examinations during the year compared to 263 in the previous year, with the vast majority resulting in recommended changes to procedures to ensure the proper maintenance of trust records and the proper handling of trust money. In eight instances there were recommendations to the Legal Services Commissioner that conduct charges be brought against a solicitor before the Legal Practice Tribunal or Legal Practice Committee. In another thirty-nine instances, the examination resulted in a decision to conduct a further examination and in six of these instances, the legal practice agreed to pay the cost of the further examination.

A total of 1,193 audit reports received from solicitor appointed auditors for the year ended 31 March 2004 was analysed and action taken included corresponding with the auditors to clarify matters reported, corresponding with legal practices to ensure appropriate action was taken by the practice about matters reported and the conduct of an audit examination.

The branch received approximately 4,100 telephone calls from solicitors and their staff and solicitor appointed trust account auditors seeking advice and assistance and a significant number of written inquiries for advice and assistance.

Five of the branch's examinations resulted in the appointment of officers of the Society as supervisor to six solicitor's trust accounts pursuant to section 319 of the *Legal Profession Act*. The appointments were made as the examination disclosed that accounting records had not been kept satisfactorily and there was a danger trust money could be improperly dealt with by the legal practice. Society officers supervise ten solicitors' trust accounts and these legal practices must produce relevant accounting records and documents to satisfy the supervisor that proposed disbursements from the trust account are to the persons entitled to the money, or in accordance with their directions.

The Client Relations Centre

The Client Relations Centre ("the Centre") is managed by Mr Kerry Kelly and is staffed by two full time and one part time Client Relations Officers and one administrative assistant.

From 1 May 2004 to 30 June 2005, the Centre investigated the less serious written complaints – those judged by the Assessment Committee as capable of being resolved and, since 1 July 2004, it has dealt with 'consumer disputes'.

The Centre also handles telephone enquiries about solicitors and their staff and the complaint investigation process and a proactive approach is taken to negotiate a satisfactory outcome for the complainant and the practitioner. This may be achieved by simply making a series of telephone calls, by written communication with the complainant and the practitioner, by interviewing parties involved in the dispute and determining a resolution strategy or by sponsoring a mediation process.

A total of 112 new complaints was referred to the Centre between 1 May 2004 and 30 June 2004 and Table 4 describes the conduct about which complaints were received.

Departmental reports

Table 4

category	no.	%
another party's solicitor	7	6%
conflict of interest	2	2%
contacting another solicitor's client	1	1%
costs – failure to account for trust moneys	1	1%
costs – failure to provide itemised account	3	3%
costs – other	1	1%
costs – overcharging	27	24%
failure – comply with QLS Act or Rules	3	3%
failure – supervision	1	1%
failure to transfer – lien/no lien	8	7%
lack of communication	20	18%
loss of documents	1	1%
misleading/dishonest conduct	3	3%
negligence	15	13%
other	2	2%
pressure to settle	1	1%
request for legal advice	2	2%
threatening/rude/abusive conduct	4	3%
undue delay	2	2%
unethical conduct	4	3%
withholding moneys	4	3%
total	112	100%

Table 5 identifies the area of law out of which the complaint arose.

Table 5

matter type	no.	%
building/construction law	2	2%
commercial/company law	9	8%
conveyancing	29	26%
criminal law	3	3%
debt recovery	1	1%
deceased estates or trusts	7	6%
family law	24	21%
immigration	1	1%
industrial law	1	1%
leases/mortgages	2	2%
litigation	6	5%
other	5	4%
personal injuries/workcover litigation	22	20%
total complaint files opened	112	100%

During this same period, the Centre finalised 121 complaints. The outcome of those matters finalised is set out in the following table.

Table 6

closing code	no.	%
cannot investigate productively	4	3.5%
complaint withdrawn	8	7%
due process observed	50	41%
matter resolved	44	36%
matter unresolvable	11	9%
not substantiated	4	3.5%
total complaint files closed	121	100%

On 1 July 2004, the Centre had 252 files on hand and these were reduced to eleven by 30 April 2005. During that time, the Centre resolved 323 consumer disputes and the Legal Services Commissioner referred 139 disputes.

The Centre resolved 161 (or 51%) of these disputes and a further 21 (or 7%) were withdrawn during the course of the resolution process. A total of 118 (or 37%) was not resolved to the parties' satisfaction.

The Centre also attended to 1518 inquiry matters between 1 May 2004 and 30 June 2004 and 4579 inquiry matters between 1 July 2004 and 30 April 2005. The most common types of inquiry matters are set out in the following table.

Table 7

subject of inquiry	percentage
inquiries on costs (failure to enter client agreement, no disclosure, itemised accounts)	25%
inquires on costs (overcharging)	6%
lack of communication/discourtesy	4%
negligence	6%
delay	5%
failure to carry out instructions	2%
liens	2%
general inquiries (these calls cover a wide range of topics and are in the main general information provided concerning the legal system)	37%

In the course of dealing with these inquiries, the Client Relations Officers received or made approximately 8400 telephone calls. These calls were from consumers raising concerns about the conduct of practitioners or their employees and, on occasions, disputes between practitioners, and efforts were made to resolve these issues informally. A further 850 calls were made in relation to the handling of consumer disputes referred by the Legal Services Commissioner.

Departmental reports

The Centre analysed enquiry matters over a four month period from 1 October 2004 to 31 January 2005 to measure its effectiveness in resolving concerns between consumers and practitioners (and between practitioners themselves) without situations escalating to a point where a formal complaint was made to the Legal Services Commissioner. This revealed that of the 1320 inquiry matters received, only 41 or 3.1% resulted in a formal complaint then being lodged with the Legal Services Commissioner.

Fidelity Fund Administrator/External Intervention

The Fidelity Fund Administrator, Mr Glenn Forster, has the main responsibility of approving payments as Supervisor of various solicitors' trust accounts and his role includes responsibility for maintaining the official record of the solicitor's trust account and arranging the audit of it. These additional responsibilities were imposed by the *Legal Profession Act 2004* from 1 July 2004.

He also manages the receivership of regulated property – trust money, other trust property, client files and safe custody documents. During the year, the Society appointed itself as the receiver of the trust property of four legal practices, following the suspension, or strike off, of a solicitor. As the receiver of regulated property, the Society must to return the property to the person entitled to it, or otherwise deal with it in accordance with that person's instructions. The period immediately after an appointment is always frenetic, involving communicating with all the clients of the practice to advise them of the appointment and the need to instruct a new solicitor to act for them.

Approximately 885 telephone calls were made and received about receivership administrations and supervisor appointments during the year.

The Fidelity Guarantee Fund Administrator also receives claims against the Fidelity Guarantee Fund, makes recommendations to the Committee of Management of the Fund as to whether the claims should be admitted and attempts to recover money on behalf of the Fund.

Claims against the Fund are admitted if the Committee of Management is satisfied that the claimant has suffered pecuniary loss as the result of theft, or fraudulent misappropriation, by a partner, or employee, of a legal practice. During the year 49 claims were admitted and a total amount of \$782,840.86 was paid from the Fund.

Senior Solicitor/Advisor

From 1 May 2004 to 30 June 2004, there were two prosecutions before the Solicitors Complaints Tribunal and one solicitor was fined and the other struck off. The Tribunal made compensation orders totalling approximately \$19,000 in the latter case.

The Society appeared successfully before the Court of Appeal to oppose an appeal by the solicitor who was struck off and brought a prosecution against another former solicitor in the Magistrates Court for a breach of the *Trust Accounts Act 1973*. The former solicitor was fined.

The Society appeared three times before the Solicitors Complaints Tribunal to oppose applications by solicitors for variations of existing Tribunal Orders and was successful in opposing two applications, which ultimately resulted in the two solicitors suspended from practice.

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.

A major part of this work related to matters arising under the *Legal Profession Act 2004* ("the LP Act") and this required negotiation and discussion with officers of the Department of Justice and Attorney-General, extensive analyses of the implication of this Act for the Society and its members, the preparation of papers for the President and Council as well as notices for *QLS Update* and articles for *Proctor*. Presentations on the LP Act at seminars were also undertaken.

General Counsel co-ordinated the making of the *Society Rule* and the *Administration Rule* under the LP Act to largely replace the previously existing rules including the *Queensland Law Society Rule 1987* and the *Queensland Law Society (Continuing Legal Education) Rule 1988*, both of which are scheduled to expire on 1 July 2005 unless earlier repealed by a transitional regulation under the LP Act. General Counsel was also the delegate of Council for approving forms required for the administration of the LP Act.

Other submissions for the consideration of Council or its Executive Committee included:

- Law Council of Australia maternity leave and national family leave policies
- the Court of Appeal decision in *Re Petroulias* [2004] QCA 261
- criteria for Council to apply when considering applications for exemption from statutory fee limits in speculative personal injury claims

- Queensland Public Interest Law Clearing House (QPILCH)
- payment of contributions and levies to the fidelity fund by corporate and community legal centre lawyers
- collaboration between the Society and the College of Law on a practical legal training project
- reporting of alleged offences under the *Personal Injury Proceedings Act 2002* to the Attorney-General
- Queensland Community Foundation, and
- the application for readmission by a practitioner who had been previously struck off.

Other activities included:

- Director on the board of College of Law Queensland Pty Ltd
- membership of the Law Council of Australia's Admission and Legal Practice Working Groups on the National Profession Model Laws Project, the National Profession Working Group and the National Practice Advisory Group
- membership of the Law Council of Australia's Professional Standards Legislation Working Group
- Director and employer representative on the board of Queensland Law Society Superannuation Pty Ltd, and
- appearances on behalf of the Society in the Court of Appeal and the Supreme Court.

Departmental reports

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 by General Counsel, Peter Byrnes in providing 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 Society's sections/committees, which are co-ordinated by the Secretariat. The assistance provided by volunteer members of the Society's sections/committees has been invaluable.

The Secretariat provides direct support and assistance to the numerous Sections/Committees, with members of the department representing the Society to further the interest 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, 723 legal practitioners were admitted of whom 520 applied for and received practising certificates as solicitors. A total of 6,959 current practising certificates were issued.

