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16 May 2007

Mr Donald McKnight  
Trustee  
Ice Skating Association of Queensland - No. 1 Trust  
1179 Beaudesert Road  
Acacia Ridge, QLD 4110

Dear Sir,

**Analysis of Letter from Norman Dean, Ice Skating Queensland Inc dated 29 April 2007.**

**Scope**

Hacketts has recently commenced the audit of the Financial Statements of the Ice Skating Association of Queensland - No. 1 Trust (the Trust) for the year ended 30 June 2005 and has substantially completed the audit of the financial statements for the year ended 30 June 2006 and six months ended 31 December 2006. Hacketts has been asked by the Trustees to investigate questions raised in a letter from Norman Dean, Treasurer, Ice Skating Queensland Inc (ISQ) dated 29 April 2007 following his review of the financials of the Trust presented to the ISQ AGM for the year ended 30 June 2005 and 30 June 2006.

Our audit of the financial statements of the Trust has not been completed. However, we have had the opportunity to independently interrogate the financial records of the Trust for the year ended 30 June 2006 and it is with that background and knowledge that we have been asked to investigate the questions raised in the letter from Norman Dean.

This letter has been prepared at the request of the Trustees of the Trust and does not represent an audit report. We therefore disclaim any assumption of responsibility for any reliance on this letter or other information to which it relates for any purpose other than that for which it was prepared.

## Questions Raised

### 1. Contingent Liability in accounts for the year ended 30 June 2006

- a. Trustees must confirm their intention whether they are to continue with this claim. From our investigation the Trustees were added to the payroll in 2001 and now each receive a weekly salary of \$500.
- b. It is our understanding that a formal claim has not yet been made by the Trustees in relation to this matter and no liability has been recognised in the financial statements of the Trust for the year ended 30 June 2006.

### 2. Reduction in the Beneficiary Loan account.

The writer has made reference to the financial statements of the Trust for the year ended 30 June 2005 presented to the 2005 AGM that shows an amount owing by the Trust to the ISQ of \$2,697,818 disclosed as Beneficiary Loan. However, in the financial statements of the Trust for the year ended 30 June 2006 presented to the 2006 AGM the Beneficiary Loan account is no longer reported. The writer claims that *“over \$2,000,000 is no longer showing on any financial document”*.

- a. Based on our investigation of the movement in the balance of the Beneficiary Loan account from \$2,697,818 at 30 June 2005 to nil at 30 June 2006, we can confirm that we are satisfied that each transaction can be properly accounted for and based on the information provided appears reasonable. It is incorrect and misleading to state that the difference *“is no longer showing on any financial document”* as the impact of the movement in this account can be clearly seen when comparing the movement in several related balance sheet accounts between 2005 and 2006.
- b. Based on our investigation we have identified the major movements in this account and have summarised these below. However in summary, during the year ended 30 June 2006 the accounts of the Trust were restructured where a number of related loan accounts between the Trust and the ISQ were consolidated and offset against the Beneficiary Loan account. The remaining loan balance was settled through acquisition by the Trust of assets on behalf of the ISQ and through reinvestment of the balance into settlement funds.

- c. We note the following main transactions during the year in relation to the reduction in the Beneficiary Loan to the ISQ.
- i. As part of the restructure of the financial statements to improve disclosure, all related loan accounts between the Trust and the ISQ were consolidated and offset against the Beneficiary Loan account resulting in a net reduction in the loan account of \$1,322,708 reducing the Loan to \$1,375,110. There was no cash payments involved in this restructure and the movement in the accounts can be clearly seen when comparing the 2005 with the 2006 financial statements of the Trust. The Accounts involved are summarised below.
1. Offset a Loan Receivable from the ISQ of \$939,577 disclosed separately as Non Current Assets – Receivable in the 30 June 2005 Financials presented to the AGM.
  2. Offset a Debtor, receivable from ISQ of \$228,413. The debtor formed part of the Debtor, Deposits & Prepayments account of \$428,260 Receivable in the 30 June 2005 Financials presented to the AGM.
  3. Offset the difference of \$154,718 between the Additional Settlements credit amount of \$1,079,788 and the Distribution of Assets debit amount of (\$1,234,506) as disclosed in Corpus in the 30 June 2005 Financials presented to the AGM.
- ii. During the year ended 30 June 2006, the Trust part settled the outstanding balance of the Beneficiary Loan account by paying for the acquisition of Land at 19 Beenleigh Bay Rd, Loganholme and other assets acquired in the name of and on behalf of ISQ for a total of \$1,325,813. This transaction reduced the beneficiary Loan account to \$49,297.
- iii. Profits for the year ended 30 June 2006 of \$773,574 were distributed by the Trust and allocated to the Beneficiary Loan Account increasing the account to \$822,871.
- iv. As at 30 June 2006 the remaining balance of the Beneficiary Loan account of \$822,871 was transferred to Corpus as Additional Settlement Funds. This transaction can be clearly seen in the financial statements of the Trust for the year ended 30 June 2006 under Corpus as Additional Settlement Funds received. This appears to be an established practice as funds are set aside to finance the proposed development of the Loganholme Ice Rink.

