



**TO THE MEMBERS OF THE DUTY LAWYER SERVICE**  
**(Incorporated in Hong Kong with liability limited by guarantee)**

**INDEPENDENT AUDITOR'S REPORT**

We have audited the financial statements of The Duty Lawyer Service (the "Service") set out on pages 92 to 106, which comprise the balance sheet as at March 31, 2011, and the income and expenditure account, statement of changes in reserves and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Council members' responsibility for the financial statements**

The council members are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Service's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the council members, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Service's affairs as at March 31, 2011 and of its financial result and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Chu and Chu**

Certified Public Accountants  
Hong Kong, 30th June 2011



**THE DUTY LAWYER SERVICE**  
**(LIMITED BY GUARANTEE)**  
**INCOME AND EXPENDITURE ACCOUNT**

**For the year ended March 31, 2011**

	Note	2011 HK\$	2010 HK\$
Operating income	(3)	105,789,048	103,202,270
Other income		103,430	72,452
Total income		105,892,478	103,274,722
Legal cost		(55,350,056)	(56,731,123)
Administrative expenses		(46,067,514)	(46,456,203)
Other operating expenses		(85,320)	(83,128)
Surplus for the year	(4) / (9)	4,389,588	4,268

The notes on pages 96 to 106 form an integral part of these financial statements.



**THE DUTY LAWYER SERVICE**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF CHANGES IN RESERVES**

For the year ended March 31, 2011

	Capital reserve	Revenue reserve	Government reserve	Total
	HK\$	HK\$	HK\$	HK\$
At 1/4/2009	3,226,117	1,594,683	910,479	5,731,279
Surplus for the year	—	4,268	—	4,268
Excess surplus transferred from Revenue reserve to Government reserve	—	—	—	—
Amount transferred to recurrent subvention	—	—	(910,479)	(910,479)
At 31/3/2010 and 1/4/2010	3,226,117	1,598,951	—	4,825,068
Surplus for the year	—	4,389,588	—	4,389,588
Excess surplus transferred from Revenue reserve to Government reserve	—	(3,753,406)	3,753,406	—
Amount transferred to recurrent subvention	—	—	—	—
At 31/3/2011	<u>3,226,117</u>	<u>2,235,133</u>	<u>3,753,406</u>	<u>9,214,656</u>

The notes on pages 96 to 106 form an integral part of these financial statements.



**THE DUTY LAWYER SERVICE**  
**(LIMITED BY GUARANTEE)**  
**BALANCE SHEET**

As at March 31, 2011

	Note	2011 HK\$	2010 HK\$
<b>Assets and liabilities</b>			
<b>Current assets</b>			
Accounts receivable - Care or Protection Proceedings Scheme	(7) / (10a)	336,553	302,320
Accounts receivable - Convention Against Torture Scheme	(7) / (11a)	7,234,118	539,540
Other receivable	(7)	2,930	—
Deposits and prepayments	(7)	1,027,270	17,524
Fixed deposits with banks	(12)	6,000,000	7,550,362
Other bank balances and cash	(12)	3,772,250	2,979,115
		<u>18,373,121</u>	<u>11,388,861</u>
<b>Current liabilities</b>			
Accounts payable	(8)	4,457,240	5,045,200
Legal fee payable and accruals - Care or Protection Proceedings Scheme	(8) / (10a)	172,930	194,800
Legal fee payable and accruals - Convention Against Torture Scheme	(8) / (11a)	3,238,836	320,142
Accruals	(8)	1,289,459	1,003,651
		<u>9,158,465</u>	<u>6,563,793</u>
<b>Net assets</b>		<u>9,214,656</u>	<u>4,825,068</u>
<b>Reserves</b>	(9)	<u>9,214,656</u>	<u>4,825,068</u>

Approved and authorised for issue by the Council on 30th June 2011.

JANE T.C. HO

BUCKY K.H. CHAN

GRACE S. WONG

Council Member

Council Member

Administrator

The notes on pages 96 to 106 form an integral part of these financial statements.