The Secretariat's main achievements during the 2004-05 year were:

- the 2004 AGM
- the Convocation for District Law Associations held at the LAWASIA downunder 2005 Conference
- the negotiation 2004/2005 Professional Indemnity Insurance for the profession with the assistance of the Professional Indemnity Insurance Review Committee and the Society's CEO/CFO Murray Fox
- liaising with various stakeholders and the Society's General Counsel in respect of the implementation of legal profession reform introduced by the *Legal Profession Act 2004* and ancillary legislation
- liaising the various stakeholders in respect of the introduction of the new sections/committees structure for the Society
- involvement in submissions to the Law Council of Australia on legal profession reform at state and national levels with the assistance of various sections/committees of the Society
- co-ordinating and preparing submissions to Government in respect of various issues originating from the various sections/committees of the Society
- QLS website
- online renewals.

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

Departmental reports

Corporate Services

The Corporate Services department, which includes the Finance, Human Resources, Information Technology and Administration sections, provides administrative support to other departments and our strategic goal is to provide relevant and timely services to enable them to efficiently and effectively discharge their duties.

The Finance section is managed by the Financial Accountant, Simon Allen, who is assisted by the Assistant Financial Accountant, Kerry Prentice, and three finance clerks. The Finance section prepares budgets – subject to Council approval – for our regulatory and member services functions, raises invoices for goods and services provided, pays accounts for goods and services received, provides monthly management reports to other departments and the Council and prepares annual accounts.

The Human Resources section comprises Michael Drake as Manager and HR Officer, Susanne Plowman, and provides developmental and personnel administration functions in support of both senior and line management. These functions incorporate industrial relations, employment and recruitment, staff development and training, remuneration administration, safety and welfare and conflict resolution. Additional activities include coordination and provision of graphic design and publishing services.

The Information Technology section, managed by Raj Reddy, assisted by webmaster, Mark Bailey, interfaces the various software programs with each other and with the computer hardware.

A major restructure of the website has been completed to give a more logical presentation of information and enable an online practising certificate renewal process. Further enhancements are to be rolled out.

The Administration section, managed by Nita Leigh, provides general administrative support for all Society staff, including:

- the reception desk
- the Call Centre, which deals with an average of more than 500 calls each day
- the ordering of goods and services and the receipt of goods
- the receipt and dispatch of mail
- the setting up of rooms for meetings, CLE events and functions
- the implementation of practices and procedures in accordance with policies formulated by the Human Resources section to ensure a healthy and safe workplace
- the management of Law Society House
- the compilation, production, sale and distribution of the *QLS Diary and Desk Reference*
- the production, sale and distribution of QLS publications such as the *Land Titles Practice Manual* and *Lease Precedents* and
- the administration of QLS hire facilities such as the Mediation Centre and the Auditorium.

Event highlights



QLS Christmas function

QLS celebrated the festive season with its annual Christmas drinks function in the Brasserie Marquee at the Stamford Plaza Hotel in 2004.

From left to right: QLS President Glenn Ferguson with President's Award winners Clare Endicott, Ron Ashton and Justin Crosby.



New videoconferencing facility

The QLS videoconferencing facility was officially launched in April 2005 thanks to the generous assistance of the Queensland Law Foundation Pty Ltd.

From left to right: Law Foundation President Justin O'Sullivan, Queensland Attorney-General Rod Welford, and QLS President Glenn Ferguson at the launch.



QLS business partners

QLS launched its Business Partnership scheme in 2005, with the Royal Flying Doctor Service (Queensland) the first organisation to come on board.

From left to right: Royal Flying Doctor Service director of public affairs, Stephen Penberthy and QLS membership services director Peter Lyons.



QLS welcomes newly admitted solicitors

QLS held a series of morning teas throughout the year to welcome newly admitted solicitors to the profession and highlight the many services offered by the Society.

From left to right: Robert Lyons of Broadley Rees, with Justin O'Callaghan and Elizabeth Roubin of Phillips Fox.



LAWASIA Secretariat opening

The LAWASIA Secretariat celebrated its official opening at Law Society House in February.

From left to right: QLS Vice President Rob Davis, Queensland Chief Justice Paul de Jersey, LAWASIA Secretary-General Janet Neville, Attorney-General Rod Welford, LAWASIA President elect Jung Hoon Lee of Korea and QLS President Glenn Ferguson.



LAWASIA downunder 2005

Delegates at LAWASIA downunder 2005 were treated to a range of internationally-renowned speakers including former deputy Malaysian Prime Minister Anwar Ibrahim and ASIO Director-General Dennis Richardson.

Pictured: Former deputy Malaysian Prime Minister Anwar Ibrahim.



LAWASIA downunder 2005

The biennial LAWASIA Conference brought together members of the legal profession from throughout the Asia Pacific region on the Gold Coast in March 2005.

From left to right: Federal Attorney-General Philip Ruddock, Chief Justice of Queensland Paul de Jersey AC, Queensland Governor Ms Quentin Bryce AC and Chief Justice of Australia Murray Gleeson AC at LAWASIA.



LAWASIA downunder 2005

Pictured: Federal Attorney-General Philip Ruddock at the LAWASIA conference.

Statistics of the profession

Practising Certificates Issued

	1995/1996	2001/2002	2002/2003	2003/2004	2004/2005
Principal Level	2350	2314	2333	2380	2397
Conditional Level	221	521	758	764	3278
Employee Level	2253	2982	3250	3291	1041
TOTAL	4824	5817	6341	6435	6716

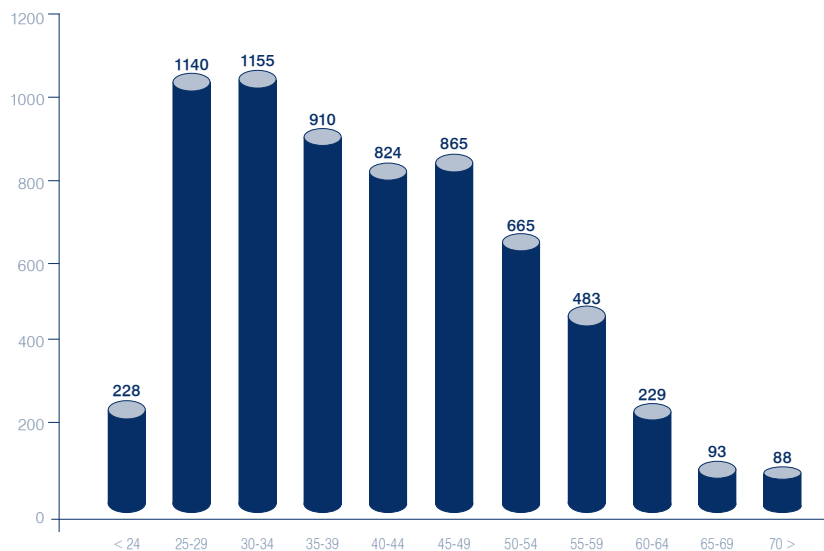
Admissions to Practise in Queensland

	1995/1996	2001/2002	2002/2003	2003/2004	2004/2005
Admissions	536	718	799	894	718

Membership

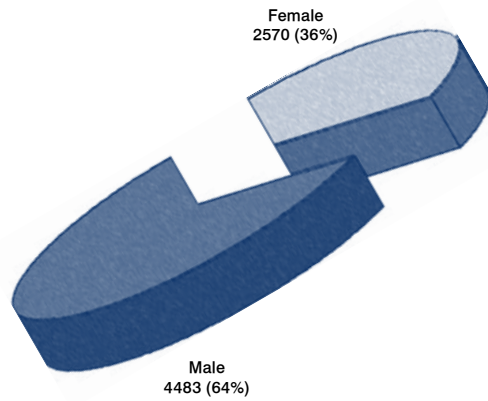
	1995/1996	2001/2002	2002/2003	2003/2004	2004/2005
Members	4967	5784	6073	6121	6588
Associate Members	30	27	39	41	60
Complimentary Members	36	50	69	40	80
Honorary Members	8	14	16	11	16
TOTAL	5011	5875	6197	6203	6746

Age of solicitors practising in Queensland

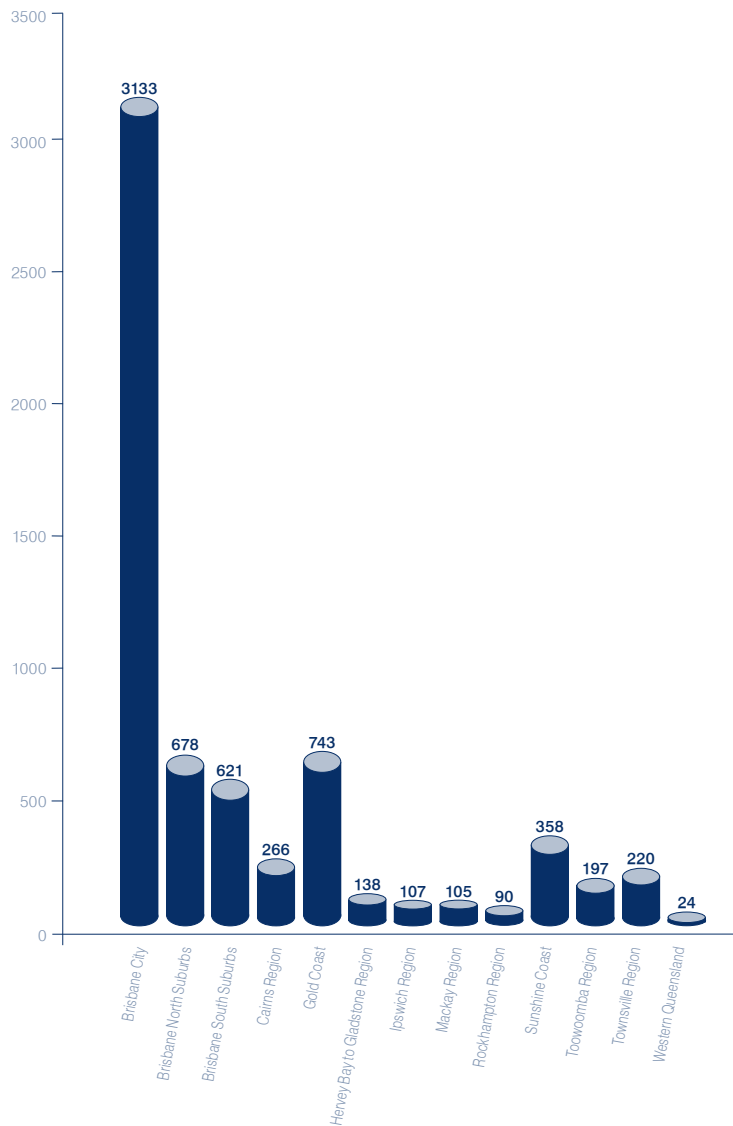


Statistics of the profession

Gender of solicitors



Geographical distribution of solicitors practising in Queensland



QLS sections/committees

A new sections/committees structure was implemented by the society during the year. After extensive consultation and consideration, eighteen Sections have been formed and the number of committees reporting to those sections has been reduced to seventeen.