- d. From our investigation the true balance of the Beneficiary Loan account at 30 June 2005 was \$1,375,110 following the consolidation and offset of related loan accounts. As evidence that this balance was reasonable we reviewed the financial statements of the ISQ as at 31 December 2005. The ISQ financial statements reported a Beneficiary Loan amount owing by the Trust of \$1,487,629 and a Loan owing to the Trust of (\$219,989) a net receivable of \$1,267,640. While there is a difference due to the different year end for the financial statements, the loan carried by ISQ in its books at 31 December 2005 does support the restructured balance in the Trust and not the original \$2,697,818 referred to in the letter.
- e. In addition, in the financial statements of ISQ for the year ended 31 December 2006 the reduction in the receivable - Beneficiary Loan ISAQ No.1 Trust has been offset by an increase in fixed assets principally being Land acquired at Loganholme by \$1,248,967 and a reduction in a liability being the Loan – ISAQ No1 Trust of \$219,989. Again the reduction in the Beneficiary Loan account is clearly reflected in a movement in other balance sheet accounts in both the books of the Trust and ISQ and in that way has been fully accounted for.

### Question 3

#### 3. Additional Trust Settlement of \$791,421

- a. The writer of the letter has raised an issue that profits distributed from the trust for the year ended 30 June 2006 have not been disclosed as payable to the ISQ within the Beneficiary Loan Account but in-fact have been “resettled” and disclosed as capital of the Trust. He states that this appears to indicate that these monies have been given to the Trust and are no longer amounts owing to the ISQ.
- b. From our investigation this assessment appears to be correct. We have been informed that due to the proposed development of the Loganholme Ice Rink the current year profits and balance of the Beneficiary Loan account have been reinvested by the ISQ into the Trust in accordance with established practice. These funds have been set aside and will be used to assist in the development of the proposed Rink. The transfer of the balance of the Beneficiary Loan account to Corpus – Settlement Funds is consistent with these funds having been reinvested in the Trust.
- c. However, under current accounting standards the Trust can not hold capital as net assets of the Trust always remain distributable to the beneficiary. Therefore in the financial statements for the year ended 30 June 2006 and for all subsequent financials of the Trust the amount held in Corpus as settled funds will in future be disclosed as a non current liability Net Assets Attributable to the Beneficiary.

- d. Therefore we would recommend that the accounts of the Trust be amended to disclose the Settlement Funds as a Non Current Liability - Net Assets Attributable to Beneficiary. The accounts of the ISQ should disclose these amounts as a Non Current Asset - Settlement Funds Receivable from the Trust. It is expected that the Non Current Loan will be settled by the Trust financing the development of the Loganholme Ice Rink and other assets on behalf of the ISQ.

We have attempted to answer the questions raised in the letter from Norman Dean, Treasurer, Ice Skating Queensland Inc (ISQ) dated 29 April 2007 based on representation from management and our investigation of the books and records of the Trust.

Based on our investigation we have found that the reduction in the Beneficiary Loan account was fully accounted for and clearly identifiable from movements in other balance sheet accounts. Our investigation, which was not an audit, did not find any evidence of impropriety, fraud or misappropriation of Trust funds.

Should you have any further questions or require any additional information please do not hesitate to contact me.

Yours faithfully



**Liam Murphy**  
Partner