



Queensland
Law Society

75th

Annual Report 2002-03





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Letter of Transmission



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ABN 33 423 389 441

Your Ref:

Our Ref: TMS:lks

29 August 2003

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

Dear Attorney

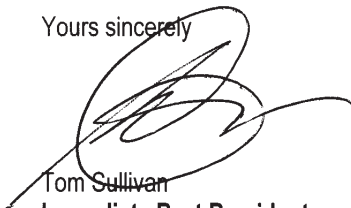
I am pleased to present you with the 2002-2003 financial year Annual Report of the Queensland Law Society Inc.

You will note from the Report that it was a year of considerable and significant change for the Society.

It is our belief that the organisation is now far better able to meet the needs of its membership as well as our statutory duties and obligations. We are rightly proud of what we have achieved to establish and meet high standards of accountability, integrity and professionalism and we have made a firm commitment to ensure that these standards are kept under active review for the good of the profession and the public generally.

I commend the Report to you.

Yours sincerely



Tom Sullivan
Immediate Past President



Our History

75 years

1928–2003

The Queensland Law Society in its present form has existed for 75 years, but it has its origins more than 50 years earlier. The first Queensland Law Society was formed at a meeting of 15 solicitors held at the Supreme Court in Brisbane on 7 August 1873. Robert Little chaired the meeting which was attended by J P Lyons, T W Daly, Henry Scott, W H Wilson, Thomas Bunton, H C Beeston, C S Mein, John O’Cock, Peter Macpherson, G V Hellicar, G L Hart, D F Roberts, W K Macnish and W E Murphy. The original Society made some significant advances for the legal profession, including the reporting of Supreme Court cases. However, its failure to reach a successful outcome over important issues, such as allowing solicitors to appear in court and its inability to effectively discipline errant solicitors, saw support for the Society decline. The replacement organisation, the Queensland Law Association, formed a few years later in 1883. The first Council, G L Hart, A J Thynne, A W Chambers and N I Brown were elected at the meeting which established the Association in March 1883. The Association continued as the representative body for Queensland solicitors until incorporation of the Society in 1927.

The Queensland Law Society Incorporated came into existence under legislation passed in the Queensland Parliament in December 1927, while the *Queensland Law Society Incorporation Act* came into force on 1 April 1928. The aim of the legislation was to place regulation of the solicitors’ branch of the legal profession in the hands of the solicitors’ own organisation. This aspect of the new Law Society Act was widely publicised in the Brisbane daily press. The legislation provided that the Law Society was to be administered by an elected Council chaired by the President of the Society.

The first set of rules which governed the provisional Council and the organisation of the first Council election was gazetted on 24 December 1927, and nominations for the positions of President, Vice President and eight Councillors closed on 7 March 1928. The first Council included many familiar people from the old association, including the President R J McNab. E K Tully became Vice President and the other members of the first Council were W H Conwell, J Crawford, F T Cross, E R Crouch, W F Lalor, HG Simpson, J A Walsh, F W Mole (the Public Curator, who was appointed to represent the conveyancers) and H J H Henschman (who represented the Attorney-General, John Mullan). Neville Henderson was reappointed part-time Secretary. The Society initially used Neville Henderson’s office as its premises and paid a portion of his secretary’s salary.

The membership roll stood at 312 at the end of the first year. Only 40 practising solicitors chose to pay the compulsory practising certificate fee of two guineas without paying the additional one guinea membership fee. The Rule regarding practising certificates was vigorously policed. In October 1929, eighteen months after the inauguration of the new Society, four practitioners were prosecuted and fined for failing to apply for certificates.

The first major amendment to the Society’s Incorporation Act was caused by the conduct of Robert McCowan, a Brisbane solicitor. McCowan was arrested in 1929 and charged with fraud for misappropriating funds from his trust account. It began to emerge that McCowan had first misappropriated funds more than 10 years earlier, when he experienced the first of many serious gambling losses. By the time of his arrest, the total sum involved in seven separate charges was nearly £20 000.

The Society began to investigate methods of preventing future serious losses to clients of defaulting solicitors. Amendments to the *Trust Accounts Act* and its regulations were delayed, but the problem of clients who suffered as a result of defaulting solicitors was addressed immediately. The solution, like the Incorporation Act itself in 1927, was imitative. This time, recent legislation in New Zealand which created a fund to guarantee client funds was chosen as the model for an amendment to the Act to create the Fidelity Guarantee Fund. The Rules which governed the operation of the Fund were drafted by F T Cross and gazetted in April 1931. The amended Act came into force on 1 June.

The demands of wartime conditions provided the Law Society with opportunities to provide new services to the profession and to the public.

The trend towards expanded services to members and a broader public profile continued into the postwar era. Establishing administrative structures and disciplinary procedures dominated Society activities before the Second World War.

Several of the Society’s old stalwarts stayed on the Council during the war. Former Presidents J A Walsh, F T Cross and G R H Gill remained and H J H Henschman continued to represent the Minister.

The Society’s administrative structure changed when Neville Henderson left on war service in June 1941 and his partner, T G G Lahey was appointed Acting Secretary. Kathleen Horwood, Neville Henderson’s secretary, was appointed Assistant Secretary in May 1937. She resigned from the Law Society on her marriage in January 1941.

Beryl Killeen Donkin succeeded Kathleen Horwood as Assistant Secretary, and became the Society’s first full time employee on a salary of £4 a week. She went on to serve the Society for more than 40 years, providing administrative continuity during two major periods of Law Society expansion. Beryl Donkin assumed the statutory position of Secretary when it was formalised by the *Queensland Law Society Act* in 1954, becoming chief administrative officer of the Society and solely responsible for all Society affairs until the appointment of an Executive Officer in 1975. During the 1960s, when country solicitors became increasingly dissatisfied with the “Queen Street” nature of Law Society administration, Beryl Donkin became a trusted advisor and confidante of district associations and a valuable link between city and country. Miss Donkin was awarded the OBE at



R J McNab
Last President, Queensland Law Association.
First President, Queensland Law Society.



Our History

Buckingham Palace in 1975 for “her dedicated and untiring services to the Queensland Law Society”.

On 1 February 1991 Beryl Donkin passed away just over nine years after her retirement from the Law Society. Later that year, the Beryl Donkin Memorial Award was launched at a meeting of the Women Lawyer’s Association of Queensland (WLAQ), of which Beryl Donkin had been a foundation and honorary member. The annual award was to be given to any Queensland resident, who holds a Bachelor of Laws (or its equivalent), and its purpose was the promotion of professional development and advancement. A trust was set up to administer the awards and the WLAQ gave a “generous donation” to start the fund.

The Law Council of Australia loomed large in Queensland Law Society affairs both before and after the Second World War, when two Australian Legal Conventions were held in Brisbane. The first was held in 1939 and was extensively reported in the Brisbane newspapers. The war interrupted Law Council activities and the next convention was not held until 1948. In 1955 it was again Brisbane’s turn. Len Butts was President of the Law Council and a young solicitor, Horwath Edkins “Tony” Peterson was asked to be honorary secretary to the convention. The 1955 Law Council of Australia convention was the first of H E Peterson’s many contributions to Law Society affairs, before he became President in 1976.

Assistance to the armed forces was a prominent initiative. The first move was made on 5 September 1939, two days after war was declared. The Law Society decided that solicitors should prepare soldiers’ wills and powers of attorney free of charge. The next step in extending legal assistance in Queensland was taken at the request of the Army rather than on the Society’s own initiative. In August 1940, Northern Command asked the Law Society if it could implement a general legal aid scheme.

The establishment of wartime legal aid schemes spurred discussion of ways of extending legal assistance beyond servicemen and their dependants, and eventually led to the *Queensland Legal Assistance Act*, which came into force on 14 February 1966. The scheme was officially opened in May 1966 in the legal assistance office next to the Society’s premises.

Dissatisfaction with the availability and standard of legal education in Queensland was frequently expressed during the first 30 years of the Society’s history and echoed concerns raised decades before the Society’s foundation. There was no university law school in Queensland until 1935 whereas law schools were established at the University of Sydney in 1870 and the University of Melbourne in 1880. Even after teaching in the Faculty of Law at the University of Queensland began, most solicitors qualified for admission through the Solicitors’ Board examinations rather than the university degree course. The proportion of solicitors with university degrees gradually increased during the

1950s and 1960s when the university course became accessible to more students.

The Society’s annual Symposium began as an experimental seminar on the *Matrimonial Causes Act* in 1961. The Sunshine Coast resort town of Caloundra was chosen as the venue by the organising committee of C H Wilson, A C Freeleagus and H E Peterson. The seminar was a resounding success with 109 solicitors and articled clerks, some accompanied by their families, attending. The second seminar, devoted to the new *Companies Act*, was held at Lennons Hotel at Broadbeach on the Gold Coast in June 1962. The annual seminar was officially renamed as the Queensland Law Society Symposium in 1964.

The early Symposia included many sessions on matters of current concern to the profession. In 1969, Mr W H Hart delivered a paper on Legal Ethics and Professional Courtesies, which was circulated to all solicitors. The tenth Symposium in 1970 departed from the original format. The Bar Association was asked to join the Society in organising the Symposium on the basis that it would suggest ideas for papers and speakers but would not share in any profits or losses.

Although Symposium was the public face of the Society’s post-admission educational activity, it was not the only form of further education pioneered during the 1960s. The Young Members Committee was the driving force behind the next initiative, a series of postgraduate discussion groups and seminars which eventually grew into organised continuing legal education, with CLE officially becoming the term used to describe the lecture programme during 1977.

In that same year, the Society re-examined the entire CLE situation and in 1978, as an interim step, J B Taylor, administrator of the professional indemnity scheme, was asked to act as secretary for CLE activities and to represent the Society on the federal CLE coordinating committee.

The growth of CLE activities meant that the first fulltime director, B J O’Callaghan was appointed in July 1979. The first seminar in 1980 sounded the keynote – “Push your Practice into the 80s”. During the 1980s, the CLE department used new technology to produce audio and video tapes to facilitate the distribution of material to rural areas.

The expansion of Society activities in the decades after 1960 was not limited to the encouragement of special interest groups, new developments in legal education and the introduction of legal assistance schemes. A number of new measures, aimed at improving the Society’s effectiveness in professional self-regulation, were introduced to strengthen and broaden its disciplinary functions.

President W H Hart played a major part in amending the Society’s Act to allow a receiver to be appointed to administer the practices of solicitors who had been struck off the Roll. William Hamilton Hart became a very important influence in the whole area of discipline and ethics during the 1960s. The new section provided that the Fidelity Fund would pay the costs of receiverships and gave properly appointed receivers the right to enter premises where documents were held. The amendment also gave the Society power



*Beryl Killeen Donkin OBE
at Buckingham Palace.*



Our History

to appoint a receiver to the practice of a sole practitioner who died.

The suggestion that the Society could organise indemnity insurance for the profession was first mentioned in 1949. The discussion lapsed until 1962 when rising premiums prompted the Society to reconsider the introduction of an indemnity scheme to cover all solicitors.

In 1963 the Society obtained from an insurance broker an estimate of the cost of £15 000 protection for each solicitor as a guide for future investigation. C H Wilson and Sholto Douglas continued to work on the idea and developed a plan which allowed for a primary fund to be set up by contributions from practitioners, to be used to cover the first £5000 of a negligence claim. Although this idea was not implemented, Wilson and Douglas continued to investigate other avenues.

Debate over the possible implementation of an insurance scheme continued at various times throughout the 1960s and 70s. Eventually, at a special general meeting held on 28 February 1978, Society members voted overwhelmingly in favour of the introduction of a compulsory PII scheme, based on a similar system in use in England and a proposal from brokers Minets. A new Law Claims department was added to the Society's structure at this time to manage the scheme.

The Law Claims Levy Fund was established in 1987 and provided PII to Queensland solicitors until 1995. While not an insurance company, the fund retained the primary layer of risk. In the mid 1990s, the Society began to consider creating its own commercial vehicle for indemnity insurance, and on 22 March 1996, the Law Claims department was closed to make way for the Australia Pacific Professional Indemnity Insurance Company Ltd (APPIIL). This was a significant milestone for the Society, with the formation of APPIIL proving that the Society was able, through skilful leadership and determination, to take command of the important issue of indemnity insurance for its members. In 2001, the Society's insurance services took another significant step forward, with the incorporation of QLS Insurance Pte Ltd, a wholly owned QLS subsidiary licensed as a general insurer, with the intention to participate in the retail or reinsurance level in the PII scheme. The company now helps to provide \$1.5 million cover for each individual claim under the scheme.

Growth in the profession and the development of the Society's responsibilities and activities in the period after 1960 changed the Society's administrative structure. These changes were most pronounced after the mid 1970s when the period of greatest growth began. In 1970, 815 practising certificates were issued, an increase of just over 50% on the 565 certificates issued in 1960; in 1980, 1517 certificates were issued, an increase of nearly 100% on the numbers in 1970. The number of practising solicitors more than doubled again in the 1980s. The profession thus grew sixfold in the period 1960-1990.

The broader span of Society activities and the increased complexity of administration of the profession affected the Presidency in several ways.

During the 1970s and 1980s, it became a higher profile position both within the community and among the rapidly growing profession.

The development of the professional indemnity scheme, the greater complexity of the disciplinary structure, the growth of CLE and a much greater financial turnover all required the President's attention and involvement. In order to reduce the demands on each President, the Act was amended in 1980 to reduce the Presidency from a two year to a one year term. From 1981, each President was paid an honorarium to compensate for some of their time.

Communication with members was improved greatly with the launch of *The Proctor* as the official newsletter of the Queensland Law Society in May 1982. The inaugural edition stated that: "*The Proctor's* tone will be informal, on occasions, irreverent, its subject matter events and issues of passing or immediate rather than lasting interest to members". *The Proctor's* first editor-in-chief was current QLS Vice President Ron Ashton.

The Proctor coexisted for a number of years with another major Society publication, *The Queensland Law Society Journal*. *The Journal's* objective was to "publish high quality articles on a broad range of legal topics, of interest to the profession and suitable for retention as a permanent reference base". Production of the *Journal* ceased in 1996, with many of its function assumed by *Proctor*.

In 1986, the Society employed a part-time librarian for the first time and set up a library for staff use. The collection consisted of a miscellany of law reports, texts and loose leaf services. The library was opened to members in May 1994, with members able to access the library facilities in person, by fax or by letter. Computers were installed in the library to access CD-ROM and disk databases. The new Members' Library was officially opened by the then Federal Attorney-General, the Hon Michael Lavarch, in June 1994. Since then, the library's collection has grown and usage by the legal profession has steadily increased. The library has become a significant resource which members have come to rely on to assist them in their practice.

The first women to participate in the Law Society government were elected after 1980. The first of these, Elizabeth Nosworthy, became President in 1986. She was one of the few Australian women solicitors to practice in the commercial financing area. She was portrayed in the *Journal* as a "woman of strong views and succinct expression thereof". Julie Ann Schafer, who was elected in 1988, became the second woman to join the Council, and in 1995/96 was elected President.

Julie Ann Schafer was largely responsible for the development of *Client Care*, another QLS first for Australia. Coming into effect on 5 April 1993, the service orientated consumer protection program provided "information about costs, steps involved in the proposed action for the client, who to contact if a problem arises, and up-front advice to clients on what to do if they are dissatisfied with any aspect of the solicitors' service."

The development of Law Society staff and the emergence of a departmental structure put tremendous pressure on the Society's



Elizabeth Nosworthy.
President, Queensland Law Society 1986.



Our History

accommodation. The Society's first office was Neville Henderson's desk in the small suite of offices occupied by the firm of Henderson and Lahey in the old T & G Building at 135 Queen Street and, after March 1929 in the National Mutual Building at 293 Queen Street. The Society remained in these offices for nearly four decades apart from the period during the war when the National Mutual Building was impressed for war use.

In July 1963 the National Mutual advised that it would need most of the Society's space within the next couple of years, and the Society eventually moved to Qantas House at 288 Queen Street on 16 May 1966. In early 1981, the Society was advised that Qantas House was to be demolished in December 1981. Once again it was necessary to make the rounds of possible buildings, with the Society moving to Law Society House at 96 Albert Street on 26 September 1981.

In November 1985, a vacant site next to the People's Palace in Ann Street came on the market after an insurance company did not exercise its option to buy. The Society moved quickly and secured a 14 day option on the site. In December 1985, the Society notified the profession that it intended to build its own building. The move from 96 Albert Street to the current Law Society House took place in October 1987. When the Society took possession of its new premises, the total cost of the building and fit-out was \$6.6 million.

The Queensland Governor, Sir Walter Campbell, officiated at a glamorous opening ceremony on 17 December 1987.

The Society has been through continuous periods of change during its existence, which has already spanned parts of three centuries. It has now entered an exciting time in its history, which has demanded, and will continue to demand, changes in service delivery. For the Society to achieve its business goals in the light of a rapidly changing environment, attention will continue to focus on developing more responsive products and services, providing user friendly ways to deliver services to members and improving member awareness of the role and services of the Society.



*Sir Walter Campbell and PD Channell, President
New building opening, December 1987*

Presidents Queensland Law Society Inc

| | | | |
|---------|----------------------------------|---------|--------------------|
| 1928 | R J McNab (died in office) | 1985-86 | D M Byrne |
| 1928-29 | E K Tully | 1986-87 | E A Nosworthy |
| 1930-32 | J A Walsh | 1987-88 | P D Channell |
| 1932-34 | W F Lalor | 1988-89 | R J Grainger-Smith |
| 1934-36 | G R H Gill | 1989-90 | G J Vickery |
| 1936-38 | F T Cross | 1990-91 | P J Short |
| 1938-40 | W P Rowland | 1991-92 | O Rinaudo |
| 1940-42 | L P Power | 1992-93 | G C Fox |
| 1942-43 | A E Robinson (died in office) | 1993-94 | M P Baumann |
| 1943-44 | G R H Gill | 1994-95 | J F O'Sullivan |
| 1944-46 | T J Bale | 1995-96 | J A Schafer |
| 1946-48 | E R Cuppaidge | 1996-97 | H C Grant |
| 1948-50 | J F Fitzgerald | 1997-98 | Dr J G Mann |
| 1950-52 | L W H Butts | 1998-99 | P E M McCafferty |
| 1952-54 | J Paterson | 1999-00 | P D Carne |
| 1954-56 | W H Boyd | 2000-01 | R Giudes |
| 1956-58 | J Casey | 2001-02 | J Tooma |
| 1958-60 | J G Drake | 2002-03 | T M Sullivan |
| 1960-62 | W H Hart | | |
| 1962-64 | (Sir) E S Douglas | | |
| 1964-66 | (Sir) J J Rowell | | |
| 1966-68 | C H Wilson | | |
| 1968-70 | J H Lalor | | |
| 1970-72 | J R Nosworthy | | |
| 1972-74 | P T Crouch | | |
| 1974-76 | S C H Foote | | |
| 1976-78 | H E Peterson | | |
| 1978-80 | G A Murphy | | |
| 1980-81 | J S P O'Keefe | | |
| 1981-82 | R K Hill | | |
| 1982-83 | D J Wadley | | |
| 1983-84 | G B Gargett | | |
| 1984-85 | J C Carey | | |

Note: Amendment to Law Society Rules – presidential term reduced from two years to one year from 1980.



Our Profile

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

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

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

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

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

The functions and responsibilities of the Society include:

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

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

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

Stakeholders

The Society has a wide range of stakeholders, including:

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

Our vision

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

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



QLS Council

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

Retired

Robin Geldard 24 July 2002
 Leon Pommer 24 July 2002
 Richard Wallace 24 July 2002

Executive

Tom Sullivan
 Glenn Ferguson
 Ron Ashton
 Rob Davis
 Joe Pinder

Retired

Raoul Giudes 24 July 2002
 Joe Tooma 24 July 2002



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



President's Review



A year of challenge and change

It is with very great pride that I present the Annual Report of the Queensland Law Society for the year to 30 April 2003.

Undeniably, it was a tumultuous, exciting and challenging year and it ended with the State Government's announcement that the Society's role in the investigative and regulatory process would undergo fundamental change from 1 January 2004 with the establishment of the Legal Services Commission and associated new bodies.

From the very beginning of my term, I made it clear that I was committed to transparency in the regulatory process and I informed the Attorney-General and Minister for Justice, the Hon Rod Welford MP, that it was a high priority. Well before the publicity about the actions of one firm in particular which prompted public and media demands for reform, there was a widespread recognition within the profession that the existing process needed a fundamental reappraisal.

Other equally high priorities I promised to address in my term were to ensure a sharper and more relevant focus on member services, to seek a resolution to the continuing vexed question of affordable professional indemnity insurance, to restructure the organisation of the Society and to bed down coherent and responsible corporate governance practices and principles.

Reform

As far back as February 2002, a Strategic Planning Meeting of the Society mooted that the Professional Standards Department should have an external and independent chairperson. When I became President, I stressed to Minister Welford that this would be done and I called an urgent Council meeting which appointed retired Chief Judge of the District Court, Pat Shanahan, to the job.

The reaction from the Government was extremely positive: Minister Welford was delighted; Premier Beattie said Judge Shanahan was an *"excellent"* choice and Chief Justice Paul de Jersey wrote that he was *"encouraged by the decisiveness with which you and the Council are dealing with the issues at present."*

On 12 November 2002, Judge Shanahan's report was made public and it made thirteen recommendations which Council accepted. Apart from those requiring legislation, they are either implemented or being implemented. Also late last year, the Legal Ombudsman released his report which, despite acknowledging that the new procedures were still untested at that time, recommended sweeping changes. Only a month or so earlier, his Annual Report stated that the Society was *"fundamental to any system of protection of consumers of legal services."*

The Shanahan Report resulted in a restructured Professional Standards Committee which the Judge chairs and which includes three prominent and respected lay members. Two new departments were created: "Legal Investigations and Prosecutions" and "Financial Assurance and Client Relations".

A new management team of unique quality and expertise was recruited, a streamlined case management system is to be introduced, there is a very vigorous investigation and prosecution program and the Client Relations Centre which can resolve less serious complaints by mediation is proving to be an outstanding success.

While the coming year promises to be a watershed for the Society as our traditional role and responsibilities are assessed and redefined, it is my belief that we can play an important role in the regulatory process for the benefit of all with our new structure and team.

Reorganisation, renewal and refocus

In October 2002, Council considered the far-reaching organisational review by consultants, Arena. It was a root and branch study resulting in forty-nine recommendations ranging from risk management and member services to administration, outsourcing and corporate governance and all recommendations were accepted.

It required a "spilling" of senior management positions and the team we have now is first-class and is working with the Council and the CEO to implement the adopted recommendations. Regular reporting by senior staff will keep progress on track.

The Society is now far better structured to meet a tough new external environment and meet the needs of members. We are far better prepared to be outreaching and pro-active in our external relationships with the full range of stakeholders including the Government and the media.

The comprehensive survey of members in December 2002 gave us invaluable insights into what is needed and also provided some well-deserved accolades for what we are accomplishing now. This survey also flagged our policy determination to always seek members' guidance when we consider our services.

The entire range of member services is under active review including Continuing Legal Education, the QLS library, Proctor and other publications. We launched a vibrant, relevant and easily accessible website as part of the IT strategic plan, a range of new and user-friendly brochures was issued and we are conducting comprehensive investigations into a range of legal practice initiatives and issues. The Annual Report underwent a dramatic change last year and this Report is a further advance.

We will be alert to what the membership is seeking and thinking following the adoption of the important new initiative of undertaking regular research to get member feedback on the quality of services. It will ensure that opportunities for new and improved services are explored including potential partnerships with other bodies to benefit the membership.

Our responses to issues of importance have been enhanced with the establishment of the Legal Policy Department which scans the state, national and international environment and handles matters referred by Society committees and the Government. Responding to government proposals for legislative change and handling matters including legal profession reform and the national reform agenda are major responsibilities.

“From the very beginning of my term, I made it clear that I was committed to transparency in the regulatory process...”



President's Review

Our new online School and Higher Education Service was launched in April 2003 by Chief Justice Paul de Jersey who praised it as a **"riveting presentation"** making law and justice relevant for school students. A key part of our outreach strategy, the package offers a wide range of resources for teachers and students including an innovative e-magazine – **"The Verdict"** – featuring easy to understand articles by experts. A chat room to allow students and teachers to discuss issues with lawyers and an expansion of the program into tertiary institutions are just two of the exciting new developments already foreshadowed.

More continuing legal education in regional areas has been identified as a priority. We are considering a series of one-day practical management seminars, including an IT component throughout the State.

Undeniably, the organisation is now revitalised and ready to face the future with a clear direction and planned purpose.

Insurance

In January 2003, I led a deputation to meet Attorney-General Welford on the vexed matter of limiting liability for members. We proposed a \$1.5 million primary limit of cover from 1 July 2003 with the option to allow those wishing to contract out for a higher cover to do so.

Progress has been slow and our proposed starting date will not be met although there is some hope that 1 July 2004 could be the introduction date.

The Commonwealth, State and Territory Governments are working through the Insurance Ministers' Conference and the Standing Committee of Attorneys-General to develop options for nationally consistent professional standards legislation and the State Government has advised us that they have given "in principle" support for these standards.

Professional standards legislation is an essential part of this package as it ensures the integrity of the profession and allows the capping of liability thus enabling an appropriate insurance regime. The State Government has promised to keep us informed about developments.

I met with the Presidents and senior staff of the Law Institute of Victoria and the Law Society of NSW to discuss this and other issues of mutual concern and we agreed that such meetings should be regular to ensure a unity of approach wherever possible.

And the rest

When and wherever possible, I visited District Law Association meetings from the Gold Coast to Cairns and west of the Great Divide to discuss issues. This is a critical role for every President and I have always been made feel very welcome and the feedback is invaluable.

One new initiative this year was the presentation of the President's Awards to recognise outstanding contributions to law and justice and congratulations again to the first three recipients – Lex MacGillivray AM, Gerry Murphy AM and John O'Keefe. Congratulations again also to Blake Dawson Waldron, recipient of our 2003 "Employer of Choice" award.

Liaising and inter-reacting with community and other professional associations is also of fundamental importance and a task I have given a high priority. We worked with the State Branch of the AMA, for example, on issues of mutual concern.

We have hosted meetings with – among others – senior Judges from Commonwealth and State courts, newly admitted solicitors and the Women Lawyers Association, launched a pilot mentoring scheme to give practical guidance to junior practitioners and made many submissions to the State Government on issues of importance including, for example, the then Civil Liability Bill.