These sections/committees assist in the development of policies and responses to government on proposed legislative amendments by reviewing it, 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 sections/committees have specific purposes to meet statutory functions of the Society.

Sections/committees provide a forum for members to participate in the life of the Society and members gain professionally and personally from collegial contacts. Future leaders of the Society and the profession often emerge through involvement in sections/committees.

Members are encouraged to contact sections/committees which have policy responsibility to their particular area of practice and convey their experiences, observations and questions.

Membership is voluntary and is reviewed every two years by the President and Council and this system allows the selection from the widest possible membership to ensure an appropriate age, gender and experience mix. Some sections include separate committees within their ambit.

The Society takes this opportunity to publicly thank all members who have given up their time voluntarily to participate in the sections/committees.

The new sections/committees and their chairpersons are:

Access to Justice/Pro Bono section

Pat Mullins (chair)

Accident Compensation/Tort Law section

Gerry Murphy (chair)

Alternative Dispute Resolution section

George Fox (chair)

Business Law section

David Grace (chair)

Business Law section committees:

Banking & Finance committee

Lex MacGillivray (chair)

Franchising committee

Derek Sutherland (chair)

Industrial Law committee

Anne Milner (chair)

Insolvency Law committee

Greg Rodgers (chair)

Intellectual Property committee

Jacqui Rigby-King (chair)

Information Technology & Telecommunications Law committee

John Swinson (chair)

Revenue Law committee

Peter Allen (chair)

Children's Law section

Graham Quinlivan (chair)

Company Law section

Greg Vickery (chair)

Continuing Legal Education section

Peter Carne (chair)

CLE section committees:

Symposium committee

Joan Bennett (chair)

Plain English committee

Ros Macdonald (chair)

CLE Consultative committee

Michael Crouch (chair)

Criminal Law section

Sean Reidy (chair)

Elder Law section

Annie O'Connor (chair)

Family Law section

Julie Harrington (chair)

Government/Corporate Lawyers section

Fiona Fitzpatrick (chair)

QLS sections/committees

International Law/Relations section

Rob Winter (chair)

Litigation Rules section

Peter Eardley (chair)

Litigation Rules section committees:

Ad Hoc Costs committee

Paul Garrett (chair)

Court Practice & Procedure committee

Terry McBride (chair)

Practice Development & Management section

Ian Berry (chair)

Practice Development & Management section committees:

Equalising Opportunity in Law committee

Terry Hutchinson (chair)

LawCare committee

Gail Maskiell (chair)

Practice Management Course committee

Michael Crouch (chair)

Professional Indemnity Insurance section

Michael Meadows (chair)

Property & Development Law section

Paul Newman (chair)

Property & Development Law section committees:

Construction & Infrastructure Law committee

Ross Williams (chair)

Planning & Environment Law committee

Russell Bowie (chair)

Succession Law section

John de Groot (chair)

Young Lawyers section

Pat Sutton (chair)

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 nineteen (19) district law associations. Their enthusiastic involvement in local community activities and their support in the Society's efforts to inform and educate Queenslanders of their rights and responsibilities under the law is of immense value.

The DLA Presidents held a successful Convocation at LAWASIA down under 2005 in March 2005. Set out below are details of the current district law association presidents:

Brisbane

North Brisbane Lawyers' Association
Michael Coe, Michael Coe
PO Box 3255 Stafford DC 4053

Redcliffe & Pine Rivers District Law Association

Brad Davies, Wallace Davies
PO Box 511 Redcliffe 4020

Southern District Law Association
Bryan Mitchell, Mitchells Solicitors & Business Advisors
PO Box 95 Moorooka 4105

Bundaberg

Bundaberg Law Association
Allan Keleher, Charlton's Lawyers
PO Box 518 Bundaberg 4670

Caboolture

Caboolture Law Association
Kurt Fowler, Watling Fowler Solicitors
PO Box 822 Caboolture 4510

Cairns

Far North Queensland Law Association
Nerida Wilson, The Law Office
PO Box 1927 Cairns 4870

Gladstone

Gladstone Law Association
Warren Klein, Klein & Associates
PO Box 5272 Gladstone 4680

Gold Coast

Gold Coast Law Association
Ted Skuse, Skuse & Co
PO Box 331 Mudgeeraba 4213

Gympie

Gympie Law Association
Bob Baldwin, Baldwins Lawyers
PO Box 414 Gympie 4570

Hervey Bay

Fraser Coast Law Association
Kellie Grainger, Carswell & Company
PO Box 3341 Hervey Bay 4655

Ipswich

Ipswich & District Law Association
Vanessa Brown, Brown & Baker
PO Box 499 Ipswich 4305

Kingaroy

South Burnett Law Association
Keith Murdoch, Woods Murdoch Solicitors
PO Box 980 Kingaroy 4610

Mackay

Mackay District Law Association
Brad Shanahan, S R Wallace and Wallace
PO Box 733 Mackay 4740

Mareeba

North Queensland Law Association
Peter Apel, Braes Apel
PO Box 160 Mareeba 4880

Mount Isa

North West Law Association
John Bolton, Anderson Telford Lawyers
PO Box 7084 Mount Isa East 4825

Rockhampton

Central Queensland Law Association
George Cowan, Rees R & Sydney Jones
PO Box 83 Rockhampton 4700

Sunshine Coast

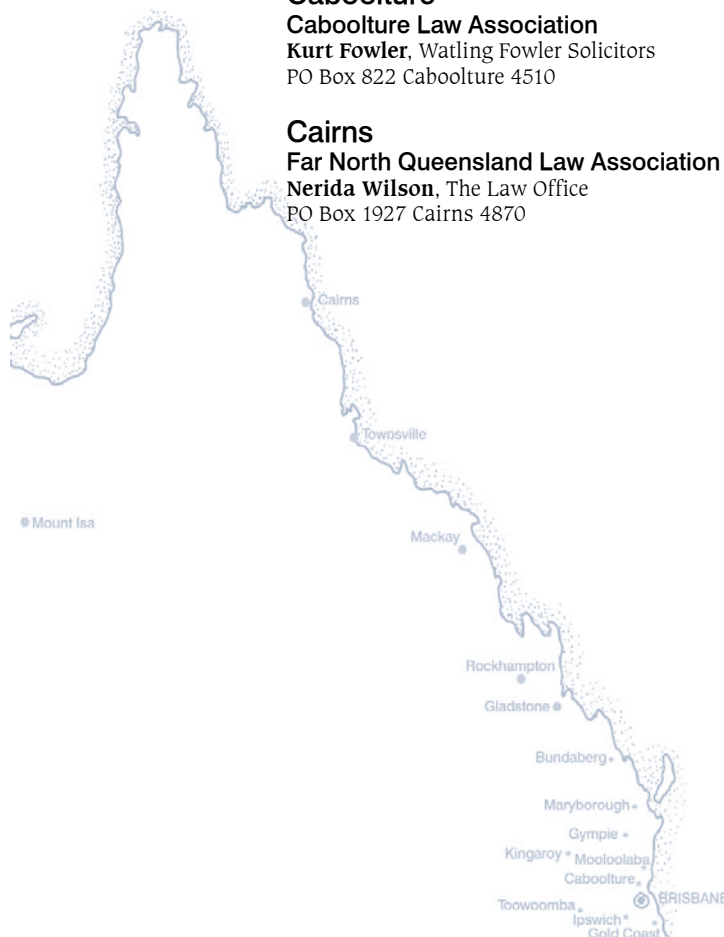
Sunshine Coast Law Association
Julian McNamara, McNamara Garrahy
Litigation Lawyers
PO Box 1557 Noosa Heads 4567

Toowoomba

Downs & South-West Law Association
Darryl Cox, Shine Roche McGowan
PO Box 668 Toowoomba 4350

Townsville

Townsville District Law Association
Kathryn Rayner, Boulton Cleary & Kern
PO Box 1099 Townsville 4810



Senior counsellors

Senior counsellors

The Society appoints experienced, senior practitioners as senior counsellors for six-year terms to advise 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
GPO Box 900 Brisbane 4001