**THE DUTY LAWYER SERVICE**  
**(LIMITED BY GUARANTEE)**  
**CASH FLOW STATEMENT**  
**For the year ended March 31, 2011**

	Note	2011 HK\$	2010 HK\$
<b>Cash flow from operating activities</b>			
Surplus for the year		4,389,588	4,268
Amount transferred to recurrent subvention from Government reserve		—	(910,479)
Interest income		(65,612)	(30,074)
		<hr/>	<hr/>
		4,323,976	(936,285)
Increase in accounts receivable		(6,728,811)	(566,010)
Increase in other receivable		(2,930)	—
Increase (Decrease) in deposits and prepayments		(1,009,746)	1,262,919
Increase in accounts and other payables		2,594,672	1,140,951
		<hr/>	<hr/>
Cash (used in) generated from operations		(822,839)	901,575
Interest received		65,612	30,074
		<hr/>	<hr/>
Net cash (used in) generated from operating activities		(757,227)	931,649
<b>Net (decrease) increase in cash and cash equivalents</b>		<hr/> <b>(757,227)</b>	<hr/> <b>931,649</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<hr/> <b>10,529,477</b>	<hr/> <b>9,597,828</b>
<b>Cash and cash equivalents at the end of the year</b>	(12)	<hr/> <b>9,772,250</b>	<hr/> <b>10,529,477</b>

The notes on pages 96 to 106 form an integral part of these financial statements.



## THE DUTY LAWYER SERVICE (LIMITED BY GUARANTEE) NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2011

### (1) General

The Law Society Legal Advice and Duty Lawyer Schemes were incorporated in Hong Kong under the Hong Kong Companies Ordinance as The Duty Lawyer Service (the “Service”) as a company limited by guarantee and with no share capital. The registered office of the Service is at Rooms 2707-2708, Gloucester Tower, 15 Queen’s Road Central, Hong Kong.

The principal activities of the Service during the year were operation of the Duty Lawyer Scheme, the Legal Advice Scheme, the Tel-Law Scheme and the Convention Against Torture Scheme.

### (2) Significant accounting policies

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective for accounting periods beginning on or after April 1, 2010. However, the adoption of these new and revised HKFRSs by the Service did not result in significant changes to the Service’s accounting policies.

The measurement basis used in the preparation of the financial statements is the historical cost basis. A summary of the significant accounting policies adopted by the Service is set out below:

#### (a) Basis of preparation of financial statements

A statement of comprehensive income has not been presented in these financial statements as all items of income and expenses recognised by the Service have been dealt with in the income and expenditure account and the Service has no component of other comprehensive income. Accordingly, in the opinion of the council members, the presentation of a statement of comprehensive income would provide no additional useful information to the users of the financial statements.

#### (b) Accounts receivable, other receivable, deposits and prepayments

Accounts receivable, other receivable, deposits and prepayments are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. At each balance sheet date, the Service assesses whether there is any objective evidence that a receivable or group of receivables is impaired. The objective evidence includes observable data that the Service will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the income and expenditure account.



## (2) Significant accounting policies (continued)

### (c) Accounts payables, legal fee payable and accruals

Accounts payables, legal fee payable and accruals are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (d) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Service has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Service and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income and expenditure account as follows:

- (i) Subvention income is recognised when the approval is given by the government and the subvention income is received.
- (ii) Handling fee income arising from handling defendant cases are accounted for when the services are rendered.
- (iii) Interest income is recognised as it accrues using the effective interest method.

### (f) Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership of assets to the Service are classified as operating leases.

Payments made under operating leases are charged to the income and expenditure account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.



## (2) Significant accounting policies (continued)

### (g) Related parties

Parties are considered to be related to the Service if the Service has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Service and the party are subject to common control. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Service where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Service or of any entity that is a related party of the Service.

### (h) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Service. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Service's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.



**(3) Operating income**

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Operating income represents the subvention income and handling fee income and is analysed as follows:		
Recurrent subvention	103,395,000	100,344,000
Handling fee income	2,394,048	2,858,270
	<u>105,789,048</u>	<u>103,202,270</u>

**(4) Surplus for the year**

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Surplus for the year is arrived at after charging:		
Auditors' remuneration	56,000	56,000
Minimum lease payments on property under operating lease	1,826,880	1,826,880
Employee benefit expenses, including council members' remuneration as set out in note (5) below:		
- Contributions to defined contribution retirement plans	4,566,343	4,571,232
- Other employee benefits expenses	35,278,013	35,770,678
	<u>36,670,236</u>	<u>36,168,790</u>
and after crediting:		
Interest income	<u>65,612</u>	<u>30,074</u>



**(5) Council members' remuneration**

Remuneration of the council members who are also the key management personnel of the Service disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Fees and other emoluments	—	—
	<u>          </u>	<u>          </u>

**(6) Taxation**

The Service has been granted tax exemption under section 88 of the Hong Kong Inland Revenue Ordinance. Accordingly, no provision for Hong Kong profits tax is required to be made.

**(7) Accounts receivable, other receivable, deposits and prepayments**

Accounts receivable, other receivable, deposits and prepayments are expected to be recovered within one year and as the discounting effect will be immaterial, their carrying amounts are reasonable approximations of their fair values.

**(8) Accounts payable, legal fee payable and accruals**

Accounts payable, legal fee payable and accruals are expected to be settled within one year and as the discounting effect will be immaterial, their carrying amounts are reasonable approximations of their fair values.



(9) Reserves

	Capital reserve (Note a) HK\$	Revenue reserve (Note b) HK\$	Government reserve (Note c) HK\$	Total HK\$
At 1/4/2009	3,226,117	1,594,683	910,479	5,731,279
Surplus for the year	–	4,268	–	4,268
Excess surplus transferred from Revenue reserve to Government reserve	–	–	–	–
Amount transferred to recurrent subvention	–	–	(910,479)	(910,479)
At 31/3/2010 and 1/4/2010	3,226,117	1,598,951	–	4,825,068
Surplus for the year	–	4,389,588	–	4,389,588
Excess surplus transferred from Revenue reserve to Government reserve	–	(3,753,406)	3,753,406	–
Amount transferred to recurrent subvention	–	–	–	–
At 31/3/2011	<u>3,226,117</u>	<u>2,235,133</u>	<u>3,753,406</u>	<u>9,214,656</u>

Note:

- (a) The Capital reserve represents the fair value of the net assets of The Law Society Legal Advice and Duty Lawyer Schemes which were transferred to the Service on the date of its incorporation for no consideration.
- (b) The Revenue reserve represents the accumulated surplus generated by the Service which are restricted to a maximum amount that can be carried by the Service in accordance to terms of the Memorandum of Administrative Arrangements issued by the Government from time to time.
- (c) The Government reserve represents the excess surplus transferred from Revenue reserve and will be transferred to the subvention account as instructed by the Government.



**(10) Legal Representation Scheme for Children/Juveniles in Care or Protection Proceedings**

- (a) The balances represent the receivable and payable on behalf of the Legal Representation Scheme for Children/Juveniles in Care or Protection Proceedings (“C or P Scheme”).
- (b) The Service received subvention from the Labour and Welfare Bureau and paid the related expenses on their behalf for the running of the C or P Scheme. The relevant income and expenditures are as follows:

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Subvention - Care or Protection Proceedings Scheme	3,392,093	3,099,483
Capital expenditure	—	—
Personal emoluments	(1,286,453)	(1,210,957)
Legal cost and operating cost	<u>(2,105,640)</u>	<u>(1,888,526)</u>
	<u>—</u>	<u>—</u>

- (c) Apart from the above, the Labour and Welfare Bureau also paid an amount of HK\$697,397 (2010: HK\$710,769) to the Home Affairs Bureau for their share of the common costs in operation of the C or P Scheme and the Service’s schemes subvented by the Home Affairs Bureau.