Our Symposium 2003 which featured the keynote session on human rights issues with Julian Burnside QC and ABC personality Margaret Throsby was a great success as was the inaugural International Breakfast with delegates from Shanghai, Taipei, Fiji and Papua New Guinea. We are actively pursuing our reach into Asia via the Law Asia forum.

I led a delegation to the Commonwealth Law Conference in Melbourne which opened up opportunities to establish some very valuable contacts and we had a good working relationship during the year with the Law Council. The fact that the Secretary-General, Michael Lavarch is a Queenslander has given us the distinct advantage of regular contact.

Very often, it is what might appear to be the least significant task, is the one which gives most pleasure. With our technology upgrade, we had thirty computers surplus to needs and they were donated to the well-deserving Warrigal Road State School. Their tremendous "thank you" at a special school assembly made a memorable impression.

Conclusion

At the beginning of my term, I could not have imagined how demanding and challenging the year would be. However, I don't regret one moment of it; it has been an honour and a pleasure and my personal thanks go to Deputy President Glenn Ferguson, Vice President Ron Ashton, and the Council as well as the CEO, Geoff Stevenson, our loyal and hardworking staff and the profession for its support and confidence. It is an experience I will treasure.

Tom Sullivan

“The Society is now far better structured to meet a tough new external environment and meet the needs of members.”



CEO's Review



“The new organisation is now far better able to respond to the realities of the 21st century professional and political environment.”

The policy commitment by the Council of the Society to ensure a truly focussed, streamlined, efficient and service-delivery organisation for members was translated during the year into a dynamic reality as the sweeping forty-nine recommendations in the report by Arena Organisational Consultants were implemented.

The report, released in late 2002 after a long and painstaking review, was a major milestone in the history of the QLS and Council responded with enthusiasm and resolve. The new organisation is now far better able to respond to the realities of the 21st century professional and political environment.

Priorities were assessed and re-evaluated, hard decisions were made about the allocation of human and financial resources and the views of members actively sought. It was, in some ways, a challenging and even painful process but there was never any doubt that it had to be done and now that it is largely bedded down, we are already seeing the benefits.

The review process is a continuing one as we finetune the organisational machinery to cope with changing realities and one of the major strengths of the new structure is that it allows for this flexibility without needlessly disruptive on-going major changes.

The new structure comprises six departments and the Secretariat.

The Corporate Services department, under General Manager Grant Bennett, has responsibility for human resources and information technology. It is focussed on driving improvements in our business processes and systems, developing and coordinating our business planning and reporting process. The department also ensures that we have the right people with the best skills.

The bottom line is management by best practice principles to deliver quality outcomes.

The critically sensitive area of managing our financial resources and overseeing the allocation of these resources in a demanding and highly competitive internal environment is the task of Chief Financial Officer Murray Fox and his Finance and Administration department.

Major responsibilities beyond delivering the funds for our many services include compliance with relevant legislation and standards, predicting future financial scenarios and helping assess business initiative proposals. Management of our captive professional indemnity insurance company and other professional insurance issues are other key duties.

Our commitment to an honest and ethical profession which meets uncompromisingly high standards was reflected with the creation of two new departments – Financial Assurance and Client Relations under General Manager David Franklin and Legal Investigations and Prosecutions under General Manager Malcolm Hinton. The audit function and the Client Relations Centre are included under the first department while the critical investigation and prosecutions responsibilities have been given unprecedented resources and independence in the second department.

General Manager Maria Ceresa heads the multi-faceted Member Services and Communications department. The department has two primary functions – discerning members' needs and expectations, ensuring the delivery of relevant and career-enhancing services and promoting the Society and the profession to the community generally and the media. It draws together under the one umbrella service delivery, marketing, business development and public relations, managing the respected Members' Library and publishing *Proctor*. This department has an important public outreach responsibility to promote understanding of the legal system with activities including the annual Law Week and the expanding and highly respected schools program.

Contemporary legal issues including detailed responses to proposed or actual Government legislation and developing Society policy options is handled by the Legal Policy department under Manager, Legal Policy and Corporate Counsel, Peter Byrnes.

The Secretariat, under Secretary to the Council Bernie O'Donnell, underpins Council and its subcommittees, assists on corporate governance issues and maintains Member Records.

This radical realignment of the management structure meant the recruitment of several new key senior staff although some longer-serving members of the management team have stayed on in redefined roles. The blend of corporate experience and a fresh approach has worked smoothly as the new team hit the ground running in February-March this year.

The continuing implementation of the few remaining Arena Report recommendations and the ongoing finetuning of the organisation are being ably handled by the Implementation Committee under Corporate Services General Manager, Grant Bennett. It is drawn from key areas of the organisation to maintain a real appreciation of the task and guarantee a seamless implementation process. By 30 April, thirty-three recommendations were fully implemented while work on the remaining sixteen was well advanced.

Our forward looking and professional approach has been underscored by the new Corporate Planning cycle which commenced in 2002. Plans devised under this initiative help to give guidance about the general direction of the organisation to all officers and the Council and a full analysis of our performance against the 2002/2003 Business Plan appears elsewhere in this Report as does the 2003/2004 Business Plan.

Planning for 2003/2004 began early in 2003 to allow sufficient lead time and as part of this process a workshop was held for Councillors in February to discuss and update the Strategic Plan – the framework for all initiatives and goals – and a subsequent March workshop for senior management developed from the Business Plan. While the Councillors' workshop discussed our corporate philosophy, policy and priorities, the senior management workshop hammered out the specific program details to meet these requirements.



CEO's Review

Basic to both workshops was the focus on members' needs and how these can be even better addressed within an evolving environment.

After the March workshop, General Managers discussed their departmental requirements with all staff and commenced the implementation of necessary action and programs within agreed timeframes and deadlines to meet these requirements. In all of this process, the two-way communication exchange between Council, senior management and all staff was paramount.

The Business Plan identifies all significant projects for the forthcoming year. Included is a complete review of two departments – Financial Assurance and Client Relations and Legal Investigations and Prosecutions – to provide a further reassurance that the complaints handling processes are as streamlined, transparent and effective as possible while a proactive education and information ethical standards and practices program is also identified as a need. The full range of our services including Continuing Legal Education, the Library and *Proctor* will go under the review microscope and we will work towards a fashioning of a vision for the profession by conducting in-depth investigations into a range of legal practice initiatives and issues.

General Managers now report every fortnight to the Corporate Management Group and these reports benchmark against agreed program target implementation dates. It ensures a corporate scrutiny that helps to resolutely drive our agenda to meet our members' needs.

In February, our vibrant new website www.qls.com.au was launched. While an invaluable resource in itself providing member services and useful information to the public and the media, it is a striking illustration of our fresh new corporate face.

An analysis of the number of "hits" on the site reveal that an increasing number of members are using it frequently and their feedback has been overwhelmingly positive. The challenge remains for us to keep it relevant, user-friendly and as up-to-date as possible. Certainly, it has been a first class vehicle for our revitalised schools program and allowed us to effectively and quickly deliver our services to this user group.

In recent years we have been looking beyond Queensland and even beyond Australia to develop good working relationships with our Asian and Pacific colleagues. Our extremely proactive International Relations Committee has been a key driver in our embrace of the international agenda and we now have twinning agreements with the Fiji Law Society and the Shiho-Shoshi Lawyers' Association of Saitama in Japan while a similar agreement with the Papua-New Guinea Law Society is set for signing. We are also developing agreements with the Shanghai and Taipei Bar Associations.

Our successful Symposium 2003 attracted guests from Fiji, Papua New Guinea, China and Taiwan and our incoming President, Glenn Ferguson, who has a keen interest in this program, is expected to pursue new initiatives.

Late in 2002, the first member survey was undertaken and it was such an outstanding success that we have determined that it should be an annual event. Its importance in keeping us well grounded and aware of members' needs cannot be overstated.

The key messages we received were that members wanted us to strive harder to continually improve membership "value", to do more to strengthen the profession's image in the community and to provide easily accessible and high quality core services. There was also a call for improved regional services and a need to implement improved approaches to disciplinary issues.

All of this information after intense analysis has helped shape our Strategic and Business Plans and finetune existing services and programs. Every member is strongly urged to participate in our next survey to ensure we stay in touch and always relevant.

It would be a massive understatement to say that the year has not been without its challenges but given the huge task we set ourselves to reorganise and, in significant ways, reinvent ourselves, an extraordinary transformation has been achieved. More remains to be done but the Society now has a lean and efficient organisation that can deliver what the members want and need.

The coming year will bring further challenges as the Government has flagged a new investigation and disciplinary regime and other major changes to how the profession is held accountable. Our reorganisation could not have been timelier because we now have the structure and the people to handle these new realities.

In conclusion I do sincerely thank the President Tom Sullivan, whose leadership has been steadfast and unswerving, as well as Deputy President Glenn Ferguson who will take up the Presidential baton in August, Vice President Ron Ashton and the Council. It has been a truly memorable year for all of us and we can face the future with confidence.

Geoff Stevenson

The coming year will bring further challenges as the Government has flagged a new investigation and disciplinary regime.



Corporate Governance

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

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

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

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

Council

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

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

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

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

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

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

Executive Committee

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

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

The Executive Committee for the 2003/2003 year was:

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

President

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

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

- > chairing Council and Executive Committee meetings, including setting the agenda for business conducted at those meetings
- > ensuring an effective flow of information between the Council and the organisation, through the CEO
- > 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, CEO and the organisation
- > consultation and communication with members to ensure their views are heard and understood in Council – a responsibility shared with all Council members.

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

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

Chief Executive Officer

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

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

| | Meetings Attended | Meetings Eligible to Attend |
|------------------|-------------------|-----------------------------|
| Don Armit* | 8 | 11 |
| Ron Ashton | 13 | 13 |
| Joan Bennett | 12 | 13 |
| Ian Berry* | 11 | 11 |
| Patricia Conroy | 13 | 13 |
| Rob Davis | 11 | 13 |
| Scott Falvey* | 11 | 11 |
| Glenn Ferguson | 13 | 13 |
| Raoul Giudex | 12 | 13 |
| Julie Harrington | 11 | 13 |
| Ian Hughes* | 5 | 11 |
| Brian Kilmartin | 9 | 13 |
| Megan Mahon* | 11 | 11 |
| Michael Meadows | 10 | 13 |
| David O'Brien | 13 | 13 |
| Joe Pinder | 12 | 13 |
| Tom Sullivan | 13 | 13 |
| Joe Tooma | 12 | 13 |

* elected July 2002



Corporate Governance

The role of the CEO includes:

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

Corporate Management Group

The Corporate Management Group (CMG) is the body responsible for the day to day running of QLS. The CMG is chaired by the CEO, and includes all General Managers, as well as the President attending by invitation.

The CMG generally meets fortnightly. At every meeting, each General Manager provides a comprehensive written report on the activities and achievements of their department since the previous meeting, with particular reference to the goals and targets in the Strategic and Business Plans. The written reports are supplemented by a brief oral report of the highlights and any significant issues for discussion.

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

Finance and administration

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

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

In the past year, Council resolved to have an independent systems appraisal performed by KPMG to ensure the integrity of the systems in operation. This review:

- > assessed the appropriateness and application of procedures, internal controls and financial delegations
- > assessed the Society's investment procedures, including the specific internal controls and financial delegations that apply to all the Society's investment decisions and transactions.

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

Information technology

IT investment and performance is overseen by an IT Steering Committee convened by the General Manager Corporate Services and Chaired by the CEO. The IT Strategic Plan, developed in 2001/2, sets the direction for the next five years, and contains annual implementation plans that have subsequently been updated each year.

The IT Steering Committee's role includes:

- > ensuring that IT strategies contribute to the strategic direction
- > assessing IT investment proposals to ensure a sound business case has been made that will enhance member services, improve efficiency and is consistent with our IT framework;
- > ensuring that strategies are in place to manage IT related risks and information security.

In the past year, independent security experts Bridgepoint were engaged to conduct a security audit of the Society's new Internet service. Key recommendations to enhance information security were made with all priority recommendations implemented before the end of the financial year.

Internal control and system access will be the subject of a detailed review by Bridgepoint next year and a report will be made to the IT Steering Committee to ensure risks are effectively managed.



Corporate Governance

Management Profiles



Chief Executive Officer

Geoff Stevenson BEcon BA MPA (UQ) FCIT
FIPAA MAICD MAIAL

Geoff Stevenson, Chief Executive Officer since July 2001, has over 20 years experience as a Chief Executive Officer and a Deputy Chief Executive Officer. His career background includes being Director-General of Transport and Director-General of the Department of Public Works, two of the largest Departments in the Queensland Government; and Queensland Legal Ombudsman. His Board and Statutory Council experience is vast. It includes Chairmanships of the Ports Corporation of Queensland, the Port of Brisbane Corporation and the Gold Coast Waterways Authority; and Directorships of Queensland Rail, Austroads and the Australian Institute of Marine Law. He is a recipient of the University of Queensland postgraduate prize for outstanding academic achievement in the Master of Public Administration degree. During the year, he was awarded the Centenary Medal for his contribution to the public sector and the law.



Chief Financial Officer

Murray Fox BBus (Acc)

Murray Fox is a graduate of Queensland University of Technology with a Bachelor of Business (Accounting) and a member of the Institute of Chartered Accountant's having successfully completed the Institute's Professional Year of study in 1981. Prior to joining the Society in October 1988, he gained extensive experience working in both the private and public sectors for over ten years. In 1993 he was appointed Director of Finance and Chief Financial Officer in 2002.



General Manager, Member Services and Communication

Maria Ceresa BA

Maria Ceresa was appointed General Manager Member Services and Communications in Queensland having been the Chief Executive Officer of the Northern Territory Law Society. Formerly North Australian bureau chief for The Australian newspaper, she has also worked as a journalist in the Canberra press gallery and Sydney. She holds a Bachelor of Arts degree majoring in Communications from Macquarie University.



General Manager, Corporate Services

Grant Bennett BBus

Grant Bennett joined the Society in 2001 to manage the human resources unit. That role expanded in 2002 to managing Corporate Services including responsibility for driving the Society's business improvement agenda, people management and development, organisational change, strategic and business planning, and information technology. He has over 20 years' experience in senior management and consultancy roles in the public and private sectors. He holds a Bachelor of Business from the Queensland University of Technology and is a Chartered Member of the Australian Human Resources Institute.



General Manager, Legal Policy and Corporate Counsel

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

Peter Byrnes commenced in his present position with the Society in February 2003 after having been Secretary to the Solicitors' Board. Prior to that, he had been Executive Director, Policy and Legislation Division, Department of Justice and Attorney-General. Previously, he held research and legal positions at Parliament House for 11 years and had also served as a police officer for five years. Peter was admitted as a barrister in 1987 and, on joining the Society, changed to the Solicitors' Roll. He has been an Adjunct Professor in the TC Beirne School of Law at the University of Queensland since 1999.



General Manager, Legal Investigations and Prosecutions

Malcolm Hinton LLB (Hons) LLM
GradCertAppMgt

Malcolm Hinton is a graduate of the Queensland University of Technology. His professional qualifications include: solicitor of the Supreme Court of Queensland, barrister of the Supreme Court of New South Wales and solicitor/barrister of the Supreme Court of the Australian Capital Territory. His career background includes working as a police officer in Queensland and East Timor and working in private practice. Prior to joining the Society in March 2003, he was Superintendent in Charge of Legal Services, Queensland Police Service and Acting Chief Superintendent, Command Coordinator Operations Support Command.



General Manager, Financial Assurance and Client Relations

David Franklin BBus

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



Secretary to Council

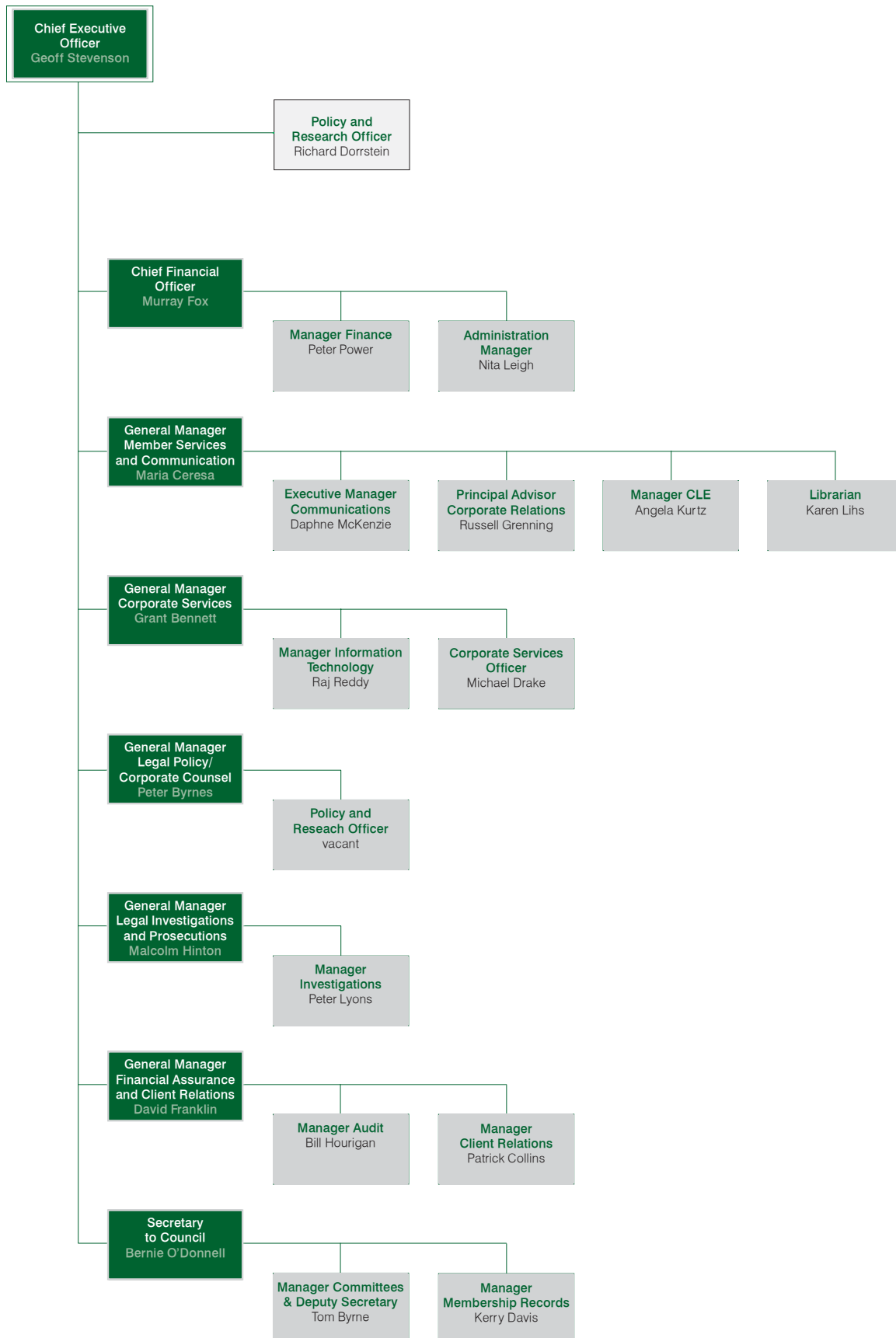
Bernie O'Donnell LLB

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



Corporate Governance

Organisational chart
as at 30 April 2003





Performance Highlights

Results achieved against our 2002/2003 business plan

Goal 1 – meeting the needs of members

Professional Indemnity Insurance

- > Despite the extremely difficult insurance market, QLS delivered competitive 2002-03 premiums to members that limited increases to 23% and at the same time increased cover from \$1.1M to 1.5M per claim.
- > QLS implemented the first raft of a broad-ranging claims prevention strategy.
- > QLS' "captive" insurer continued to provide an effective vehicle to maintain competitive premiums in 03/04.

Continuing Legal Education

- > QLS moved to increase the focus on member needs in CLE programs, resulting in better attendance and cost effectiveness.
- > 6 x 2 day conferences were successfully introduced to the program.
- > Introduced on-line registration and secure payments through the QLS website.

Annual member survey

- > QLS introduced an annual member survey designed to identify member needs and concerns, and views on QLS services.
- > 985 completed responses (nearly 19% of total membership, were received).
- > the survey provided key data for input to QLS future plans and to enable existing programs and activities to be assessed and improved.

Membership benefits

- > Agreements to provide attractive benefits to members were renegotiated with Telstra, Hertz and the shopping service.
- > A new deal was negotiated with Mitsubishi where members can now purchase a new vehicle at fleet discount prices.

Information Technology

- > QLS established a partnership with NetOptions to provide quality business standard IT hardware and software to members at corporate prices, and conducted a pilot legal office IT infrastructure study and reported results to members in Proctor.
- > The new QLS website www.qls.com.au was launched on 28 February 2003, providing better features and useability, a theme designed to promote the human face of the profession; and a members only section dedicated to providing useful resources to members.

Specialist Accreditation

- > QLS introduced property law and succession law specialties, and redrafted the specialist accreditation handbook.

Library

- > The Library continued to be one of the most frequently used and valued services, and to further assist users QLS upgraded member computers and improved our CD database subscription access.

Goal 2 – professional standards and ethics

Significant work was done to review and improve the Society's approach to handling complaints and to implement the reviews by retired District Court Chief Judge Pat Shanahan and the Legal Ombudsman. In particular:

- > a newly constituted Professional Standards Committee was established, chaired by retired District Court Chief Judge Pat Shanahan, with increased independence and representatives from outside the profession.
- > organisational restructuring was undertaken, together with the development of operational plans, the appointment of a number of key personnel in senior management positions, an additional three investigators and a Prosecutor.
- > a more thorough, transparent investigative methodology is being implemented which will see the Society's investigators adopting a more active role in obtaining affidavits from complainants and witnesses, the collection of material exhibits, the compilation of briefs of evidence and the drafting of charges.
- > complaint and inquiry numbers increased substantially – partially reflecting the increased media attention.

National legal profession reform

- > QLS made significant contributions to the national rules in respect of trust accounts, fidelity accounts, model rules, admissions, complaints and discipline.

Audit program

- > a new on-line guide was developed to assist trust account auditors to conduct audits in line with QLS requirements and to address relevant issues more thoroughly.
- > new procedures were implemented to ensure Solicitors annual audit reports due by 30 June each year were completed and lodged on time.
- > Negotiations with the Australian Bankers Association resulted in the establishment of a register of lost or stolen bank cheques, and web access to the register by solicitors.

Prosecutions and suspensions

- > ethical practice was promoted through a range of articles in Proctor.

Goal 3 – image and communication

Despite another difficult year in the media, QLS nevertheless:

- > completed a redesign of all existing brochures, and creation of new brochures – these are distributed by Solicitors to clients to provide information on common issues.
- > conducted a successful Law week promotion that was well publicised in both Brisbane and Regional centres.
- > improved our networks with other bodies including Commerce Qld, the AMA (Queensland Branch) and accounting bodies.
- > conducted a successful SCRAM (mediation competition for Secondary Schools) program.



Performance Highlights

Goal 4 – contributing to our justice and legislative system

Accident compensation

- > QLS made a major submission in response to the IPP report recommendations, and negotiated with the Government and other stakeholders to achieve an acceptable outcome in the new Civil Liabilities Bill.
- > Council introduced the new No-win-no-fee “50/50” ruling, and improved our relationships with MAIC.
- > a new role of General Manager Legal Policy and Corporate Counsel was established to focus resources on this area.

Goal 5 – corporate governance

Considerable work was done to streamline Council and committee operations.

- > a new guide for Council members was produced.
- > new Council processes for submissions, agendas and business at meetings were implemented.
- > a review of delegations was partly completed and will be finalised shortly, and revised purchasing procedures were implemented to improve accountability.
- > the Society’s strategic and business planning model was put in place and continued to be refined.
- > a favourable audit report was received from the Auditor-General.
- > the IT strategic plan was developed and an annual action plan was implemented.
- > the organisational review by Arena Consultants was conducted, recommendations accepted by Council, and implemented by the senior management team in consultation with staff.
- > reports on financial systems and risk management were received and our financial systems were found to be sound.

Business plans for each department are prepared consistent with the strategic plan set by Council, and regular reporting occurs of results achieved against targets.



Strategic Plan

QLS Goals and Strategies 2003/2004

Goal 1

To understand members needs and deliver relevant and valued services.

Strategies

- > Identify member needs and assess and review services.
- > Expand and improve delivery of customer services.

Goal 2

To strive for a profession that meets the highest standards of integrity and ethics.

Strategies

- > Implement and continually improve systems and processes for setting standards and enforcing the proper conduct of the profession.
- > Continually educate the profession on the importance of integrity and ethical conduct.

Goal 3

To improve the profession's image in the community.

Strategies

- > Develop and Implement initiatives to promote a positive image of the profession in the community.
- > Improve relationships with stakeholders.
- > Improve the image of QLS.

Goal 4

To improve the society's support of the system of justice and improve our impact on legislative outcomes.

Strategies

- > Identify and address emerging issues of relevance to the profession and the community.
- > Develop mechanisms that enhance access to justice in regional and rural communities.

Goal 5

To monitor and improve corporate governance of the society.

Strategies

- > Review and continually improve QLS' corporate governance.
- > Assess Council's structure and size and the impact on effective corporate governance.
- > Develop a vision for the future of the profession and address associated issues.
- > Continuously improve internal processes and create a workplace environment which provides opportunities for learning and growth to meet the needs of QLS.



Business Plan

QLS Business Plan 2003/2004

Goal 1 – meeting the needs of QLS members

To understand members' needs and deliver relevant and valued services.

Strategy 1.1

Identify member needs and assess and review services.

- > undertake (with professional assistance) an annual member needs and satisfaction research process and methodology.
- > develop a strategic marketing plan, including product/market options such as broadening the membership and revenue base.
- > undertake research on QLS' competitors and similar organisations, review current operations, make recommendations to CMG.
- > review current member services including Proctor, CLE and the library. Assess relevance to member needs, report and recommend potential changes to CMG. Identify new services to meet members' needs.

Strategy 1.2

Expand and improve delivery of customer services.

- > refine and continue to develop QLS website. Implement outstanding stages.
- > implement systems to assess uptake of new website services and monitor results.
- > ensure that appropriate mechanisms are in place for members to receive priority communication about new legislation and emerging/current issues.
- > identify staff needs regarding customer relationship training and implement training program across QLS.
- > research technology and other delivery mechanisms to provide quality services in a timely and cost effective manner.
- > investigate initiatives to assist members in their practices.