P D Carne

Carne Reidy Herd
PO Box 13067 George Street MC 4003

J D Carroll

WHD Lawyers
GPO Box 2471 Brisbane 4001

M B Conroy

Conroy & Associates
PO Box 586 Toowong DC 4066

P L Cooper

Hunt & Hunt
GPO Box 834 Brisbane 4001

C C Endicott

Macrossans Lawyers
GPO Box 2763 Brisbane 4001

J D Fitzgerald

Biggs Fitzgerald Pike
PO Box 396 Chermside South 4032

F M FitzPatrick

Office of Fair Trading
GPO Box 1141 Brisbane 4001

R V Forgione

Forgione Lawyers
PO Box 5116 Algester 4115

A C Freeleagus AO CBE RFD AE DUniv

Clayton Utz
GPO Box 55 Brisbane 4001

G J Hutchinson

Cooke & Hutchinson
PO Box 130 Redcliffe 4020

J P Kelly

Corrs Chambers Westgarth
GPO Box 9925 Brisbane 4001

G E Klein

Public Trustee of Queensland
GPO Box 1449 Brisbane 4001

M O Klug

Clayton Utz
GPO Box 55 Brisbane 4001

M R Lockhart

Flower & Hart
GPO Box 219 Brisbane 4001

A MacGillivray

Canning Weil MacGillivray Halligan
GPO Box 1452 Brisbane 4001

J G Mann AM

Mallesons Stephen Jaques
GPO Box 1406 Brisbane 4001

M A Miller

Quinlan Miller & Treston
GPO Box 2500 Brisbane 4001

G A Murphy AM

MurphySchmidt
PO Box 7042 Riverside Centre 4001

J A Nagel

John Nagel & Co
PO Box 44 Mount Gravatt 4122

P G Nolan

Queensland Police Union of Employees
PO Box 13008 Brisbane George Street 4003

T P O'Gorman

Robertson O'Gorman
PO Box 13026 George Street Post Shop 4003

W T Purcell

W T Purcell Chadwick & Skelly
GPO Box 958 Brisbane 4001

M P Quinn

Gilshenan & Luton
GPO Box 5276 Brisbane 4001

O Rinaudo

PO Box 393 Carina 4152

D G Searles

Deacons
GPO Box 407 Brisbane 4001

D P Spence

Thynne & Macartney
GPO Box 245 Brisbane 4001

G J Vickery AM

Deacons
GPO Box 407 Brisbane 4001

Atherton

F J Liston

Lilley Grose & Long
PO Box 156 Atherton 4883

Ayr

B J Baxter

Ruddy Tomlins & Baxter
PO Box 590 Ayr 4807

Caboolture

G P D Maskiell

Maskiells
PO Box 779 Caboolture 4510

Cairns

A L English

Bottoms English
PO Box 5196 Cairns 4870

R J Reaston

Reaston Lawyers
PO Box 395 Bungalow 4870

Gladstone

K M Bates

V A J Byrne & Co
PO Box 273 Gladstone DC 4680

Senior counsellors

Gold Coast

R B Attwood

Richard Attwood
PO Box 264 Tweed Heads 2485

K R Copley

5 Margaret Avenue Broadbeach 4218

B F Cronin

PO Box 9094 Gold Coast MC 9726

P E M McCafferty

Stacks//Gray
PO Box 1382 Surfers Paradise 4217

J M McCaughan

814 Ashmore Road Nerang 4211

W M Potts

Price & Roobottom
PO Box 455 Southport BC 4215

Gympie

G R Neilson

Neilson Stanton & Parkinson
PO Box 356 Gympie 4570

Innisfail

V J Vandeleur

Vandeleur & Todd
PO Box 862 Innisfail 4860

Ipswich

P M Fallu

Dale & Fallu
PO Box 30 Ipswich 4305

R Zande

Richard Zande & Associates
PO Box 42 Ipswich 4305

Mackay

A P F Ghusn

Macrossan & Amiet
PO Box 76 Mackay 4740

Maryborough

T W Young

Carswell & Company
PO Box 127 Maryborough 4650

Rockhampton

A R Batts

Connolly Schirmer & Batts
PO Box 309 Rockhampton 4700

H C Grant

Grant & Simpson
PO Box 50 Rockhampton 4700

V N Jackson

South & Geldard
PO Box 560 Rockhampton 4700

J L Shaw

Swanwick Murray Roche
PO Box 111 Rockhampton 4700

Stanthorpe

M C Bathersby

Neil Sullivan & Bathersby
PO Box 271 Stanthorpe 4380

Sunshine Coast

M Buck

PO Box 314 Landsborough 4550

M D Bray

Bradley & Bray
PO Box 243 Nambour 4560

R G Hyett

Richard Hyett
PO Box 964 Mooloolaba 4557

M O Richardson

Cartwrights Tebbett & Ostwald
PO Box 132 Noosa Heads 4567

Toowoomba

J C Blakeney

Bernays Lawyers
PO Box 31 Toowoomba 4350

G C Fox

Wonderley & Hall
PO Box 838 Toowoomba 4350

K M Walker

Walkers
PO Box 1514 Toowoomba 4350

Townsville

R C Barnes

Roberts Nehmer McKee
PO Box 5374 MC Townsville 4810

C O Harkness

Wilson/Ryan/Grose
PO Box 1113 Townsville 4810

P G B Mackey

Mackey & Wales
PO Box 6080 Townsville 4810

Warwick

N D Maxwell

Maxwell & McMeniman
PO Box 200 Warwick 4370

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Financial statements

Queensland Law Society Incorporated Statement of Financial Performance for the year ended 30 April 2005

	NOTE	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenue from Ordinary Activities					
Membership and Practitioners Fees	4	4,781,521	4,625,925	4,781,521	4,625,925
Department of Justice Grant		2,558,624	–	2,558,624	–
Rent and Administration Revenue	5	546,927	1,364,794	646,927	1,452,294
Membership Services and Events	6	1,752,796	1,778,798	1,752,796	1,778,798
Investment Income		5,578,410	3,189,959	506,502	423,369
Commissions, Funding and Sponsorship		860,200	442,916	860,200	442,916
Claims Management		487,114	406,318	–	–
Insurance Premiums, Levies and Deductibles		20,839,821	20,214,433	–	–
Other Income		122,099	47,351	122,099	39,277
QLS Insurance Pte Ltd – Net Profit	2	–	–	728,745	123,253
Accounting Standards Adjustment Non-Current Financial Assets	3	1,173,109	1,501,605	–	–
Total Revenue from Ordinary Activities		38,700,621	33,572,099	11,957,414	8,885,832
Expenses from Ordinary Activities					
Administration Expenses	7	7,587,810	7,178,400	7,154,367	6,100,700
Membership Services and Events	6	1,658,480	1,236,911	1,658,480	1,236,911
Council and Committee Costs	8	551,089	742,906	551,089	742,906
Law Council Capitation Fees		420,392	386,100	420,392	386,100
Other Expenses		322,218	122,319	322,218	122,319
Reinsurance Premium		4,691,669	4,435,092	–	–
Claims Paid		5,820,936	3,476,682	–	–
Provision for Outstanding Claims	9	12,999,402	13,074,024	–	–
Total Expenses from Ordinary Activities		34,051,996	30,652,434	10,106,546	8,588,936
Surplus/(Deficit) from Ordinary Activities		4,648,625	2,919,665	1,850,868	296,896
Non-Owner transaction changes in equity					
Transfers to Reserves	14	1,150,448	1,048,252	1,150,448	1,048,252
Contribution Distribution Account	13	(7,929,790)	2,627,644	(7,929,790)	2,627,644
Total changes in equity other than those resulting from transactions with owners as owners		(2,130,717)	6,595,561	(4,928,474)	3,972,792

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 2005

	NOTE	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Current Assets					
Cash Assets	20(a)	154,091	74,852	68,734	5,226
Receivables and Prepayments	10	2,465,782	3,488,130	1,333,805	1,487,023
Other Financial Assets	20(a)	42,187,460	31,404,904	4,981,329	11,074,088
Total Current Assets		44,807,333	34,967,887	6,383,868	12,566,337
Non-Current Assets					
Investment in QLS Insurance Pte Ltd	2	–	–	6,874,638	6,145,893
Other Financial Assets	3	33,186,806	31,902,942	–	–
Property, Plant and Equipment	12	10,110,149	8,973,220	10,110,149	8,973,220
Total Non-Current Assets		43,296,955	40,876,162	16,984,787	15,119,113
TOTAL ASSETS		88,104,288	75,844,049	23,368,655	27,685,450
Current Liabilities					
Payables	11	2,031,340	2,066,649	1,999,223	1,815,189
Unearned Premiums and Revenue		6,176,872	5,224,723	–	–
Solicitors' Deductibles		103,213	56,146	–	–
Provisions for Employee Entitlements	16	519,002	241,286	519,002	241,286
Provision for Outstanding Claims	9	3,104,269	3,104,867	–	–
Total Current Liabilities		11,934,696	10,693,671	2,518,225	2,056,475
Non-Current Liabilities					
Provisions for Employee Entitlements	16	364,017	214,088	364,017	214,088
Provision for Outstanding Claims,	9	42,000,000	29,000,000	–	–
Total Non-Current Liabilities		42,364,017	29,214,088	364,017	214,088
TOTAL LIABILITIES		54,298,713	39,907,759	2,882,242	2,270,563
NET ASSETS		33,805,575	35,936,290	20,486,413	25,414,887
EQUITY					
Retained Funds		27,713,684	23,065,057	14,394,522	12,543,654
Contribution Distribution Account	13	–	7,929,790	–	7,929,790
Reserves	14	6,091,891	4,941,443	6,091,891	4,941,443
TOTAL EQUITY		33,805,575	35,936,290	20,486,413	25,414,887

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 2005

	NOTE	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Receipts from the Profession		34,127,772	18,914,912	12,853,964	12,049,706
Receipts from Department of Justice		2,046,487	–	2,046,487	–
Payments to Suppliers and Employees		(22,534,299)	(6,590,692)	(13,326,840)	(12,049,378)
Receipts collected for Society entities		–	–	22,999,166	21,286,383
Payments to Society entities		–	–	(22,999,166)	(21,286,383)
Receipts collected for Legal Practitioners' Fidelity Guarantee Fund		1,974,240	1,877,945	1,974,240	1,877,945
Payments to Legal Practitioners' Fidelity Guarantee Fund		(1,974,240)	(1,877,945)	(1,974,240)	(1,877,945)
Interest Received		1,265,372	1,273,312	499,958	420,203
Net Cash Provided by/ (Used in) Operating Activities	20(c)	14,905,332	13,597,532	2,073,569	420,531
Cash Flows from Investing Activities					
Payments for Investments		–	(21,600,001)		
Interest from Non-current Investments		781,243	507,995		
Redemption of Investments		6,041,380	–		
Reclassification of Investments		–	(10,171,574)		
Payments for Property, Plant and Equipment	12(a)	(616,494)	(123,320)	(616,494)	(123,320)
Net Cash Provided by/ (Used in) Investing Activities		6,206,129	(31,386,900)	(616,494)	(123,320)
Cash Flows from Financing Activities					
Contribution Distribution Account Receipts		617,625	2,230,065	617,625	2,230,065
Contribution Distribution Account Payments		(8,197,642)	(23,914)	(8,197,642)	(23,914)
Contribution Distribution Account Interest		93,691	279,466	93,691	279,466
Net Cash Provided by/ (Used in) Financing Activities		(7,486,326)	2,485,617	(7,486,326)	2,485,617
Net Increase/(Decrease) in Cash held		13,625,135	(15,303,751)	(6,029,251)	2,782,828
Cash at the beginning of the Financial Year	20(a)	28,716,415	44,020,166	11,079,314	8,296,486
Cash at the end of the Financial Year	20(a)	42,341,550	28,716,415	5,050,063	11,079,314

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 2005

NOTES

Scope of Operation

The Queensland Law Society Incorporated ('the Society') is the professional association for solicitors in Queensland and is incorporated under the *Legal Profession Act 2004* ('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, contributions from the Department of Justice and Attorney-General, 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 2004 to 30 April 2005; however it currently has a 30 June year end.