### (11) Legal Assistance Scheme for Convention Against Torture

- (a) The balances represent the receivable and payable on behalf of the Legal Assistance Scheme for Convention Against Torture (“CAT Scheme”).
- (b) The Service received subvention from the Home Affairs Bureau and paid the related expenses on their behalf for the running of the CAT Scheme. The relevant income and expenditures for the year/period are as follows:

	<b>1/4/2010 - 31/3/2011</b>	<b>24/12/2009 - 31/3/2010</b>
	HK\$	HK\$
Subvention – Convention Against Torture Scheme	16,833,949	1,571,572
Capital expenditure	—	—
Personal emoluments	(3,782,232)	(571,037)
Legal cost and operating cost	(13,051,717)	(1,000,535)
	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>

### (12) Cash and cash equivalents

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Fixed deposits with banks	6,000,000	7,550,362
Other bank balances and cash	3,772,250	2,979,115
	<u>9,772,250</u>	<u>10,529,477</u>
	<u><u>9,772,250</u></u>	<u><u>10,529,477</u></u>



### (13) Operating lease commitments

At March 31, 2011, the Service had total future minimum lease payments in respect of land and buildings under a non-cancellable operating lease, which are payable as follows:

	<b>2011</b>	<b>2010</b>
	HK\$	HK\$
Within one year	1,826,880	1,826,880
In the second to fifth years inclusive	<u>2,131,360</u>	<u>3,958,240</u>
	<u>3,958,240</u>	<u>5,785,120</u>

### (14) Financial risk management

The Service is an organisation receiving government subvention. The assets of the Service comprises of accounts receivable, other receivable, deposits and prepayments and deposits with banks and the liabilities of the Service comprises of accounts payable, legal fee payable and accruals. All the financial assets are held at current basis and adjustable to match with the requirement of the Service. The Service has also, in all material respects, complied with the government subvention requirements such that the exposure of the financial risk would be minimal.



### (15) Reserves management

The Duty Lawyer Service is an organisation fully subvented by the Hong Kong SAR Government. The Service is a company with liability limited by guarantee and its capital structure comprises of all the reserves as detailed in note (9) above.

The Service's primary objectives when managing reserves are to safeguard the Service's ability to continue as a going concern, so that it can continue to maintain the government subvented operations of the legal assistance schemes. The Governing Council of the Service meets regularly to oversee and direct the operation generally, formulate and review existing policy so as to ensure that the Service effectively and efficiently operate these schemes.

As in prior years, the Service maintains the amount of reserves according to their designated purposes, which comprises of all capital reserve, revenue reserve and government reserve. According to the Memorandum of Administrative Arrangements between the Hong Kong SAR Government and the Duty Lawyer Service, the total cumulative reserve carried by the Service shall not exceed five percent (5%) of the approved annual recurrent subvention in that year. If at the end of a financial year the level of reserve exceeds the approved level, the excess amount will be, at the direction of the government, netted off against the following year's subvention.

The reserves of the Service at March 31, 2011 was HK\$9,214,656 (31/3/2010: HK\$4,825,068). The increase of reserves was due to the surplus generated during the year.



**(16) Hong Kong Financial Reporting Standards issued but not yet effective for the year ended March 31, 2011**

The HKICPA has issued a number of new and revised HKFRSs which are not yet effective for the accounting period ended March 31, 2011 and which have not been adopted in these financial statements.

Of these developments, the followings relate to matters that may be relevant to the Service's operations and financial statements:

	<b>Effective for accounting periods beginning on or after</b>
HKFRSs (Amendments) Improvements to HKFRS 2010	January 1, 2011
HKAS 24 (Revised) Related Party Disclosures	January 1, 2011
HKFRS 9 Financial Instruments	January 1, 2013

The Service is in the process of making an assessment of what the impact is expected to be in the period of initial application. So far it has concluded that while the adoption may result in new or amended disclosures, it is unlikely to have a significant impact on the Service's results of operations and financial position.