Goal 2 – professional standards and discipline

To strive for a profession that meets the highest standards of integrity and ethics.

Strategy 2.1

Implement and continually improve regulatory systems and processes for setting standards and enforcing the proper conduct of the profession.

- > review and implement standards, processes and systems for complaint procedures. Ensure implementation of Shanahan and Arena reports.
- > complete the model conduct rules project, and ensure they are well articulated across the profession and generally in the community (subject to Law Council timeframes).
- > provide assistance to Council regarding the formation of an ethics committee.
- > monitor and develop relevant input to review of disciplinary system being undertaken by the

Attorney-General and promote the benefits of self-regulation of the profession.

- > promote new, effective, transparent complaints process. Ensure successful prosecutions are publicised widely.
- > research trends concerning unethical conduct, practices and referrals.

Strategy 2.2

Continually educate the profession on the importance of integrity and ethical conduct.

- > provide continuing education and information to practitioners on ethical standards and practices through seminars and information papers.
- > provide articles on ethical standards and practices in Proctor, QLS website etc.

Goal 3 – image and communication

improve the profession's image in the community.

Strategy 3.1

Develop and implement initiatives to promote a positive image of the profession in the community.

- > develop and implement a strategic communication plan for internal and external communication.
- > finalise QLS corporate image style manual.
- > publicise the position of the Council regarding nominated issues.

Strategy 3.2

Improve relationships with stakeholders.

- > formalise stakeholder relationship management processes.
- > continue to foster and develop relationships with identified legal, parliamentary, public sector, educational, professional and community groups.

Strategy 3.3

Improve the image of QLS.

- > identify short term initiatives and develop a long term strategy to improve the image of QLS with members and in the community.
- > identify the areas within QLS of interest to the community and develop strategies to promote them.

Goal 4 – contributing to the system of justice and legislation

To improve the Society's support of the system of justice and improve our impact on legislative outcomes.

Strategy 4.1

- > identify and address emerging issues of relevance to the profession and the community
- > create mechanisms to enable emerging issues to be identified at the earliest possible stage.



Business Plan

- > formalise systems for Council agreed position to be determined in a timely manner in respect of those issues.
- > develop processes to engage government early and to endeavour to have the Society's settled position communicated to government as required, with a view to influencing the outcome.
- > effectively communicate QLS activities and position to members.

Strategy 4.2

- > develop mechanisms that enhance access to justice in regional and rural communities
- > research the issues impacting on access to justice in regional and rural communities and report to Council.
- > progress the initiative of establishing a forum of professional bodies and government to advance the issue.

Goal 5 – corporate governance

To monitor and improve corporate governance of the Society.

Strategy 5.1

Review and continually improve QLS' corporate governance.

- > finalise review into corporate governance and make recommendations to Council.
- > develop QLS corporate governance policy manual, including a council code of conduct, and make recommendations to Council.
- > develop, document and implement comprehensive delegations covering financial and statutory functions.
- > review all committees' structure, function and operation, develop clear and relevant charters, reporting requirements, authority, composition and number of members.
- > review and revitalise role of DLAs and formalise their relationship with Council.

Strategy 5.2

Assess Council's structure and size and the impact on effective corporate governance.

- > research and prepare an options paper (for Council) to assist Council in determining its

position regarding the size of Council and length of presidential term and that of the deputy president and vice president.

Strategy 5.3

Develop a vision for the future of the profession and address associated issues.

- > investigate and report to Council on a range of legal practice initiatives and issues to enhance the viability of the profession, such as:
 - > limiting liability
 - > MDPs
 - > increasing business opportunities
 - > business v profession
 - > risk management
 - > compulsory CLE.
- > monitor and continue to contribute to the national legal reform agenda.

Strategy 5.4

Continuously improve internal processes and create a workplace environment which provides opportunities for learning and growth to meet the needs of QLS.

- > implement a strategic planning process and strategic management approach that links strategic goals with annual business plans, budgets and performance management.
- > update IT operational plan.
- > develop customer service charter.
- > implement a training and development program.
- > implement processes to improve internal communication, including team brief.
- > undertake business risk analysis and prepare business continuity plan.
- > review budget development process.
- > develop key performance indicators linked to the business plan.
- > consolidate and document existing Council policies in a standardised format.



Departmental Reports

Finance and Administration

The Finance and Administration department is responsible for preparation and maintenance of all statutory accounts required under the *Queensland Law Society Act 1952*, managing general administrative matters of the Society, and Body Corporate administration of Law Society House.

QLS Insurance Pte Ltd became the main insurer for the profession's professional indemnity insurance for the year commencing 1 July 2002 and achieved minimal premium increases compared to the general insurance market. Claims management and administration continues to be provided by St Paul to both QLS Insurance Pte Ltd and the Law Claims Levy Fund with all claims payments made by the Finance department. In recognition of the long term nature of professional indemnity insurance a new investment strategy was developed and implemented for QLS Insurance Pte Ltd. There was also a review and amendment to the investment strategy of the Law Claims Levy Fund. Submissions were sought from major Australian brokers to provide professional indemnity insurance broking and captive management services with Aon the successful applicant.

The mediation centre with its ground floor access was well utilised by members with 126 bookings during the year. The Call Centre provided 41,000 solicitor referrals, and 1,800 referrals to the free 10 minute legal advice service as well as answering approximately 85,000 incoming non direct dialled telephone calls.

The QLS diary, which is coordinated in-house continues to be well received by the profession and again sold out despite an increased print run. It is sold to members at cost.

The Society's in-house print room was closed in late 2002 and all printing equipment sold. The print room had been responsible for the printing of most CLE brochures, practising certificate renewal forms, insurance certificates, legal brochures and other material. With advances in technology and the greater use of e-mail, it was no longer economically viable to upgrade the equipment. Printing requirements are reducing with advances in technology and the delivery of more information via the new QLS web page and e-mail. Printing that cannot be presented electronically is being outsourced.

Member Services and Communication

The Member Services and Communication department incorporates the administrative, promotional and developmental aspects of continuing legal education programs, the library service, member benefit agreements, business development initiatives, schools legal education, public relations, marketing, media relations, the website and publications including Proctor.

The department was responsible for introducing significant new initiatives for members and the community during the year.

Schools and Higher Education Service

The long-running QLS Schools Program was upgraded with a groundbreaking new on-line service titled Schools and Higher Education Service (SHES). The Society believes this legal information service for the young is a world first.

SHES aims to demystify the law, the legal profession and the legal system for students. It equips educators and students with the latest legal information relating to their curricula and provides a wide range of up-to-date resources including student activities and teachers' conferences. It puts solicitors in schools to assist teachers and students in the classroom and its resources and references are also valuable to tertiary students and educators.

Features of the interactive service include on-line access, via a password, to a range of continuously updated material, including an on-line full-colour e-magazine offering a variety of informative articles from legal experts, the latest information on changes to the law or significant cases, resource packs containing information on a wide range of relevant legal topics and hyperlinks to other helpful sources and teaching kits incorporating ready-to-use activities.

As the new service is delivered on-line and uses solicitors from a school's local area to provide assistance in classrooms, it is accessible to all schools and educational institutions throughout Queensland and feedback from teachers and students has been enthusiastically positive. Although not promoted outside Queensland, the Society has received inquiries from other States interested in introducing a similar program. More than 150 legal practitioners have signed up to visit schools and share their experiences.

Seminars and conferences

The year's program has concentrated on professional development programs in core areas of law while maintaining a full program in the smaller or niche areas by expanding partnership arrangements.

CLE has delivered more than 80 seminars and six major conferences during the period. Of note was the renewed interest in succession law. The inaugural Succession Law Conference was a particular highlight, with over 200 practitioners enjoying a high-quality, topical program. The interest flowed on to the fully-booked one-day Advanced Succession Program in May 2003.

Dual-format activities, offering a choice of participation in person, or by teleconference, have continued to be popular with regional practitioners. More than 45 programs were offered in this format.

At Convocation 2002, District Law Associations proposed duplicating the popular one-day advanced programs in regional areas. CLE has run successful programs jointly with district law associations in Toowoomba, Sunshine Coast, Gold Coast and Townsville.

The new QLS website's on-line registration facilities have proven popular and administrative savings from on-line registration have been about 20%.

Specialist accreditation

Specialist accreditation is the hallmark of a profession aspiring to achieve the highest possible standards in legal service. Last year, programs were offered in family law, personal injuries law, succession law and property law. Queensland now has 269 fully accredited specialists who are leaders in their fields.



Departmental Reports

The accreditation program is supported by a number of advanced seminars and conferences in each key area. The Society ran two inaugural courses in specialist accreditation and their supporting educational initiatives in the latter part of 2002.

There were 38 candidates in the property specialist program and 33 for the succession law program.

All four programs including family and personal injuries law will be offered again in 2003.

Practice management course

Although required to complete the practice management course under legislation those participating in the principle-level practicing certificate program have responded positively to the benefits the course provides.

This practice management course provides detailed knowledge and practical examples of how the business side of a firm is managed. During the year, 114 practitioners successfully completed the full course.

Symposium 2003

Over 400 practitioners, barristers, academics and members of the judiciary attended this major annual conference in March. The highlight of the program was the keynote session delivered in interview style. The session focused on human rights issues, with interviewer, well known ABC identity, Margaret Throsby, teasing out the issues with highly respected Melbourne QC, Julian Burnside.

Library

The Members' Library has again been popular and issued more than 23,600 items of information.

The library's new online request service, which is quicker and easier to operate, has been well used. The library boosted its collection with more than 60 new subscriptions to journals and loose-leaf services.

Library computers were upgraded a networked printer installed using a grant from the Law Foundation.

The library's newsletter, AddLib, has been upgraded to a monthly publication. It assists members to conduct their own legal research and highlights significant cases and legislative changes. It is now emailed to every firm and is available on the members' section of the QLS website and in hard copy.

More than 70 per cent of Queensland law firms use the QLS library, with most requests coming from small to medium-size firms.

Corporate Services

A range of strategies to continually review and improve our business processes, systems, people, and management so that we deliver quality outcomes has been initiated. The main focus this year was on:

Aligning organisational structure and culture

The comprehensive review conducted by Arena made wide ranging recommendations covering nearly every conceivable aspect of the organisation. Staff were closely involved in implementing the recommendations and significant efforts were made to ensure the transition to the new structure went as smoothly as possible.

Implementation has resulted in an organisation that is more clearly focussed on strategic issues and member services, has better planning and management processes and a new and growing spirit of cooperation.

Enhancing the Society's technology platform

Implementation of our IT Strategic Plan proceeded with replacement of our ageing Token Ring network, upgrading servers and replacement of old PCs. An IT Steering Committee chaired by the CEO ensures that our technology investments generate a high return through improved member services and increased efficiency.

The internet – a vehicle to help the Society serve members

The new Society website www.qls.com.au was launched in February 2003. The new site helps provide services to members more efficiently and provides accessible resources and information to assist members in their practices. It helps the public to interact with the profession and promotes a more human face for the profession.

The new website features include:

- > simple and logical navigation
- > a design theme that promotes a caring image of the profession
- > enhanced search capabilities
- > a password protected "Members Section"
- > on-line registration and payment for CLE programs and products
- > on-line Society library catalogue searching

People management

A range of systems and process reviews, job redesigns, human resources policies and a new job evaluation methodology were implemented. Work commenced on a comprehensive training needs analysis that will feed into staff development initiatives in 2003/4.

Employment services to assist members

Corporate Services assists members on staff management issues including terms and conditions of employment, and wage rates and conditions for articulated clerks.

The Society also assists solicitors seeking employment, and firms seeking new employees (including permanent solicitors, locums or articulated clerks), by registering both vacancies and potential candidates in the "Employment Registers".



Departmental Reports

QLS staffing data at 30 April 2003

| | 2002/2003 |
|---|------------------------------|
| Permanent employees (full time equivalent) | 76.1 |
| Separations | 18 |
| Resignations | 7 |
| Retirements | Nil |
| Redundancy | 10* |
| Dismissals | 1 |
| Separation rate % | 23.65%* |
| Average tenure of permanent employees leaving QLS | 6 years 20 days [#] |
| Temporary employees | 7 |
| Separations | 3 |

* Redundancies resulted from implementation of the Arena organisational review. The separation rate would otherwise have been 10.51%.

Average length of service for redundant staff 8 years 3 months.

Legal Policy

The Legal Policy department was established in February 2003 with the appointment of the General Manager, Legal Policy and Corporate Counsel (GMLPCC) and until April 2003 he had the assistance of a part-time research officer.

The key responsibilities for the new position of GMLPCC, which was created as an outcome of the Arena Report are to:

- > research and develop policies and formulate positions for the Society on contemporary legal issues.
- > monitor, the state, national and international environment and identify issues likely to impact on the law, consult with relevant Society committees and report to Council with recommendations.
- > liaise and negotiate with Government to ensure that the Society is valued and recognised as a vital source of information and comment on proposals for legislative reform and, in so doing:
 - > oversee and coordinate all Society responses to such matters
 - > ensure that relevant Society committees are consulted and provide input.
- > lead the investigation and provide overall management of significant issues for the Society including, for example:
 - > legal profession reform
 - > the national reform agenda
 - > professional, public liability and medical indemnity reform.

For the March and April 2003 Council meetings, the department prepared 16 submissions for consideration on a wide range of topics including:

- > guidelines for advertising of personal injury services
- > privilege attaching to advice given by senior counsellors
- > the scope of s50 of the *Queensland Law Society Act 1952*
- > advertising of probate notices and notices under s67 of the *Trusts Act 1973*
- > extension of the "no win, no fee" ruling to applications under the *Criminal Offence Victims Act 1995*

- > the challenge to the Society's "no win, no fee" ruling
- > policy underpinning the giving of evidence by children
- > the Society's investigative powers
- > the right of a particular class of client to be given an itemised bill of costs.

The department was extensively involved in the preparation of material in relation to the Society's submissions on the *Civil Liability Act 2003*.

The department prepared briefing notes for use by the President, Deputy President, Vice President and the Chief Executive Officer on a wide range of subjects drawn from the agendas for the April 2003 cognate meetings of the Law Council of Australia, the Conference of Law Societies and the CEO's Forum.

Departmental officers were appointed as the secretaries for these Society committees:

- > Administrative Law
- > Children's Committee
- > Criminal Law Committee
- > Equalising Opportunity in Law Committee
- > Profession Review Committee
- > Property Law and Practice Committee
- > Succession Law Committee.

The department regularly supplied notices for insertion in the weekly QLS Updates.

The department delivered a paper on a range of current issues for the Member Benefit Teleconference on 19 March 2003 which was the first of many planned for the future and addressed a lunchtime meeting of the Downs and South West District Law Association on 25 March 2003.

The department is co-ordinating the Society's intervention in the appeal by a New South Wales conveyancer against the refusal of the Supreme Court Registrar of his application for admission as a solicitor in this jurisdiction under the mutual recognition legislation.

The department provides legal advice to various officers within the Society on operational matters.



Departmental Reports

Professional Standards

In February 2003, the Professional Standards department was restructured and divided into two departments – Financial Assurance and Client Relations and Legal Investigations and Prosecutions.

Legal Investigations and Prosecutions

The department investigates the more serious complaints of alleged professional misconduct, or unprofessional conduct and manages the prosecution of charges against solicitors before the Solicitors Complaints Tribunal.

There were 691 new written complaints referred for investigation during the year. This compares to 456 the previous year and 529 in 2000/2001. As a result of investigations, 27 prosecutions were brought against solicitors which compares with 18 prosecutions the previous year. This is a substantial increase and, when coupled with the complexity of several of these prosecutions and the increased number of complaints investigated, there was a significant increase in productivity.

The prosecutions resulted in eight solicitors being struck off, six being suspended for various periods, eight being fined sums ranging from \$1,000 to \$15,000, notices being issued that two persons were not to be employed by solicitors and one solicitor being required to complete a Practice Management Course. Two other prosecutions resulted in the charges not being proven.

Retired Chief District Court Judge Pat Shanahan was engaged to review our complaint handling procedures and make a report and is now over-seeing the implementation of those recommendations which were all accepted by Council. As a result, there has been organisational restructuring, the development of business and operational plans, the appointment of a number of key personnel in senior management positions and an additional three investigators and a prosecutor.

A more thorough, transparent investigative methodology has been implemented which will see the Society's investigators adopting a more active role in obtaining affidavits from complainants and witnesses, the collection of material exhibits, the compilation of briefs of evidence and the drafting of charges. The department has already adopted the practice of calling for and examining files to enable a more timely assessment of the merits of a complaint and a determination as to whether charges arise.

The prosecutor advises the investigators about a broad spectrum of legal issues arising during the course of investigations, the need to obtain further evidential material, the drafting of charges and the presentation of less complex matters before the Solicitors Complaint Tribunal.

These initiatives have enhanced the ability of the Society to perform this critical role.

Financial Assurance and Client Relations

The Financial Assurance and Client Relations department encompasses the Audit Branch which examines the accounting records of legal practices, the Fidelity Guarantee Fund Administrator, who administers the Fidelity Guarantee Fund and the Client Relations Centre which investigates complaints assessed as capable of being resolved.

The Audit Branch is staffed by a manager and three accountants who examine legal practice accounting records, a clerk and an administrative assistant. The clerk and administrative assistant also assist the Fidelity Guarantee Fund Administrator.

The branch has two primary roles – 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 detect fraud, or improper handling, of trust money.

The branch conducted 219 examinations during the year. The vast majority of these resulted in recommended changes to procedures to ensure the proper maintenance of trust records and the proper handling of trust money. In eight instances, the examination resulted in a decision to bring charges against a solicitor before the Solicitors Complaints Tribunal.

In addition, the branch received approximately 3,000 telephone calls from solicitors, 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 examinations resulted in the appointment of Society officers as co-signatories to a solicitor's trust account pursuant to s10 of the *Queensland Law Society Act*. These appointments were made as the examinations disclosed the accounting records had been kept so unsatisfactorily that it was considered there was a danger trust money may be improperly dealt with by the legal practice. These legal practices are required to produce relevant accounting records and documents to satisfy the co-signatory that the proposed disbursement from the trust account is to the person entitled to the money or in accordance with the directions of that person. Society officers are presently co-signatories to twelve solicitors' trust accounts.

The Fidelity Fund Administrator is responsible for approving payments pursuant to these s10 appointments and manages the receivership of trust property – trust money, client files and safe custody documents. During the year, the Society appointed itself as the receiver of the trust property of eight legal practices following the suspension, or strike off, of a solicitor. Approximately 560 telephone calls were received about receivership administrations and s10 appointments.



Departmental Reports

The Fidelity Guarantee Fund Administrator 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. It was one of those rare years when the amount recovered on behalf of the Fund exceeded the amount approved to be paid from the Fund.

Claims against the Fund are admitted if the Committee of Management is satisfied 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 11 claims were admitted to be paid a total of \$685,008.43 from the Fund and \$750,000 was recovered from an auditor of a trust account following action against the auditor for negligence.

The Client Relations Centre investigates the less serious written complaints – those assessed by the Assessment Committee as being capable of being resolved. The Centre handles all telephone enquiries about solicitors and their staff and the complaint investigation process and takes a proactive approach to investigating complaints by attempting to negotiate a satisfactory outcome for the complainant. This may be achieved by simply making a series of telephone calls, by interviewing parties involved in a dispute and determining a resolution strategy or by sponsoring a mediation process to give the parties the opportunity to participate in a formal mediation process aimed at achieving an amicable solution.

During the year, 911 new complaints were referred to the Centre for investigation and 881 were finalised. There were 184 complaints being investigated at 30 April 2003.

The matters usually referred to the Centre are complaints alleging overcharging, or questions relating to the client's right to dispute the amount charged (249), lack of communication (119), delays (99), failure to comply with instructions (88), failure to account (77) and negligence (65). These types of complaints represented 77% of the new complaints received during the year.

A total of 596 complaints were finalised to the complainant's satisfaction or were withdrawn which represented 68% of the complaints finalised during the year.

Secretariat

The Secretariat provides legal and compliance advice to the Society, undertakes numerous regulatory functions and maintains member records.

Under the Society's Act, the Secretary has many responsibilities including practising certificates, regulatory obligations, maintaining the roll of members, Council elections and the annual general meeting. The department has been actively involved in negotiating professional indemnity insurance on behalf of the profession and is the first point of reference for the profession for a range of issues related to practising law in Queensland – including professional indemnity insurance, sharing of premises, bankruptcy and general practice requirements.

The Secretariat has been assisted since February 2003 by the Legal Policy department 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 the Legal Policy departments are regularly called upon to make submissions on behalf of the Society to both State and Federal governments on a range of issues and these submissions are often generated by the sub-committees of Council which are co-ordinated by the Secretariat.

The Secretariat provides direct support and assistance to the numerous sub-committees of Council, with members of the department representing the Society on outside boards and committees to further the interests of the profession and is also responsible for ensuring the Society's compliance with the *Freedom of Information Act 1992 (Qld)* and the new 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 that involves membership records.

During the year, 668 solicitors were admitted and a total of 6135 current practising certificates were issued.

The Secretariat's main achievements during the 2002/2003 year were:

- > the 2002 Council Election
- > the 2002 AGM
- > the Convocation for the District Law Associations
- > the negotiation of the 2002/2003 professional indemnity insurance for the profession with the assistance of the Professional Indemnity Insurance Review Committee and the Director of Finance
- > preparing submissions to the State Government on the *Personal Injury Proceedings Act 2002* and the *Civil Liability Act 2003* with the assistance of the Accident Compensation Committee and the Tort Reform Coordinating Committee
- > preparing submissions to the Law Council of Australia on legal profession reform at State and National levels with the assistance of various committees including the Professional Indemnity Insurance Committee.

It has been a challenging year for the Secretariat with both internal and external changes. However, with the assistance of standing committees including the Accident Compensation Committee, Property Law and Practice Committee and Criminal Law Committee, issues that have arisen have been successfully handled. The assistance provided by volunteer committees has been invaluable and greatly appreciated.



Event Highlights



QLS honours Women Lawyers' Association of Queensland

The Society recently honoured Women Lawyers' Association of Queensland with a lunch at Law Society House.

From left: District Court Chief Judge Patsy Wolfe; Chief Justice Paul de Jersey AC; Justice Margaret White; QLS President Tom Sullivan; Justice Margaret Wilson; and Griffith University Chancellor and former Governor of Queensland Leneen Forde AC.



QLS Christmas function

Lex MacGillivray (left) of Canning Weil MacGillivray Halligan and John O'Keefe with their inaugural President's Awards for outstanding contributions to the advancement of law and justice in Queensland. The awards were presented at the annual Society Christmas function.



Symposium 2003 – Human Rights

Keynote speaker Julian Burnside QC said asylum seekers in Australia would not be treated as badly as they are had they not been dehumanised through political and media processes.

Julian Burnside QC and Margaret Throsby AM.



School logs in thanks to QLS

An upgrade of Queensland Law Society's computer systems has resulted in a substantial boost to the computer resources of a state primary school desperate for access to better computer technology. QLS donated 30 desktop computers to Warrigal Road State School at Eight Mile Plains.

QLS President Tom Sullivan and students at Warrigal Road State School.



Rockhampton civic reception

Rockhampton City Council hosted a civic reception for QLS council members following a council meeting held in Rockhampton to coincide with the annual CQLA conference.

From left: QLS President Tom Sullivan; Rockhampton Mayor Margaret Strelow; and CQLA President Andrew Palmer.



Central Queensland Law Association conference dinner

Seen at the CQLA conference dinner were:

CQLA incoming President Wayne Jones of Hall Payne in Rockhampton; QLS Deputy President Glenn Ferguson; QLS President Tom Sullivan; Chief Justice Paul de Jersey AC; QLS Chief Executive Officer Geoff Stevenson; and CQLA President Andrew Palmer.



Statistics of the Profession

Practising Certificates Issued

| | 1992/1993 | 1995/1996 | 2001/2002 | 2002/2003 |
|-------------------|-------------|-------------|-------------|-------------|
| Principal Level | 2194 | 2350 | 2314 | 2333 |
| Conditional Level | 212 | 221 | 521 | 758 |
| Employee Level | 1813 | 2253 | 2982 | 3250 |
| TOTAL | 4219 | 4824 | 5817 | 6341 |

Overall 10 year increase 50%

Admissions to Practise in Queensland

| | 1992/1993 | 1995/1996 | 2001/2002 | 2002/2003 |
|------------|-----------|-----------|-----------|-----------|
| Admissions | 456 | 536 | 718 | 799 |

10 year increase 75%

Membership

| | 1992/1993 | 1995/1996 | 2001/2002 | 2002/2003 |
|-----------------------|-------------|-------------|-------------|-------------|
| Members | 4188 | 4967 | 5784 | 6073 |
| Associate Members | – | 30 | 27 | 39 |
| Complimentary Members | 4 | 36 | 50 | 69 |
| Honorary Members | 8 | 8 | 14 | 16 |
| TOTAL | 4200 | 5011 | 5875 | 6197 |

Overall 10 year increase 47.5%

Accredited Specialists

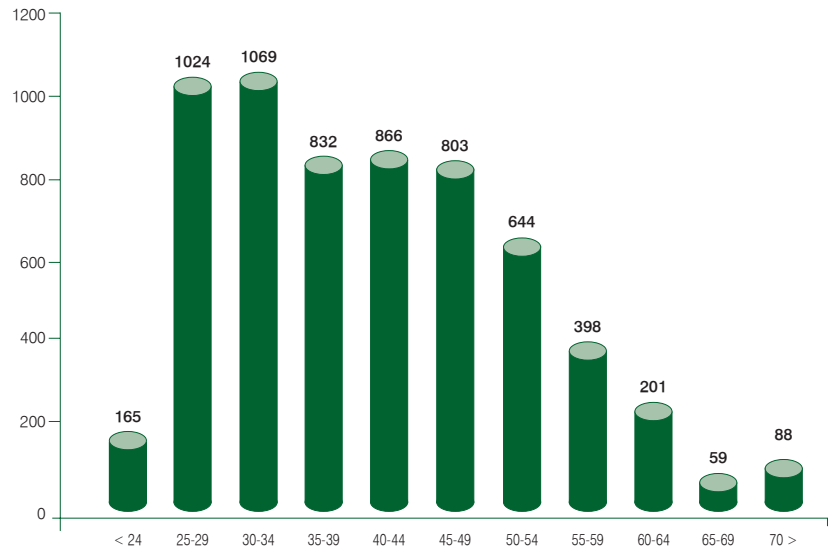
| Item | 2000/2001 | 2000/2002 | 2002/2003 |
|------------------|------------|------------|------------|
| Family Law | 114 | 129 | 121 |
| Personal Injury | 103 | 124 | 111 |
| * Property Law | – | – | 23 |
| * Succession Law | – | – | 14 |
| TOTAL | 217 | 253 | 269 |

** It is the first year accreditation courses have been offered.*

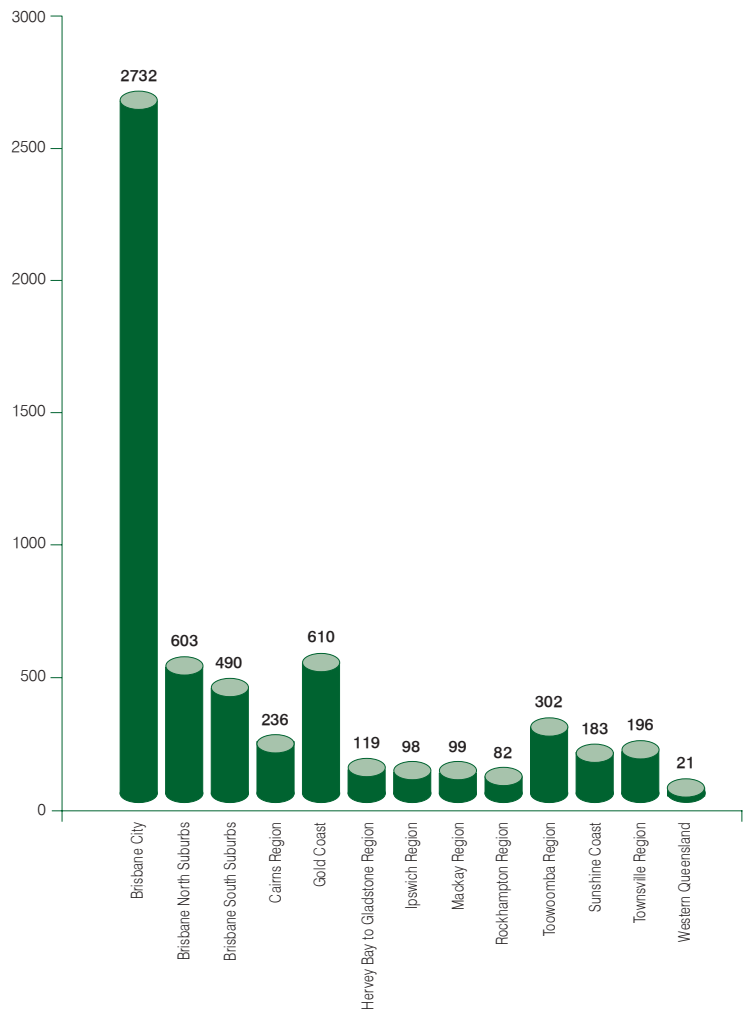


Statistics of the Profession

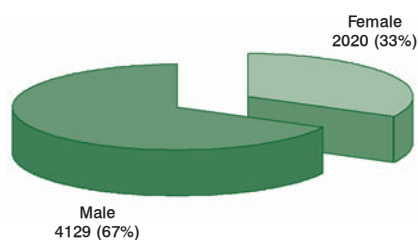
Age of solicitors practising in Queensland



Geographical distribution of solicitors practising in Queensland



Gender of solicitors





QLS Committees

The role of committees is to assist the Society's Council develop policies and responses to government on proposed legislative amendments. Committees may review legislation and discuss its impact on practitioners and the public and seek appropriate amendments to legislation where problems are identified. Committees also provide a forum for consideration of practical problems and dissemination of information to members. Some committees serve quite specific purposes in performing the Society's statutory functions. Membership of committees is voluntary and nominations are reviewed by the President and approved by Council each year. The committee system provides Council with the opportunity to select from a wide cross section of the profession to ensure the appropriate mix of age, gender and experience on committees.

Access to Justice/Pro Bono

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

Retired

K J Carl 8 May 2002
B J Hamilton 31 December 2002
M J Lawler 16 July 2002
Dr J G Mann AM 7 August 2002

Accident Compensation

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

N Singleton
M J Smith
K M Splatt
W H Tutt
B B O'Donnell*

Ad Hoc Costs

P Garrett (Chair)
J Cameron
R Davis
T Deane
P Eardley
R Giudes
J McDonnell
M O'Connor
T P Byrne*

Administrative Law

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

Retired

T P Byrne* 26 February 2003

Aged Care and Retirement

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

Retired

G J Hutchinson 6 February 2003
R A Lyons (Chair) 10 July 2002
R J Monro 13 November 2002
R J Silver 19 June 2002

Alternative Dispute Resolution

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

Retired

M E H Anning 28 April 2003
K L Rash 11 March 2003



QLS Committees

Audit

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

Retired

P A Conroy 3 April 2003
G W Ferguson 3 April 2003
T M Sullivan 3 April 2003

Banking and Finance Law

A MacGillivray (Chair)
G Brown
Professor B J Collier
J R Cowen
J A Czinki
R J Dennings
K D Dorney QC
J N Gallimore
I D Heathwood
D McGill
J W Mountford
P M O'Shea
P L Pennington
A J Shearer-Smith
G T Smith
Associate Professor C Turner
C L Uhr
C C Wappett
R B Dorrstein*

Retired

T P Byrne* 26 February 2003
L M Dregghorn* 1 November 2002
R Danen 17 May 2002

Children's

G J Quinlivan (Chair)
S J Cleary
N L Davies
S Ganasan
N Giess
P R Hall
T J Herbert
M M Kruger
W J Mitchell
L Moynihan
E L Rayment
T J Ryan
N J Straker
J L Wight
L Willmott
T P Byrne*

Retired

D Atkinson 8 May 2002
M J Giles 6 February 2003
J A Harrington (Chair) 1 May 2002

Claims

M J D Meadows (Chair)
B D Bartley
P D Carne
I D M Hughes
L M King
P J Mullins
T M Sullivan
J A Tooma
B B O'Donnell*

Retired

L M Dregghorn* 1 November 2002
R M Giudes 8 August 2002
G J Rapp 8 August 2002

CLE

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

Retired

A-M David* 20 December 2002

Company Law

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

Retired

L M Dregghorn* 1 November 2002
D R Magarey 31 December 2002

Construction Law

R S Williams (Chair)
R D Backstrom
J L Bickford
K D Broadfoot
J C Carey
R V Ensbey
J P Feehely
A Fletcher
F M Forde
R A Holt
B S Kelleher
G L Kent
S J Lambert
R P Landsberg
A S Leis
B W Lipman
M J Luchich
D B Maunsell
W G Morrissey
A C Orange
C G L Roney
P B Scott



QLS Committees

J Scrivens
L R Smith
C B Sullivan
B R Thomas
D E Young
T P Byrne*

Retired

J B Cooper 11 March 2003
K L Rash 22 April 2003

Council Professional Standards (committee disbanded 24 July 2002)

R S Ashton
J M Bennett
P D Carne
P A Conroy
R J Davis
G W Ferguson
R A Geldard
R M Giudes
J A Harrington
B P Kilmartin
M J D Meadows
D M O'Brien
J N L Pinder
L D Pommer
T M Sullivan
J A Tooma
R H Wallace
K W Thompson*

Court Practice and Procedure

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

Retired

J H Davies 29 May 2002

Criminal Law

L S Reidy (Chair)
M F Bosscher
T A Browne
C J Callaghan
D Cameron
G M Cranny
D J Creevey
M P J Deed
R L Devereaux
B G Devereaux
T W Fisher
T M Hishon
J E Magoffin
K E Manning
J D Mawson
J W McDonald
L R Middleton
P T Murphy
M E O'Connor
T P O'Gorman
W M Potts

M P Quinn
P S Russo
P J Byrnes*

Retired

B B O'Donnell* 26 February 2003

Electronic Conveyancing

J A Tooma (Chair)
S A Christensen
R J Dennings
Dr A J McCullagh
R H Seymour
T M Sullivan
R A Trigge
B B O'Donnell*

Retired

T P Byrne* 26 February 2003
L M Dreghorn* 1 November 2002
A L Greenhow 3 December 2002
R G Ferrett 25 July 2002

Equalising Opportunity in Law

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

Retired

K M Torlach 5 March 2003
F S Yeang 26 August 2002

Family Law Specialist

Accreditation Advisory

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

Retired

A-M David* 20 December 2002
M F McArdle 10 March 2003

Family Law

J A Harrington (Chair)
K A Atkins
C J Bowrey
N L Davies
B J Doyle
M J Emerson
K L Finn
H J Frew
J A Hamilton
T A Kane
D P Macpherson
S F Maguire
M F McArdle
T D Newman
K A Phillips
G G Shoebridge
S M Tonkin
T P Byrne*



QLS Committees

Franchising and Intellectual Property Law

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

Retired

F M Julius 8 October 2002

Government Lawyers

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

Retired

H M Baldwin 9 October 2002
A-M David* 20 December 2002
D N Durack 7 August 2002

Grants

B P Kilmartin (Chair)
S J Cleary
T M Sullivan
J A Tooma
H Taylor*

Retired

M J Lawler 16 July 2002

Industrial Law

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

Insolvency

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

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

International Relations

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

IT and T

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

LawCare

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

Retired

P A Conroy 1 November 2002
S G Quinlan 20 August 2002

Legal Education

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



QLS Committees

Retired

A-M David* 20 December 2002

Library

M J D Meadows (Chair)
P A Conroy
G W Ferguson
M J Ceresa*

Retired

A-M David* 20 December 2002

Management

R M Giudes (Chair)
D A Armit
R S Ashton
J M Bennett
S A Falvey
I D M Hughes
M L Mahon
W Melzer*

Retired

R J Davis 30 June 2002
R A Geldard 30 June 2002
L D Pommer 30 June 2002
R H Wallace (Chair) 30 June 2002

Personal Injury Specialist

Accreditation Advisory

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

Retired

A-M David* 20 December 2002

Plain English

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

Retired

T B Ogge 26 July 2002

Planning and Environment

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

Retired

G J Banks 17 May 2002
L M Dregghorn* 1 November 2002

Practice Course

M J Crouch (Chair)
J A Bligh
M Horvath
B W J Kidston
K L King
P J Lynch
G K McGoldrick
J R McNamara
S R Pate
R J Stevenson
M Nambiar*

Retired

L J Clements 2 December 2002
P A McGowan 2 December 2002

Proctor

T M Sullivan (Chair)
G M Cranney
B Hocking
K L Johnston
R C McNally
B B Patane
D G Stevenson
J A Tooma
J J Turnbull
A E Wallace
P Wilson
I L Muil*

Profession Review

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

Retired

J A Tooma 24 July 2002
L M Dregghorn* 1 November 2002
T P Byrne* 26 February 2003

Professional Indemnity Insurance

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

Retired

L M Dregghorn* 1 November 2002
R H Wallace 24 May 2002



QLS Committees

Professional Standards

Retired Chief Judge J P Shanahan AO RFD ED
(Chair)

B Codd (Lay Member)

P A Conroy

R J Davis

W J East (Lay Member)

G W Ferguson

J A Harrington

K J Hinds (Lay Member)

B P Kilmartin

M J D Meadows

D M O'Brien

D J Franklin*

Retired

K W Thompson* 25 July 2002

Property Law and Practice

P G Newman (Chair)

A S Biggar

G F Bugden

S A Christensen

B G Cronin

W G Denny

R S Gregory

A M Huelin

S E Jones

W L LeMass

R D Praeger

C J H Scott

R H Seymour

M A Slingsby

L E Stone

R A Trigge

A M T Weil

P J Byrnes*

Retired

T P Byrne* 26 February 2003

M R Curcuruto 3 September 2002

L M Dregghorn* 1 November 2002

A L Greenhow 3 December 2002

K M Richardson 31 January 2003

K D Waddington 28 October 2002

Property Law Specialist

Accreditation Advisory

M J D Meadows (Chair)

S A Christensen

W G Denny

W M Dixon

R S Gregory

W L LeMass

P G Newman

W T Purcell

M J Ceresa*

Retired

A-M David* 20 December 2002

Revenue Law

P J Allen (Chair)

J L Bickford

X F Clarke

D S Clifford

D G Cominos

A J Eden

M S Kelly

H G Lakis

Dr J G Mann AM

Dr D S Morrison

P M Paxton-Hall

W B Prescott

D A Stitt

W D Thompson

R B Dorrstein*

Retired

B B O'Donnell* 26 February 2003

Schools Education

G W Ferguson (Chair)

A Cahill

C C Endicott

R M Giudes

M Marton

K Sawtell

J E Taylor

J A Tooma

Y K Holmes*

Retired

B Cahill 26 July 2002

D Imarisio 20 May 2002

Section 31 (Audit)

G W Ferguson (Chair)

P A Conroy

R J Davis

J A Harrington

B P Kilmartin

M J D Meadows

D T O'Brien

D J Franklin*

Retired

T M Sullivan (Chair) 5 June 2002

J A Tooma 24 July 2002

Small Practices

I M Berry (Chair)

L Aslett

M C Behm

G Hatzis

M M Meehan

J P O'Brien

K J Rennick

M A Smith

W J Tegg

B B O'Donnell*

Retired

M A de Groot 22 November 2002

G P D Maskiell 16 January 2003

L D Pommer (Chair) 20 June 2002

Solicitors Complaints Tribunal

J W C Broadley (Clerk)

G Campbell-Ryder (Lay Member)

P L Cooper

C C Endicott

G C Fox

M Green (Lay Member)

P A Martinez

M J D Meadows

B J Reaston

T M Treston

D A Wilson (Lay Member)

K W Thompson*



QLS Committees

Specialist Accreditation Board

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

Retired

A-M David* 20 December 2002
R M Giudes 11 December 2002
K M Splatt 17 January 2003

Succession Law

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

Retired

T P Byrne* 26 February 2003
L M Dregghorn* 1 November 2002

Succession Law Specialist Accreditation Advisory

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

Retired

A-M David* 20 December 2002

Symposium

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

Retired

A-M David* 20 December 2002
G R Smith 13 May 2002

Tort Reform Coordinating

G W Ferguson (Chair)
R Davis
P Eardley
P Garrett
G A Murphy AM
K M Splatt
B B O'Donnell*

Young Lawyers'

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

* QLS committee secretary



District Law Associations

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

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

Brisbane

North Brisbane Lawyers' Association

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

Southern District Law Association

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

Redcliffe & Pine Rivers District Law Association

Brad Davies, Wallace Davies
PO Box 511 Redcliffe 4020

Bundaberg

Bundaberg Law Association

Warren Highland, Warren Highland
PO Box 1142 Bundaberg 4670

Caboolture

Caboolture Law Association

Tom Creed
269 King Street Caboolture 4510

Cairns

Far North Queensland Law Association

Joanne Lillywhite, MacDonnells
PO Box 5046 Cairns 4870

Gladstone

Gladstone Law Association

Tony Goodwin, Tony Goodwin & Company
PO Box 5100 Gladstone 4680

Gold Coast

Gold Coast Law Association

Catherine Haney, Streeting Haney Lawyers
PO Box 8269 Gold Coast MC 9726

Gympie

Gympie Law Association

Terry Kitchin, Power & Cartwright
239 Mary Street Gympie 4570

Ipswich

Ipswich & District Law Association

Clark Bushnell, Bushnells
PO Box 584 Ipswich 4305

Kingaroy

South Burnett Law Association

Andrew Kelly, Andrew Kelly
PO Box 313 Kingaroy 4610

Mackay

Mackay District Law Association

David Strutyński, McKays
PO Box 37 Mackay 4740

Mackay

North Queensland Law Association

Julie Suthers, S.R. Wallace and Wallace
PO Box 733 Mackay 4740

Mooloolaba

Sunshine Coast Law Association

Travis Schultz, Boyce Garrick
PO Box 9 Mooloolaba 4557

Mount Isa

North West Law Association

Keith Murdoch, Aboriginal & Torres Strait Islanders Corporation
PO Box 2459 Mount Isa DC 4825

Rockhampton

Central Queensland Law Association

Wayne Jones, Central Queensland University
Rockhampton 4700

Toowoomba

Downs & South-West Law Association

Shane Charles, Condon Charles Lawyers
PO Box 45 Toowoomba 4350

Hervey Bay

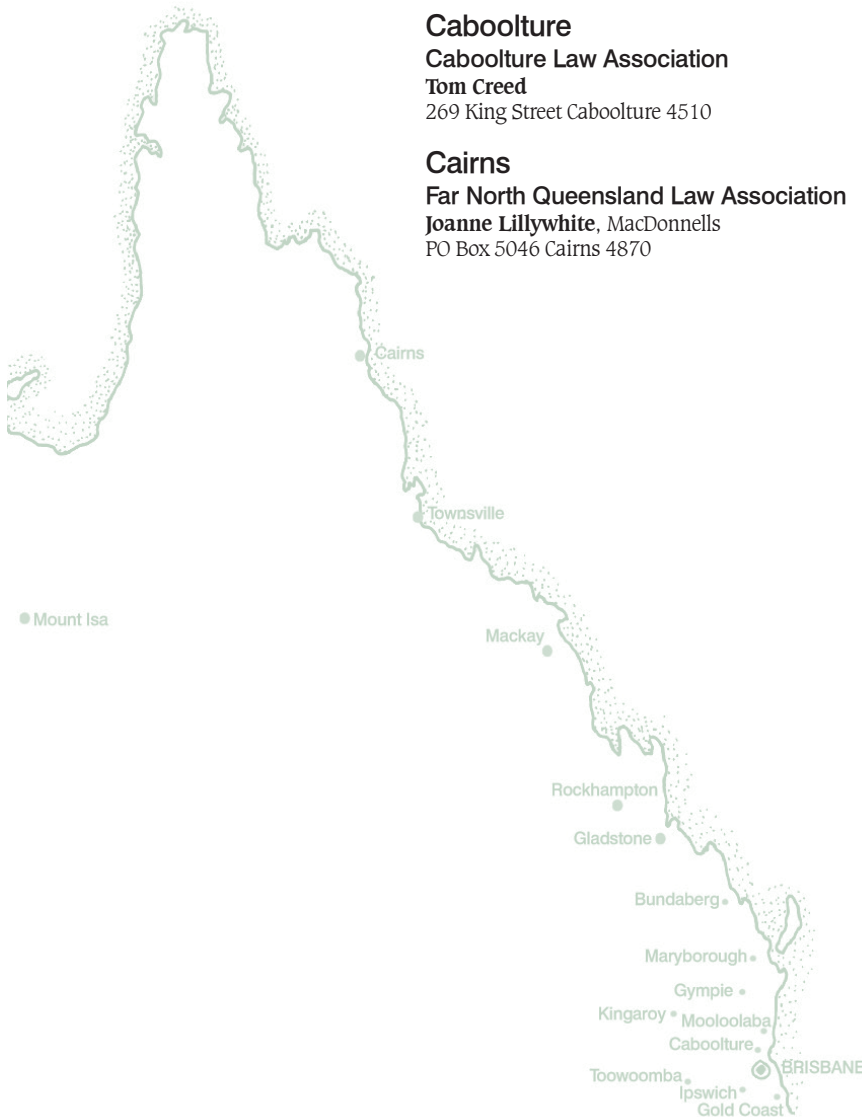
Fraser Coast Law Association

Toby Nielsen, Bell Dixon Butler
PO Box 5014 Torquay 4655

Townsville

Townsville Practitioners' Association

Julie Bligh, Boulton Cleary & Kern
PO Box 1099 Townsville 4810





Senior Counsellors

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J R Byrne James Byrne & Rudz
102 Adelaide Street Brisbane 4000

P D Carne Carne Reidy Herd
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J D Carroll Walsh Halligan Douglas
Level 11 307 Queen Street Brisbane 4000

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P L Cooper Hunt & Hunt
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C C Endicott Macrossans Lawyers
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F M FitzPatrick Department of Natural Resources
& Mines
144 Edward Street Brisbane 4000

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Algester 4115

A C Freeleagus AO CBE RFD Clayton Utz
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G J Hutchinson Cooke & Hutchinson
19 Redcliffe Parade Redcliffe 4020

J P Kelly Corrs Chambers Westgarth
Levels 34 & 35 Waterfront Place 1 Eagle Street
Brisbane 4000

G E Klein Public Trustee of Queensland
12th Floor 444 Queen Street Brisbane 4000

M O Klug Clayton Utz
215 Adelaide Street Brisbane 4000

S Leonard Hatzis Lawyers
64 Pinelands Road Sunnybank Hills 4109

M R Lockhart Flower & Hart
Level 19 NAB House 255 Adelaide Street
Brisbane 4000

A MacGillivray Canning Weil MacGillivray
Halligan Level 3 293 Queen Street Brisbane 4000

J G Mann AM Mallesons Stephen Jaques
Level 30 Waterfront Place 1 Eagle Street
Brisbane 4000

M A Miller Quinlan Miller & Treston
Level 32 MLC Centre 239 George Street
Brisbane 4000

G A Murphy AM MurphySchmidt
Level 23 Riverside Centre 123 Eagle Street
Brisbane 4000

J A Nagel John Nagel & Co
Cnr Logan Road & Selborne St Mount Gravatt 4122

P G Nolan Gilshenan & Luton
Level 4 Quay Central 95 North Quay Brisbane 4000

T P O'Gorman Robertson O'Gorman
Cnr Herschel Street & North Quay Brisbane 4000

W T Purcell W T Purcell Chadwick & Skelly
Level 10 141 Queen (Cnr Albert) Street
Brisbane 4000

M P Quinn Gilshenan & Luton
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O Rinaudo Rinaudo & Co
96 Merthyr Road New Farm 4005

D G Searles McCullough Robertson
Level 12 Central Plaza Two 66 Eagle Street
Brisbane 4000

D P Spence Thynne & Macartney
Level 29 Comalco Place 12 Creek Street
Brisbane 4000

W H Tutt Tutt & Quinlan
7th Floor Commonwealth Bank Building Cnr
Adelaide & Albert Streets Brisbane 4000

G J Vickery AM Deacons
Level 17 175 Eagle Street Brisbane 4000

Atherton

F J Liston Lilley Grose & Long
34 Main Street Atherton 4883

Ayr

B J Baxter Ruddy Tomlins & Baxter
126 Young Street Ayr 4807

Bundaberg

T W Young Finemore Walters & Story
51 Woongarra Street Bundaberg 4670

Caboolture

G P D Maskiell Maskiells
Cnr East & Annie Streets Caboolture 4510

Cairns

A L English Bottoms English
Ground Floor 10 Grafton Street Cairns 4870

R J Reaston Reaston Lawyers
209 Buchan Street Cairns 4870

Gladstone

K M Bates V A J Byrne & Co
City Arcade 69 Goondoon Street Gladstone 4680

Gold Coast

R B Attwood Richard Attwood
69 Scenic Drive Tweed Heads West 2486

K R Copley
Equity House Peninsula Drive & Watson Esplanade
Surfers Paradise 4217

B F Cronin Primrose Couper Cronin Rudkin
Level 1 35-39 Scarborough Street Southport 4215

P E M McCafferty
Grays Professional Services Group
Level 4 "The Forum" 26 Orchid Avenue
Surfers Paradise 4217

W M Potts Price & Roobottom
44 Davenport Street Southport 4215

Gympie

G R Neilson Neilson Stanton & Parkinson
236 Mary Street Gympie 4570

Innisfail

V J Vandeleur Vandeleur & Todd
35 Rankin Street Innisfail 4860

Ipswich

P M Fallu Dale & Fallu
142 Brisbane Street Ipswich 4305

R Zande Richard Zande & Associates
49 Ellenborough Street Ipswich 4305



Senior Counsellors

Mackay

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

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

Rockhampton

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

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

V N Jackson South & Geldard
128 Victoria Parade Rockhampton 4700

J L Shaw Swanwick Murray Roche
74 Victoria Parade Rockhampton 4700

Stanthorpe

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

Sunshine Coast

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

M Buck
PO Box 314 Landsborough 4550

R G Hyett Richard Hyett
31 Mary Street Alexandra Headland 4572

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

Toowoomba

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

J E Cleary Cleary & Lee
Suite 12 The Heritage Plaza Arcade 400 Ruthven
Street Toowoomba 4350

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

K M Walker Walkers
327A Margaret Street Toowoomba 4350

Townsville

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

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

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

Warwick

N D Maxwell Maxwell & McMeniman
33 Guy Street Warwick 4370



Financial Statements

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Financial Overview

The Queensland Law Society Incorporated is constituted under the provisions of the *Queensland Law Society Act 1952*.

The Society is self-funded and under its legislation is required to maintain the following seven funds:

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

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

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

Queensland Law Society Incorporated

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

The responsibilities of the Society include:

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

Most activities are funded from either annual membership fees or on a user-pays basis. The Society's financial budget is prepared on a breakeven basis and it is on this basis that the level of practising certificate and membership fees are determined each year. This year the Society has also received support from the Queensland Law Foundation, which has provided \$192,851 for specific purposes. The financial result is a deficit of \$2,869,929 with net assets of \$21,442,095.

Law Claims Levy Fund

The Law Claims Levy Fund ("the Fund") was established in 1987 and provided professional indemnity insurance to Queensland solicitors for the period 1987 to 1995. The Fund, while not an insurance company, did retain the primary layer of risk.

The insurance cover available was to a limit of \$1.1 million per claim with the Fund meeting the first \$100,000 of each and every claim for the years 1987 to 1994 and \$500,000 for the 1995 year.

Aggregate limits also applied to each year of insurance to cap the liability of the Fund. All costs and claims in excess of individual claim limits or aggregate limits are payable by third party insurers. Only one year, 1990, has exceeded its aggregate limit and the majority of claims have been finalised within the individual claim limits of the Fund.

The Fund is now in run off with only 65 files remaining open as at 30 June 2003. Claim reserves are \$3,076,210 with cash and investments of \$11,813,485 available to meet reserves. The Fund has been prudently managed and always had funds available to meet all claim reserves and cover the aggregate limits for each respective year of insurance.

The Fund has received no further premium income since 1995 and the only major sources of income since that time have been investment interest and deductibles, which are payable by the insured on settlement of a claim. Claim payments are offset by reduced reserves and in the past year investment income exceeded claim payments. The financial result for the year was a surplus of \$644,088.

The claims liability of the fund has been capped at \$3,076,210 by way of the stop loss insurance policy with QLS Insurance Pte Ltd, referred to below.

QLS Insurance Pte Ltd

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

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

- retain risk at a retail or reinsurance level to reduce the total cost of risk to the Society and its members
- provide specific coverage not available in the conventional insurance market
- capitalise on the rewards for good risk management and claims management practice
- achieve premium cash flow benefits
- access the professional reinsurance market
- act as a reinsurer or insurer in the Society's compulsory program.

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

Financial Overview

QLS Insurance Pte Ltd, like the Law Claims Levy Fund is designed to provide insurance to members at cost price. It is not intended the company make profits as the insurance premium charged has been designed on a breakeven basis. Utilisation of the Law Claims Levy Fund surplus funding permits the company to selectively enter the insurance market without having to cover the normal insurance company's costs of capital or profit margins. This directly contributes to the reduced premiums, which can be passed onto members. The success of this policy is directly dependent on the future claims pattern and is unable to be judged in the short term and it is for this reason that claims reserves are fully covered by funds on hand. It is the policy of the company to only enter the marketplace when actuarial assessment deems market premiums are well in excess of the level of risk that is being transferred. One of the major benefits of QLS Insurance Pte Ltd is the flexibility with which it and the Society can operate.

The financial result for the year to 30 April 2003 was a loss of \$2,569,725. This result has been determined after allowance for future claim reserves of \$15,966,520, which are unlikely to be settled for a number of years. During this time the company will continue to earn investment income. Net assets available at balance date were \$6,022,640 and this is more than adequate to meet expected future claim payments.

Consolidated Result

The QLS consolidated financial statements incorporate the results of the Queensland Law Society Incorporated, Law Claims Levy Fund and QLS Insurance Pte Ltd.

The consolidated net assets of \$29,340,729 place the Society and its insurance entities in a very strong financial position. The consolidated financial result for the year is a deficit of \$567,076 after increasing insurance provisions for future claims by \$13,356,671. All insurance liabilities are independently actuarially assessed.

Overseas Travel

There were seven (7) overseas trips undertaken by officers of the Society during 2002-03:

- the Chief Executive Officer, Mr G Stevenson, attended as a delegate the International Institute of Law Association Chief Executives (IILACE) conference in Durban, South Africa and undertook business meetings with a number of provincial Law Societies of South Africa at a cost of \$18,948
- the Chief Financial Officer, Mr M Fox, attended meetings in Singapore with the Board of QLS Insurance Pte Ltd, the Singapore Monetary Authority, the company's Singapore auditors and the company's Singapore manager at a cost of \$4,281

- solicitor, Mr B Bartley, attended the Fiji Law Society Conference in Fiji as a speaker and representative of the Queensland Law Society at a cost of \$1,606
- Past President, Mr J Tooma, attended China as the Queensland Law Society representative of the Law Council of Australia's delegation at a cost of \$5,196
- the President, Mr T Sullivan, attended the Australian Bar Association Conference (Paris), the Inaugural Free Bar Association Conference (Edinburgh) and meetings with the English Law Society in London at a cost of \$24,917
- the Deputy President, Mr G Ferguson, attended as a delegate the Fiji Law Society Conference in Fiji and the Law Asia Conference in New Delhi at a cost of \$12,650
- a Council representative, Mr R Guides, attended as a delegate to the International Bar Association Conference in Durban at a cost of \$7,251.

Consultancies

Professional/Technical

Preparation, analysis and review of member survey results and corporate image \$25,200

Management

Organisational review \$147,100

Financial

Review of internal and investment controls \$17,500

Information and Technology

Specialist advice and project management of website development and infrastructure upgrade \$74,800

Special payments

During the year, the Society made special payments in accordance with sections 41 and 98A of the *Financial Management Standard* 1997.

Employee redundancies \$74,182

Financial Statements

Queensland Law Society Incorporated Statement of Financial Performance for the financial year ended 30 April 2003

| | Note | Consolidated | | Parent entity | |
|---|------|-------------------|---------------------|--------------------|--------------------|
| | | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Revenue from Ordinary Activities | | | | | |
| Membership and Practitioners' Fees | 3 | 4,282,178 | 3,464,871 | 4,282,178 | 3,464,871 |
| Administration Costs Recovered | 4 | 941,936 | 1,102,344 | 1,079,436 | 1,102,344 |
| Continuing Legal Education | 5 | 1,310,731 | 1,104,864 | 1,310,731 | 1,104,864 |
| Investment Income | | 1,916,248 | 1,457,311 | 471,790 | 313,615 |
| Proctor Advertising and Subscriptions | | 218,694 | 219,561 | 218,694 | 219,561 |
| Rent Received | 6 | 320,631 | 358,280 | 320,631 | 358,280 |
| Claims Management | | 211,364 | – | – | – |
| Insurance Premium – refund | | 3,250,000 | – | – | – |
| Insurance Premiums, Levies and Deductibles | | 10,695,369 | 95,700 | – | – |
| Other Income | 7 | 698,856 | 664,391 | 698,856 | 664,391 |
| Total Revenue from Ordinary Activities | | 23,846,007 | 8,467,322 | 8,382,316 | 7,227,926 |
| Expenses from Ordinary Activities | | | | | |
| Administration | 8 | 6,818,603 | 6,157,663 | 6,055,500 | 5,520,163 |
| Continuing Legal Education | 5 | 748,538 | 639,622 | 748,538 | 639,622 |
| Council and Committee Costs | 9 | 805,862 | 615,835 | 805,862 | 615,835 |
| Law Council Capitation Fees | | 377,650 | 344,098 | 377,650 | 344,098 |
| Media and Public Affairs | 10 | 172,003 | 268,342 | 172,003 | 268,342 |
| Member Services and Events | 11 | 288,333 | 323,685 | 288,333 | 323,685 |
| Movement in Value of Investments | 2 | – | – | 2,569,725 | 407,635 |
| Proctor Production Costs | | 234,632 | 210,130 | 234,634 | 210,130 |
| Reinsurance Premium | | 1,118,247 | 3,048,329 | – | – |
| Insurance Premium | | 492,544 | – | – | – |
| Claims Paid | | 644,826 | 1,481,002 | – | – |
| Provision for Outstanding Claims | 12 | 12,711,845 | 6,318,998 | – | – |
| Total Expenses from Ordinary Activities | | 24,413,083 | 19,407,704 | 11,252,245 | 8,329,510 |
| Net Surplus/(Deficit) | | (567,076) | (10,940,382) | (2,869,929) | (1,101,584) |
| Transfer from Law Claims Levy Fund | 2 | – | – | – | 9,000,000 |
| Net surplus/(deficit) attributable to members of the Society | | (567,076) | (10,940,382) | (2,869,929) | 7,898,416 |
| Net movement in Contribution Distribution Account | 16 | 1,848,460 | 1,037,391 | 1,848,460 | 1,037,391 |
| Total changes in Equity | | 1,281,384 | (9,902,991) | (1,021,469) | 8,935,807 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated Statement of Financial Position as at 30 April 2003

| | Note | Consolidated | | Parent entity | |
|--------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| | | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Current Assets | | | | | |
| Cash Assets | | 149,475 | 27,418 | 46,445 | 1,864 |
| Receivables and Prepayments | 13 | 2,229,847 | 1,310,522 | 1,196,424 | 674,625 |
| Other Financial Assets | | 43,870,692 | 26,478,953 | 8,250,041 | 6,549,011 |
| Inventories | | – | 12,903 | – | 12,903 |
| Total Current Assets | | 46,250,014 | 27,829,796 | 9,492,910 | 7,238,403 |
| Non-Current Assets | | | | | |
| Investment in QLS Insurance Pte Ltd | 2 | – | – | 6,022,640 | 8,592,365 |
| Property, Plant and Equipment | 15 | 8,296,551 | 8,404,073 | 8,296,551 | 8,404,073 |
| Total Non-Current Assets | | 8,296,551 | 8,404,073 | 14,319,191 | 16,996,438 |
| Total Assets | | 54,546,565 | 36,233,869 | 23,812,101 | 24,234,841 |
| Current Liabilities | | | | | |
| Payables | 14 | 2,116,419 | 1,369,726 | 1,903,049 | 1,285,477 |
| Income in Advance | | 788,637 | – | – | – |
| Unearned Premium Reserve | | 2,750,395 | – | – | – |
| Solicitors' Deductibles | | 52,587 | – | – | – |
| Provisions for Employee Benefits | | 249,800 | 249,800 | 249,800 | 249,800 |
| Provision for Outstanding Claims | 12 | 3,403,658 | – | – | – |
| Total Current Liabilities | | 9,361,496 | 1,619,526 | 2,152,849 | 1,535,277 |
| Non-Current Liabilities | | | | | |
| Provisions for Employee Benefits | | 217,157 | 236,000 | 217,157 | 236,000 |
| Provision for Outstanding Claims | 12 | 15,627,184 | 6,318,998 | – | – |
| Total Non-Current Liabilities | | 15,844,341 | 6,554,998 | 217,157 | 236,000 |
| Total Liabilities | | 25,205,837 | 8,174,524 | 2,370,006 | 1,771,277 |
| Net Assets | | 29,340,729 | 28,059,345 | 21,442,095 | 22,463,564 |
| Equity | | | | | |
| Retained Funds | | 20,145,392 | 20,712,468 | 12,246,758 | 15,116,687 |
| Contribution Distribution Account | 16 | 5,302,146 | 3,453,686 | 5,302,146 | 3,453,686 |
| Reserves | 17 | 3,893,191 | 3,893,191 | 3,893,191 | 3,893,191 |
| Total Equity | | 29,340,729 | 28,059,345 | 21,442,095 | 22,463,564 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated Statement of Cash Flows for the year ended 30 April 2003

| | Note | Consolidated | | Parent entity | |
|---|-------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | 2003 \$ Inflows (Outflows) | 2002 \$ Inflows (Outflows) | 2003 \$ Inflows (Outflows) | 2002 \$ Inflows (Outflows) |
| Cash Flows From Operating Activities | | | | | |
| Receipts from the Profession | | 33,994,698 | 27,212,483 | 28,733,435 | 27,106,983 |
| Payments to Suppliers and Employees | | (17,830,523) | (32,262,951) | (26,951,266) | (26,493,211) |
| Interest and Bill Discounts Received | | 1,860,060 | 1,587,019 | 437,880 | 434,847 |
| Net Cash (Used)/Provided By Operating Activities | 22(b) | 18,024,235 | (3,463,449) | 2,256,049 | 1,048,619 |
| Cash Flows From Investing Activities | | | | | |
| Investment in QLS Insurance Pte Ltd | | – | – | – | (9,000,000) |
| Payment for New Plant and Equipment etc | | (343,924) | (144,077) | (343,924) | (144,077) |
| Net Cash (Used) in Investing Activities | | (343,924) | (144,077) | (343,924) | (9,144,077) |
| Cash Flows From Financing Activities | | | | | |
| Transfer received from Law Claims Levy Fund | | – | – | – | 9,000,000 |
| Net Cash (Used) in Financing Activities | | – | – | – | 9,000,000 |
| Net Increase (Decrease) in Cash Held | | 17,680,311 | (3,607,526) | 1,912,125 | 904,542 |
| Cash at the Beginning of the Financial Year | | 26,339,856 | 29,947,382 | 6,384,360 | 5,479,818 |
| Cash at the End of the Financial Year | 22(a) | 44,020,167 | 26,339,856 | 8,296,485 | 6,384,360 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

Notes

1 Statement of Significant Accounting Policies

(a) Basis of Accounting

General

The financial statements are a general-purpose financial report and have been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts and Statement of Accounting Concepts.

This financial report has been prepared on an accrual and going concern basis. The financial report has also been prepared under the historical cost convention except where specifically stated.

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

Except where stated, this financial report does not take into account changing money values or current valuations of non-current assets.

(b) Non-Current Assets

General – Property, Plant and Equipment

The carrying amounts of non-current assets are reviewed annually to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount.

General – Investment in QLS Insurance Pte Ltd

The carrying amount of the investment in the controlled entity QLS Insurance Pte Ltd is reviewed annually. Any movement in the company's total shareholder equity is brought to account in the Statement of Financial Performance as a Movement in the Value of Investments.

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below and in Note 15. All acquisitions are expensed unless the initial cost exceeds \$500. All library acquisitions are expensed in the year of purchase.

Revaluations

The strata title building, is independently valued every five years on an open market value in vacant possession basis and included in the financial statements at the revalued amount (refer Note 15). In the intervening periods, revaluations, where material, are made by management using escalation factors determined each year.

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.

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

Depreciation

Items of plant and equipment, including strata title buildings are depreciated over their estimated useful life. The estimated useful life for all assets is reassessed annually. The straight-line method is used and assets are depreciated from the date of acquisition. Depreciation rates are usually standardised within each class of asset and the following rates have been applied.

| Asset Class | Rate |
|--|--------------|
| Strata Title Building | 2.5% |
| Plant and Equipment (including Office Equipment) | 5.0% – 33.3% |

Operating Leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by the Society.

(c) Recovery of Expenditure

Under the rules of the *Queensland Law Society Act 1952* 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.

(d) Taxation

The Society has been granted exemption from Commonwealth taxes, except Fringe Benefit and GST, by the Australian Taxation Office per section 24AK of the *Income Tax Assessment Act 1936*. QLS Insurance Pte Ltd is registered in Australia for income tax and GST. The company is also to pay tax in Singapore and credits are available in Australia for any tax paid in Singapore.

(e) Cash/Financial Assets

For the purpose of the Statement of Financial Position, cash assets include all cash and cheques receipted but not banked. Investments under the control of professional fund managers are disclosed at market value as at reporting date. Any movement in market value is accounted for in the Statement of Financial Performance. The cash float maintained is invested on the short-term money market and valued at cost. Interest income is brought to account under the accrual basis.

(f) Inventory

Inventory, comprising consumables and publications for resale, is valued at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date, using the first-in-first-out basis.

(g) Employee Entitlements

Annual Leave

The annual leave provision has been calculated based on current wage and salary rates, including on-costs and represents the amount which the Society has a present obligation to pay resulting from employees' services provided up to the balance date.

Long Service Leave

The liability for long service leave entitlements represents the present value of the estimated future cash outflows to be made by the Society resulting from employee services' up to the reporting date.

Liabilities for employee entitlements that are not expected to be settled within twelve months are discounted using the rates attaching to Commonwealth Bond rates at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Society's experience with staff departures. Related on-costs have also been included in the liability.

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

(h) Receivables

Accounts Receivables are recognised at the nominal amounts due at the time of sale with settlement being generally required within 30 days from date of invoice. The collectability of receivables is assessed periodically with provisions being made for doubtful debts. Bad debts are written off in the period identified.

(i) Payables

Accounts Payables are recognised for amounts payable in the future for goods and services received, whether or not billed to the Society. Creditors are generally unsecured, not subject to interest charges and are normally settled within 30-days of invoice receipt.

(j) Comparatives

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(k) Reporting Entity

The Queensland Law Society Incorporated controlled the following at reporting date:

- Law Claims Levy Fund – This Fund was wholly controlled for the whole period 1 May 2002 to 30 April 2003 however it currently has a 30 June year-end. Additional accounts were prepared for the period ended 30 April 2003 for consolidation purposes.
- QLS Insurance Pte Ltd – This Company was established on 23 June 2001 in Singapore and is 100% owned by the Queensland Law Society Incorporated. From 1 May 2003, it has 30 April year-end, previously 30 June, and management accounts were prepared for the 12-month period ended 30 April 2003 for consolidation purposes.

(l) Law Claims Levy Fund/QLS Insurance Pte Ltd

Additional Levies – Additional levies may be imposed in accordance with the indemnity rules and are accounted for separately and disclosed as income.

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

Outstanding Claims – Outstanding Claims are determined for all open files. Movements in outstanding claim provisions are brought to account in the Statement of Financial Performance each year. The total outstanding claim provision is disclosed in the Statement of Financial Position at balance date.

(m) Principles of Consolidation

Controlled Entities – The financial statements of controlled entities are included from the date control commences until the date control ceases.

Transactions Eliminated on Consolidation – Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

2 Investment – QLS Insurance Pte Ltd

In June 2001, QLS Insurance Pte Ltd was incorporated in Singapore as the captive insurer of the Queensland Law Society Incorporated. The company was capitalised with \$9,000,000 via surplus funds from the Law Society controlled Law Claims Levy Fund. The \$9,000,000 share capital of the company is fully owned by the Queensland Law Society Incorporated 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 2001/2002 professional indemnity insurance. As the primary insurer for the 2002/2003 year, QLS Insurance Pte Ltd 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 \$6,022,640 (2002 – \$8,592,365) after recognition of the loss of \$2,569,725 (2002 – \$407,635 loss) for the financial year ended 30 April 2003.

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

3 Membership and Practitioners' Fees

| | Consolidated | | Parent entity | |
|-----------------------------|--------------|-----------|---------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Practising Certificate Fees | 2,310,959 | 1,954,447 | 2,310,959 | 1,954,447 |
| Member Fees | 1,714,027 | 1,287,524 | 1,714,027 | 1,287,524 |
| Certificate of Fitness | 12,800 | 6,200 | 12,800 | 6,200 |
| Corporate Marketing Levy | 218,992 | 216,700 | 218,992 | 216,700 |
| Late Application Levy | 25,400 | – | 25,400 | – |
| | 4,282,178 | 3,464,871 | 4,282,178 | 3,464,871 |

4 Administration Costs Recovered

| | Consolidated | | Parent entity | |
|--|--------------|-----------|---------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Legal Practitioners' Fidelity Guarantee Fund | 783,209 | 691,551 | 783,209 | 691,551 |
| General Trust Accounts Contribution Fund | 42,194 | 31,626 | 42,194 | 31,626 |
| Interest on Trust Accounts | 81,848 | 64,402 | 81,848 | 64,402 |
| Grants Fund | 34,685 | 27,765 | 34,685 | 27,765 |
| Contribution Distribution Account | – | 287,000 | – | 287,000 |
| QLS Insurance Pte Ltd | – | – | 137,500 | – |
| | 941,936 | 1,102,344 | 1,079,436 | 1,102,344 |

5 Continuing Legal Education

| | Consolidated | | Parent entity | |
|------------------------------|--------------|-----------|---------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Income | | | | |
| Seminars | 833,547 | 651,776 | 833,547 | 651,776 |
| Texts and Other Publications | 162,377 | 163,917 | 162,377 | 163,917 |
| Practice Management Course | 194,223 | 186,954 | 194,223 | 186,954 |
| Specialisation | 117,814 | 101,528 | 117,814 | 101,528 |
| Other | 2,770 | 689 | 2,770 | 689 |
| | 1,310,731 | 1,104,864 | 1,310,731 | 1,104,864 |
| Expenditure | | | | |
| Seminars | 538,811 | 325,281 | 538,811 | 325,281 |
| Text and Other Publications | 26,025 | 112,385 | 26,025 | 112,385 |
| Practice Management Course | 170,433 | 171,497 | 170,433 | 171,497 |
| Specialisation | 13,269 | 30,459 | 13,269 | 30,459 |
| | 748,538 | 639,622 | 748,538 | 639,622 |

6 Rent Received

| | Consolidated | | Parent entity | |
|---|--------------|---------|---------------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Legal Practitioners Fidelity Guarantee Fund | 253,860 | 253,860 | 253,860 | 253,860 |
| Car Parking Bays | 57,601 | 97,420 | 57,601 | 97,420 |
| Other | 9,170 | 7,000 | 9,170 | 7,000 |
| | 320,631 | 358,280 | 320,631 | 358,280 |

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

7 Other Income

| | Consolidated | | Parent entity | |
|------------------------------------|--------------|---------|---------------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Body Corporate Administration Fees | 11,000 | 11,000 | 11,000 | 11,000 |
| Commissions Received | 150,130 | 89,930 | 150,130 | 89,930 |
| Diary Profit | 44,519 | 31,484 | 44,519 | 31,484 |
| FOI Income | 139 | 28 | 139 | 28 |
| Grants Received – Grants Fund | 182,135 | 142,000 | 182,135 | 142,000 |
| Media & PR Sales | 1,600 | 70,350 | 1,600 | 70,350 |
| Member Services Centre | 5,484 | 15,870 | 5,484 | 15,870 |
| Other Income | 36,852 | 45,723 | 36,852 | 45,723 |
| Schools Program | 38,693 | 64,400 | 38,693 | 64,400 |
| Sponsorship | 18,808 | 500 | 18,808 | 500 |
| Queensland Law Foundation | 192,851 | 193,106 | 192,851 | 193,106 |
| Mediation Services | 16,645 | – | 16,645 | – |
| | 698,856 | 664,391 | 698,856 | 664,391 |

8 Administration

| | Consolidated | | Parent entity | |
|--------------------------------------|--------------|-----------|---------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Actuarial Fees | 28,310 | 19,090 | – | – |
| Advertising | 6,893 | 20,074 | 6,893 | 20,075 |
| Audit Fees | 67,097 | 37,226 | 34,000 | 20,227 |
| Bad Debts | 800 | 1,845 | 800 | 1,845 |
| Bank Charges | 13,419 | 7,638 | 11,922 | 7,532 |
| Claims Management Fees | 255,000 | 13,121 | – | – |
| Computer Maintenance | 316,617 | 161,866 | 316,617 | 161,866 |
| Depreciation – Equipment | 244,747 | 156,387 | 244,747 | 156,387 |
| Electricity | 48,224 | 44,749 | 48,224 | 44,749 |
| Foreign Exchange Loss | 1,276 | – | – | – |
| Fringe Benefits Tax | 22,473 | 49,696 | 22,473 | 49,696 |
| Insurance | 110,012 | 125,550 | 110,012 | 125,550 |
| Investment Management Fees | 12,100 | 36,601 | – | – |
| Law Society House | | | | |
| – Body Corporate Levies | 88,284 | 97,877 | 88,284 | 97,877 |
| – Depreciation – Building | 206,700 | 206,700 | 206,700 | 206,700 |
| – Rates & Taxes | 64,624 | 58,127 | 64,624 | 58,127 |
| – Repairs and Maintenance – Building | – | 12,960 | – | 12,960 |
| Payroll Tax | 129,794 | 147,949 | 129,794 | 147,949 |
| Stamp Duty | – | 312,500 | – | – |
| Offsite Storage | 25,564 | – | 25,564 | – |
| Postage | 87,525 | 84,945 | 87,525 | 84,945 |
| Presentations and Gifts | 10,714 | 5,682 | 10,714 | 5,682 |
| Printing and Stationery | 204,613 | 173,137 | 204,613 | 173,126 |
| Professional and Consulting Fees | 776,778 | 590,512 | 357,332 | 354,601 |
| Registrations and Subscriptions | 58,857 | 41,065 | 58,857 | 41,065 |
| Repairs and Maintenance | 105,058 | 124,758 | 105,058 | 124,758 |
| Salaries and Wages | 3,339,442 | 3,115,197 | 3,339,442 | 3,115,197 |
| Staff Advertising | 15,251 | 23,381 | 15,251 | 23,381 |
| Staff Amenities | 1,379 | 11,176 | 1,379 | 11,176 |

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

8 Administration (continued)

| | Consolidated | | Parent entity | |
|--------------------|--------------|-----------|---------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Staff Training | 48,382 | 12,052 | 48,382 | 12,052 |
| Staff Travel | 54,615 | 37,966 | 54,615 | 37,966 |
| Sundry Expenses | 60,810 | 71,446 | 48,433 | 71,363 |
| Superannuation | 284,406 | 229,079 | 284,406 | 229,079 |
| Taxis and Couriers | 22,871 | 20,241 | 22,871 | 20,162 |
| Telephone | 105,968 | 107,070 | 105,968 | 107,070 |
| | 6,818,603 | 6,157,663 | 6,055,500 | 5,520,163 |

9 Council and Committee Costs

| | Consolidated | | Parent entity | |
|---|--------------|---------|---------------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Committee Room Catering | 83,819 | 73,522 | 83,819 | 73,522 |
| Convocation | 9,676 | 2,289 | 9,676 | 2,289 |
| Functions and Entertainment | 121,996 | 39,407 | 121,996 | 39,407 |
| Community Donations | 15,407 | 24,247 | 15,407 | 24,247 |
| Honorarium | 227,940 | 184,161 | 227,940 | 184,161 |
| Travel and Accommodation including study tours | 347,024 | 292,209 | 347,024 | 292,209 |
| | 805,862 | 615,835 | 805,862 | 615,835 |

10 Media and Public Affairs

| | Consolidated | | Parent entity | |
|--|--------------|---------|---------------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Advertising and promotional brochures | 97,853 | 143,137 | 97,853 | 143,137 |
| Law Week | 34,082 | 55,380 | 34,082 | 55,380 |
| Schools Program | 30,560 | 57,324 | 30,560 | 57,324 |
| SCRAM | 9,508 | 12,501 | 9,508 | 12,501 |
| | 172,003 | 268,342 | 172,003 | 268,342 |

11 Member Services and Events

| | Consolidated | | Parent entity | |
|---------------------------|--------------|---------|---------------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Annual General Meeting | 364 | 1,273 | 364 | 1,273 |
| LawCare | 27,978 | 33,778 | 27,978 | 33,778 |
| Members Library | 221,286 | 254,915 | 221,286 | 254,915 |
| Members Shopping Service | 14,702 | 11,548 | 14,702 | 11,548 |
| Membership Cards | 18,665 | 22,942 | 18,665 | 22,942 |
| Trade Exhibits | 700 | – | 700 | – |
| Members' Lounge Functions | 4,638 | – | 4,638 | – |
| Sporting Events | – | (771) | – | (771) |
| | 288,333 | 323,685 | 288,333 | 323,685 |

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

12 Provision for Outstanding Claims

| | Consolidated | | Parent entity | |
|---|--------------|------------|---------------|------------|
| | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Opening Balance | 6,318,998 | – | – | – |
| Movement in provision | 12,711,845 | 6,318,998 | – | – |
| Closing Balance at end of reporting period | 19,030,843 | 6,318,998 | – | – |
| Current Liability | 3,403,658 | – | – | – |
| Non-current Liability | 15,627,185 | 6,318,998 | – | – |
| | 19,030,843 | 6,318,998 | – | – |
| Law Claims Levy Fund | 3,064,323 | 3,518,998 | – | – |
| QLS Insurance Pte Ltd | 15,966,520 | 2,800,000 | – | – |
| | 19,030,843 | 6,318,998 | – | – |

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 \$3,064,323 (2003) compared to \$3,518,998 (2002). Under the terms of that policy, the maximum outstanding liability is \$3,064,323.

QLS Insurance Pte Ltd has assessed its provisions for outstanding claims based upon an independent actuarial assessment as at 30 April 2003 by Mr J Carroll (Fellow of the Institute of Actuaries of Australia) of NSP Buck. A discount rate of 5.0% was used to estimate the liability for outstanding claims as at 30 April 2003.

13 Receivables and Prepayments

| | Consolidated | | Parent entity | |
|-----------------------------------|--------------|------------|---------------|------------|
| | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Accounts Receivables | 70,462 | 101,557 | 70,462 | 101,557 |
| Less Provision for Doubtful Debts | 2,800 | 2,800 | 2,800 | 2,800 |
| | 67,662 | 98,757 | 67,662 | 98,757 |
| Prepaid Expenses and Accruals | 2,162,185 | 1,211,765 | 1,128,762 | 575,868 |
| | 2,229,847 | 1,310,522 | 1,196,424 | 674,625 |

14 Payables

| | Consolidated | | Parent entity | |
|---|--------------|------------|---------------|------------|
| | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Payables | 1,894,633 | 953,941 | 1,681,263 | 869,692 |
| Bank Overdraft | – | 166,515 | – | 166,515 |
| Subscriptions/Registrations in Advance | 221,786 | 249,270 | 221,786 | 249,270 |
| | 2,116,419 | 1,369,726 | 1,903,049 | 1,285,477 |

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

15 Property, Plant and Equipment

| | Consolidated | | Parent entity | |
|--|--------------|------------|---------------|------------|
| | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Strata Title Building at independent valuation | 8,268,000 | 8,268,000 | 8,268,000 | 8,268,000 |
| Less Accumulated Depreciation | 568,425 | 361,725 | 568,425 | 361,725 |
| | 7,699,575 | 7,906,275 | 7,699,575 | 7,906,275 |
| Office furniture and equipment at cost | 1,523,250 | 1,179,422 | 1,523,250 | 1,179,422 |
| Less Accumulated Depreciation | 926,274 | 681,624 | 926,274 | 681,624 |
| | 596,976 | 497,798 | 596,976 | 497,798 |
| | 8,296,551 | 8,404,073 | 8,296,551 | 8,404,073 |

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.

Office Furniture and Equipment

| | Consolidated | | Parent entity | |
|--|--------------|------------|---------------|------------|
| | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Carrying amount at the start of the year | 497,798 | 510,106 | 497,798 | 510,106 |
| Add Acquisitions | 343,924 | 144,077 | 343,924 | 144,077 |
| Less Depreciation | (244,746) | (156,385) | (244,746) | (156,385) |
| Carrying amount at the end of the year | 596,976 | 497,798 | 596,976 | 497,798 |

16 Contribution Distribution Account

This account represents the balance of moneys received from the General Trust Accounts' Contribution Fund, disbursement of which is subject to the Minister's approval in accordance with Part IIIA of the *Queensland Law Society Act 1952*.

| | Consolidated | | Parent entity | |
|---|--------------|------------|---------------|------------|
| | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Balance 1 May | 3,453,686 | 2,416,295 | 3,453,686 | 2,416,295 |
| Income | | | | |
| Distribution Received: | | | | |
| General Trust Accounts' Contribution Fund | 1,666,803 | 1,203,248 | 1,666,803 | 1,203,248 |
| Interest | 181,657 | 121,143 | 181,657 | 121,143 |
| | 1,848,460 | 1,324,391 | 1,848,460 | 1,324,391 |

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

16 Contribution Distribution Account (continued)

| | Consolidated | | Parent entity | |
|----------------------------|--------------|-----------|---------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Expenditure | | | | |
| Continuing Legal Education | – | 100,000 | – | 100,000 |
| SCRAM/Schools | – | 90,000 | – | 90,000 |
| Law Week | – | 50,000 | – | 50,000 |
| Legal Brochures | – | 47,000 | – | 47,000 |
| | – | 287,000 | – | 287,000 |
| | | | | |
| Net Movement | 1,848,460 | 1,037,391 | 1,848,460 | 1,037,391 |
| | | | | |
| Balance 30 April | 5,302,146 | 3,453,686 | 5,302,146 | 3,453,686 |

17 Reserves

| | Consolidated | | Parent entity | |
|---|--------------|-----------|---------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Asset Revaluation | | | | |
| Balance at beginning of year | 3,893,191 | 3,893,191 | 3,893,191 | 3,893,191 |
| Add: Revaluation increment on Strata Title Building (refer note 15) | – | – | – | – |
| Balance at end of year | 3,893,191 | 3,893,191 | 3,893,191 | 3,893,191 |

18 Heal Street Building – Grants Fund

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

19 Commitments

(a) Operating Lease

| | Consolidated | | Parent entity | |
|---------------------------|--------------|--------|---------------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Within one (1) year | 38,481 | 20,850 | 38,481 | 20,850 |
| One (1) to five (5) years | – | 20,850 | – | 20,850 |
| Over five (5) years | – | – | – | – |
| | 38,481 | 41,700 | 38,481 | 41,700 |

(b) Capital

Capital expenditure contracted for at 30 April 2003 but not provided for was nil.

20 Remuneration

(a) Council Members

The President's and Vice-President's firms were paid an honorarium of \$181,590 and \$46,350 respectively for the twelve months ending 30 April 2003.

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.

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

21 Contingent Liabilities

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

There is a foreshadowed application by a practitioner in the Supreme Court of Queensland for a declaration that the "no win no fee" ruling made by Council on 22 August 2002 is invalid and unenforceable. If so found by the Supreme Court of Queensland, the Society may be liable for damages and claims from those practitioners who adhered to the ruling to their detriment. However, the Society's liability in this matter is expected to be covered by the Directors and Officers insurance policy.

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

22 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 in 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 | |
|---------------------|--------------|------------|---------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Cash | 149,475 | (139,098) | 46,445 | (164,651) |
| Short Term Deposits | 43,870,692 | 26,478,954 | 8,250,041 | 6,549,011 |
| | 44,020,167 | 26,339,856 | 8,296,486 | 6,384,360 |

The Queensland Law Society Incorporated has arranged a standby credit facility with its bankers to meet any financing requirements. The facility has a limit of \$500,000.

(b) Reconciliation of Net Cash Used by Operating Activities to the Surplus/(Deficit) for the Year

| | Consolidated | | Parent entity | |
|---|-------------------|--------------------|------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Surplus/(Deficiency) for the Year | (567,076) | (10,940,382) | (2,869,929) | 7,898,416 |
| Retained Earnings | 1,044,521 | — | — | — |
| Depreciation | 451,447 | 363,087 | 451,447 | 363,087 |
| Contributions Distribution Account | 1,848,460 | 1,037,391 | 1,848,460 | 1,037,391 |
| Change in Assets and Liabilities | | | | |
| (Increase)/Decrease in Assets | | | | |
| Accounts Receivables | (1,056,826) | (819,529) | (521,799) | (192,918) |
| Investment in QLS Insurance Pte Ltd | — | — | 2,569,725 | (8,592,365) |
| Inventory | 12,903 | 5,384 | 12,903 | 5,384 |
| Increase/(Decrease) in Liabilities | | | | |
| Accounts Payables | 3,597,286 | 531,802 | 784,085 | 489,826 |
| Employee Benefits | (18,843) | 39,800 | (18,843) | 39,800 |
| Provision for Outstanding Claims | 12,711,846 | 6,318,998 | — | — |
| Solicitors Deductibles | 517 | — | — | — |
| Net Cash (Used)/Provided by Operating Activities | 18,024,235 | (3,463,449) | 2,256,049 | 1,048,621 |

Financial Statements

Queensland Law Society Incorporated Notes to the Financial Report for the year ended 30 April 2003

Due to the Society acting as the collecting agent for insurance premiums and the Legal Practitioners' Fidelity Guarantee Fund contributions etc. gross receipts and payments disclosed in the Statement of Cash Flows exceed revenue and expenditure disclosed in the Society's financial statements.

23 Other Financial Assets

Cash Assets

Cash is represented by amounts held in bank accounts.

24 Financial Instruments

(a) Interest Rate Risk

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 | |
|------------------------------|------------------------|----------------|----------------------|----------------|-----------------------|----------------|--------------------------------|-------------|
| | 2003 \$'000 | 2002 \$'000 | 2003 \$'000 | 2002 \$'000 | 2003 \$'000 | 2002 \$'000 | 2003 % | 2002 % |
| Financial Assets | | | | | | | | |
| Cash Assets | – | – | 149 | 27 | 149 | 27 | – | – |
| Receivables | – | – | 2,230 | 1,311 | 2,230 | 1,311 | – | – |
| Other Financial Assets | 43,871 | 26,479 | – | – | 43,871 | 26,479 | 4.30 | 4.43 |
| Financial Assets | 43,871 | 26,479 | 2,379 | 1,338 | 46,250 | 27,817 | 4.30 | 4.43 |
| Financial Liabilities | | | | | | | | |
| Payables | – | – | 2,116 | 1,370 | 2,116 | 1,370 | – | – |
| Financial Liability | – | – | 2,116 | 1,370 | 2,116 | 1,370 | – | – |

(b) Net Fair value

The aggregate net fair value of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

| | Total carrying amount | | Aggregate net fair value | |
|------------------------------|-----------------------|----------------|--------------------------|----------------|
| | 2003 \$'000 | 2002 \$'000 | 2003 \$'000 | 2002 \$'000 |
| Financial Assets | | | | |
| Cash Assets | 149 | 27 | 149 | 27 |
| Receivables | 2,230 | 1,311 | 2,230 | 1,311 |
| Other Financial Assets | 43,871 | 26,479 | 43,871 | 26,479 |
| Financial Assets | 46,250 | 27,817 | 46,250 | 27,817 |
| Financial Liabilities | | | | |
| Payables | 2,116 | 1,370 | 2,116 | 1,370 |
| Financial Liabilities | 2,116 | 1,370 | 2,116 | 1,370 |

(c) Credit Risk


The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position. There are no concentrations of credit risk.

Financial Statements

Certificate of Queensland Law Society Incorporated

The general-purpose financial report has been prepared pursuant to section 46F(1) of the *Financial Administration and Audit* 1977 (the Act) and other prescribed requirements. In accordance with section 40F(3) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Law Society Incorporated for the financial year ended 30 April 2003 and of the financial position of the society at the end of that year.



President
Tom Sullivan

21 / 7 / 03



Chief Executive Officer
Geoff Stevenson

21 / 7 / 03

Financial Statements

Independent Audit Report

To the Council – Queensland Law Society Incorporated

Scope

I have audited the general purpose financial statements of Queensland Law Society Incorporated prepared by Queensland Law Society Incorporated for the year ended 30 April 2003 in terms of section 46F of the *Financial Administration and Audit Act 1977*. The Financial Statements include the consolidated financial statements of the consolidated entity comprising Queensland Law Society Incorporated and the entities it controlled at the year-end or from time to time during the year. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, and Statement of Cash Flows, Notes to the Financial Report and certificates given by the President and Chief Executive Officer.

The Queensland Law Society Incorporated is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

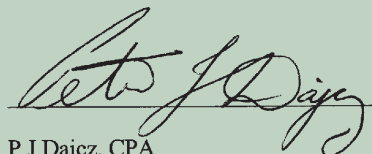
The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements in Australia which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the Queensland Law Society Incorporated and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required and, in my opinion –

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other mandatory professional reporting requirements in Australia of the transactions of Queensland Law Society Incorporated and the consolidated entity for the financial year 1 May 2002 to 30 April 2003 and of the financial position of Queensland Law Society Incorporated and the consolidated entity as at the end of that year.



P J Dajcz, CPA
Director of Audit
(Delegate of the Auditor-General)



Queensland Audit Office
Brisbane

Financial Statements

Queensland Law Society Incorporated
Law Claims Levy Fund
Statement of Financial Performance
for the year ended 30 June 2003

| | Note | 2003 \$ | 2002 \$ |
|---|------|------------------|--------------------|
| Revenue from Ordinary Activities | | | |
| Additional Levies | | 110,000 | 100,500 |
| Claims Management | 3 | 253,636 | – |
| Investment Income | | 539,920 | 639,642 |
| Professional Indemnity Premiums | | 81,979 | – |
| Solicitors' Deductibles | | 27,631 | 23,868 |
| Total Revenue from Ordinary Activities | | 1,013,166 | 764,010 |
| Expenses from Ordinary Activities | | | |
| Administration Expenses | | 66,230 | 11,884 |
| Audit Fees | | 4,100 | 2,681 |
| Claims Expenses – Levy Fund & Deductibles | | 442,788 | 1,542,809 |
| Claims Management Fee – St Pauls | 3 | 297,273 | – |
| Insurance | | – | 3,805,043 |
| Investment Manager's Fees | | – | 13,121 |
| Increase/(Decrease) in Provision for Outstanding Claims | 4 | (442,788) | 3,518,998 |
| Solicitors' Deductible Refunds | | 1,475 | – |
| Total Expenses from Ordinary Activities | | 369,078 | 8,894,536 |
| Surplus/(Deficiency) from ordinary activities | 5(c) | 644,088 | (8,130,526) |
| Retained Funds at the beginning of the Financial Year | | 7,304,053 | 24,434,579 |
| Appropriation to Queensland Law Society | | – | (9,000,000) |
| Retained Funds at the reporting date | | 7,948,141 | 7,304,053 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Law Claims Levy Fund
Statement of Financial Position
as at 30 June 2003

| | Note | 2003 \$ | 2002 \$ |
|--|------|-------------------|-------------------|
| Current Assets | | | |
| Current Assets | | | |
| Cash Assets | | 9,241 | 29,594 |
| Receivables | | 38,682 | 3,254,979 |
| Loan – Queensland Law Society Incorporated | | – | 286,792 |
| Other Financial Assets | 6 | 11,765,562 | 7,309,798 |
| Total Assets | | 11,813,485 | 10,881,163 |
| Current Liabilities | | | |
| Income in Advance – Claims Management | 3 | 746,364 | – |
| Creditors and Accruals | | – | 211 |
| Provision for Outstanding Claims | 4 | 1,076,210 | 1,518,998 |
| Solicitors' Deductibles | | 42,770 | 57,901 |
| | | 1,865,344 | 1,577,110 |
| Non-Current Liabilities | | | |
| Provision for Outstanding Claims | 4 | 2,000,000 | 2,000,000 |
| | | 2,000,000 | 2,000,000 |
| Total Liabilities | | 3,865,344 | 3,577,110 |
| Net Assets | | 7,948,141 | 7,304,053 |
| Equity | | | |
| Retained Funds | | 7,948,141 | 7,304,053 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Law Claims Levy Fund
Statement of Cash Flows
for the year ended 30 June 2003

| | Note | 2003 \$ Inflows (Outflows) | 2002 \$ Inflows (Outflows) |
|---|------|-------------------------------------|-------------------------------------|
| Cash Flows From Operating Activities | | | |
| Receipts from the Profession and Commutation Benefits | | 9,609,906 | 140,000 |
| Claims and Expenses | | (5,680,816) | (8,916,221) |
| Interest Received | | 506,321 | 648,809 |
| Net cash used in operating activities | 5(c) | 4,435,411 | (8,128,172) |
| Cash Flows From Financing Activities | | | |
| Transfer to Queensland Law Society Incorporated | | – | (9,000,000) |
| Net cash used in financing activities | | – | (9,000,000) |
| Net Increase/(Decrease) in cash held | | 4,435,411 | (17,128,172) |
| Cash at the Beginning of the Financial Year | | 7,339,392 | 24,467,564 |
| Cash at the End of the Financial Year | 5(a) | 11,774,803 | 7,339,392 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Law Claims Levy Fund
Notes to the Financial Report
for the year ended 30 June 2003

Notes

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

As the Queensland Law Society Incorporated is a statutory body under the *Financial Administration and Audit Act 1977*, the Society is required to prepare general purpose financial statements in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts and Statements of Accounting Concepts. Section 5A of the Queensland Law Society Act 1952, authorises the Society to establish and maintain a fund to allow the Society to meet its objectives. Therefore the Law Claims Levy Fund was created in 1987 to provide professional indemnity insurance to Queensland solicitors. The financial statements are a general purpose financial report which has been prepared in accordance with the provision outlined above.

These financial statements have been prepared on an accrual and ongoing concern basis. They have also been prepared on the basis of historical cost and except where stated, do not take into account changing money values or current valuations of non-current assets. These accounting policies are consistent with those of the previous year, except where there is a change which has been separately disclosed.

(b) Other Financial Assets

Investments under the control of professional fund managers are disclosed at market value at balance date and any movement in market value is accounted for in the Statement of Financial Performance. The cash float maintained by the Fund is invested on the short-term money market and valued at cost. Interest income is brought to account under the accrual basis.

(c) Income Tax

The Fund has been granted exemption from income tax by the Australian Taxation Office per section 24AK of the *Income Tax Assessment Act 1936*.

(d) Additional Levies

Additional levies may be imposed in accordance with the indemnity rules and are accounted for separately and disclosed as income of the Fund.

(e) Solicitors' Deductibles

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

(f) 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. It is expected that in future accounting periods, actual claim payments will match the reduction in the provision for outstanding claims.

(g) 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 7.

(h) Comparative Figures

Where appropriate, comparative figures have been amended to achieve consistency in disclosure with current financial year amounts and other disclosures.

The reporting year of the Law Claim Levy Fund is from 1 July to 30 June.

Financial Statements

Queensland Law Society Incorporated
Law Claims Levy Fund
Notes to the Financial Report
for the year ended 30 June 2003

2 Scope of Operation

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.

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 for insurance period 1987 to 1995 are met for from existing reserves.

Future Claims Management Fee

| | 2003 \$ | 2002 \$ |
|--|------------|------------|
| Contributions received | 1,000,000 | — |
| Less Claims Management fee paid | (253,636) | — |
| Closing Balance at end of reporting period | 746,364 | — |

Claims Management Expense

| | 2003 \$ | 2002 \$ |
|---------------------------|------------|------------|
| Years of insurance | | |
| 1987 – 1995 | 43,637 | — |
| 2002 – 2003 | 253,636 | — |
| | 297,273 | — |

4 Provision for Outstanding Claims

| | 2003 \$ | 2002 \$ |
|--|------------|------------|
| Opening Balance at start of reporting period | 3,518,998 | 0 |
| Less Movement in Provision | (442,788) | 3,518,998 |
| Closing Balance at end of reporting period | 3,076,210 | 3,518,998 |
| | \$ | \$ |
| Current Liability | 1,076,210 | 1,518,998 |
| Non-current Liability | 2,000,000 | 2,000,000 |
| | 3,076,210 | 3,518,998 |

The Law Claims Levy Fund has capped its liability equivalent to the current provision by way of a stop loss policy with QLS Insurance Pte Ltd.

5 Notes to the Statements 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 related items in the balance sheet as follows:

| | 2003 \$ | 2002 \$ |
|-------------|------------|------------|
| Cash | 9,241 | 29,594 |
| Investments | 11,765,562 | 7,309,798 |
| | 11,774,803 | 7,339,392 |

Financial Statements

Queensland Law Society Incorporated
Law Claims Levy Fund
Notes to the Financial Report
for the year ended 30 June 2003

(b) Financing Facilities

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

(c) Reconciliation of Net Cash Used in Operating Activities to the Surplus/(Deficiency) for the Year

| | 2003 | 2002 |
|---|-----------|-------------|
| | \$ | \$ |
| Surplus/(Deficiency) for the Year | 644,088 | (8,130,526) |
| Changes in Asset and Liabilities | | |
| Decrease/(Increase) in Accounts Receivables | 3,216,297 | (3,532,487) |
| Decrease in Loan – QLS Incorporated | 286,792 | – |
| Increase/(Decrease) in Provision for Outstanding Claims | (442,788) | 3,518,998 |
| Increase/(Decrease) in Accounts Payables | (211) | 211 |
| Increase/(Decrease) in Income in Advance | 746,364 | |
| Increase/(Decrease) in Solicitors' Deductibles | (15,131) | 15,632 |
| Net Cash Used in Operating Activities | 4,435,411 | (8,128,172) |

6 Other Financial Assets

| | 2003 | 2002 |
|-------------------------------|------------|-----------|
| | \$ | \$ |
| Managed Funds at Market Value | 2,574,057 | 7,180,674 |
| Short Term Deposits at Cost | 9,191,505 | 129,124 |
| Total | 11,765,562 | 7,309,798 |

(a) Cash

Cash is represented by amounts held in bank accounts.

(b) Other Financial Assets

Investments include cash invested on the short term money market 11am call account and a Balances Investment Fund managed by UBS Global Asset Management (Australia) Limited. The rate of return for money invested on the short term money market was in the range 4.05 – 4.55% for the year.

(c) Receivables

Receivables are carried at actual amounts and represent accruals for interest received after balance date. There is no credit risk in relation to these receivables.

(d) Payables

Solicitors' deductibles are carried at actual amounts and represent amounts received in advance of claim payments being made.

(e) Net Fair Value

Cash, investments, receivables and payables carrying amounts all approximate fair value.

7 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.

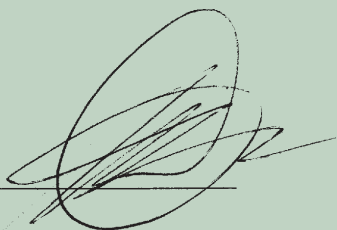
Based on the actuarial advice in respect of the position of the Fund as at 30 June 2003, the insurance in place with regard to the limits per file, and the overall Fund's aggregate limit as at 30 June 2003 the Society is of the opinion that the funds on hand together with future investment income and 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.

Financial Statements

Certificate of Law Claims Levy Fund

We have prepared the foregoing financial statements pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and 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 Law Claims Levy Fund;
- (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 Law Claims Levy Fund for the period 1 July 2002 to 30 June 2003 and of the financial position as at the close of that year.



President
Tom Sullivan

21 / 7 / 03



Chief Executive Officer
Geoff Stevenson

21 / 7 / 03

Financial Statements

Independent Audit Report

To the Council – Queensland Law Society Incorporated

Scope

I have audited the Law Claims Levy Fund financial statements of the Queensland Law Society Incorporated for the year ended 30 June 2003. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to the Financial Report and certificates given by the President and Chief Executive Officer.

The Queensland Law Society Incorporated is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements in Australia which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the Law Claims Levy Fund's financial position, and the performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

I certify that I have received all the information and explanations I have required and, in my opinion –

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other mandatory professional reporting requirements in Australia, of the transactions of the Law Claims Levy Fund for the financial year 1 July 2002 to 30 June 2003 and of the financial position as at the end of that year.



P J Nottingham FCPA
Audit Manager
(Delegate of the Auditor-General)



Queensland Audit Office
Brisbane

Financial Statements

QLS Insurance Pte Ltd Director's Report For the period ending 30 April 2003

We, the undersigned directors, on behalf of all the directors of the Company, submit this report to the members together with the financial statements of the Company for the period ended 30 April 2003. Management accounts to 30 April 2003 have been prepared by Pricewaterhouse Coopers, Singapore for consolidation purposes.

1 Directors

The Directors in office at the date of this report are as follows:

| | |
|--------------------------|---------------------------------|
| Ronald Ashton | (Appointed on 23 June 2001) |
| Tom Sullivan | (Appointed on 28 November 2002) |
| Joseph Tooma | (Resigned on 28 November 2002) |
| Betty Tan | (Appointed on 3 April 2003) |
| Alan Cheah | (Resigned on 3 April 2003) |
| Michael Meadows | (Alternate to Ron Ashton) |
| Ian David Michael Hughes | (Alternate to Tom Sullivan) |

2 Principal Activities

The principal activity of the Company is that of a general insurance company licensed under the Singapore *Insurance Act*, Chapter 142. The Company may underwrite risks of its parent and related corporations as defined under section 6 of the *Companies Act*, Chapter 50 and such other companies as the Monetary Authority of Singapore may allow.

There was no significant change in the nature of this activity during the financial period.

3 Change in Accounting Period

The financial year end of the Company was changed from 30 June to 30 April to align with the financial period end of its parent – Queensland Law Society Incorporated.

4 Results for the Financial Year

| | |
|--|-------------|
| | \$ |
| Profit/(Loss) after taxation | (2,569,725) |
| Retained earnings at end of the period | 6,022,640 |

5 Movements in Reserves and Provisions

There were no reserves other than retained profits at the end of the financial year. Material movements in provisions are set out in the financial statements.

6 Issue of Shares and Debentures

The Company has issued 9,000,000 ordinary shares of AUS\$1.00 each at par for each and the proceeds were used as working capital.

7 Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

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

8 Directors' Interests in Shares and Debentures

Except as disclosed in this report, no directors who held office at the end of the financial period had interests in share and debentures of the Company or of related corporations either at the beginning or at the end of the financial year.

The register kept by the Company for the purposes of section 164 of the *Companies Act*, Chapter 50, shows the following Directors' interests in shares in a related corporation at the end of the financial year are as follows:

| Ultimate holding company – Queensland Law Society Inc. | Shares registered in the name of director, spouse or infant children | |
|---|--|---------------|
| | 1 May 2002 | 30 April 2003 |
| | 0 | 0 |

9 Dividends

The directors did not recommend that a final dividend be paid.

Financial Statements

QLS Insurance Pte Ltd
Director's Report
For the period ending 30 April 2003

10 Directors' Actions Relating to Provision for Doubtful Debts

Before the Statement of Financial Performance and the Statement of Financial Position were prepared, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off and providing for bad and doubtful debts and have satisfied themselves that all known bad debts, if any, have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off or provided for bad and doubtful debts in the financial statements of the Company inadequate to any substantial extent.

11 Directors' Action Relating to Current Assets

Before the Statement of Financial Performance and the Statement of Financial Position were prepared, the directors took reasonable steps to ascertain that any current assets which were unlikely to realise in the ordinary course of business their book values have been written down to their estimated realisable values or were adequately provided for.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to current assets in the financial statements of the Company misleading.

12 Charges on Assets and Contingent Liabilities

At the date of this report:

- (a) no charges have arisen since the end of the financial period on the assets of the Company which secure the liability of any person, and
- (b) no contingent liability has arisen in the Company since the end of the financial period.

13 Ability to Meet Obligations

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

14 Other Circumstances Affecting Financial Statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements misleading.

15 Unusual Items

In the opinion of the directors, the results of the operations during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

16 Events Occurring After Reporting Date

In the opinion of the directors, no item, transaction or event of a material or unusual nature has arisen in the interval between the end of the financial period and the date of this report which would affect substantially the results of the operations of the Company for the financial period in which this report is made.

17 Directors' Interests in Contracts

No director has received or become entitled to receive a benefit (other than as disclosed in the financial statements) which is required to be disclosed under section 201(8) of the Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

18 Share Options

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

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

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

19 Auditors

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

Financial Statements

QLS Insurance Pte Ltd
Director's Report
For the period ending 30 April 2003

On Behalf of the Board of Directors



Ronald Ashton
Director

22 / 7 / 03



Tom Sullivan
Director

21 / 7 / 03

Financial Statements

QLS Insurance Pte Ltd Statement of Financial Position as at 30 April 2003

| | Notes | 2003 \$ | 2002 \$ |
|----------------------------------|-------|-------------|------------|
| Current Assets | | | |
| Cash Assets | | 24,271,935 | 12,127,424 |
| Receivables | 3 | 818,490 | 625,341 |
| Total current assets | | 25,090,425 | 12,752,767 |
| Less: | | | |
| Current Liabilities | | | |
| Payables | 4 | 3,101,265 | 1,360,402 |
| Provision for Outstanding Claims | 5 | 2,339,336 | 2,800,000 |
| Total current liabilities | | 5,440,601 | 1,360,402 |
| Net Current Assets | | 19,649,824 | 11,392,365 |
| Non-Current Liabilities | | | |
| Provision for Outstanding Claims | 5 | 13,627,184 | 2,800,000 |
| Net Assets | | 6,022,640 | 8,592,365 |
| Capital and Reserve | | | |
| Issued capital | | 9,000,000 | 9,000,000 |
| Retained earnings | | (2,977,360) | (407,635) |
| Total equity | | 6,022,640 | 8,592,365 |

The accompanying notes form an integral part of these financial statements.

Financial Statements

QLS Insurance Pte Ltd Statement of Financial Performance for the period ended 30 April 2003

| | Notes | 2003 \$ | 2002 \$ |
|--|-------|--------------------|------------------|
| Gross Premium Written | | 14,251,800 | 5,205,479 |
| Less Unearned premium | | 2,750,395 | – |
| Net Premium Written | | 11,501,405 | 5,205,479 |
| Less: | | | |
| Cost and operating expenses | | | |
| Reinsurance Ceded | | 1,118,247 | 3,048,328 |
| Increase in Provision for Outstanding Claims | 5 | 13,356,671 | 2,800,000 |
| | | 14,474,918 | 5,848,328 |
| Underwriting Deficit | | (2,973,513) | (642,849) |
| Interest Income | | 977,581 | 512,047 |
| Solicitors' Deductibles | | 1,500 | |
| Less | | | |
| Other operating expenses | 6 | 575,293 | 276,833 |
| Deficit before income tax | | (2,569,725) | (407,635) |
| Income tax | | | |
| – Singapore | | 0 | 0 |
| – Other countries | | 0 | 0 |
| Deficit for the period | | (2,569,725) | (407,635) |

The accompanying notes form an integral part of these financial statements.

Financial Statements

QLS Insurance Pte Ltd
Cash Flow Statement
for the period ended 30 April 2003

| | Notes | 2003 \$ Inflows (Outflows) | 2002 \$ Inflows (Outflows) |
|---|-------|-------------------------------------|-------------------------------------|
| Cash Flows from Operating Activities | | | |
| Receipt of Share Capital | | – | 9,000,000 |
| Premium Received | | 19,050,674 | 6,250,000 |
| Reinsurance and Administration Expenses | | (7,822,302) | (3,634,623) |
| Deductible Income | | 1,500 | – |
| Interest Received | | 914,639 | 512,047 |
| Net Increase/(Decrease) in Cash held | 8(b) | 12,144,511 | 12,127,424 |
| Cash at the beginning of the Financial Period | | 12,127,424 | – |
| Cash at the end of the Financial Period | 8(a) | 24,271,935 | 12,127,424 |

The accompanying notes form an integral part of these financial statements.

Financial Statements

QLS Insurance Pte Ltd Statement of Changes in Equity for the year ended 30 April 2003

| | 2003 \$ | 2002 \$ |
|--|------------------|------------------|
| Issued capital | | |
| 9,000,000 ordinary shares of \$1 each paid up to \$1 per share | 9,000,000 | 9,000,000 |
| Balance at the end of year | 9,000,000 | 9,000,000 |
| Retained Earnings | | |
| Balance at start of the year | 8,592,365 | 9,000,000 |
| Net Profit/(Loss) for the period | (2,569,725) | (407,635) |
| Balance at the end of the year | 6,022,640 | 8,592,365 |

Financial Statements

QLS Insurance Pte Ltd Notes to Financial Statement for the period ending 30 April 2003

1 Corporate Information

The Company is a limited liability company, which is incorporated in the Republic of Singapore. The Company is a wholly-owned subsidiary of Queensland Law Society Incorporated, an association incorporated in Australia under the *Queensland Law Society Incorporated Act 1952*. The registered office of the Company is located at 20 Raffles Place #09-01 Ocean Towers Singapore 048620.

The principal activities of the Company during the financial year are those of a general insurance company licensed under the *Insurance Act*, Chapter 142. The Company underwrites the risks of its parent and related corporations as defined under Section 6 of the *Companies Act*, Chapter 50 and such other companies as the Monetary Authority of Singapore may allow. There have been no significant changes in these activities during the financial year.

The Company operates in Singapore and had no employees as at 30 April 2003.

2 Summary of Significant Accounting Policies

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

(a) Basis of Preparation

The financial statements are a general-purpose financial report. They have been prepared on the basis of historical cost and except where stated, do not take into account changing money values or current valuations of non-current assets. These accounting policies are consistent with those of the previous year, except where there is a change which has been separately disclosed.

(b) Income Tax

The company is registered in Australia for Income Tax and GST. The company also pays tax in Singapore and credits are available in Australia for any tax paid in Singapore.

(c) Other Financial Assets

Investments under the control of professional fund managers are disclosed at market value as at balance date and any movement in market value is accounted for in the Statement of Financial Performance. The cash float maintained by the company is invested on the short-term money market and valued at cost. Interest income is brought to account under the accrual basis.

(d) Comparative figures

Comparative figures have been re-classified to achieve consistency in disclosure with current reporting year amounts and other disclosures.

The company was incorporated 23 June 2001 in Singapore. For comparative purposes, the 2002 accounts represent the 10 months ending 30 April 2002 while the 2003 accounts represents the 12 months ending 30 April 2003.

(e) Provision for Claims

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

(f) Unearned Premium

The unearned premium is calculated on a time proportion basis using the 1/365 method.

3 Receivables

| | 2003 | 2002 |
|----------------------------|---------|---------|
| | \$ | \$ |
| Prepaid Fees and Accruals | 4,844 | 13,670 |
| Reinsurer Unearned Premium | 813,646 | 611,671 |
| | 818,490 | 625,341 |

Financial Statements

QLS Insurance Pte Ltd
Notes to Financial Statement
for the period ending 30 April 2003

4 Payables

| | 2003 | 2002 |
|-----------------------------|-----------|-----------|
| | \$ | \$ |
| Unearned Premium | 2,750,395 | 1,044,520 |
| Other Payables and Accruals | 350,870 | 315,882 |
| | 3,101,265 | 1,360,402 |

5 Provision for Outstanding Claims

Claims reserves are determined for all open files. The total Future Claim Reserve is disclosed in the Statement of Financial Position at balance date and has been determined by an independent actuarial assessment.

| | 2003 | 2002 |
|---|-------------|-----------|
| | \$ | \$ |
| Opening balance | 2,800,000 | 2,800,000 |
| Less claims paid | 190,151 | – |
| | 2,609,849 | 2,800,000 |
| Add Increase in Provision | 13,356,671 | – |
| Closing balance for Outstanding Claims | 15,966,520 | 2,800,000 |
| Expected future claims payments | 18,970,520 | 2,800,000 |
| Discounted to present value | (3,004,000) | – |
| Liability for Outstanding Claims | 15,966,520 | 2,800,000 |
| Current Liability | 2,339,336 | 2,800,000 |
| Non-current Liability | 13,627,184 | – |
| Total amount expensed in the reporting period | 15,966,520 | 2,800,000 |

A discount rate of 5.0% was used to estimate the liability for outstanding claims.

6 Other Operating Expenses

| | 2003 | 2002 |
|------------------------------------|---------|---------|
| | \$ | \$ |
| Actuarial Fees | 28,310 | 19,090 |
| Audit Fees | 28,997 | 14,317 |
| Bank Charges | 1,252 | 106 |
| Foreign Exchange Loss | 1,276 | – |
| Legal Fees | 44,454 | 17,105 |
| Management Fees – QLS Incorporated | 137,500 | – |
| MAS Annual Fees/Masnet Charges | 5,495 | 3,736 |
| Professional Fees | 298,684 | 216,429 |
| Secretarial Fees | 5,468 | 3,014 |
| General Expenses | 7,486 | – |
| Sundry Expenses | 4,889 | 173 |
| Tax Advice Fees | 11,482 | 2,863 |
| | 575,293 | 276,833 |

Financial Statements

QLS Insurance Pte Ltd Notes to Financial Statement for the period ending 30 April 2003

7 Related Party Transactions

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

| | 2003 \$ | 2002 \$ |
|---|------------|------------|
| Management Fee due to Qld Law Society Incorporated | 75,000 | 62,500 |
| Gross premium received/receivable from Qld Law Society Incorporated | 11,501,405 | 5,205,479 |
| | 11,576,405 | 5,267,979 |

8 Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

| | 2003 \$ | 2002 \$ |
|------------------------|------------|------------|
| Cash | 86,479 | 13,875 |
| Short Term Investments | 24,185,456 | 12,113,549 |
| | 24,271,935 | 12,127,424 |

(b) Reconciliation of cash used in activities

| | 2003 \$ | 2002 \$ |
|--|-------------|------------|
| Surplus/(Deficiency) for the Year | (2,569,725) | (407,635) |
| Changes in Assets and Liabilities | | |
| Increase in Payables | 1,740,863 | 4,160,402 |
| Increase in Share Capital | – | 9,000,000 |
| Increase in Future Claim Reserves | 13,166,522 | |
| (Increase) in Receivables | (193,149) | (625,343) |
| Net Cash Used in Operating Activities | 12,144,511 | 12,127,424 |

9 Financial Risk Management

(a) Interest Rate Risk

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

(b) Credit Rate Risk

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

(c) Liquidity Risk

The Company's ability to meet its funding obligations is managed by maintaining sufficient cash, bank deposits and the availability of funding from the parent.

Financial Statements

QLS Insurance Pte Ltd Statement of Directors

We, **Ronald Ashton** and **Tom Sullivan**, being directors of **QLS Insurance Pte Ltd**, do hereby state that in the opinion of the directors:

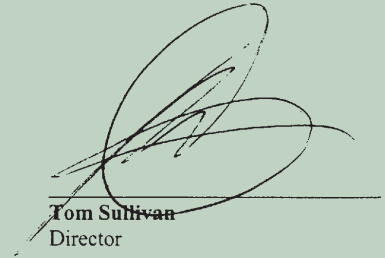
- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 April 2003 and of the results of the Company, changes in equity and cashflows for the financial period; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On Behalf of the Board of Directors



Ronald Ashton
Director

22 / 7 / 03



Tom Sullivan
Director

21 / 7 / 03

Financial Statements

Queensland Law Society Incorporated
Legal Practitioners' Fidelity Guarantee Fund
Statement of Financial Performance
for the year ended 30 April 2003

| | Notes | 2003 \$ | 2002 \$ |
|--|-------|------------|------------|
| Revenue from Ordinary Activities | | | |
| Standard Practitioners Fees | | 95,080 | 86,796 |
| Additional Practitioner Fees | 2 | 1,127,574 | 1,590,761 |
| Distribution received from Interest on Trust Accounts | | 2,305,188 | 1,837,515 |
| Interest on Investments | | 101,046 | 114,898 |
| Solicitors Complaints Tribunal Fines | | 43,000 | 64,600 |
| Other Income | | 5,741 | 28 |
| Costs Recovered | 3 | 918,634 | 116,248 |
| | | | |
| Total Revenue from Ordinary Activities | | 4,596,263 | 3,810,846 |
| Expenses from Ordinary Activities | | | |
| Administration Expenses | 4 | 2,176,730 | 1,794,804 |
| Claims Payments | | 784,090 | 1,098,675 |
| Complaint and Disciplinary Investigative Costs | | 71,317 | 37,938 |
| Expenses Reimbursed to the Queensland Law Society Incorporated | 5 | 783,206 | 691,550 |
| Legal Ombudsman Expenses | | 76,426 | 49,311 |
| Solicitors Complaints Tribunal Costs | 6 | 1,035,688 | 413,670 |
| Receivership costs | | 41,831 | 29,886 |
| | | | |
| Total Expenses from Ordinary Activities | | 4,969,288 | 4,115,834 |
| Surplus/(Deficit) from Ordinary Activities | | | |
| | | (373,025) | (304,988) |
| Retained Funds at the beginning of the Financial Year | | 1,265,888 | 1,570,876 |
| | | | |
| Retained Funds at the reporting date | | 892,863 | 1,265,888 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Legal Practitioners' Fidelity Guarantee Fund
Statement of Financial Position
as at 30 April 2003

| | Notes | 2003 \$ | 2002 \$ |
|--------------------------------------|-------|------------|------------|
| Current Assets | | | |
| Cash Assets | | 56,024 | 52,880 |
| Receivables | 7 | 75,913 | 16,143 |
| Other Financial Assets | | 2,008,283 | 2,014,998 |
| Total Current Assets | | 2,140,220 | 2,084,021 |
| | | | |
| Total Assets | | 2,140,220 | 2,084,021 |
| | | | |
| Current Liabilities | | | |
| Payables | 8 | 996,659 | 500,133 |
| Provisions for Employee Entitlements | | 141,000 | 141,000 |
| Total Current Liabilities | | 1,137,659 | 641,133 |
| | | | |
| Non-Current Liabilities | | | |
| Provisions for Employee Entitlements | | 109,698 | 177,000 |
| Total Non-Current Liabilities | | 109,698 | 177,000 |
| | | | |
| Total Liabilities | | 1,247,357 | 818,133 |
| | | | |
| Net Assets | | 892,863 | 1,265,888 |
| | | | |
| Equity | | | |
| Retained Funds | | 892,863 | 1,265,888 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Legal Practitioners' Fidelity Guarantee Fund
Statement of Cash Flows
for the year ended 30 April 2003

| | Notes | 2003 \$ Inflows (Outflows) | 2002 \$ Inflows (Outflows) |
|---|-------|-------------------------------------|-------------------------------------|
| Cash Flows from Operating Activities | | | |
| Contributions by Practitioners and Cost Recoveries | | 2,378,595 | 1,400,545 |
| Distribution Received from Interest on Trust Accounts | | 2,305,188 | 1,837,515 |
| Claim Payments and Administration Expenses | | (4,787,661) | (3,420,730) |
| Interest Received | | 100,307 | 116,761 |
| Net Increase/(Decrease) in Cash held | 9 | (3,571) | (65,909) |
| Cash at the beginning of the Financial Year | | 2,067,878 | 2,133,787 |
| Cash at the end of the Financial Year | 9 | 2,064,307 | 2,067,878 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated Legal Practitioners' Fidelity Guarantee Fund Notes to the Financial Report for the year ended 30 April 2003

Scope of Operation

The Legal Practitioners' Fidelity Guarantee Fund is established under the *Queensland Law Society Act 1952* ("the Act") and is administered by the Queensland Law Society.

The Fund is applied to reimburse persons who suffer loss through stealing or fraudulent misappropriation by a practitioner (or his or her clerk or employee) of any money or other property held on trust.

The Fund is also used to defray costs incurred in the administration of disciplinary matters, audit of solicitors' trust accounts and receivership of solicitors' trust accounts.

A major source of income for the Fund is a share of interest earned on solicitors' trust accounts. The Fund is subject to a statutory cap under section 20(5) of the Act. Due to this cap the Fund has had no opportunity to build up reserves to meet claims as and when they are received.

The Council of the Society has recommended to government that the Fund be abolished. The Society has made submissions to Government for legislative change. If the Fund is to continue then the solution to its long term financial viability is to ensure the Fund receives the interest earned on solicitors trust accounts.

With a view to ensuring that all approved claims can be paid, the Council of the Society has imposed a special levy on practitioners (refer Note 2).

Notes

1 Statement of Significant Accounting Policies

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

(a) Basis of Preparation

As the Queensland Law Society Incorporated is a statutory body under the *Financial Administration and Audit Act 1977*, the Society is required to prepare general purpose financial statements in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts and Statements of Accounting Concepts. Section 12 of the *Queensland Law Society Act 1952* requires the Society to establish and maintain the Legal Practitioners' Fidelity Guarantee Fund and for annual accounts to be prepared in respect of the Fund. The financial statements are a general purpose financial report which has been prepared in accordance with the provision outlined above.

The financial statements have been prepared on an accrual and ongoing concern basis. They have also been prepared on the basis of historical cost and except where stated, do not take into account changing money values or current valuations of non-current assets. These accounting policies are consistent with those of the previous year, except where there is a change which has been separately disclosed (refer note 2).

(b) Other Financial Assets

Investments during the year comprising short term deposits are valued at cost.

(c) Income Tax

The Fund has been granted exemption from income tax by the Australian Taxation Office per section 24AK of the *Income Tax Assessment Act 1936*.

(d) Employee Entitlements

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date, having regard to current rates of pay and on-costs. Annual leave entitlements are provided for at their nominal value.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to current employee remuneration rates, employment related on-costs and other factors including accumulated years of employment, future remuneration levels, and 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 at its nominal value. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these entitlements accrued to balance date and recorded as a non-current liability. Relevant Commonwealth Bond Rates are used for discounting future cash flows.

Financial Statements

Queensland Law Society Incorporated
Legal Practitioners' Fidelity Guarantee Fund
Notes to the Financial Report
for the year ended 30 April 2003

(e) **Claims**

Claims are brought to account in the year they are paid/approved and no accruals are made for claims that are in the process of finalisation.

(f) **Comparative Figures**

Comparative figures have been reclassified for consistency in disclosure between financial years.

2 Additional Practitioner Fees.

The Council of the Queensland Law Society resolved a levy of \$200 per practitioner (2002 – \$300) in accord with section 21 of the *Queensland Law Society Act*. The levy is necessary to assist the Fund to meet its financial commitments as and when they fall due.

3 Costs Recovered

| | 2003 | 2002 |
|--------------------------|---------|---------|
| | \$ | \$ |
| Claims | 821,887 | 50,000 |
| Defaulting Practitioners | 96,722 | 66,028 |
| Receiverships | 25 | 220 |
| Other | – | – |
| | 918,634 | 116,248 |

4 Administration Expenses

| | 2003 | 2002 |
|---|-----------|-----------|
| | \$ | \$ |
| Audit Fees – Fidelity Fund | 6,727 | 5,268 |
| Audit Fees – Interest on Trust Accounts | 5,450 | 2,600 |
| Bank Charges | 24 | 42 |
| Catering | 3,955 | – |
| Computer Maintenance | 2,635 | – |
| Insurance | 16,913 | 2,757 |
| Offsite Storage | 19,738 | 20,525 |
| Payroll Tax | 74,635 | 61,524 |
| Photocopier Expenses | 3,602 | 6,716 |
| Postage | 14,012 | 11,244 |
| Printing and Stationery | 33,114 | 12,842 |
| Professional Fees | 139,114 | 9,836 |
| Registrations and Subscriptions | 8,907 | 7,434 |
| Rent and Electricity | 269,769 | 261,472 |
| Salaries | 1,342,876 | 1,200,251 |
| Staff Advertising | 26,718 | 8,739 |
| Staff Training | 8,586 | 5,407 |
| Sundry Expenses | 3,874 | 6,436 |
| Superannuation | 132,808 | 122,841 |
| Taxi and Couriers | 7,861 | 4,186 |
| Telephone | 13,534 | 13,640 |
| Travel and Accommodation | 9,955 | – |
| Trust Account Audit Expenses | 31,923 | 31,044 |
| | 2,176,730 | 1,794,804 |

Financial Statements

Queensland Law Society Incorporated
Legal Practitioners' Fidelity Guarantee Fund
Notes to the Financial Report
for the year ended 30 April 2003

| 5 | Expenses Reimbursed to Queensland Law Society Incorporated * | 2003 | 2002 |
|---|---|---------|---------|
| | | \$ | \$ |
| | Advertising | 1,537 | 1,950 |
| | Computer Maintenance and Resources | 134,874 | 84,408 |
| | Council Travel | 14,844 | 22,222 |
| | Honoraria | 11,898 | 9,613 |
| | Insurance | 24,533 | 27,589 |
| | Payroll Tax | 15,229 | 14,507 |
| | Postage | 15,075 | 20,220 |
| | Printing and Stationary | 69,637 | 60,493 |
| | Rent | 88,592 | 76,049 |
| | Salaries | 320,629 | 302,237 |
| | Staff Advertising | 3,401 | 4,322 |
| | Staff Amenities | 9,530 | 3,755 |
| | Staff Training | 4,809 | 4,534 |
| | Superannuation | 32,747 | 25,693 |
| | Taxi and Courier | 5,554 | 3,987 |
| | Telephone | 30,317 | 29,971 |
| | | 783,206 | 691,550 |

* Includes contributions to the Queensland Law Society Incorporated for shared expenditure – Rule 116(3) (e). These contributions recognise the managerial and administrative tasks performed by Society staff on behalf of the Fund. The monetary level of the contributions is based on a detailed time survey conducted for a period of time by Society staff.

The Legal Practitioners' Fidelity Guarantee Fund has incurred the above listed administration costs to comply with the functions and duties which have been previously listed in the Scope of Operations note to the Accounts.

| 6 | Solicitors Complaints Tribunal | 2003 | 2002 |
|---|---|-----------|---------|
| | | \$ | \$ |
| | Clerk of the Tribunal | 170,536 | 78,975 |
| | Legal Costs to Investigations and Prosecute | 805,506 | 311,360 |
| | Shorthand Fees | 34,783 | 8,980 |
| | Sundry Expenses | 24,863 | 14,355 |
| | | 1,035,688 | 413,670 |

| 7 | Receivables | 2003 | 2002 |
|---|---------------------------|--------|--------|
| | | \$ | \$ |
| | Prepaid Fees and Accruals | 68,199 | 9,168 |
| | Accrued Interest | 7,714 | 6,975 |
| | | 75,913 | 16,143 |

| 8 | Payables | 2003 | 2002 |
|---|-----------------------------|---------|---------|
| | | \$ | \$ |
| | Approved Claims * | 511,015 | 285,219 |
| | Other Payables and Accruals | 485,644 | 214,914 |
| | | 996,659 | 500,133 |

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

Financial Statements

Queensland Law Society Incorporated
Legal Practitioners' Fidelity Guarantee Fund
Notes to the Financial Report
for the year ended 30 April 2003

9 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:

| | 2003 | 2002 |
|---------------------------------------|-----------|-----------|
| | \$ | \$ |
| Cash | 56,024 | 52,880 |
| Other Assets – Short Term Investments | 2,008,283 | 2,014,998 |
| | 2,064,307 | 2,067,878 |

(b) Financing Facilities

The Legal Practitioners' Fidelity Guarantee Fund has no external non-cash financing nor any standby credit facilities or any other loan facilities.

(c) Reconciliation of Net Cash Used in Operating Activities to the Surplus/ (Deficiency) for the Year

| | 2003 | 2002 |
|---|-----------|-----------|
| | \$ | \$ |
| Surplus/(Deficiency) for the Year | (373,025) | (304,988) |
| Changes in Assets and Liabilities | | |
| (Decrease)/Increase in Creditors | 496,525 | 182,640 |
| Increase/(Decrease) in Provision for Employees Entitlements | (67,302) | 58,500 |
| (Increase) in Receivables | (59,769) | (2,061) |
| Net Cash Used in Operating Activities | (3,571) | (65,909) |

10 Contingent Liability

As at 30 April 2003, 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 determine a definite value of these claims.

The Society, under the *Queensland Law Society Act 1952*, is responsible for the prosecution of practitioners in the Solicitors Complaints Tribunal. On Tuesday 6 May 2003, the Society was advised of a Tribunal finding in favour of a practitioner prosecuted by the Society. This outcome may result in the Society being liable for costs. As no definitive amount can be determined, the total costs and damages, including those of the Society, have been estimated.

| | 2003 | 2002 |
|-------------------------------------|---------|-----------|
| | \$ | \$ |
| Outstanding claims not yet approved | 949,500 | 1,423,700 |
| | 949,500 | 1,423,700 |

11 Financial Instruments

(a) Cash

Cash is represented by amounts held in bank accounts.

(b) Investments

Investments include cash invested on the short term money market 11am call account. The rate of return for the year was in the range 4.05 % to 4.55 %.

(c) Receivables

Receivables are carried at actual amounts and represent accruals for amounts received in the months after balance date or amounts prepaid. There is no credit risk in relation to these receivables.

Financial Statements

Queensland Law Society Incorporated
Legal Practitioners' Fidelity Guarantee Fund
Notes to the Financial Report
for the year ended 30 April 2003

(d) Payables

Payables are carried at actual amounts and represent accrued expenses applicable to the financial year ended 30 April 2003 and paid after balance date.

(e) Net Fair Value

Cash, investments, receivables and payables carrying amounts all approximate fair value.

12 Commitments

(a) Operating Lease

| | 2003 | 2002 |
|---|-------|--------|
| | \$ | \$ |
| Not later than one year | 5,826 | 9,987 |
| Later than one year and not later than five years | – | 5,826 |
| Later than five years | – | – |
| | 5,826 | 15,813 |

(b) Capital

Capital expenditure contracted for at 30 April 2003 but not provided for was nil.

Financial Statements

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

We have prepared the foregoing financial statements pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and 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;
- (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 2002 to 30 April 2003 and of the financial position as at the close of that year.



President

Tom Sullivan

21 / 7 / 03



Chief Executive Officer

Geoff Stevenson

21 / 7 / 03

Financial Statements

Independent Audit Report

To the Council – Queensland Law Society Incorporated

Scope

I have audited the general purpose financial statements of the Legal Practitioners' Fidelity Guarantee Fund prepared by the Queensland Law Society Incorporated for the year ended 30 April 2003 in terms of section 16 of the *Queensland Law Society Act 1952*. The Legal Practitioners' Fidelity Guarantee Fund is a trust fund vested in the Queensland Law Society Incorporated and the financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the financial report and certificates given by the President and Chief Executive Officer.