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 2004 to 30 April 2005.

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 3.

Financial statements

Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

(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, when recognised, 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. 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 22.

(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) Grants and Other Contributions

Grants, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Society obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangement.

(h) 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. Except for the Legal Practitioners' Fidelity Guarantee Fund, the above funds were closed on 30 June 2004. Refer also Note 1(r).

Financial statements

Queensland Law Society Incorporated
Notes to and forming part of the Financial Statements
For the year ended 30 April 2005

(i) 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 disclosed at the fair values indicated in Note 21(c). Interest income is brought to account on an accrual basis.

(j) 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.

(k) 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 \$5,000. All library acquisitions are expensed in the year of purchase.

The Society has revised asset recognition thresholds to bring them into line with the expected State Government policies that will be mandated in the forth coming year. As a result of this change in asset recognition threshold, \$193,095 worth of assets was expensed in the current reporting period.

(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:

	2005	2004
<i>Asset Class</i>		
Strata Title Building	2.5%	2.5%
Plant and Equipment (including Office Equipment)	5%-20%	5%-20%
Computer Equipment	33%	33%

Financial statements

Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

(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.

(l) Operating Leases

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

(m) 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.

(n) 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 reserves for unearned premiums are calculated on a time proportion basis using the 11365 method.

(o) 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.

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Queensland Law Society Incorporated
Notes to and forming part of the Financial Statements
For the year ended 30 April 2005

(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.

(p) 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.

(q) Adoption of International Financial Reporting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to international Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005. The Society established an IFRS Work Group to assist in the implementation of the new reporting requirements. All Australian Equivalents to IFRSs have been reviewed for implications for policies, procedures, systems and financial impacts arising from such changes. To date, the Society has identified the following likely impacts arising from the adoption of Australian Equivalents to IFRSs:

- (i) The introduction of AASB 136 Impairment of Assets requires an annual impairment test to be performed on all non-current physical and intangible assets. The material assets of the Society are currently valued at written-down replacement cost and the effect of this Standard is expected to be immaterial. However, as an impairment test has not previously applied to the public sector, an assessment of the effect is still ongoing and cannot be quantified at this time.
- (ii) AASB 119 Employee Benefits requires employers to recognise the net surplus or deficit in their employer sponsored defined benefit superannuation funds as an asset or liability, respectively. As the Society contributes to QSuper, the Society will only recognise as a payable the amount of superannuation contributions owing to QSuper as at the end of the reporting period.
- (iii) AASB 119 also requires that where there are instances of annual leave not expected to be paid within 12 months, the liability is to be measured at the present value of the future cash flows. Currently, all annual leave is measured at the nominal amount.

(r) Legal Profession Act 2004

The *Legal Profession Act 2004 (Qld)* came into effect on 25th May 2004. 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 Act, the Legal Practitioners' Fidelity Guarantee Fund was required to transfer its main operations of administration of disciplinary matters, audit of solicitors' trust accounts and receivership of solicitors' trust accounts to the Society. This change has resulted in the Society receiving a share of trust account interest from the newly created Legal Practitioner Interest on Trust Accounts Fund which has been established under s208 of the Act and is administered by the Department of Justice and Attorney-General.

Financial statements

Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

(r) **Legal Profession Act 2004 (continued)**

The balance of the Legal Practitioners' Fidelity Guarantee Fund as at 30 June 2004 in relation to the above mentioned operations was dissected and paid to the Society in recognition of the liability status taken over from the Legal Practitioners' Fidelity Guarantee Fund as at 1 July 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 years 2002 through to 2005. 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 \$6,874,638 (2004 – \$6,145,893) after recognition of net profit of \$728,745 (2004 – \$123,253) for the financial year ended 30 April 2005.

3 Other Financial Assets – Non-Current

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.

	2005	2004
	\$	\$
Investments shown at cost in MS Insurance Pte Ltd	27,454,025	30,401,337
<i>Add:</i>		
Prior period adjustment for QLS Insurance Pte Ltd non-current Investments	1,501,605	–
Current period adjustment to QLS Insurance Pte Ltd non-current assets	1,173,109	1,501,605
Law Claims Levy Fund non-current Investments	3,058,067	–
Investments shown at fair value in Consolidation	33,186,806	31,902,942

4 Membership and Practitioner Fees

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Practising Certificate Fees	2,607,061	2,508,520	2,607,061	2,508,520
Member Fees	1,911,695	1,852,561	1,911,695	1,852,561
Certificate of Fitness	12,815	11,395	12,815	11,395
Late Application Levy	21,450	28,340	21,450	28,340
Corporate Marketing Levy	228,500	225,109	228,500	225,109
	4,781,521	4,625,925	4,781,521	4,625,925

Financial statements

Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

5 Rent and Administration Revenue

	Consolidated		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
General Trust Accounts Contribution Fund	7,258	43,548	7,258	43,548
QLS Insurance Pte Ltd	–	–	100,000	87,500
Interest on Trust Accounts	13,673	82,037	13,673	82,037
Grants Fund	5,518	33,107	5,518	33,107
Legal Practitioners' Fidelity Guarantee Fund	220,070	1,137,191	220,070	1,137,191
Legal Practitioners Admissions Board	153,663	–	153,663	–
Rent	67,960	12,132	67,960	12,132
Car Parking	78,785	56,779	78,785	56,779
	<u>546,927</u>	<u>1,364,794</u>	<u>646,927</u>	<u>1,452,294</u>

6 Membership Services and Events

	Consolidated		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
Income				
Practice Management Course	469,167	216,024	469,167	216,024
Publications	37,700	34,400	37,700	34,400
QLS Diary	197,238	39,978	197,238	39,978
Seminars	444,713	838,757	444,713	838,757
Specialist Accreditation	79,552	146,037	79,552	146,037
Texts and Course Material	138,261	177,441	138,261	177,441
School and Student Services	58,243	29,400	58,243	29,400
Events and Functions	53,574	10,636	53,574	10,636
Membership Product and Services	12,308	–	12,308	–
Proctor Advertising and Subscription	255,222	286,125	255,222	286,125
Marketing and Sponsorship	6,818	–	6,818	–
	<u>1,752,796</u>	<u>1,778,798</u>	<u>1,752,796</u>	<u>1,778,798</u>

	Consolidated		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
Expenditure				
Continuing Professional Development	12,801	–	12,801	–
Library Services	268,166	198,915	268,166	198,915
Practice Management Course	85,611	165,425	85,611	165,425
QLS Diary	143,906	–	143,906	–
Seminars	151,147	545,427	151,147	545,427
Specialist Accreditation	3,505	22,493	3,505	22,493
Texts and Course Material	57,424	58,772	57,424	58,772
School and Student Services	24,322	10,156	24,322	10,156
Events and Functions	672,644	32,698	672,644	32,698
Membership Product and Services	52,246	45,460	52,246	45,460
Proctor Expenses	186,266	157,565	186,266	157,565
Marketing and Sponsorship	442	–	442	–
	<u>1,658,480</u>	<u>1,236,911</u>	<u>1,658,480</u>	<u>1,236,911</u>

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Queensland Law Society Incorporated
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For the year ended 30 April 2005

7 Administration Expenses

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Actuarial Fees	14,068	21,537	–	–
Advertising	3,535	8,477	3,535	8,477
Audit Fees	83,070	82,677	62,495	55,000
Bad Debts	204,823	212,478	1,538	–
Catering and Functions	22,002	33,618	22,002	33,618
Committee Expense	10,514	–	10,514	–
Computer Maintenance	231,743	191,157	231,743	191,157
Depreciation – Computers	193,952	168,509	193,952	168,509
Depreciation – Plant and Equipment	200,440	83,400	200,440	83,400
Electricity	57,199	51,852	57,199	51,852
Entertainment	3,136	19,292	3,136	19,292
Foreign Exchange Loss	3,389	4,026	–	–
Fringe Benefits Tax	63,705	35,560	63,705	35,560
Fees and Charges	17,905	14,949	16,585	13,905
Insurance	212,189	191,149	212,189	191,149
Law Society House:				
Body Corporate Levies	133,769	111,552	133,769	111,552
Depreciation – Building	235,620	235,617	235,620	235,617
Rates and Taxes	69,991	62,127	69,991	62,127
Loss on Disposal	–	7,380	–	7,380
Motor Vehicle Expense	9,092	–	9,092	–
Offsite Storage	31,296	11,998	31,296	11,998
Payroll Tax	210,926	192,314	210,926	192,314
Postage	74,784	159,655	74,784	159,655
Presentations and Gifts	18,553	20,377	18,553	20,377
Printing and Stationery	110,401	165,633	110,401	163,360
Professional and Consulting Fees	279,933	900,963	116,918	147,519
Registrations and Subscriptions	70,759	55,461	66,671	50,581
Repairs and Maintenance	123,127	133,202	123,127	133,202
Salaries and Wages	4,094,482	3,415,208	4,094,482	3,415,208
Staff Advertising	14,486	4,603	14,486	4,603
Staff Amenities	9,320	12,592	9,320	12,592
Staff Training	11,283	13,492	11,283	13,492
Staff Travel	56,948	56,943	56,948	56,943
Sundry Expenses	40,041	71,293	16,338	20,952
Superannuation	558,909	303,023	558,909	303,023
Taxis and Couriers	19,039	21,258	19,039	21,258
Telephone	93,381	105,028	93,381	105,028
	<u>7,587,810</u>	<u>7,178,400</u>	<u>7,154,367</u>	<u>6,100,700</u>

Financial statements

Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

8 Council and Committee Costs

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Sponsorship	15,750	66,091	15,750	66,091
Professional and Consultancy Fees	4,626	–	4,626	–
Travel and Accommodation	194,078	279,851	194,078	279,851
Honorarium	241,093	256,470	241,093	256,470
Convocation	4,262	10,130	4,262	10,130
District Law Association	8,100	10,500	8,100	10,500
Catering and Functions	74,910	85,149	74,910	85,149
Committee Room Catering	8,270	34,715	8,270	34,715
	<u>551,089</u>	<u>742,906</u>	<u>551,089</u>	<u>742,906</u>

9 Provision for Outstanding Claims

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Opening Balance at start of year	32,104,867	19,030,843	–	–
Movement in Provision	12,999,402	13,074,024	–	–
Closing Balance at end of year	<u>45,104,269</u>	<u>32,104,867</u>	–	–
Current Liability	3,104,269	3,104,867	–	–
Non-Current Liability	42,000,000	29,000,000	–	–
	<u>45,104,269</u>	<u>32,104,867</u>	–	–
Law Claims Levy Fund	1,003,269	2,057,867	–	–
QLS Insurance Pte Ltd	44,101,000	30,047,000	–	–
	<u>45,104,269</u>	<u>32,104,867</u>	–	–

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 \$1,003,269 (2005) compared to \$2,057,867 (2004). Under the terms of that policy, the maximum outstanding liability is \$1,003,269 as at 30 April 2005.

QLS Insurance Pte Ltd has assessed its provisions for outstanding claims based upon an independent actuarial assessment as at 30 April 2005 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 2005. A discount rate of 5.6% per annum has been assumed by the actuary to calculate the discounted value of projected future claim payments.

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Queensland Law Society Incorporated
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10 Receivables and Prepayments

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Accounts Receivables	1,493,062	1,362,146	108,817	95,786
<i>Less: Provision for Doubtful Debts</i>	<i>(321,764)</i>	<i>(212,478)</i>	–	–
	<u>1,171,298</u>	<u>1,149,668</u>	<u>108,817</u>	<u>95,786</u>
Prepaid Expenses and Accruals	1,294,484	2,338,462	1,224,988	1,391,237
	<u>2,465,782</u>	<u>3,488,130</u>	<u>1,333,805</u>	<u>1,487,023</u>

11 Payables

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Creditors	1,352,217	1,559,277	1,352,217	1,307,817
Other Payable and Accruals	679,123	507,372	647,006	507,372
	<u>2,031,340</u>	<u>2,066,649</u>	<u>1,999,223</u>	<u>1,815,189</u>

12 Property, Plant and Equipment

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Strata Title Building at management valuation	10,734,726	9,424,693	10,734,726	9,424,693
<i>Less: Accumulated Depreciation</i>	<i>(1,307,690)</i>	<i>(912,482)</i>	<i>(1,307,690)</i>	<i>(912,482)</i>
	<u>9,427,036</u>	<u>8,512,211</u>	<u>9,427,036</u>	<u>8,512,211</u>
Office Furniture and Equipment at cost	1,502,523	1,390,965	1,502,523	1,390,965
<i>Less: Accumulated Depreciation</i>	<i>(819,410)</i>	<i>(929,955)</i>	<i>(819,410)</i>	<i>(929,955)</i>
	<u>683,113</u>	<u>461,010</u>	<u>683,113</u>	<u>461,010</u>
	<u>10,110,149</u>	<u>8,973,220</u>	<u>10,110,149</u>	<u>8,973,220</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.

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Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

(a) Property, Plant and Equipment Reconciliation

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

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Carrying amount at the start of the year	8,973,220	8,296,551	8,973,220	8,296,551
Add: Acquisitions	616,494	123,320	616,494	123,320
Add: Revaluation	1,150,448	1,048,252	1,150,448	1,048,252
Less: Disposals	–	(7,377)	–	(7,377)
Less: Accumulated Depreciation Adjustment for prior periods	(62,133)	–	(62,133)	–
Less: Threshold Adjustment	(193,094)	–	(193,094)	–
Less: Depreciation	(374,786)	(487,526)	(374,786)	(487,526)
Carrying amount at the end of the year	10,110,149	8,973,220	10,110,149	8,973,220

The Society has plant and equipment with an original cost of \$501,210 and a written down value of zero still being used in the provision of services.

13 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. With the introduction of the *Legal Profession Act 2004*, all balances were transferred to the Legal Practitioner Interest on Trust Accounts Fund on 1 July 2004 which is administered by the Department of Justice and Attorney-General.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Opening Balance at start of year	7,929,790	5,302,146	7,929,790	5,302,146
Income				
Distribution Received:				
General Trust Accounts' Contribution Fund	205,227	2,335,812	205,227	2,335,812
Interest	62,624	291,832	62,624	291,832
	267,851	2,627,644	267,851	2,627,644
Expenditure				
Distribution to Legal Practitioner Interest Trust				
Account Fund	8,197,641	–	8,197,641	–
	8,197,641	–	8,197,641	–
Net Movement	(7,929,790)	2,627,644	(7,929,790)	2,627,644
Closing Balance at end of year	–	7,929,790	–	7,929,790

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Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

14 Reserves

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Asset Revaluation				
Opening Balance at start of year	4,941,443	3,893,191	4,941,443	3,893,191
<i>Add:</i> Revaluation increment on Strata Title Building	1,150,448	1,048,252	1,150,448	1,048,252
Closing Balance at end of year	6,091,891	4,941,443	6,091,891	4,941,443

15 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 Society is currently in negotiation with the Department of Justice and Attorney-General regarding the status of the land and building at Heal Street. Heal Street was independently valued on the 3 November 2004 by Ray White Valuers (Brisbane). The value of Heal Street property was assessed at \$730,000 and has not been recognised in the Society's Statement of Financial Position.

16 Provision for Employee Entitlements

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Current				
Provision for Annual Leave	415,922	211,286	415,922	211,286
Provision for Long Service Leave	103,080	30,000	103,080	30,000
	519,002	241,286	519,002	241,286
Non-Current				
Provision for Long Service Leave	364,016	214,086	364,016	214,086
	364,016	214,086	364,016	214,086

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

	2005	2004
Assumed rate of increase in remuneration rates	2.60%	3%
Discount rate	5.32%	5.64%
Settlement terms (years)	10	10
Number of employees at year end	92	45

17 Commitments

(a) Operating Leases

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Within one year	13,878	20,219	13,878	20,219
One to five years	1,395	8,527	1,395	8,527
Over five years	–	–	–	–
	15,273	28,746	15,273	28,746

(b) Capital Leases

Capital expenditure contracted for at 30 April 2005 but not provided for was nil (2004 – nil).

Financial statements

Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

18 Remuneration

Council Members

The President's and Vice-President's firms were paid an honorarium of \$194,670 (2004 – \$192,353) and \$46,422 (2004 – \$64,118) respectively for the twelve months ending 30 April 2005.

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.

19 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.

20 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	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash at Bank	154,091	74,852	68,734	5,226
Cash Deposit Accounts	42,187,460	28,641,563	4,981,329	11,074,088
	<u>42,341,551</u>	<u>28,716,415</u>	<u>5,050,063</u>	<u>11,079,314</u>

(b) Financing Facilities

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

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Queensland Law Society Incorporated
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(c) Reconciliation of Net Cash Provided by Operating Activities to the Surplus/
(Deficit) for the Year

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Surplus/(Deficiency) for the Year	4,648,625	2,919,665	1,850,868	296,896
Adjustments for:				
Adjustment to Non-Current Investments	(1,473,416)	(1,501,605)	–	–
Investment income	(3,094,069)	(1,393,104)	–	–
Interest income	(861,685)	(477,926)	–	–
Contributions Distribution Account Accruals	(443,464)	142,027	(443,464)	142,027
Add/(less) non-cash items				
(Profit)/Loss on disposal of non-current assets	–	7,377	–	7,377
Depreciation	630,011	487,526	630,011	487,526
<i>Change in Assets and Liabilities</i>				
(Increase)/Decrease in Assets				
Accounts Receivables	1,022,348	(1,225,854)	153,218	(290,599)
Investment in QLS Insurance Pte Ltd	–	–	(728,745)	(123,253)
Increase/(Decrease) in Liabilities				
Accounts Payables	1,002,865	1,573,425	184,034	(87,860)
Employee Benefits	427,647	(11,583)	427,647	(11,583)
Provision for Outstanding Claims	12,999,402	13,074,026	–	–
Solicitors Deductibles	47,068	3,558	–	–
Net Cash Provided by/(Used in) Operating Activities	14,905,332	13,597,532	2,073,569	420,531

Financial statements

Queensland Law Society Incorporated
Notes to and forming part of the Financial Statements
For the year ended 30 April 2005

21 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	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %
Financial Assets								
<i>Current</i>								
Cash Assets	–	–	154	75	154	75	–	–
Receivables	–	–	2,466	3,488	2,466	3,488	–	–
Other Financial Assets	42,187	31,405	–	–	42,187	31,405	5.09	4.80
	42,187	31,405	2,620	3,538	44,807	34,968		
<i>Non-Current</i>								
Other Financial Assets	33,187	31,903	–	–	33,187	31,903	14.70	14.41
	33,187	31,903	–	–	33,187	31,903		
Total Financial Assets	75,374	63,308	2,620	3,538	77,994	66,871		
Financial Liabilities								
<i>Current</i>								
Payables	–	–	2,031	2,067	2,031	2,067	–	–
Total Financial Liabilities	–	–	2,031	2,067	2,031	2,067		

(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.