The Queensland Law Society Incorporated is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements in Australia which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the Legal Practitioners' Fidelity Guarantee Fund's financial position, and the performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

I certify that I have received all the information and explanations I have required and, in my opinion –

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other mandatory professional reporting requirements in Australia, of the transactions of the Legal Practitioners' Fidelity Guarantee Fund for the financial year 1 May 2002 to 30 April 2003 and of the financial position as at the end of that year.



P J Nottingham FCPA
Audit Manager
(Delegate of the Auditor-General)



Queensland Audit Office
Brisbane

Financial Statements

Queensland Law Society Incorporated
General Trust Accounts' Contribution Fund
Statement of Financial Performance
for the year ended 30 April 2003

| | Note | 2003 \$ | 2002 \$ |
|---|------|------------|------------|
| Revenue from Ordinary Activities | | | |
| Interest earned on Solicitors' Trust Accounts | | 16,617,952 | 11,994,362 |
| Interest on Investments | | 94,767 | 72,256 |
| Total Revenue from Ordinary Activities | | 16,712,719 | 12,066,618 |
| Expenses from Ordinary Activities | | | |
| Administration | 2 | 42,370 | 31,649 |
| Audit Fee | | 2,320 | 2,486 |
| Distributions – | | | |
| Legal Aid Queensland | | 12,501,022 | 9,024,362 |
| Department of Justice – Supreme Court Library | | 1,666,803 | 1,203,248 |
| Queensland Law Society Incorporated – Contributions Distribution Account | | 1,666,803 | 1,203,249 |
| Queensland Law Society Incorporated – Grants Fund | | 833,401 | 601,624 |
| Total Expenses from Ordinary Activities | | 16,712,719 | 12,066,618 |
| Surplus (Deficiency) from Ordinary Activities | | – | – |
| Retained Funds at the beginning of the Financial Year | | – | – |
| Retained Funds at the reporting date | | – | – |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
General Trust Accounts' Contribution Fund
Statement of Financial Position
as at 30 April 2003

| | Note | 2003 \$ | 2002 \$ |
|----------------------------------|------|------------------|------------------|
| Current Assets | | | |
| Cash Assets | | 9,929 | 4,281 |
| Receivables | 3 | 1,463,141 | 976,229 |
| Other Financial Assets | | 1,375,217 | 1,152,459 |
| Total Current Assets | | 2,848,287 | 2,132,969 |
| Current Liabilities | | | |
| Payables | 4 | 2,848,287 | 2,132,969 |
| Total Current Liabilities | | 2,848,287 | 2,132,969 |
| Net Assets | | — | — |
| Equity | | | |
| Retained Funds | | — | — |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
General Trust Accounts' Contribution Fund
Statement of Cash Flows
for the year ended 30 April 2003

| | Note | 2003 \$ Inflows (Outflows) | 2002 \$ Inflows (Outflows) |
|---|------|-------------------------------------|-------------------------------------|
| Cash Flows from Operating Activities | | | |
| Interest earned on Solicitors' Trust Accounts | | 16,131,761 | 11,957,042 |
| Distributions and Administration | | (15,997,401) | (11,874,987) |
| Interest Received | | 94,046 | 72,310 |
| Net Increase (Decrease) in Cash held | 5 | 228,406 | 154,365 |
| Cash at the beginning of the Financial Year | | 1,156,740 | 1,002,375 |
| Cash at the end of the Financial Year | 5 | 1,385,146 | 1,156,740 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
General Trust Accounts' Contribution Fund
Notes to the Financial Report
for the year ended 30 April 2003

Notes

1 Accounting Policies

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

(a) Basis of Preparation

As the Queensland Law Society Incorporated is a statutory body under the *Financial Administration and Audit Act 1977*, the Society is required to prepare general purpose financial statements in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts and Statements of Accounting Concepts. Section 36B of the *Queensland Law Society Act 1952* requires the Society to establish and maintain the General Trust Account Contribution Fund and for annual accounts to be prepared in respect of the Fund. The financial statements are a general purpose financial report which has been prepared in accordance with the provision outlined above.

These financial statements have been prepared on an accrual and ongoing concern basis. They have also been prepared on the basis of historical cost and except where stated, do not take into account changing money values or current valuations of non-current assets. These accounting policies are consistent with those of the previous year, except where there is a change which has been separately disclosed.

(b) Other Financial Assets

Investments during the year comprising bank bills and short term deposits are valued at cost.

2 Administration

The *Queensland Law Society Act 1952* authorises the Society to be recompensed for the costs and expenses incurred in the administration of the General Trust Accounts' Contribution Fund.

The Society's staff performs all managerial and administrative tasks on behalf of the Fund, and continually reviews bank contributions to ensure they are maintaining satisfactory levels.

3 Receivables

| | 2003 \$ | 2002 \$ |
|---------------------------------|------------|------------|
| Accrued Bank Contributions | 1,459,705 | 973,724 |
| Accrued Interest on Investments | 3,226 | 2,505 |
| Accrued GST Input Tax Credit | 210 | – |
| | 1,463,141 | 976,229 |

4 Payables

| | 2003 \$ | 2002 \$ |
|---|------------|------------|
| Administration Fees | 20,914 | 10,126 |
| June distribution accrued as at reporting date | | |
| Legal Aid Queensland | 2,120,530 | 1,592,133 |
| Department of Justice – Supreme Court Library | 282,737 | 212,284 |
| Queensland Law Society Incorporated – Contributions Distribution Account | 282,737 | 212,284 |
| Queensland Law Society Incorporated – Grants Fund | 141,369 | 106,142 |
| | 2,848,287 | 2,132,969 |

Financial Statements

Queensland Law Society Incorporated
General Trust Accounts' Contribution Fund
Notes to the Financial Report
for the year ended 30 April 2003

5 Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments on money market instruments, net of outstanding bank overdrafts.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

| | 2003 | 2002 |
|--|-----------|-----------|
| | \$ | \$ |
| Cash | 9,929 | 4,281 |
| Other Financial Assets, short-term investments | 1,375,217 | 1,152,459 |
| | 1,385,146 | 1,156,740 |

(b) Financing Facilities

The General Trust Accounts' Contribution 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 Result for the Year

| | 2003 | 2002 |
|--|-----------|----------|
| | \$ | \$ |
| Result for the Year | — | — |
| Changes in Assets and Liabilities | | |
| (Increase)/Decrease in Receivables | (486,912) | (37,265) |
| Increase/(Decrease) in Creditors | 715,318 | 191,630 |
| Net Increase/(Decrease) in Cash Held | 228,406 | 154,365 |

6 Financial Instruments

(a) Cash

Cash is represented by amounts held in bank accounts.

(b) Other Financial Assets

Investments include cash invested on the short-term money market 11am call account. The rate of return for the year was in a range 4.05 % to 4.55 %.

(c) Receivables

Receivables are carried at actual amounts and represent bank contribution and interest accruals for amounts received in the month after balance date. There is no credit risk in relation to these receivables.

(d) Payables

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

(e) Bank Contributions

Bank contributions represent interest paid by banks on solicitors' trust accounts. Interest is paid on these funds at rates negotiated between the Queensland Law Society and the individual banks. The negotiated interest rates are linked to money market rates of interest and automatically adjust for any interest rate movement.

(f) Net Fair Value

Cash, investments, receivables and payables carrying amounts all approximate fair value.

7 Contingent Liabilities

There are no other known contingent liabilities of a significant nature as at 30 April 2003.

Financial Statements

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


We have prepared the foregoing financial statements pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and 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 General Trust Accounts' Contribution Fund;
- (b) in our opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the General Trust Accounts' Contribution Fund for the financial year 1 May 2002 to 30 April 2003 and of the financial position as at the close of that year.



President

Tom Sullivan



Chief Executive Officer

Geoff Stevenson

21 / 7 / 03

21 / 7 / 03

Financial Statements

Independent Audit Report

To the Council – Queensland Law Society Incorporated

Scope

I have audited the general purpose financial statements of the General Trust Accounts' Contribution Fund prepared by the Queensland Law Society Incorporated for the year ended 30 April 2003 in terms of section 36R of the *Queensland Law Society Act 1952*. The General Trust Accounts' Contribution Fund is a trust fund vested in the Queensland Law Society Incorporated and the financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the financial report and certificates given by the President and Chief Executive Officer.

The Queensland Law Society Incorporated is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements in Australia which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the General Trust Accounts' Contribution Fund's financial position, and the performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

I certify that I have received all the information and explanations I have required and, in my opinion –

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other mandatory professional reporting requirements in Australia, of the transactions of the General Trust Accounts' Contribution Fund for the financial year 1 May 2002 to 30 April 2003 and of the financial position as at the end of that year.



P J Nottingham FCPA
Audit Manager
(Delegate of the Auditor-General)



Queensland Audit Office
Brisbane

Financial Statements

Queensland Law Society Incorporated
Interest on Trust Accounts
Statement of Financial Performance
for the six month period ended 30 April 2003

| | Notes | April 2003 \$ |
|--|-------|------------------|
| Revenue from Ordinary Activities | | |
| Interest on Special Deposit Accounts | | 2,521,966 |
| Interest on Investments | | 5,229 |
| Total Revenue from Ordinary Activities | | 2,527,195 |
| Expenses from Ordinary Activities | | |
| Administration | | 60,849 |
| Distribution – | | |
| Legal Aid – Queensland | | 1,233,173 |
| Queensland Law Society Incorporated – The Legal Practitioners Fidelity Guarantee Fund | | 1,233,173 |
| Total Expenses from Ordinary Activities | | 2,527,195 |
| (Deficiency)/Surplus from Ordinary Activities | | 0 |
| Retained Funds at the Beginning of the Reporting Period | | 2 |
| Retained Funds at the End of the Reporting Period | | 2 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Interest on Trust Accounts
Statement of Financial Position
as at 30 April 2003

| | Notes | April 2003 \$ |
|--|-------|------------------|
| Current Assets | | |
| Cash Assets | | 2 |
| Interest Bearing Term Deposits | 5 | 39,000,000 |
| Special Deposit Accounts with Banks | 5 | 86,519,357 |
| Receivables | 3 | 491,089 |
| Total Current Assets | | 126,010,448 |
| Current Liabilities | | |
| Payables | 4 | 491,089 |
| Deposits Held – Solicitors' Trust Accounts | 5 | 125,519,357 |
| Total Current Liabilities | | 126,010,448 |
| Net Assets | | 2 |
| Equity | | |
| Retained Funds | | 2 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Interest on Trust Accounts
Statement of Cash Flows
for the six month period ended 30 April 2003

| | Notes | April 2003 \$ |
|---|-------|------------------|
| Cash Flow From Operating Activities | | |
| Lodgements to Special Deposit Accounts | 5 | 43,085,829 |
| Withdrawals from Special Deposit Accounts | 5 | (22,221,892) |
| | | 20,863,937 |
| Interest Received | | 2,306,584 |
| Distributions and Administration | | (2,306,584) |
| | | – |
| Cash Flow From Investment Activities | | |
| Lodgements to Interest Term Bearing Deposits | 5 | 5,000,000 |
| Withdrawals from Interest Term Bearing Deposits | 5 | – |
| | | 5,000,000 |
| Net Increase (Decrease) in Cash Held | 6 | 25,863,937 |
| Cash at the Beginning of the Reporting Period | | 99,655,422 |
| Cash at the End of the Reporting Period | 6 | 125,519,359 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Interest on Trust Accounts
Notes to the financial report
for the six month period ended 30 April 2003

Notes

1 Statement of Significant Accounting Policies

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

(a) Accounting Policies

As the Queensland Law Society Incorporated is a statutory body under the Financial Administration and Audit Act, the Society is required to prepare general purpose financial statements in accordance with Australian Accounting Standards as adopted in the Financial Management Standard. Section 51(12) of the *Legal Practitioner's Act 1995* requires half-yearly accounts to be prepared in respect of Interest on Trust Accounts.

The accounts have also been prepared on the basis of historical cost and accrual accounting and do not take into account the changing value of money.

The six (6) month reporting period has changed from June/December to October/April respectively. The reporting date of 30 April is consistent with the reporting date of the Queensland Law Society Incorporated. As a result there are no comparative figures for the six (6) months ended 30 April 2002.

(b) Interest

Interest received on the Special Deposit Accounts is recorded net of bank charges.

2 Administration

The *Legal Practitioners Act 1995* authorises the Society to be reimbursed for costs and expenses incurred in the administration of the Interest on Trust Accounts.

Audit fees for the Interest on Trust Accounts are paid by the Legal Practitioners' Fidelity Guarantee Fund in accordance with section 51(12) of *The Legal Practitioners Act 1995*. The audit fee for the period ended 30 April 2003 was \$1,380.

April 2003
\$

3 Receivables

Accrued Interest 491,089

4 Payables

Accrued Distributions 491,089 –

5 Schedule of Special Account Balances

The *Legal Practitioners Act 1995* requires each solicitor who operates a trust account to maintain a prescribed balance in an account styled Queensland Law Society Incorporated Special Account. The Special Account is operated via a letter of credit facility between the solicitor and their respective banks.

The Society has entered into arrangements with the major banks to invest the majority of the Special Account balances in interest bearing term deposits to maximise interest earnings. In the attached schedule the balance of the Special Account with each bank is disclosed and a separate schedule lists the balances of term deposits which forms part of the Special Account balance.

Financial Statements

Queensland Law Society Incorporated
Interest on Trust Accounts
Notes to the financial report
for the six month period ended 30 April 2003

Schedule of Bank's Special Accounts

| Bank | Balance 1-Nov-02 | Withdrawals | Deposits | Balance 30-Apr-03 |
|---------------------------------------|---------------------|-------------|------------|----------------------|
| ANZ Banking Group Ltd | 9,886,511 | 1,934,557 | 6,103,729 | 14,055,683 |
| Bank of New Zealand | 4,970,982 | 765,700 | 727,584 | 4,932,866 |
| Bank of Queensland Ltd | 5,235,907 | 2,977,669 | 5,005,465 | 7,263,703 |
| Bendigo Bank Ltd | 499,400 | | | 499,400 |
| Commonwealth Bank of Australia | 18,448,551 | 2,221,543 | 8,674,542 | 24,901,550 |
| Macquarie Bank Ltd | 1,904,761 | 622,661 | 424,700 | 1,706,800 |
| National Australia Bank | 7,945,788 | 7,996,871 | 9,860,051 | 9,808,968 |
| Queensland Police Credit Union | 12,600 | | 15,100 | 27,700 |
| St George Bank | 4,208,240 | 13,380 | 677,190 | 4,872,050 |
| Suncorp-Metway | 1,643,442 | 133,900 | 980,510 | 2,490,052 |
| Westpac Banking | 10,899,238 | 5,555,611 | 10,616,958 | 15,960,585 |
| | 65,655,420 | 22,221,892 | 43,085,829 | 86,519,357 |
| Interest Term Bearing Deposits | | | | |
| ANZ Banking Group Ltd | 10,000,000 | - | - | 10,000,000 |
| National Australia Bank | 15,000,000 | - | 5,000,000 | 20,000,000 |
| Westpac Banking | 9,000,000 | - | - | 9,000,000 |
| | 34,000,000 | - | 5,000,000 | 39,000,000 |
| | 99,655,420 | 22,221,892 | 48,085,829 | 125,519,357 |

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 reporting period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

| | April 2003 \$ |
|---|------------------|
| Cash Assets | 2 |
| Special Deposit Accounts/Interest Bearing Term Deposits | 125,519,357 |
| | 125,519,359 |

(b) Financing Facilities

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

(c) Reconciliation of Net Cash Provided by/(Used in) Operating Activities to the Operating Result for the Period

| | April 2003 \$ |
|---|------------------|
| Surplus/(Deficit) for the Period | 0 |
| Changes in Assets and Liabilities | |
| Decrease/(Increase) in Receivables | (491,089) |
| (Decrease)/Increase in Creditors | 491,089 |
| Increase/(Decrease) in Special Deposit Accounts | 25,863,937 |
| Net cash provided by/(used in) operating activities | 25,863,937 |

Financial Statements

Queensland Law Society Incorporated
Interest on Trust Accounts
Notes to the financial report
for the six month period ended 30 April 2003

7 Financial Instruments

(a) Cash Assets

Cash is represented by amounts held in bank accounts.

(b) Interest Bearing Term Deposits

Interest Bearing Term Deposits are held with most of the major banks. The term of the investment is usually within a range of one to three months depending on the perceived need for cash and movement in interest rates. The rate of return for the six-month period was in a range between 4.05% and 4.55%

(c) Special Deposit Accounts

Special Deposit Accounts represent the cumulative total of letters of credit held by all Queensland solicitors with their respective bankers. Interest is paid on these funds at rates negotiated between the Queensland Law Society and the individual banks. The negotiated interest rates are linked to money market rates of interest and automatically adjust for any interest rate movement.

(d) Receivables

Receivables are carried at actual amounts and represent interest accruals for amounts received in the month after balance date. There is no credit risk in relation to these receivables.

(e) Payables

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

(f) Net Fair Value

Cash, interest bearing term deposits, special deposit accounts, receivables and creditors carrying amounts all approximate fair value.

Financial Statements

Queensland Law Society Incorporated Certificate of Interest on Trust Accounts

We have prepared the foregoing financial statements pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and 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 Interest on Trust Accounts;
- (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 Interest on Trust Accounts for the period 1 November 2002 to 30 April 2003 and of the financial position as at the close of that period.

President
Tom Sullivan

30/7/03

Chief Executive Officer
Geoff Stevenson

30/7/03

Independent Audit Report

To the Council – Queensland Law Society Incorporated

Scope

I have audited the general purpose financial statements of the Interest on Trust Accounts prepared by the Queensland Law Society Incorporated for the period 1 November 2002 to 30 April 2003 in terms of section 51(12) of the *Legal Practitioners Act 1995*. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the financial report and certificates given by the President and Chief Executive Officer.

The Queensland Law Society Incorporated is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements in Australia which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the Interest on Trust Accounts' financial position, and the performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

I certify that I have received all the information and explanations I have required and, in my opinion –

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other mandatory professional reporting requirements in Australia, of the transactions of the Interest on Trust Accounts for the financial period 1 November 2002 to 30 April 2003 and of the financial position as at the end of that period.

P. J. Nottingham

P J Nottingham FCPA
Audit Manager
(Delegate of the Auditor-General)



Queensland Audit Office
Brisbane

Financial Statements

Queensland Law Society Incorporated

Grants Fund

Statement of Financial Performance

for the year ended 30 April 2003

| | Note | 2003 \$ | 2002 \$ |
|--|------|----------------|----------------|
| Revenue from Ordinary Activities | | | |
| Distribution from General Trust Accounts' Contribution Fund (Trust Account Interest) | | 833,401 | 601,624 |
| Interest on Investments | | 18,330 | 21,765 |
| Grants Recovered | | 3,334 | 11,057 |
| Total Revenue from Ordinary Activities | | 855,065 | 634,446 |
| Expenses from Ordinary Activities | | | |
| Administration and Committee Expenses | 2 | 34,685 | 27,977 |
| Audit Fees | | 2,114 | 1,900 |
| Grants Approved | | 329,157 | 235,392 |
| Legal Aid Queensland | | 510,458 | 374,614 |
| Total Expenses from Ordinary Activities | | 876,414 | 639,883 |
| Surplus (Deficiency) from Ordinary Activities | | (21,349) | (5,437) |
| Retained Funds at the beginning of the Financial Year | | 297,064 | 302,501 |
| Retained Funds at the reporting date | | 275,715 | 297,064 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Grants Fund
Statement of Financial Position
as at 30 April 2003

| | Note | 2003 \$ | 2002 \$ |
|----------------------------------|------|------------|------------|
| Current Assets | | | |
| Cash Assets | | 2,283 | 695 |
| Receivables | 3 | 143,448 | 108,175 |
| Other Financial Assets | | 502,185 | 498,610 |
| Total Current Assets | | 647,916 | 607,480 |
| Current Liabilities | | | |
| Payables | 4 | 372,201 | 310,416 |
| Total Current Liabilities | | 372,201 | 310,416 |
| Net Assets | | 275,715 | 297,064 |
| Equity | | | |
| Retained Funds | | 275,715 | 297,064 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated
Grants Fund
Statement of Cash Flows
for the year ended 30 April 2003

| | Note | 2003 \$ Inflows (Outflows) | 2002 \$ Inflows (Outflows) |
|--|------|-------------------------------------|-------------------------------------|
| Cash Flows from Operating Activities | | | |
| Distribution from General Trust Accounts' Contributions Fund | | 798,175 | 592,181 |
| Grants Paid and Administration Expenses | | (814,629) | (615,795) |
| Interest Received | | 18,283 | 22,044 |
| Grants Recovered | | 3,334 | — |
| Net (Decrease) Increase in Cash held | 5 | 5,163 | (1,570) |
| Cash at the beginning of the Financial Year | | 499,305 | 500,875 |
| Cash at the end of the Financial Year | 5 | 504,468 | 499,305 |

The accompanying notes form part of the accounts.

Financial Statements

Queensland Law Society Incorporated

Grants Fund

Notes to the Financial Report for the year ended 30 April 2003

Notes

1 Statement of Significant Accounting Policies

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

(a) Basis of Preparation

As the Queensland Law Society Incorporated is a statutory body under the *Financial Administration and Audit Act 1977*, the Society is required to prepare general purpose financial statements in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts and Statements of Accounting Concepts. Section 36F of the *Queensland Law Society Act 1952* requires the Society to establish and maintain the Grants Fund and for annual accounts to be prepared in respect of the Fund. The financial statements are a general purpose financial report which has been prepared in accordance with the provision outlined above.

These financial statements have been prepared on an accrual and ongoing concern basis. They have also been prepared on the basis of historical cost and except where stated, do not take into account changing money values or current valuations of non-current assets. These accounting policies are consistent with those of the previous year, except where there is a change which has been separately disclosed.

(b) Other Financial Assets

Investments during the year comprising bank bills and short term deposits are valued at cost.

2 Administration and Committee Expenses

Section 36M of the *Queensland Law Society Act 1952* provides that the Secretary of the Society shall be the Secretary of the Grants Committee, in the absence of any other such appointment by that Committee, to assist that Committee in the administration of the Grants Fund.

For administrative work performed by the Secretary and for maintenance of accounting records, management and investment of surplus monies, an administration fee is paid by the Grants Fund to the Society pursuant to section 72 of the *Trusts Act 1973*.

3 Receivables

| | 2003 \$ | 2002 \$ |
|---|------------|------------|
| Accrued Distribution Due from the – | | |
| General Trust Accounts' Contribution Fund | 141,369 | 106,142 |
| Accrued Interest | 2,079 | 2,033 |
| | 143,448 | 108,175 |

4 Payables

| | 2003 \$ | 2002 \$ |
|---------------------------------------|------------|------------|
| Grants Approved but not yet Paid | 272,930 | 238,439 |
| Administration Fees | 10,685 | 3,947 |
| Audit Fees | 2,000 | 1,886 |
| Legal Aid for Community Legal Centres | 86,586 | 66,144 |
| | 372,201 | 310,416 |

Financial Statements

Queensland Law Society Incorporated

Grants Fund

Notes to the Financial Report for the year ended 30 April 2003

5 Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments on money market instruments, net of outstanding bank overdrafts.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

| | 2003 | 2002 |
|---|---------|---------|
| | \$ | \$ |
| Cash/(Bank Overdraft) | 2,283 | 695 |
| Other Financial Assets (short term investments) | 502,185 | 498,610 |
| | 504,468 | 499,305 |

(b) Financing Facilities

The Grants 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/(Deficiency) for the Year

| | 2003 | 2002 |
|-------------------------|----------|---------|
| | \$ | \$ |
| Deficiency for the Year | (21,349) | (5,437) |

Changes in Assets and Liabilities

| | | |
|---|----------|---------|
| Decrease/(Increase) in Receivables | (35,273) | (9,164) |
| Increase/(Decrease) in Payables | 61,785 | 13,031 |
| Net cash movement from operating activities | 5,163 | (1,570) |

6 Heal Street Building Grant

A grant of \$88,999 was paid to the Queensland Law Society in March 1988 to enable the purchase of a building on behalf of the Caxton Street Legal Service. The building is held by the Society in trust for the Grants Fund and upon the sale of the property for whatever reason; the proceeds of the sale revert to the Grants Fund in total.

7 Contingent Liabilities

There were no known contingent liabilities at 30 April 2003.

8 Financial Instruments

(a) Cash

Cash is represented by amounts held in bank accounts.

(b) Investments

Investments include cash invested on the short-term money market 11am call account. The rate of return for the year was in a range 4.05 % to 4.55 %.

(c) Receivables

Receivables are carried at actual amounts and represent accruals for amounts received in the months after balance date. There is no credit risk in relation to these receivables.

(d) Payables

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

(e) Net Fair Value

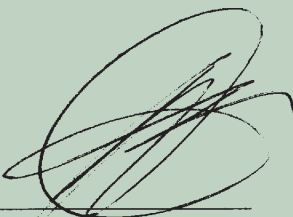
Cash, investments, receivables and payables carrying amounts all approximate fair value.

Financial Statements

Queensland Law Society Incorporated Certificate of Grants Fund

We have prepared the foregoing financial statements pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and 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 Grants Fund;
- (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 Grants Fund for the financial year 1 May 2002 to 30 April 2003 and of the financial position as at the close of that year.



President
Tom Sullivan
211 71 03

Chief Executive Officer
Geoff Stevenson
211 71 03

Independent Audit Report

To the Council – Queensland Law Society Incorporated

Scope

I have audited the general purpose financial statements of the Grants Fund for the financial year ended 30 April 2003 in terms of section 36R of the *Queensland Law Society Act 1952*. The Grants Fund is a trust fund vested in the Queensland Law Society Incorporated and the financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, and Notes to the financial report and certificates given by the President and Chief Executive Officer.

The Queensland Law Society Incorporated is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.


The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements in Australia which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the Grants Fund's financial position, and the performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

I certify that I have received all the information and explanations I have required and, in my opinion –

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other mandatory professional reporting requirements in Australia, of the transactions of the Grants Fund for the financial year 01 May 2002 to 30 April 2003 and of the financial position as at the end of that year.



P J Nottingham FCPA
Audit Manager
(Delegate of the Auditor-General)

Queensland Audit Office
Brisbane