Financial statements

Queensland Law Society Incorporated Notes to and forming part of the Financial Statements For the year ended 30 April 2005

(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	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Financial Assets				
<i>Current</i>				
Cash Assets	154	75	154	75
Receivables	2,466	3,488	2,466	3,488
Other Financial Assets	42,187	31,405	42,187	31,405
	44,807	34,968	44,807	34,968
<i>Non-Current</i>				
Other Financial Assets	33,187	31,903	33,187	31,903
	33,187	31,903	33,187	31,903
Total Financial Assets	77,994	66,871	77,994	66,871
Financial Liabilities				
<i>Current</i>				
Payables	2,031	2,067	2,031	2,067
Total Financial Liabilities	2,031	2,067	2,031	2,067

22 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:

	2005 \$	2004 \$
Profit/(loss) before tax	728,745	123,253
Tax calculated at a tax rate of 10% (2004: 10%)	72,875	12,325
Expenses not deductible for tax purposes	668	20,083
Income not subject to tax	—	—
Deferred tax asset not recognised	—	—
Utilisation of tax losses not capitalised in previous years	(73,543)	(32,408)
	—	—

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 2004 to 30 April 2005 and of the financial position as at the close of that year.

**President
Glenn Ferguson**

27/7/2005

**Financial Accountant
Simon Allen**

27/7/2005

Financial statements

INDEPENDENT AUDIT REPORT

To the Council of the Queensland Law Society Incorporated

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of the Queensland Law Society Incorporated for the financial year ended 30 April 2005 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 report 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 report. If users of the financial 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 report, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial report presented on this web site.

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

Scope

The Financial Report

The financial report of the Queensland Law Society Incorporated includes 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 financial report consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the President and the officer responsible for the financial administration of the Queensland Law Society Incorporated, for the year ended 30 April 2005.

The Council's Responsibility

Council is responsible for the preparation and true and fair presentation of the financial report, 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 report.

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 report is presented fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

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

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.

Financial statements

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 prescribed accounting standards of the transactions of the Queensland Law Society Incorporated and the consolidated entity for the financial year 1 May 2004 to 30 April 2005 and of the financial position as at the end of that year.

N P JACKSON FCPA
Assistant Auditor-General
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

Financial statements

**Queensland Law Society Incorporated
Legal Practitioners' Fidelity Guarantee Fund
Statement of Financial Performance
for the year ended 30 April 2005**

	NOTES	2005 \$	2004 \$
Revenue from Ordinary Activities			
Standard Practitioners Fees		104,490	103,660
Additional Practitioner Fees		1,869,750	1,774,285
Distribution received from Interest on Trust Accounts		272,280	3,437,256
Interest on Investments		114,551	92,198
Solicitors Complaints Tribunal Fines		27,118	131,000
Other Income		14,061	8,625
Bad Debts Recovered		85,653	–
Costs Recovered	3	127,217	479,156
Total Revenue from Ordinary Activities		2,615,120	6,026,180
Expenses from Ordinary Activities			
Administration Expenses	4	612,095	2,891,832
Claims Payments		754,635	844,045
Complaint and Disciplinary Investigative Costs		17,091	204,989
Expenses Reimbursed to the Queensland Law Society Incorporated	5	172,977	883,331
Legal Ombudsman Expenses		6,622	89,779
Solicitors Complaints Tribunal Costs	6	68,701	1,000,782
Receivership Costs		61,407	60,606
Total Expenses from Ordinary Activities		1,693,528	5,975,364
Surplus/(Deficit) from Ordinary Activities		921,592	50,816
Non-Owner transaction changes in equity			
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity		–	–
Total changes in equity other than those resulting from transactions with owners as owners		921,592	50,816

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 2005

	NOTES	2005 \$	2004 \$
Current Assets			
Cash Assets	10(a)	10,518	24,438
Receivables	7	51,801	564,746
Cash Deposit Account	10(a)	2,408,418	1,131,659
Total Current Assets		2,470,737	1,720,843
Non-Current Assets			
Receivables	7	2,489	74,740
Total Non-Current Assets		2,489	74,740
Total Assets		2,473,226	1,795,583
Current Liabilities			
Payables	8	576,267	582,314
Provisions for Employee Entitlements	9	13,351	149,089
Total Current Liabilities		589,618	731,403
Non-Current Liabilities			
Provisions for Employee Entitlements	9	18,337	120,501
Total Non-Current Liabilities		18,337	120,501
Total Liabilities		607,955	851,904
Net Assets		1,865,271	943,679
Equity			
Retained Profits/(Accumulated losses)		1,865,271	943,679
Total Equity		1,865,271	943,679

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 2005

	NOTES	2005 \$ Inflows (Outflows)	2004 \$ Inflows (Outflows)
Cash Flows from Operating Activities			
Contributions by Practitioners and Cost Recoveries		2,444,920	2,024,379
Distribution Received from Interest on Trust Accounts		621,373	3,088,164
Claim Payments and Administration Expenses		(1,911,238)	(6,116,525)
Interest Received		107,784	95,772
Net cash provided by/(used in) operating activities	10(c)	1,262,839	(908,210)
Cash Flows from Financing Activities			
Receipts from LPITAF		1,114,321	-
Transfers to Queensland Law Society		(1,114,321)	-
Net cash provided by/(used in) financing activities		-	-
Net Increase/(Decrease) in Cash held		1,262,839	(908,210)
Cash at the beginning of the Financial Year		1,156,097	2,064,307
Cash at the end of the Financial Year	10(a)	2,418,936	1,156,097

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 2005

NOTES

Scope of Operation

The Queensland Law Society Incorporated ('the Society'), pursuant to s147 of the *Legal Profession Act 2004* ('the Act') is required to continue the existence of a fund called the Legal Practitioners' Fidelity Guarantee Fund (the 'Fund') as was required under s12 of the *Queensland Law Society Act 1952*. The Fund has been established for the purposes of providing a source of compensation for defaults by law practices arising from acts or omissions of associates of the law practices. The major source of income for the Fund is contributions from legal practitioners.

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 2005

(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 2005

(k) **The effects of *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.

Under the new Act, the Fund was required to transfer its main operations of administration of disciplinary matters, audit of solicitors' trust accounts and receivership of solicitors' trust accounts to the Society. This change has resulted in the Fund no longer receiving a share of trust account interest. The Fund now receives 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 in relation to the above mentioned operations was dissected and paid to the Society 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 (2004 – \$300) in accord with s156 of the Act.

3 Costs Recovered

	2005	2004
	\$	\$
Claims	–	–
Defaulting Practitioners	127,217	479,156
Receiverships	–	–
	<u>127,217</u>	<u>479,156</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 2005

4 Administration Expenses

	2005	2004
	\$	\$
Audit Fees – Fidelity Fund	16,000	6,770
Audit Fees – Interest on Trust Accounts	2,000	6,060
Bad Debt Expense	79,516	144,072
Bank Charges	137	697
Catering	187	5,730
Computer Maintenance	5,249	47,932
Insurance	191	4,732
Offsite Storage	5,145	24,686
Payroll Tax	19,532	93,198
Photocopier Expenses	581	4,720
Postage	2,457	13,566
Printing and Stationery	2,903	8,304
Professional Fees	2,543	46,950
Registrations and Subscriptions	4,350	11,783
Rent and Electricity	53,185	272,469
Salaries	372,282	1,930,209
Staff Advertising	–	8,003
Staff Training	400	8,898
Sundry Expenses	1,646	15,677
Superannuation	36,395	176,059
Taxi and Couriers	998	6,389
Telephone	2,125	14,352
Travel and Accommodation	64	11,143
Trust Account Audit Expenses	4,209	29,432
	<u>612,095</u>	<u>2,891,832</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 2005

5 Expenses Reimbursed to the Queensland Law Society Incorporated

The Fund, pursuant to s152 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.

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.

	2005	2004
	\$	\$
Advertising	–	1,601
Computer Maintenance and Resources	53,713	167,745
Travel and Accommodation	2,192	13,152
Honorarium	–	13,388
Insurance	7,104	42,626
Payroll Tax	2,847	17,082
Photocopier	545	–
Postage	2,199	13,194
Printing and Stationery	11,761	73,838
Rent	14,765	88,592
Salaries	62,169	359,624
Staff Advertising	438	1,026
Staff Amenities	2,106	12,633
Staff Training	899	5,394
Superannuation	6,347	38,081
Taxi and Courier	790	4,741
Telephone	5,102	30,614
	<u>172,977</u>	<u>883,331</u>

6 Solicitors Complaints Tribunal Costs

	2005	2004
	\$	\$
Clerk of the Tribunal	47,599	217,860
Legal Costs to Investigations and Prosecute	14,376	707,629
Shorthand Fees	1,988	37,891
Tribunal Cost	–	7,317
Sundry Expenses	4,738	30,086
	<u>68,701</u>	<u>1,000,782</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 2005

7 Receivables

	2005	2004
	\$	\$
Current		
Trade Debtors	112,871	305,728
<i>Less: Provision for doubtful debts</i>	<i>(73,396)</i>	<i>(144,072)</i>
	39,475	161,656
Other Receivables and Accruals	12,285	390,563
GST Receivable	41	12,527
	51,801	564,746
 Non-Current		
Trade Debtors	2,489	74,740
	2,489	74,740

8 Payables

	2005	2004
	\$	\$
Approved Claims*	51,114	118,592
Other Payables and Accruals	525,153	463,722
	576,267	582,314

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

9 Provisions

	2005	2004
	\$	\$
Current		
Provision for Annual Leave	13,351	119,089
Provision for Long Service Leave	–	30,000
	13,351	49,089
 Non-Current		
Provision for Long Service Leave	18,337	120,501
	18,337	120,501

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

	2005	2004
Assumed rate of increase in remuneration rates	2.6%	3%
Discount rate	5.32%	5.64%
Settlement terms (years)	10	10
Number of employees at year end	1	34

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 2005

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:

	2005	2004
	\$	\$
Cash Assets	10,518	24,438
Cash Deposit Account	2,408,418	1,131,659
	2,418,936	1,156,097

(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/(Used in) Operating Activities to the Surplus/(Deficit) for the Year

	2005	2004
	\$	\$
Surplus/(Deficit) for the Period	921,592	50,816
<i>Changes in Assets and Liabilities:</i>		
(Increase)/Decrease in Receivables	585,196	(563,573)
(Decrease)/Increase in Creditors	(6,047)	(414,345)
(Decrease)/Increase in Employee Entitlements	(237,902)	18,892
Net Cash Provided by/(Used in) Operating Activities	1,262,839	(908,210)

11 Contingent Liabilities

As at 30 April 2005, 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.

	2005	2004
	\$	\$
Outstanding claims not yet approved	1,391,343	1,091,589
	1,391,343	1,091,589

12 Operating Lease Expense Commitments

	2005	2004
	\$	\$
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	–	23,328
One year or later and no later than five years	–	10,604
	–	33,932

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 2005

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 2005 was 5.095%.

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 s153 Queensland *Legal Profession Act* 2004 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 2004 to 30 April 2005 and of the financial position as at the close of that year.

President
Glenn Ferguson

27/7/2005

Financial Accountant
Simon Allen

27/7/2005

Financial statements

INDEPENDENT AUDIT REPORT

To the Council of the Queensland Law Society Incorporated

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of Legal Practitioners' Fidelity Guarantee Fund for the financial year ended 30 April 2005 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 report 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 report. If users of the financial 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 report, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial report presented on this web site.

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

Scope

The Financial Report

The financial report of the Legal Practitioners' Fidelity Guarantee Fund, a trust fund vested in the Queensland Law Society Incorporated, consists of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash flows, notes to and forming part of the financial statements, and certificates given by the President and the officer responsible for the financial administration of the Legal Practitioners' Fidelity Guarantee Fund, for the year ended 30 April 2005.

The Council's Responsibility

The Council is responsible for the preparation and true and fair presentation of the financial report, 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 report.

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 report is presented fairly, in accordance with the requirements as outlined in Part 7 of the *Legal Profession Act 2004*.

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 Council,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial report.

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.

Financial statements

Audit Opinion

In accordance with s153 of the *Legal Profession Act 2004* –

- (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 2004 to 30 April 2005 and of the financial position as at the end of that year.

B G GANLY CPA
Audit Manager
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 2005

	NOTES	2005 \$	2004 \$
Revenue from Ordinary Activities			
Additional Levies	2	1,641,225	483,242
Realisation of Claim Management Fee	3	493,636	435,364
Investment Income		1,116,146	950,704
Sundry Income		–	8,075
Total Revenue from Ordinary Activities		3,251,007	1,877,385
Expenses from Ordinary Activities			
Administration Expenses		2,142	2,407
Audit Fees		7,000	9,200
Claims Expenses – Levy Fund and Deductibles		963,974	1,053,698
Claims Management Expense	3	507,273	472,129
Increase/(Decrease) in Provision for Outstanding Claims	4	(963,974)	(1,053,698)
Bad Debt Expense		94,000	–
Provision for Doubtful Debts		109,286	212,478
Total Expenses from Ordinary Activities		719,701	696,214
Surplus/(Deficit) from Ordinary Activities		2,531,306	1,181,171
Non-Owner transaction changes in equity			
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity		–	–
Total changes in equity other than those resulting from transactions with owners as owners		2,531,306	1,181,171

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
Law Claims Levy Fund
Statement of Financial Position
as at 30 June 2005

	NOTES	2005 \$	2004 \$
Current Assets			
Cash Assets		(15,145)	14,756
Receivables	5	968,594	231,347
Other Financial Assets	7	11,533,902	12,784,235
Total Current Assets		12,487,351	13,030,338
Non-Current Assets			
Other Financial Assets	7	3,158,383	–
Total Non-Current Assets		3,158,383	–
Total Assets		15,645,734	13,030,338
Current Liabilities			
Income in Advance – Claims Management	3	2,817,364	1,811,000
Creditors and Accruals		6,000	4,800
Provision for Outstanding Claims	4	1,058,538	1,022,512
Solicitors' Deductibles		103,214	62,714
Total Current Liabilities		3,985,116	2,901,026
Non-Current Liabilities			
Provision for Outstanding Claims	4	–	1,000,000
Total Non-Current Liabilities		–	1,000,000
Total Liabilities		3,985,116	3,901,026
Net Assets		11,660,618	9,129,312
Equity			
Retained Profits/(Accumulated losses)		11,660,618	9,129,312
Total Equity		11,660,618	9,129,312

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
Law Claims Levy Fund
Statement of Cash Flows
for the year ended 30 June 2005

	NOTES	2005 \$ Inflows (Outflows)	2004 \$ Inflows (Outflows)
Cash Flows from Operating Activities			
Receipts from the Profession and Commutation Benefits		2,432,824	2,745,667
Claims and Expenses		(1,658,725)	(2,403,472)
Interest Received		781,404	681,993
Net cash provided by/(used in) operating activities	6(c)	1,555,503	1,024,188
Cash Flows from Investing Activities			
Reclassification of Investments		(2,835,738)	–
Net Cash Provided by/(Used in) Investing Activities		(2,835,738)	–
Cash Flows from Finance Activities			
Receipts collected on behalf of controlled entities		9,845,000	9,605,000
Payments to controlled entities		(9,845,000)	(9,605,000)
Net Cash Provided by/(Used in) Financing Activities		–	–
Net Increase/(Decrease) in Cash held		(1,280,235)	1,024,188
Cash at the beginning of the Financial Year		12,798,991	11,774,803
Cash at the end of the Financial Year	6(a)	11,518,756	12,798,991

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
Law Claims Levy Fund
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

NOTES

Scope of Operation

The Queensland Law Society Incorporated ('the Society'), pursuant to s227 of the *Legal Profession Act 2004* ('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 represents an excess which have been charged to solicitors in accordance with the Master Policy agreement. These monies are accounted for as a current liability at balance date and are used to make future payments on files when costs are determined.

(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 2005**

(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

	2005	2004
	\$	\$
Additional Levies – St Paul	67,500	411,000
Additional Levies 1987-1995	58,750	72,242
Other Additional Levies	1,514,975	–
	1,641,225	483,242

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.

	2005	2004
	\$	\$
Opening Balance	1,811,000	746,364
Contributions received	1,500,000	1,500,000
<i>Less:</i> Claims Management fee paid	(493,636)	(435,364)
Closing Balance at end of reporting period	2,817,364	1,811,000

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 2005

3 Claims Management *(continued)*

Claims Management Expense	2005	2004
	\$	\$
<i>Years of insurance</i>		
1987-1995	13,636	36,765
2002-2003	117,955	168,909
2003-2004	130,227	266,455
2004-2005	245,455	–
	507,273	472,129

4 Provision for Outstanding Claims

	2005	2004
	\$	\$
Opening Balance at start of reporting period	2,022,512	3,076,210
<i>Less:</i> Movement in Provision	(963,974)	(1,053,698)
Closing Balance at end of reporting period	1,058,538	2,022,512
	2005	2004
	\$	\$
Current Liability	1,058,538	1,022,512
Non-Current Liability	–	1,000,000
	1,058,538	2,022,512

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

	2005	2004
	\$	\$
<i>Current</i>		
Trade Debtors	366,764	399,430
<i>Less:</i> Provision for doubtful debts	(321,764)	(212,478)
	45,000	186,952
Interest Receivable and Prepayments	922,199	41,506
GST Receivable	1,395	2,889
	968,594	231,347

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:

	2005	2004
	\$	\$
Cash Assets	(15,145)	14,756
Cash Deposit Account	11,533,901	12,784,235
	11,518,756	12,798,991

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 2005

(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

	2005	2004
	\$	\$
Surplus/(Deficit) for the Period	2,531,306	1,181,171
<i>Adjustments for:</i>		
Managed Funds Investment Income	(322,646)	–
Changes in Assets and Liabilities:		
Decrease/(Increase) in Accounts Receivables	(737,247)	(192,665)
Increase/(Decrease) in Provision for Outstanding Claims	(963,974)	(1,053,698)
Increase/(Decrease) in Accounts Payables	1,200	4,800
Increase/(Decrease) in Income in Advance	1,006,364	1,064,636
Increase/(Decrease) in Solicitors' Deductibles	40,500	19,944
Net Cash Provided by/(Used in) Operating Activities	1,555,503	1,024,188

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

	2005	2004
	\$	\$
Managed Funds at Market Value	3,158,383	2,835,737
Short Term Deposits at Cost	11,533,902	9,948,498
	14,692,285	12,784,235

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 2005, the insurance in place with regard to the limits per file, and the overall Fund's aggregate limit as at 30 June 2005, 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 2005 was 5.13%.

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 2005

(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 2004 to 30 June 2005 and of the financial position as at the close of that year.

President
Glenn Ferguson

27/7/2005

Financial Accountant
Simon Allen

27/7/2005

Financial statements

INDEPENDENT AUDIT REPORT

To the Council of the Queensland Law Society Incorporated

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of the Law Claims Levy Fund for the financial year ended 30 June 2005 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 report 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 report. If users of the financial 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 report, available from the Queensland Law Society Incorporated, to confirm the information included in the audited financial report presented on this web site.

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

Scope

The Financial Report

The financial report of Law Claims Levy Fund consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the President and the officer responsible for the financial administration of the Law Claims Levy Fund, for the year ended 30 June 2005.

The Council's Responsibility

The Council is responsible for the preparation and true and fair presentation of the financial report, 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 report.

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 report is presented fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

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

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.

Financial statements

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 prescribed accounting standards of the transactions of the Law Claims Levy Fund for the financial year 1 July 2004 to 30 June 2005 and of the financial position as at the end of that year.

B G GANLY CPA
Audit Manager
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane