FINANCES
QUEENSLAND LAW SOCIETY INCORPORATED

Contents

***All amounts are denoted in Australian currency.**

Queensland Law Society Incorporated

Statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Revenue					
Membership and practitioner fees	4	11,966,125	10,873,499	11,966,125	10,873,499
Membership services and events	5	3,677,260	3,914,856	3,677,260	3,914,856
Rent and administration revenue	6	1,178,296	949,730	1,517,145	1,284,771
Grants and funding	7	305,000	1,416,423	445,548	1,416,423
Insurance levies	24	28,950,801	31,357,853	-	-
Investment income	8(a)	6,330,814	6,963,392	686,123	707,265
Realised gains/(losses) on investments	8(b)	718,454	2,111,017	-	-
Fair value gains/(losses) on investments	8(b)	(5,319,101)	(759,911)	-	-
Other income		156,096	124,814	156,096	124,814
Total revenue		**47,963,745**	**56,951,673**	**18,448,297**	**18,321,628**
Expenses					
Membership services and events	5	1,951,337	2,209,312	1,951,337	2,209,312
Administration expenses	9	7,017,570	5,857,226	4,390,748	3,856,027
Employee expenses		11,357,700	11,268,478	9,009,166	9,125,006
Council and committee costs	11	465,110	460,294	465,110	460,294
Depreciation and amortisation	15	1,176,891	1,161,666	1,091,101	1,072,097
Law Council capitation fees		1,002,760	1,057,905	1,002,760	1,057,905
Reinsurance costs	24	639,576	767,927	-	-
Unearned premium reserve	25	4,865,970	-	-	-
Stamp duty	24	1,362,072	1,361,972	-	-
Insurance claims		11,036,599	12,996,493	-	-
Insurance recoveries	12	481,056	604,621	-	-
Claims handling expense	12	497,000	(583,000)	-	-
Brokerage fees		130,000	130,000	-	-
Total expenses		**41,983,641**	**37,292,894**	**17,910,222**	**17,780,641**
Operating surplus before income tax		**5,980,104**	**19,658,779**	**538,075**	**540,987**
Income tax expense	21	1,295,571	4,115,869	-	-
Operating surplus after income tax		**4,684,533**	**15,542,910**	**538,075**	**540,987**
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to operating result					
Increase/(decrease) in asset revaluation surplus	15	(2,274,694)	1,252,934	(2,274,694)	1,252,934
Total comprehensive income		**2,409,839**	**16,795,844**	**(1,736,619)**	**1,793,921**

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of financial position as at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Current assets					
Cash and cash equivalents	18(a)	60,720,939	66,388,384	35,833,482	56,010,745
Receivables	13	1,728,495	3,486,275	1,069,354	1,090,557
Reinsurers share of unearned premiums	25(b)	736,587	-	-	-
Insurance contract liabilities ceded	12	914,896	2,651,948	-	-
Total current assets		**64,100,917**	**72,526,607**	**36,902,836**	**57,101,302**
Non-current assets					
Investment in controlled entities	14	-	-	19,000,000	19,000,000
Investments	8(b)	162,262,181	159,312,343	-	-
Property, plant and equipment	15	20,968,011	23,972,532	20,916,642	23,847,734
Deferred tax assets	23	2,707,279	99,880	-	-
Insurance contract liabilities ceded	12	2,691,697	5,010,654	-	-
Total non-current assets		**188,629,168**	**188,395,409**	**39,916,642**	**42,847,734**
Total assets		**252,730,085**	**260,922,016**	**76,819,478**	**99,949,036**
Current liabilities					
Payables	16	39,567,808	44,810,975	22,444,442	43,638,328
Accrued employee benefits – Annual Leave	10	561,747	619,640	450,566	503,816
Accrued employee benefits – LSL	10	630,910	580,432	432,130	506,556
Unearned premium reserves	25	4,865,970	-	-	-
Income tax payable	22	3,809,711	3,000,765	-	-
Provision for outstanding claims	12	13,219,573	15,203,548	-	-
Total current liabilities		**62,655,719**	**64,215,360**	**23,327,138**	**44,648,700**
Non-current liabilities					
Accrued employee benefits – LSL	10	204,124	353,708	130,019	201,396
Provision for outstanding claims	12	51,488,435	60,380,980	-	-
Total non-current liabilities		**51,692,559**	**60,734,688**	**130,019**	**201,396**
Total liabilities		**114,348,278**	**124,950,048**	**23,457,157**	**44,850,096**
Net assets		**138,381,807**	**135,971,968**	**53,362,321**	**55,098,940**
Equity					
Accumulated surplus		124,315,987	119,631,454	39,296,501	38,758,426
Asset revaluation surplus		14,065,820	16,340,514	14,065,820	16,340,514
Total equity		**138,381,807**	**135,971,968**	**53,362,321**	**55,098,940**

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of changes in equity for the year ended 30 June 2016

Parent entity	Note	Asset Revaluation Surplus	Accumulated surplus	Total
		$	$	$
Opening Balance – 1 July 2014		15,087,580	38,217,439	53,305,019
Operating surplus for the year		-	540,987	540,987
Increase/(decrease) in asset revaluation surplus	15	1,252,934	-	1,252,934
Closing balance – 30 June 2015		16,340,514	38,758,426	55,098,940
Operating surplus for the year		-	538,075	538,075
Increase/(decrease) in asset revaluation surplus	15	(2,274,694)	-	(2,274,694)
Closing balance – 30 June 2016		**14,065,820**	**39,296,501**	**53,362,321**

Consolidated	Note	Asset revaluation reserve	Accumulated surplus	Total
		$	$	$
Opening Balance – 1 July 2014		15,087,580	104,088,544	119,176,124
Operating surplus for the year		-	15,542,910	15,542,910
Increase/(decrease) in asset revaluation surplus	15	1,252,934	-	1,252,934
Closing balance – 30 June 2015		16,340,514	119,631,454	135,971,968
Operating surplus for the year		-	4,684,533	4,684,533
Increase/(decrease) in asset revaluation surplus	15	(2,274,694)	-	(2,274,694)
Closing balance – 30 June 2016		**14,065,820**	**124,315,987**	**138,381,807**

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of cash flows for the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Cash flows from operating activities					
Receipts from the profession		44,571,086	47,733,408	19,139,752	17,167,169
Receipts from commissions & funding		433,798	1,356,623	433,798	1,356,623
Payments to suppliers and employees		(23,539,120)	(20,307,963)	(18,090,888)	(16,168,721)
Receipts collected for Society entities		-	-	27,016,821	31,994,065
Payments to Society entities		-	-	(44,499,516)	(1,020,052)
Receipts collected for Legal Practitioners' Fidelity Guarantee Fund		1,110,423	2,142,562	1,110,423	2,142,562
Payments to Legal Practitioners' Fidelity Guarantee Fund		(2,587,638)	(328,417)	(2,587,638)	(328,417)
Reinsurance payments		(639,577)	(767,928)	-	-
Claims & claims related payments		(19,413,564)	(17,063,607)	-	-
Interest received		1,115,332	1,742,472	664,755	786,344
GST receipts		1,400,460	2,482,405	697,490	1,556,316
GST paid to ATO		(3,627,557)	(3,891,264)	(3,627,557)	(3,891,264)
Income tax paid	22	(3,094,024)	(219,563)	-	-
Net cash (used in)/generated from operating activities	**18(b)**	**(4,270,381)**	**12,878,728**	**(19,742,560)**	**33,594,625**
Cash flows from investing activities					
Purchase of investments		(5,405,458)	(22,700,000)	-	-
Proceeds from investment redemptions		4,455,458	9,150,000	-	-
Cash distributions received		-	437,268	-	-
Payments for property, plant and equipment	15	(447,064)	(75,553)	(434,703)	(71,611)
Net cash used by investing activities		**(1,397,064)**	**(13,188,285)**	**(434,703)**	**(71,611)**
Net (decrease)/increase in cash and cash equivalents held		**(5,667,445)**	**(309,557)**	**(20,177,263)**	**33,523,014**
Cash and cash equivalents at the beginning of the year		**66,388,384**	**66,697,941**	**56,010,745**	**22,487,731**
Cash and cash equivalents at the end of the year	**18(a)**	**60,720,939**	**66,388,384**	**35,833,482**	**56,010,745**

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

Objectives and principal activities

The Queensland Law Society Incorporated (the Society) is the professional association for solicitors in Queensland constituted under the *Legal Profession Act 2007 (Qld)* (the Act). While the Society is defined as a statutory body under the *Financial Accountability Act 2009*, it remains an independent professional body, subject to the governance of its elected Council.

The *Legal Profession Act 2007 (Qld)* came into effect on 1 July 2007. The provisions contained within the Act cover a range of matters including the establishment of the Legal Services Commission, Legal Practice Tribunal and Committee and the Legal Practitioners Admissions Board, together with a number of technical measures including those relating to transitional provisions to facilitate the transfer to the new legislation.

These financial statements include the Society ('Parent'), Law Claims Levy Fund, (LCLF) and Lexon Insurance Pte Ltd (Lexon) and when combined are referred to as 'the Group'.

The Society is responsible for specific statutory responsibilities, including the issuing of practising certificates, maintaining solicitors' records, and regulating the operation of solicitors' trust accounts, as well as providing continuing legal education, providing services and advisory support to members and the general public, and administering funds under the control of the Group, which extends to providing general insurance and services as licensed under the Singapore Insurance Act. Major sources of income for the Group include annual fees paid by its members, continuing legal education to the profession, investment income, and insurance premiums.

The financial statements are authorised for issue by the Council of the Queensland Law Society Incorporated at the date of signing the management certificate.

1. Summary of significant accounting policies

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

a. Statement of Compliance

The Group has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*. The financial statements comply with the Queensland Treasury's minimum Financial Reporting Requirements for reporting periods beginning on or after 1 July 2015.

The Society is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flow which is prepared on a cash basis) in accordance with Australian Accounting Standards and interpretations applicable to not-for-profit entities.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note 1(t).

b. Presentation

Amounts included in the financial statements are in Australian dollars. No rounding of amounts has occurred.

Except where stated, the historical cost convention is used.

Comparative information reflects the audited 2014-15 financial statements. Certain comparative amounts in the statement of profit or loss and other comprehensive income have been reclassified to conform with the current year's presentation.

c. The reporting entity

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

The Society controlled the following entities at reporting date:

- Law Claims Levy Fund. The Fund is responsible for the management of professional indemnity claims of practitioners for the years 1987 to 1995, and the administration of insurance matters (jointly with Lexon Insurance Pte Ltd) in accordance with the *Queensland Law Society Indemnity Rule 2005*. This Fund was wholly controlled for the whole period.
- Lexon Insurance Pte Ltd. This Company was established on 23 June 2001 in Singapore and is 100% owned by the Society. The principal activity of the Company is that of a captive insurer providing professional indemnity insurance to members of the Queensland Legal Profession via a Master Policy with the Queensland Law Society Inc. This Company was wholly controlled for the whole period.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

c. The reporting entity (continued)

Details of directly controlled activities are outlined below:

2015-16

Name of Entity	Controlling interest %	Total Assets $m	Total Liabilities $m	Total Revenue $m	Operating Results $m
Law Claims Levy Fund	100%	75.0	23.8	29.2	0.6
Lexon Insurance Pte Ltd	100%	149.9	97.1	22.2	3.5

2014-15

Name of Entity	Controlling interest %	Total Assets $m	Total Liabilities $m	Total Revenue $m	Operating Results $m
Law Claims Levy Fund	100%	78.7	28.0	33.7	5.2
Lexon Insurance Pte Ltd	100%	156.4	107.1	31.6	9.8

d. Principles of consolidation

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

e. Taxation

Income tax is recognised on consolidation.

The Queensland Law Society Inc (Parent) is exempt from income tax by virtue of Section 50-25 of the *Income Tax Assessment Act 1997* with the exception of Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

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

Lexon is registered in Australia for income tax. The company has dual tax residency in Australia and Singapore. In relation to offshore insurance business, the Company has been granted tax exempt status for a period of 10 years from 1 April 2010 under the tax exemption scheme for captive insurers by the Monetary Authority of Singapore.

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability which affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the Statement of Financial Position date, and are recognised as income or expenses in the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that the tax arises from a transaction which is recognised directly in equity.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

f. Revenue recognition

i. Insurance levies

Premium income is recognised as revenue at the commencement of the risk period covered by the policy and accrued proportionally over the period of coverage.

ii. Membership services and events

Membership services and events income is recognised as revenue when the service or event occurs. Prepayments of these are recognised as income in advance.

iii. Investment income

Investment income consists of distribution income and interest income. Distribution income is recognised when declared by fund managers. Interest income is accrued on a time-proportion basis using the effective interest method.

iv. Membership and practitioner fees

Memberships and practitioner fees are recognised as revenue within the membership period.

Prepayments of these are recognised as income in advance.

Revenues are recognised at fair value of the consideration received net of any amount of GST payable to the ATO.

v. Grants and funding

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

vi. Recovery of expenditure

Under the rules of the Act, certain operating expenses of the Society are recoverable from the Legal Practitioners' Fidelity Guarantee Fund and the Legal Practitioners Admissions Board. The gross amounts recovered are disclosed as income. Expenses incurred on behalf of the Legal Practitioners' Fidelity Guarantee Fund and Legal Practitioners Admissions Board form part of the administration expenses incurred by the Society.

g. Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are taken to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

h. Cash and cash equivalents

For the purposes of the Statements of Financial Position and Statements of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits on call with financial institutions. The cash deposit account is an interest bearing account which is readily convertible to cash on hand at the Group's option.

i. Insurance and reinsurance contracts

i. Insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts

ii. Reinsurance contracts:

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group where significant insurance risk is transferred are classified as reinsurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurer's share of insurance liabilities. These assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected recovery. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as expenses when due

The Group assesses its reinsurance assets for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amount that the Group will receive from the reinsurer.

The Group ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

j. Financial instruments

Financial assets and financial liabilities are recognised in the Statements of Financial Position when the Group becomes party to the contractual provisions of the financial instrument.

Financial instruments are classified and measured as follows:

- Receivables – held at amortised cost
- Payables – held at amortised cost
- Investments – held at fair value through profit or loss.
- Investment in controlled entities – held at cost
- Cash and cash equivalent – held at fair value through profit or loss

The Group does not enter into transactions for speculative purposes, nor for hedging.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

k. Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is generally required within 30 days from invoice date. The collectability of receivables is assessed periodically with allowance being made for impairment. All known bad debts were written-off as at year end. Increases in the allowance for impairment are based on loss events.

Other debtors generally arise from transactions outside the usual operating activities of the Group and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

l. Investments

Investments held at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date.

m. Property, plant and equipment

i. Acquisition of assets

All assets acquired are recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Plant and equipment acquired are expensed unless the initial cost exceeds $5,000. Buildings and additions are recognised upon acquisition if the initial cost exceeds $10,000.

ii. Depreciation and amortisation

All assets including strata title building have limited useful lives and are depreciated using the straight line method over their estimated useful lives.

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

The depreciable amount of leasehold improvements is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

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

Asset Class	2016	2015
Strata Title Building	2.5%	2.5%
Leasehold Improvements	2.5%	2.5%
Plant and Equipment	10% - 33%	10% - 33%
Computer Equipment	25% - 33%	25% - 33%
Software	20% - 33%	20% - 33%

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

m. Property, plant and equipment (continued)

iii. Impairment of non-financial assets

Plant and equipment are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the assets in prior years. A reversal of impairment loss for an asset is recognised in profit or loss

iv. Revaluations

The strata title building is measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. The building is reported at its revalued amount, being the fair value at the date of valuation, less any subsequent accumulated depreciation. The building is independently revalued every five years to ensure the carrying amount does not materially differ from the fair value at reporting date. In between independent valuations, the Society uses the Implicit Price Deflator for non-residential buildings indices to index the carrying amount of the building where there has been a material variation in the index. Revaluation increments are recognised in the asset revaluation reserve except where amounts reversing a decrement previously recognised as an expense are recognised as revenues. Revaluation decrements are only offset against revaluation increments for the same class of assets and any excess is recognised as an expense.

n. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the Society include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Society include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Society's assets/liabilities and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

n. Fair value measurement (continued)

All assets and liabilities of the Society for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of the Society's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about the Society's investments, and property plant and equipment, are outlined in Notes 3.4 (f) and 15 respectively.

o. Insurance liabilities

Insurance liabilities comprise of outstanding claims provision and unearned premiums provision.

i. Outstanding claims provision

Full provision is made for the estimated cost of all claims admitted or intimated but not settled 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 date of the reporting based on claims experience and industry statistics.

- Central estimate

Full provision is made for the estimated cost of all claims admitted or intimated but not settled at the balance sheet date, less reinsurance recoveries, using the best information available at that time.

In addition, provision is made for claims incurred but not reported ("IBNR") at the date of the balance sheet. The central estimates are determined by reference to a variety of estimation techniques, generally based on statistical analysis of historical experience which assumes an underlying pattern of claims development and payments.

Central estimates are calculated gross of reinsurance with separate estimates made in relation reinsurance recoveries based on the gross central estimate.

The net central estimate is discounted at the risk free rate of return to reflect the time value of money.

- Risk margin

Risk margins are determined by the Board and are held to mitigate the potential for uncertainty in the central estimate. The risk margin is determined by reference to industry analysis, historical experience and the judgement of experienced and qualified actuaries.

The probability of sufficiency is a statistical measure of the relative adequacy of the outstanding claims provision and is derived from a comparison of the risk margin with the net discounted central estimate. A 90% probability of sufficiency indicates that the outstanding claims provision is expected to be adequate 9 times out of 10. The Board aims to include risk margins such that the probability of sufficiency is in the range of 90%.

- Discount rates

The outstanding claims provision is discounted for the time value of money using risk free rates that are based on current observable, objective rates that relate to the nature, structure and terms of the future obligations.

The relevant discount rate is applied to the anticipated cash flow profile of the central estimate, including related reinsurance recoveries, determined by reference to a combination of historical analysis and current expectations of when claims and recoveries will be settled.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

o. Insurance liabilities (continued)

ii. Unearned premiums provision

The portion of premiums that relates to unexpired risk at the reporting date is reported as the unearned premium liability. Unearned premiums are calculated based on the 1/365 method applied to the net premiums written for the financial year.

Where necessary, premium deficiency reserves calculated using actuarial methods on loss statistics are included in unearned premium reserves.

iii. Liability adequacy test

At reporting date, a liability adequacy test was performed to ensure the adequacy of the contract liability. In performing this test, current estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is immediately charged to statement of profit or loss and other comprehensive income by establishing a provision for losses arising from the liability adequacy test.

p. Payables

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

q. Provisions

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

r. Employee benefits

i. Annual leave and long service leave

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in accrued employee benefits and measured as the present value of expected future cash outflows to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

ii. Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance the *Financial Reporting Requirements (FRR) for Queensland Government Agencies* issued by Queensland Treasury. Refer to note 19 (b) for the disclosures on key management personnel remuneration.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Following consideration, the Society has decided that the Council, sub committees and the CEO are the only employees with the authority and responsibility for these activities for the entire agency. This is supported through the Council Charter which is available on the Society's website.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

s. Foreign currency

Foreign currency transactions are translated to Australian currency at the rate of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

t. New and revised accounting standards

i. First year application of new accounting standards or change in accounting policy

The Group did not voluntarily change any of its accounting policies during 2015-16. Two Australian Accounting Standards have been early adopted for the 2015-16 years as required by Queensland Treasury. These are:

AASB 2015-2 – Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]

AASB 2015-7 – Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]

The adoption of these two new accounting standards has no material impact on this financial report

ii. Future impact of Accounting Standards not yet effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian accounting standards issued with future commencement dates are:

AASB 15 Revenue from Contracts with Customers

This Standard will become effective from reporting periods beginning on or after 1 January 2018 and contains much more detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of the Group's goods and services, such that some revenue may need to be deferred to a later reporting period to the extent that the Society has received cash but has not met its associated obligations (such amounts would be reported as a liability (unearned revenue) in the meantime). The Society is yet to complete its analysis of current arrangements for sale of its goods and services, but at this stage does not expect a significant impact on its present accounting practices.

AASB 16 Leases

This Standard will become effective for reporting periods beginning on or after 1 January 2019. When applied, the standard supersedes AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases – Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Based on the current leases that the Group has, additional property, plant and equipment may need to be accounted for on the statement of financial position.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Certain critical accounting judgements in applying the Group's accounting policies are related to the policyholder claims.

a. Actuarial methodology for estimate for policyholder claims

The Group's estimates for reported and unreported losses, establishing resulting provisions and related reinsurance recoverable are continually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. The process relies upon the use of external advisors (lawyers, actuaries and loss adjustors) and the assumption that past experience is an appropriate basis for predicting future events.

In estimating the outstanding claims liability, projected future claims payments are discounted to the calculation date for each claim year.

The projected future claims payments for each claim year are based on the claim estimates and an allowance for the development of claims (Incurred But Not Enough Reported – IBNER) especially for the recent claim years in respect of which limited claims information is available and estimates are therefore the most subjective; and an allowance for additional claims, which were incurred but have not yet been reported (Incurred But Not Reported – IBNR).

The IBNER and IBNR estimate has been calculated using a combination of the Incurred Claims Development ("ICD") and Bornhuetter-Ferguson ("BF") methods.

b. Key assumptions

The following key valuation assumptions have been used to estimate future projected payments and outstanding claims liabilities:

- The ICD basis allows for the following development:

Development factor	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8
Current Year	21.2%	17.3%	8.8%	7.0%	5.1%	3.5%	2.3%
Prior Year	22.8%	14.9%	10.5%	8.7%	6.9%	4.7%	2.3%

- The average cost per solicitor (used in the BF method) adopted is $3,600 (2015: $3,900).
- The Group has assumed reinsurance recoveries will be fully recoverable on a prompt basis.
- The Group has applied the zero-coupon yield for Commonwealth Government bonds to the expected future cashflows. This has resulted in a uniform discount rate of 1.65% (2015: 2.30%) per annum.
- The Group has assumed future inflation will be the same as past inflation, to the extent that it has been captured by the claims development data.
- The Group has included an allowance for claims handling expenses ("CHE") based on historical experience and projected expenses.
- While the Group has calculated a central estimate, a risk margin at a 90th percent probability of sufficiency has been applied and the Group has adopted reserves at this level to maintain a higher level of adequacy.
- While claim numbers are not directly used in determining our estimates, they are a good lead indicator. Given the policy is based on claims made, there is an assumption of minimal development post the end of the year.

The following key valuation assumptions have been used to estimate the unearned risk reserve:

- The average cost per solicitor adopted is $3,400 (2015: not applicable).
- The estimated growth in solicitor numbers is 3.6% (2015: not applicable).

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

2. Critical accounting estimates and judgments (continued)

b. Key assumptions (continued)

There have been no significant changes in the business underwritten by the Group or the way the insurance liabilities are estimated. Hence, no significant amendments have been made to the assumptions.

The assumptions have been determined by management and the actuarial team by taking into account: claim development experience, statistical analysis and market trends.

c. Sensitivity analysis of key estimates

While the gross ultimate costs are sensitive to valuation assumptions, the net results are less sensitive due to the aggregate limits that apply which reduce the net exposure. The gross undiscounted unused exposure for all years totals $68.7 million (2015: $51.8 million) before risk margins; and $52.0 million (2015: $33.7 million) after allowing risk margins to the 90th probability of sufficiency.

The impacts on the estimated total provision due to changes in assumptions are:

The Company's results and balance sheet have been determined with a probability of sufficiency of 90%. As such, the sensitivity analysis shows the impact using this same measure before tax.

In relation to outstanding claim liabilities:

- Reserve under estimation: A 10% (2015: 10%) reserve under estimation results in an additional gross undiscounted reserve of $4.6 million (2015: $5.8 million) and net discounted reserve (after risk margins) of $6.1 million (2015: $4.9 million) or 10.0% (2015: 7.3%) of the discounted net central estimate plus risk margins.
- Reserve over estimation: If our estimated reserves on all years improved by 10% (2015: 10%) then it would result in a decrease in gross undiscounted reserve of $4.6 million (2015: $5.8 million) and the total net provision (after risk margins) would decrease by $6.1 million (2015: $5.0 million) or 10.0% (2015: 7.3%) of the discounted net central estimate plus risk margins.
- Discount rate: A half a percentage point decrease in discount rate (from 1.65% (2015: 2.30%) to 1.15% (2015: 1.80%)) would increase our provision by $0.7 million (2015: $0.9 million) or 1.1% (2015: 1.3%) of the discounted net central estimate plus risk margins.
- Claims handing provision: A one percentage point increase in the claims handling rate applied would increase our provision by $0.5 million (2015: $0.6 million) or 0.8% (2015: 0.9%) of the discounted net central estimate plus risk margins.
- Cost per solicitor overestimation: A reduction in the cost per solicitor from $3,600 to $3,100 (2015: $3,900 to $3,400) reduces our provision by $1.8 million (2015: $1.5 million) or 2.9% (2015: 2.2%) of the discounted net central estimate plus risk margins.
- Cost per solicitor underestimation: An increase in the cost per solicitor from $3,600 to $4,100 (2015: $3,900 to $4,400) increases our provision by $1.8 million (2015: $1.5 million) or 2.9% (2015: 2.2%) of the discounted net central estimate plus risk margins.

In relation to unearned risk reserves:

- Solicitor number estimation: A 10% (2015: not applicable) under estimation results in an additional gross undiscounted reserve of $2.6 million (2015: not applicable) and net discounted reserve (after risk margins) of $2.6 million (2015: not applicable) or 9.8% (2015: not applicable) of the discounted net unearned risk reserve estimate including risk margins.
- Solicitor number estimation: A 10% (2015: not applicable) over estimation results in a decrease in gross undiscounted reserve of $2.6 million (2015: not applicable) and net discounted reserve (after risk margins) of $2.6 million (2015: not applicable) or 9.8% (2015: not applicable) of the discounted net unearned risk reserve estimate including risk margins.
- Cost per solicitor underestimation: An increase in the cost per solicitor from $3,400 to $3,900 (2015: not applicable) results in an additional gross undiscounted reserve of $3.8 million (2015: not applicable) and net discounted reserve (after risk margins) of $2.7 million (2015: not applicable) or 10.1% (2015: not applicable) of the discounted net unearned risk reserve estimate including risk margins.
- Cost per solicitor overestimation: A decrease in the cost per solicitor from $3,400 to $2,900 (2015: not applicable) results in a decrease in gross undiscounted reserve of $3.8 million (2015: not applicable) and net discounted reserve (after risk margins) of $3.8 million (2015: not applicable) or 14.4% (2015: not applicable) of the discounted net unearned risk reserve estimate including risk margins.
- Discount rate: A half a percentage point decrease in discount rate (from 1.65% (2015: not applicable) to 1.15% (2015: not applicable)) would increase our provision by $0.5 million (2015: not applicable) or 1.7% (2015: not applicable) of the discounted net central estimate plus risk margins

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk

Lexon is a captive insurer and issues a single insurance contract to its holding corporation that transfers insurance risks of its holding corporation to itself. This section summarises these risks and the way the Group manages them.

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The primary insurance activity carried out by the Group assumes the risk of loss from persons that are directly subject to the risk-professional indemnity liability. Such risk may relate to liability that may arise from an insurable event. As such, the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Group manages its insurance risk through underwriting guidelines, centralised management of reinsurance and monitoring of emerging issues.

a. Underwriting strategy

The Group is unable to provide a diversified portfolio of similar risks due to its licensing arrangement. The Group currently only underwrites the risk of its holding corporation. Such a focus on one "insured" group does create a wider variability of outcome than a balanced portfolio.

b. Reinsurance strategy

In considering the purchase of reinsurance protection, the Group's philosophy is twofold, namely:

- To reduce risk, and
- To stabilise solvency.

To achieve such objectives, the Group will consider the placing of reinsurance protection at appropriate levels with reinsurance carriers of a proven financial record. Specific reinsurance placements should reflect the appropriate balance between retention and reinsurance commensurate with the nature and complexity of the risk, all within acceptable exposure limits to the Group.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after known deductions for insolvencies and uncollectible items. The Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors of Lexon is responsible for setting the minimum security criteria for acceptable reinsurance.

c. Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

The following gives an assessment of the Group's main product – professional indemnity liability and the ways in which it manages the associated risks.

i. Product features

The Group writes professional indemnity liability and under these contracts, monetary compensation awards are paid for any description of civil liability whatsoever incurred in connection with the Law Practice.

Professional indemnity liability is generally considered a long tail line, as it takes a relatively long period of time to finalise and settle claims for a given claim year. The speed of claim reporting and claim settlement is a function of the specific coverage provided, the jurisdiction and specific policy provisions.

This line is typically the largest source of uncertainty regarding claims provisions. Major contributors to this provision estimate uncertainty include the reporting lag, the number of parties involved in the underlying action, the potential amounts involved and whether such claims were reasonably foreseeable and intended to be covered at the time the contracts were written. Claims with longer reporting lag will result in greater inherent risk.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

c. Terms and conditions of insurance contracts (continued)

ii. Management of risks

The key risks associated with this product are underwriting risk and claims experience risk.

Underwriting risk includes the risk of higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting reinsurance pricing and conditions of reinsurance cover. This may result in the Group having either too little premium for the risks it has agreed to underwrite and hence, has not enough funds to invest and pay claims, or that claims are in excess of those expected.

Claims development history

	2009/10 & prior	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Gross								
Estimate of ultimate claims								
Costs:								
– at end of reporting year		25,310	18,688	18,706	20,254	16,447	15,869	
– one year later		24,476	15,609	19,670	14,455	15,340		
– two years later		26,504	14,922	18,684	13,259			
– three years later		29,113	16,869	18,370				
– four years later		28,539	16,199					
– five years later		27,708						
Cumulative payments to date		(24,769)	(13,991)	(12,811)	(6,483)	(4,030)	(466)	
Estimate of claims reserve		2,939	2,208	5,559	6,776	11,310	15,403	
Effect of discounting		(113)	(74)	(156)	(201)	(403)	(677)	
Best estimate of claims liability	1,470	2,826	2,134	5,403	6,575	10,907	14,726	**44,041**
Risk margin								**16,061**
Provision for claims handling								**4,606**
Total gross outstanding claims included in the balance sheet								**64,708**
Movement in accident year estimate before discounting and margins	**(1,381)**	**(831)**	**(670)**	**(314)**	**(1,196)**	**(1,107)**	**15,869**	**10,370**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

c. Terms and conditions of insurance contracts (continued)

ii. Management of risks (continued)

Claims development history (continued)

	2009/10 & prior	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Net								
Estimate of ultimate claims								
Costs:								
– at end of reporting year		22,500	18,688	18,706	20,254	16,447	15,869	
– one year later		22,500	15,609	19,670	14,455	15,340		
– two years later		22,500	14,922	18,684	13,259			
– three years later		22,500	16,869	18,370				
– four years later		22,500	16,199					
– five years later		22,500						
Cumulative payments to date		(22,500)	(13,991)	(12,811)	(6,483)	(4,030)	(466)	
Estimate of claims reserve		-	2,208	5,559	6,776	11,310	15,403	
Effect of discounting		-	(74)	(156)	(201)	(403)	(677)	
Best estimate of claims liability	689	-	2,134	5,403	6,575	10,907	14,726	**40,434**
Risk margin								**16,061**
Provision for claims handling								**4,606**
Total net outstanding claim included in the balance sheet								**61,101**
Movement in accident year estimate before discounting and margins	**(1,468)**	**-**	**(670)**	**(314)**	**(1,195)**	**(1,107)**	**15,869**	**11,115**

Insurance risk is managed primarily through sensible pricing, product design, appropriate investment strategy and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates. The Group also assesses the need to minimise its underwriting risks by retaining part of the risks underwritten for its own account and reinsuring the remainder.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk (continued)

3.2 Reinsurance risk

The Group cedes insurance risk to limit exposure to underwriting losses under agreements that cover risks or group risks on yearly renewable terms. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of risk retained depends on the Group's evaluation of the risk. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is agreed and paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

When selecting a reinsurer, the Group considers their relative security. The security of the reinsurer is assessed from public rating information.

3.3 Concentration of risk

The concentration of insurance risk before and after reinsurance is solely in Australia and from a single line of business, Professional Indemnity insurance.

3.4 Financial risk

The Group's activities expose it to a variety of financial risks: market risk (currency risk, price risk and interest rate risk), credit risk, liquidity risk.

Management and the Board regularly review the performance and ensure all investments held are within the approved mandate.

a. Currency risk

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

The Group holds minor cash balances in Singapore Dollars.

The Group outsources its investment activities to respected fund managers who use defined risk management techniques as part of the funds mandates.

Investments in income securities are predominately hedged where a currency exposure exists.

As part of the Group's investment mandate it holds units in two funds which hold unhedged international securities. Any unhedged position is in accordance with the strategic asset allocation, and is monitored regularly by management.

b. Price and interest rate risk

The Group is exposed to equity securities price risk arising from the investments classified as fair value through profit or loss. These securities are held with Australian fund managers.

The Group seeks to reduce risk by diversifying across a range of securities, maturities and counterparties. Investment of the funds is subject to risk control limits and constraints:

Duration and tracking error limits (interest rate management)

- The Modified Duration of the funds are constrained within a specified period either side of the Modified Duration of the Benchmark.
- Rolling year ex post tracking error will be limited to a specified number of basis points. The ex-ante tracking error of the funds is not expected to exceed a specified number of basis points.

Sector exposure bands

- The weighting of each sector (eg domestic, international – government, non government) within the funds will be maintained in specified limits.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

b. Price and interest rate risk (continued)

Credit limits

- The funds will be invested in a broad and diversified range of securities across the credit spectrum.

Credit Risk Limits for Individual Security Investments

- Individual security limits apply for direct physical holdings based on their credit rating and inclusion in the benchmark.

Management and the Board regularly review the performance and ensure all investments held are within the approved mandate.

c. Credit risk

There is no significant credit risk with respect to the collectability of premiums as the Group only underwrites risks from its holding corporation. All premiums are paid up front at the commencement of the period covered under the insurance policy.

Credit risk arising on funds placed with external fund managers and on reinsurance activities is managed by established policies to ensure that the counter-parties have adequate financial ratings and appropriate credit history.

i. Financial assets that are neither past due or impaired

At the balance sheet date no financial assets are past due or impaired other than trade receivables noted below.

Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets, fair value through profit or loss are redeemable on demand. These are placed with reputable fund managers.

No insurance recoveries are past due. All reinsurance contracts are placed in accordance with the Group's reinsurance policy which ensure appropriate credit rating of individual reinsurers and concentration risk is reduced to acceptable levels.

ii. Financial assets that are past due and/or impaired

Receivables include excess balances of $105,000 (2015: $213,475) which are more than one month past due. There is a provision of $59,500 (2015: $153,475) on these outstanding balances.

Reinsurance recoveries of $Nil (2015: $Nil) are outstanding more than one month.

While provisions have been raised against outstanding excesses, the Queensland Law Society Indemnity Rule 2005 gives power to QLS to take action against insured's where any balances are outstanding.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

c. Credit risk (continued)

iii. Credit ratings

The following table shows the investment grades of balances due:

	Investment grade (AAA to BBB)	Not rated	Total
	$	$	$
At 30 June 2016			
Cash and cash equivalents	26,610,538	34,110,401	60,720,939
Reinsurers' share of outstanding claims reserves	3,606,593	-	3,606,593
Trade and other receivables	388,824	1,339,671	1,728,495
Financial assets at fair value through profit or loss	-	162,262,181	162,262,181
	30,605,955	**197,712,253**	**228,318,208**
At 30 June 2015			
Cash and cash equivalents	11,101,177	55,287,207	66,388,384
Reinsurers' share of outstanding claims reserves	7,662,602	-	7,662,602
Trade and other receivables	807,877	2,678,398	3,486,275
Financial assets at fair value through profit or loss	-	159,312,343	159,312,343
	19,571,656	**217,277,948**	**236,849,604**

Financial asset investments are placed with the following fund managers:

- Queensland Investment Corporation
- UBS Global Asset Management
- AMP Capital Investors
- MFS Investment Management
- Nikko Asset Management
- Zurich Investment Management
- Denning Pryce
- Schroder Investment Management

d. Liquidity risk

In the management of liquidity risks, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group also constantly reviews its investments to ensure that there are sufficient cash and liquid deposits to meet its estimated outflows from its insurance contract.

The Group manages its expected cash flow requirements using the latest actuarial valuations detailing projected cash flows. These are monitored in conjunction with available cash and investments readily convertible to cash.

A maturity analysis of unearned risk and premium reserves and outstanding claims reserves are provided in Note 12 and Note 25.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

e. Capital risk

The Group's objectives when managing capital are to ensure that the Group is adequately capitalised, and assessing shortfalls between reported and required capital levels on a regular basis. The Group will issue or redeem additional equity and debt instruments when necessary.

The Group is required under the Singapore Insurance Act, Cap.142 and the relevant Regulations made thereunder to meet and maintain at all times during the course of each financial year that it carries on insurance business, minimum fund solvency and capital solvency requirements. As at balance sheet date, the Group has met the fund solvency requirement for its Offshore Insurance Fund and the minimum capital adequacy requirement of SGD400,000.

Management monitor the capital position using a risk based capital model.

f. Fair value measurements

The following table presents assets measured at fair value and classified by level of the following fair value measurement hierarchy as at balance sheet date.

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
As at 30 June 2016				
Financial assets				
Investments carried at fair value through profit or loss	-	162,262,181	-	162,262,181
Total financial assets	**-**	**162,262,181**	**-**	**162,262,181**
As at 30 June 2015				
Financial assets				
Investments carried at fair value through profit or loss	-	159,312,343	-	159,312,343
Total financial assets	**-**	**159,312,343**	**-**	**159,312,343**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

f. Fair value measurements (continued)

The portfolio of financial instruments held consists of collective investment schemes. The fair value of the financial instruments is determined using net asset value of the collective investment schemes.

The carrying value less impairment provision of current trade receivables and payables approximate to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

g. Sensitivity analysis

Financial assets at fair value through profit or loss have had the following sensitivity analysis applied, which are based on the Australian Prudential Regulatory Authority's (APRA) General Insurance Prudential Standard GPS 114.

- **Interest rate sensitivity**

  Interest rate sensitivity measures the changes on the capital base from changes in real interest rates. The sensitivity has been determined by multiplying the nominal risk-free interest rate by -0.20 (downward stress) and 0.25 (upward stress), with a maximum stress adjustment of 200 basis points in either direction.

- **Inflation risk sensitivity**

  Expected inflation sensitivity measures the changes on the capital base from changes to expensed consumer price index inflation rates. The sensitivity has been determined by adjusting the expected inflation rates by adding 125 basis points (upward movement) and subtracting 100 basis points (downward movement).

- **Currency sensitivity**

  Currency sensitivity measures the changes in the capital base due to changes in foreign currency exchange rates. The sensitivity has been determined by applying a 25% increase and 25% decrease in exchange rates. An increase in the Australian Dollar is divided by 1.25 (or multiplied by 0.8) while a decrease is divided by 0.75 (or multiplied by 1.333).

- **Equity sensitivity**

  Equity sensitivity measures the change on the capital base of a fall in equity and other asset values. For listed equities, the fall is determined by increasing the dividend yield on the ASX 200 index by 2.5 per cent. For unlisted equities, the fall is determined by increasing the dividend yield on the ASX 200 index by 3.0 per cent.

- **Property stress**

  Property sensitivity measures the change on the capital base of a fall in property and infrastructure asset values. The fall is determined by increasing the rental yield (for property assets) or earnings yield (for infrastructure assets) by 2.75 per cent.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

3. Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

g. Sensitivity analysis (continued)

- **Credit spread stress**

Credit spread sensitivity measures the change on the capital base of an increase in credit spreads and the risk of default. The sensitivity has been determined by adding a spread (based on APRA credit spread and default factors) to the current yield on the asset and multiplying the reduced value of the asset by (1 - default factor).

The below details the impact to Financial assets at fair value through profit or loss before tax and before any aggregation benefits.

	2016 $	2015 $
Stress test	**Upward impact**	
Interest rate	(335,943)	(507,037)
Inflation	205,588	1,039,986
Currency	(1,469,223)	(1,301,454)
	Downward impact	
Interest rate	317,444	461,183
Inflation	22,917	(790,160)
Currency	2,040,934	2,169,091
Stress test	**Impact**	
Equity	(11,714,357)	(12,142,642)
Property	-	(1,794,319)
Credit spread	(3,560,575)	(4,460,270)

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

4. Membership and practitioner fees

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Practising certificate fees	6,209,911	5,595,408	6,209,911	5,595,408
Member fees	4,719,635	4,439,942	4,719,635	4,439,942
Limitation of liability scheme	614,928	580,620	614,928	580,620
Specialist accreditation fee	322,359	181,388	322,359	181,388
Certificate of fitness	25,973	18,441	25,973	18,441
Late application levy	73,319	57,700	73,319	57,700
	11,966,125	**10,873,499**	**11,966,125**	**10,873,499**

5. Membership services and events

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Income				
Courses, conferences and events	2,370,609	2,511,956	2,370,609	2,511,956
Publications, DVDs and membership products	502,914	579,773	502,914	579,773
Proctor advertising and subscription	347,358	335,627	347,358	335,627
Marketing and sponsorship	456,379	487,500	456,379	487,500
	3,677,260	**3,914,856**	**3,677,260**	**3,914,856**
Direct expenditure (excluding staff costs)				
Courses, conferences and events	1,021,121	1,255,478	1,021,121	1,255,478
Publications, DVDs and membership products	652,645	653,543	652,645	653,543
Proctor advertising and subscription	277,571	300,291	277,571	300,291
	1,951,337	**2,209,312**	**1,951,337**	**2,209,312**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

6. Rent and administration revenue

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Management fee & recovery expenditure				
Lexon Insurance Pte Ltd	-	-	308,396	292,726
Law Claims Levy Fund	-	-	30,453	42,315
Legal Practitioners Fidelity Guarantee Fund	156,896	70,354	156,896	70,354
Legal Practitioners Admissions Board	504,459	354,284	504,459	354,284
Body corporate administration fee	15,000	15,000	15,000	15,000
Rent	501,941	510,092	501,941	510,092
	1,178,296	**949,730**	**1,517,145**	**1,284,771**

7. Grants and funding

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Dept of Justice and Attorney-General (DJAG) grants	226,000	1,356,623	226,000	1,356,623
Queensland Law Foundation (QLF) funds	79,000	59,800	79,098	59,800
Law Claims Levy Fund (LCLF)	-	-	140,450	-
	305,000	**1,416,423**	**445,548**	**1,416,423**

Non-reciprocal grant of $226k from Department of Justice and Attorney-General (DJAG) has been recognised in its entirety upon receipt as the Investigations department has met the grant agreement's conditions. The grant from DJAG ceased from September 2015. As a consequence, no liability has been recognised for any unspent grant.

Queensland Law Foundation (QLF) provided non-reciprocal funding. Terms of the funding are $53k to be used towards webinars and a series of regional professional development events, and $26k towards provision of Law Care services for all members. At 30 June 2016, $nil funding remains unspent. Consequently, no liability has been recognised for any unspent funding to be returned to QLF at reporting date.

Law Claims Levy Fund (LCLF) is reimbursing costs incurred by the Society for execution of the Risk Project. This includes consultants to produce disaster guide and practice support resources for the outreach program and other direct development costs for the design of the outreach and referral programs.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

8. Investments

a. Investment income

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Distributions from investments	5,206,792	5,309,505	-	-
Interest income	1,124,022	1,653,887	686,123	707,265
	6,330,814	**6,963,392**	**686,123**	**707,265**

b. Movement in investments

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Investment in listed funds				
Opening balance	159,312,343	140,667,755	-	-
Additions	5,405,458	22,700,000	-	-
Additions via reinvestment	5,400,485	4,943,482	-	-
Disposals proceeds	(3,255,458)	(10,350,000)	-	-
Gain/(loss) on disposal	718,454	2,111,017	-	-
Fair value movements	(5,319,101)	(759,911)	-	-
Closing balance	**162,262,181**	**159,312,343**	**-**	**-**

The portfolio of financial instruments held consists of investment in listed funds. The fair value of the financial instruments is determined using quoted market price of the listed funds.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

9. Administration expenses

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Office administration and insurance	1,004,176	946,797	733,509	746,398
Actuarial fees	139,423	75,301	-	-
Audit fees	177,786	175,824	82,004	81,000
Bad debts	(83,591)	(110,317)	10,384	-
Body corporate, electricity, rates & taxes	528,879	500,891	518,834	490,953
Captive managers fee	90,177	87,550	-	-
Catering, functions and entertainment	116,399	104,193	88,624	89,366
Regulatory audits and investigations	49,513	49,102	49,513	49,102
Directors fees	350,214	351,480	-	-
Bank fees and finance costs	61,600	163,930	130,559	130,960
Information technology and related costs	607,376	530,145	424,905	352,122
Investment management fees	209,458	148,419	-	-
Office rent	211,762	205,461	-	-
Presentations, donations and gifts	96,044	97,574	91,026	96,157
Professional and consulting fees	1,816,254	917,720	1,027,006	583,417
Repairs and maintenance	263,645	261,747	258,518	259,181
Staff costs	789,056	683,171	609,725	549,531
Travel and vehicle costs	362,149	389,388	138,891	148,990
Liability capping scheme	227,250	278,850	227,250	278,850
	7,017,570	**5,857,226**	**4,390,748**	**3,856,027**

Total audit fees paid to Queensland Audit Office for both the Society and its controlled entity relating to the 2015-16 financial year are estimated to be $92,900 (2015: $90,500). There are no non-audit services included in this amount.

PricewaterhouseCoopers Singapore performs audit and taxation services for Lexon while PricewaterhouseCoopers Brisbane provides taxation services to the group. Audit fees payable to PWC Singapore are estimated to be $77,782 (2015: $77,000). Taxation fees are disclosed in the professional and consulting fee line above and amount to $51,889 (2015: $36,261).

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

10. Accrued employee benefits

	Consolidated		Parent	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Annual Leave				
Annual leave – opening balance	619,640	576,030	503,816	469,535
Leave taken	(386,124)	(621,150)	(209,405)	(498,007)
Leave accrued	328,231	664,760	156,155	532,288
Annual leave – closing balance	**561,747**	**619,640**	**450,566**	**503,816**
Long service leave				
Provision for long service leave	934,140	874,834	707,952	688,474
Leave taken	(120,485)	(50,535)	(120,485)	(50,535)
Leave accrued	21,379	109,841	(25,318)	70,013
Long service leave – closing balance	**835,034**	**934,140**	**562,149**	**707,952**
Current Long Service Leave	630,910	580,432	432,130	506,556
Non-Current Long Service Leave	204,124	353,708	130,019	201,396
	835,034	**934,140**	**562,149**	**707,952**
Number of employees at year end	138	136	125	123
Number of full-time equivalent employees at year end	119	120	107	108

11. Council and committee costs

	Consolidated		Parent	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Travel and accommodation	49,103	37,008	49,103	37,008
Honorarium	381,659	377,290	381,659	377,290
Catering and functions	34,348	45,996	34,348	45,996
	465,110	**460,294**	**465,110**	**460,294**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

12. Provision for outstanding claims

Outstanding claims reserves comprise outstanding claims, including provisions for claims incurred but not reported and reserves for case claims.

a. Movement in outstanding claims are as follows:

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Opening provision for outstanding claims	75,584,528	81,867,500	-	-
Claims incurred	12,604,462	14,269,617	-	-
Claims paid during the year	(23,977,982)	(19,969,589)	-	-
Movement in claims handling provision	497,000	(583,000)	-	-
Closing provision for outstanding claims	**64,708,008**	**75,584,528**	**-**	**-**
Opening insurance contract liabilities ceded	(7,662,602)	(10,291,000)	-	-
Movement in reinsurance recoveries	481,056	604,621	-	-
Reinsurance receivables	3,574,953	2,023,777	-	-
Closing insurance contract liabilities ceded	**(3,606,593)**	**(7,662,602)**	**-**	**-**
Net outstanding claims	**61,101,415**	**67,921,926**	**-**	**-**
Law Claims Levy Fund	-	-		
Lexon Insurance Pte Ltd	61,101,415	67,921,926	-	-
Net claims outstanding	**61,101,415**	**67,921,926**	**-**	**-**
Current insurance contract liabilities ceded	(914,896)	(2,651,948)	-	-
Non-current contract liabilities ceded	(2,691,697)	(5,010,654)	-	-
	(3,606,593)	**(7,662,602)**	**-**	**-**
Current provision for outstanding claims	13,219,573	15,203,548	-	-
Non-current provision for outstanding claims	51,488,435	60,380,980	**-**	**-**
	64,708,008	**75,584,528**	-	-
Net outstanding claims	**61,101,415**	**67,921,926**	**-**	**-**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

12. Provision for outstanding claims (continued)

b. Maturity analysis:

2016	Less than 1 year	1 to 5 years	Over 5 years	Total
Gross central estimate	13,219,573	27,309,316	3,511,788	44,040,677
Reinsurance recoveries	(914,896)	(2,659,199)	(32,498)	(3,606,593)
Net central estimate	**12,304,677**	**24,650,117**	**3,479,290**	**40,434,084**
Risk margins				16,061,331
Claims handling				4,606,000
Net claims outstanding				**61,101,415**

2015	Less than 1 year	1 to 5 years	Over 5 years	Total
Gross central estimate	15,203,548	32,952,429	6,239,992	54,395,969
Reinsurance recoveries	(2,651,948)	(4,335,109)	(675,545)	(7,662,602)
Net central estimate	**12,551,600**	**28,617,320**	**5,564,447**	**46,733,367**
Risk margins				17,079,559
Claims handling				4,109,000
Net claims outstanding				**67,921,926**

c. Risk margin

The risk margin included in the net outstanding claims is 39.7% (2015: 36.5%) of the central estimate, with a probability of sufficiency of approximately 90% (2015: 90%).

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

12. Provision for outstanding claims (continued)

d. Claims incurred development

Current year claims relate to risks borne in the current reporting year. Prior year claims relate to a reassessment of the risks borne in all previous reporting years and include releases of risk margins as claims are paid.

	For the year ended 30 June 2016			For the year ended 30 June 2015		
	Current year	Prior years	Total	Current year	Prior years	Total
	$	$	$	$	$	$
Gross Claims incurred						
Undiscounted	15,839,353	(5,378,885)	10,460,468	16,409,335	(6,851,064)	9,558,271
Discount	(677,399)	2,271,758	1,594,359	(972,473)	2,335,137	1,362,664
	15,161,954	**(3,107,127)**	**12,054,827**	**15,436,862**	**(4,515,927)**	**10,920,935**
Reinsurance recoveries						
Undiscounted	-	746,443	746,443	-	1,072,905	1,072,905
Discount	-	(265,387)	(265,387)	-	(468,285)	(468,285)
	-	**481,056**	**481,056**	**-**	**604,620**	**604,620**
Net claims						
Undiscounted	15,839,353	(4,632,442)	11,206,911	16,409,335	(5,778,159)	10,631,176
Discount	(677,399)	2,006,371	1,328,972	(972,473)	1,866,852	894,379
	15,161,954	**(2,626,071)**	**12,535,883**	**15,436,862**	**(3,911,307)**	**11,525,555**
Risk Margins	5,890,111	(6,908,339)	(1,018,228)	5,542,860	(3,467,301)	2,075,559
Claims handling expenses	1,552,447	(1,055,447)	497,000	1,068,267	(1,651,267)	(583,000)
Net incurred Claims (Note 24)	**22,604,512**	**(10,589,857)**	**12,014,655**	**22,047,989**	**(9,029,875)**	**13,018,114**

The Law Claims Levy Fund has stop loss insurance that capped the fund's liability at $5,000,000 for payments made after 1 July 2001.

Lexon and the Law Claims Levy Fund has assessed the provisions for outstanding claims based upon an independent actuarial assessment as at 30 June 2016 by Mr. Andrew Cohen (FIAA) and Ms. Gae Robinson (FIAA), of Finity Consulting Pty Ltd. The key assumptions are detailed in Note 2.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

13. Receivables

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Accounts receivables	608,979	520,364	429,794	249,389
Reinsurance recoverable	350,590	772,277	-	-
Less: provision for doubtful debts	(137,234)	(237,659)	(77,734)	(84,184)
	822,335	**1,054,982**	**352,060**	**165,205**
Investment redemptions receivable	-	1,200,000	-	-
Prepaid expenses and other receivables	906,160	1,231,293	717,294	925,352
	1,728,495	**3,486,275**	**1,069,354**	**1,090,557**

14. Investment in controlled entities

In June 2001, Lexon was incorporated in Singapore as the captive insurer of the Society. The company was capitalised with $9,000,000 via surplus funds from the Society controlled Law Claims Levy Fund. A further $10,000,000 was issued in May 2009. The $19,000,000 share capital of the company is fully owned by the Society and the company is a controlled entity of the Society. Share capital is eliminated on consolidation.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

15. Property plant and equipment

Parent Entity

	Strata Title Building	Leasehold Improvements	Plant and Equipment	Computer Equipment	Software	Total
	$	$	$	$	$	$
2016						
Cost or valuation						
At the beginning of the year	20,870,557	1,384,097	4,135,054	281,886	1,238,123	**27,909,717**
Additions	-	68,211	183,495	182,997	-	**434,703**
Disposals	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	**-**
Revaluations/other	(4,070,557)	-	-	-	-	**(4,070,557)**
At the end of the year	**16,800,000**	**1,452,308**	**4,318,549**	**464,883**	**1,238,123**	**24,273,863**
Depreciation						
At the beginning of the year	(1,192,130)	(176,953)	(2,029,945)	(228,255)	(434,700)	**(4,061,983)**
Charge for the year	(603,733)	(34,601)	(280,232)	(31,631)	(140,904)	**(1,091,101)**
Revaluations/other	1,795,863	-	-	-	-	**1,795,863**
At the end of the year	**-**	**(211,554)**	**(2,310,177)**	**(259,886)**	**(575,604)**	**(3,357,221)**
Net book value at 30 June 2016	**16,800,000**	**1,240,754**	**2,008,372**	**204,997**	**662,519**	**20,916,642**
2015						
Cost or valuation						
At the beginning of the year	19,541,720	1,384,097	4,067,481	277,848	1,238,123	**26,509,269**
Additions	-	-	32,903	4,038	-	**36,941**
WIP	-	-	34,670	-	-	**34,670**
Disposals	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	**-**
Revaluations/other	1,328,837	-	-	-	-	**1,328,837**
At the end of the year	**20,870,557**	**1,384,097**	**4,135,054**	**281,886**	**1,238,123**	**27,909,717**
Depreciation						
At the beginning of the year	(546,085)	(142,350)	(1,746,363)	(185,389)	(293,796)	**(2,913,983)**
Charge for the year	(570,142)	(34,603)	(283,582)	(42,866)	(140,904)	**(1,072,097)**
Revaluations/other	(75,903)	-	-	-	-	**(75,903)**
At the end of the year	**(1,192,130)**	**(176,953)**	**(2,029,945)**	**(228,255)**	**(434,700)**	**(4,061,983)**
Net book value at 30 June 2015	**19,678,427**	**1,207,144**	**2,105,109**	**53,631**	**803,423**	**23,847,734**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

15. Property plant and equipment (continued)

Parent Entity (continued)

	Strata Title Building	Leasehold Improvements	Plant and Equipment	Computer Equipment	Software	Total
	$	$	$	$	$	$
Property, plant and equipment is stated as follows:						
30 June 2016						
At valuation	16,800,000	-	-	-	-	**16,800,000**
At cost	-	1,452,308	4,318,549	464,883	1,238,123	**7,473,863**
	16,800,000	**1,452,308**	**4,318,549**	**464,883**	**1,238,123**	**24,273,863**
Depreciation	-	(211,554)	(2,310,177)	(259,886)	(575,604)	**(3,357,221)**
	16,800,000	**1,240,754**	**2,008,372**	**204,997**	**662,519**	**20,916,642**
30 June 2015						
At valuation	20,870,557	-	-	-	-	**20,870,557**
At cost	-	1,384,097	4,135,054	281,886	1,238,123	**7,039,160**
	20,870,557	**1,384,097**	**4,135,054**	**281,886**	**1,238,123**	**27,909,717**
Depreciation	(1,192,130)	(176,953)	(2,029,945)	(228,255)	(434,700)	**(4,061,983)**
	19,678,427	**1,207,144**	**2,105,109**	**53,631**	**803,423**	**23,847,734**

Consolidated

	Strata Title Building	Leasehold Improvements	Plant and Equipment	Computer Equipment	Software	Total
	$	$	$	$	$	$
2016						
Cost or valuation						
At the beginning of the year	20,870,557	1,384,097	4,312,843	398,773	1,637,853	**28,604,123**
Additions	-	68,211	183,495	195,358	-	**447,064**
Disposals	-	-	-	-	-	**-**
Revaluations/other	(4,070,557)	-	-	-	-	**(4,070,557)**
At the end of the year	**16,800,000**	**1,452,308**	**4,496,338**	**594,131**	**1,637,853**	**24,980,630**
Depreciation						
At the beginning of the year	(1,192,130)	(176,953)	(2,193,796)	(371,426)	(697,286)	**(4,631,591)**
Charge for the year	(603,733)	(34,601)	(289,917)	(34,807)	(213,833)	**(1,176,891)**
Disposals	-	-	-	-	-	**-**
Revaluations/other	1,795,863	-	-	-	-	**1,795,863**
At the end of the year	**-**	**(211,554)**	**(2,483,713)**	**(406,233)**	**(911,119)**	**(4,012,619)**
Net book value at 30 June 2016	**16,800,000**	**1,240,754**	**2,012,625**	**187,898**	**726,734**	**20,968,011**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

15. Property plant and equipment (continued)

Consolidated (continued)

	Strata Title Building	Leasehold Improvements	Plant and Equipment	Computer Equipment	Software	Total
	$	$	$	$	$	$
2015						
Cost or valuation						
Cost or valuation						
At the beginning of the year	19,541,720	1,384,097	4,242,963	393,099	1,637,853	**27,199,732**
Additions	-	-	35,210	5,674	-	**40,884**
WIP	-	-	34,670	-	-	**34,670**
Revaluations/other	1,328,837	-	-	-	-	**1,328,837**
At the end of the year	**20,870,557**	**1,384,097**	**4,312,843**	**398,773**	**1,637,853**	**28,604,123**
Depreciation						
At the beginning of the year	(546,085)	(142,350)	(1,900,123)	(322,019)	(483,445)	**(3,394,022)**
Charge for the year	(570,142)	(34,603)	(293,673)	(49,407)	(213,841)	**(1,161,666)**
Revaluations/other	(75,903)	-	-	-	-	**(75,903)**
At the end of the year	**(1,192,130)**	**(176,953)**	**(2,193,796)**	**(371,426)**	**(697,286)**	**(4,631,591)**
Net book value at 30 June 2015	**19,678,427**	**1,207,144**	**2,119,047**	**27,347**	**940,567**	**23,972,532**

	Strata Title Building	Leasehold Improvements	Plant and Equipment	Computer Equipment	Software	Total
Property, plant and equipment is stated as follows:						
30 June 2016						
At valuation	16,800,000	-	-	-	-	**16,800,000**
At cost	-	1,452,308	4,496,338	594,131	1,637,853	**8,180,630**
	16,800,000	**1,452,308**	**4,496,338**	**594,131**	**1,637,853**	**24,980,630**
Depreciation	-	(211,554)	(2,483,713)	(406,233)	(911,119)	**(4,012,619)**
	16,800,000	**1,240,754**	**2,012,625**	**187,898**	**726,734**	**20,968,011**
30 June 2015						
At valuation	20,870,557	-	-	-	-	**20,870,557**
At cost	-	1,384,097	4,312,843	398,773	1,637,853	**7,733,566**
	20,870,557	**1,384,097**	**4,312,843**	**398,773**	**1,637,853**	**28,604,123**
Depreciation	(1,192,130)	(176,953)	(2,193,796)	(371,426)	(697,286)	**(4,631,591)**
	19,678,427	**1,207,144**	**2,119,047**	**27,347**	**940,567**	**23,972,532**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

15. Property plant and equipment (continued)

An independent valuation of the strata title building was carried out as at 30 June 2016 by Mr S Fox AAPI and was on the basis of the open market value of Law Society House in vacant possession with all units combined. Mr S Fox is a member of the Institute of Valuers of Australia, and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The Society is of the opinion that this valuation provides a reasonable estimate of recoverable amount. The resulting revaluation decrease of $2,274,694 (2015: increase of $1,252,934) is reflected as other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

Categorisation of fair values recognised as at 30 June 2016 (refer to note 1(n)) are as follows:

		Consolidated		Parent	
		2016	2015	2016	2015
		$	$	$	$
Fair value input	**Type**				
Level 1	None	-	-	-	-
Level 2	Strata title building	16,800,000	19,678,427	16,800,000	19,678,427
Level 3	None	-	-	-	-
		16,800,000	**19,678,427**	**16,800,000**	**19,678,427**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

16. Payables

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Creditors	1,091,446	1,222,421	621,835	317,096
Payable to LCLF and LPFGF	336,930	1,814,146	8,463,622	29,879,608
Reinsurance payable	736,587	-	-	-
Income in advance	35,558,858	39,314,938	11,904,703	11,295,630
Other payables and accruals	1,843,987	2,459,470	1,454,282	2,145,994
	39,567,808	**44,810,975**	**22,444,442**	**43,638,328**

Income in advance relates primarily to receipts for insurance, membership fees and practising certificates received prior to year end during the renewal period for the upcoming year

17. Commitments

a. Non-cancellable operating leases

The future minimum lease payable under non-cancellable operating leases contracted for at 30 June 2016 but not recognised a liabilities

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Within one year	153,422	210,788	-	1,377
One to five years	661,651	3,441	-	-
	815,073	**214,229**	**-**	**1,377**

The Group commitments include a lease for office premises. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Lexon has a bank guarantee for $87,813 (2015: $87,813) in favour of the lessor of 307 Queen Street, Brisbane, QLD, 4000 which can be drawn upon in event of a default in accordance with the rental agreement.

b. Capital expenditure commitments

Capital expenditure contracted for at 30 June 2016 but not provided for was $nil (2015: $nil).

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

18. Notes to the statement of cash flows

a. Cash and Cash Equivalent

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 Statement of Financial Position as follows:

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Cash at bank	5,229,832	2,879,446	1,723,615	725,372
Cash deposit accounts	50,491,107	58,508,938	29,109,867	55,285,373
Term deposit	5,000,000	5,000,000	5,000,000	-
Total cash and cash equivalents	**60,720,939**	**66,388,384**	**35,833,482**	**56,010,745**

b. Reconciliation of operating surplus to net cash provided by operating activities.

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Operating Surplus after income tax	**4,684,533**	**15,542,910**	**538,075**	**540,987**
Adjustments for:				
Investment Income	(773,542)	(6,731,857)	-	-
Add/(less) non-cash items:				
Depreciation & amortisation	1,176,891	1,161,666	1,091,101	1,072,097
Change in assets and liabilities:				
(Increase)/decrease in assets:				
Receivables	531,484	178,060	21,203	5,795
Increase/(decrease) in liabilities:				
Payables	(5,979,754)	2,383,301	(21,193,886)	31,921,987
Accrued employee benefits	(156,999)	102,917	(199,053)	53,759
Provision for outstanding claims	(1,954,540)	(3,654,575)	-	-
Tax related balances	(1,798,454)	3,896,306	-	-
Net cash generated from operating activities	**(4,270,381)**	**12,878,728**	**(19,742,560)**	**33,594,625**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

19. Related party transactions

a. The following significant transactions took place between the Consolidated Group and related parties during the financial period on commercial terms agreed by the parties concerned.

	2016 $	2015 $
Management fees paid by Lexon to parent entity	249,984	240,370
Management fees paid by LCLF to parent entity	30,453	42,315
Gross premiums paid by Law Claims Levy Fund to Lexon	27,000,000	27,000,000
Grant paid by LCLF to parent entity	140,450	-
Professional fees paid to a firm of which a director of Lexon is a member:		
Legal fees in the provision of claim defence costs:		
-Coyne & Associates	166,309	787,449
-McInnes Wilson	558,003	728,937
Other non claim professional advice provided:		
-McInnes Wilson	3,000	6,000
-K&L Gates	4,046	-
Management fees paid to a firm which a director is a member:		
-AON Insurance Managers (Singapore) Pte Ltd	90,177	87,550
Consulting fees paid to Lexon Legal, a firm of which a QLS Councillor is a member:		
-Consulting fee	309,509	-
-Consulting fee – staff cost reimbursement	33,635	-
-Consulting fee – contribution to office costs	49,672	-
License and implementation costs paid in relation to insurance IT systems to a firm of which a director is a member:		
-AON Risk Services Australia Limited	-	26,668
Key management personnel compensation Lexon:		
Directors fees (see below)	399,192	403,836
Other officers		
-salaries and other short term employee benefits	1,065,703	926,229
-employer's contribution to defined contribution plans	77,801	67,498

Lexon chairman's fee was $89,700 (2015: $89,700), the AON captive manager representative received $nil directors fees and all other directors received $52,356 per annum (pro-rated where applicable) (2015: $52,356). The directors' fees in relation to the CEO of QLS (Noela L'Estrange and then Amelia Hodge) were paid to QLS.

Lexon currently has a mandate to provide Professional Indemnity Insurance to Queensland Solicitors via a Master Policy with the Queensland Law Society Inc. The current mandate has an expiry date of 30 June 2017. Prior to expiry, negotiations will be held to renew the mandate for a further term. At present there are no indications that a further mandate renewal will not take place.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

19. Related party transactions (continued)

b. Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Society during 2015-16. Further information on these positions can be found in the body of the Annual Report.

Responsibility: The role of the President is to lead the Council in setting the corporate direction and goals and monitoring the performance of the Society. Each 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.

Position	Person	Start of Term	End of term
President	**Michael Fitzgerald**	1/1/2015	31/12/2015
	William Potts	1/1/2016	Current
Deputy President	**Christine Smyth**	1/1/2016	Current
Vice President	**Deborah Awyzio**	1/1/2014	31/12/2015
	Kara Cook	1/1/2016	Current

The roles of President, Deputy President and Vice President are supported by the elected Council members.

Responsibility: The Chief Executive Officer is responsible for the day to day operations of the Society and is charged with implementing and managing best practice standards and processes in risk management, compliance and governance of the Society. The Chief Executive Officer is accountable to the governing body of elected Council members.

Position	Person	Start of Term	End of term
Chief Executive Officer	**Noela L'Estrange**	11/5/2009	30/6/2015
	Amelia Hodge	20/7/2015	Current

Remuneration policy for the agency's key management personnel is set by the Council.

Remuneration packages for key management personnel comprise the following components:

- Short term employee benefits which include:
  - Base – consisting of base salary, allowances and leave entitlements paid and provided for in the entire year or for that part of the year during which the employee occupied the specific position. Amounts disclosed equal the amount expensed in the Statement of Profit or Loss and Other Comprehensive Income.
  - Non-monetary benefits – consisting of provision of car parking, kilometerage travel reimbursement and President rental apartment with fringe benefits tax applicable to the benefit.
  - Bonuses – performance payments recognised as an expense during the year.
- Long term employee benefits include long service leave accrued during the period.
- Post-employment benefits include superannuation contributions.
- No redundancy payments were made during the year requiring disclosure.
- Other than disclosed below, Council members do not receive any remuneration.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

19. Related party transactions (continued)

b. Key management personnel (continued)

1 July 2015 – 30 June 2016

	Short-term employee benefits				
Position (dates if applicable)	**Base**	**Non-monetary benefits**	**Bonuses**	**Post-employment benefits**	**Total remuneration**
President (1 July 2015 - 31 December 2015)	131,033	1,284	-	12,448	**144,765**
President (1 January 2016 - 30 June 2016)	131,033	9,005	-	12,448	**152,486**
Deputy President (1 January 2016 - 30 June 2016)	43,240	3,052	-	4,108	**50,400**
Vice President (1 July 2015 – 31 December 2015)	47,348	-	-	-	**47,348**
Chief Executive Officer	264,423	7,032	-	25,120	**296,575**

1 July 2014 – 30 June 2015

	Short-term employee benefits				
Position (dates if applicable)	**Base**	**Non-monetary benefits**	**Bonuses**	**Post-employment benefits**	**Total remuneration**
President (1 July 2014 - 31 December 2014)	127,712	-	-	12,133	**139,845**
President (1 January 2015 - 30 June 2015)	131,033	-	-	16,492	**147,525**
Deputy President (1 July 2014 - 31 December 2014)	42,571	-	-	3,938	**46,509**
Deputy President (1 January 2015 - 30 June 2015)	47,348	-	-	-	**47,348**
Chief Executive Officer	268,332	7,734	13,250	26,703	**316,019**

20. Contingent liabilities and events occurring after balance date

There are no known contingent liabilities as at 30 June 2016. There are no events subsequent to reporting date requiring disclosure in the financial report.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

21. Income tax expense

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Tax expense attributable to profit is made up of:				
Current income tax	3,902,970	3,295,247	-	-
Deferred income tax (Note 23)	(2,607,399)	697,179	-	-
	1,295,571	3,992,426	-	-
(Over)/under provision in preceding financial years	-	-	-	-
Deferred income tax (Note 23)	-	123,443	-	-
	1,295,571	**4,115,869**	**-**	**-**

Lexon has dual tax residency in Australia and Singapore. In relation to offshore insurance business, the Company has been granted tax exempt status for a period of 10 years from April 2010 under the tax exemption scheme for captive insurers by the Monetary Authority of Singapore.

The tax expense on results differs from the amount that would arise using the standard tax rate due to the following:

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Profit before tax	5,980,106	19,658,779	538,075	540,987
Tax calculated at a tax rate of 30% (2015: 30%)	1,794,032	5,897,634	161,423	162,296
Effects of:				
Income not subject to tax	(270,327)	(1,512,667)	(161,423)	(162,296)
Franking credits available	(228,134)	(269,098)	-	-
	1,295,571	**4,115,869**	**-**	**-**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

22. Current income tax liability

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Income tax at the beginning of the financial year	3,000,765	(74,919)	-	-
Income tax refunded/(paid)	(3,094,024)	(219,563)	-	-
Current year income tax	3,902,970	3,295,247	-	-
Income tax at the end of the financial year	**3,809,711**	**3,000,765**	**-**	**-**

23. Deferred income tax balances

The movement in the deferred income tax accounts are as follows:

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Net deferred tax asset at beginning of the financial year	99,880	920,502	-	-
Current year tax charge/(saving) to profit or loss	2,607,399	(697,179)	-	-
Under provision in preceding financial years	-	(123,443)	-	-
Net deferred tax asset at the end of the financial year	**2,707,279**	**99,880**	**-**	**-**

The balance comprises temporary differences attributable to:

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Deferred tax assets				
Balance at beginning of the financial year	1,432,628	2,546,327	-	-
Charge to profit or loss:				
– Claims handling provision	149,100	(174,900)	-	-
– Other timing differences	20,364	33,963	-	-
– Income losses utilised	-	(939,667)	-	-
– Unearned premium deficiency	1,459,791	-	-	-
– Allowance for impairment of receivables	(28,193)	(33,095)	-	-
	3,033,690	**1,432,628**	**-**	**-**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

23. Deferred income tax balances (continued)

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Deferred tax liabilities				
Balance at beginning of the financial year	(1,332,748)	(1,625,825)	-	-
Charge to income statement:				
– Unrealised investment movements	1,094,990	588,210	-	-
– Tax-free distribution on investments	(88,653)	(295,133)	-	-
	(326,411)	(1,332,748)	-	-
Net deferred tax asset at end of the financial year	**2,707,279**	**99,880**	**-**	**-**

24. Insurance disclosure

Contribution to profit from insurance activities

	Consolidated		Parent	
	2016	2015	2016	2015
	$	$	$	$
Insurance levies	28,950,801	31,357,853	-	-
Unearned premium reserve	(4,865,970)	-	-	-
Reinsurance costs	(639,576)	(767,927)	-	-
Net premium revenue	23,445,255	30,589,926	-	-
Claims expense	(13,101,462)	(13,686,617)	-	-
Reinsurance and other recoveries	1,086,807	668,503	-	-
Net claims incurred (note 12d)	(12,014,655)	(13,018,114)	-	-
Stamp duty	(1,362,072)	(1,361,972)	-	-
Underwriting expenses	(5,383,897)	(4,580,362)	-	-
Underwriting result	**4,684,631**	**11,629,478**	**-**	**-**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

25. Unearned risk and premium reserves

a. Unearned risk and premium reserves

	2016 $	2015 $
Opening unearned premiums	28,019,308	55,019,308
Unearned movement during the year	(4,365,153)	(27,000,000)
Closing unearned premiums	**23,654,155**	**28,019,308**
Opening unearned premium reserves	-	-
Movement in unearned premium reserves	4,865,970	-
Closing unexpired risk liability	**4,865,970**	**-**
To be earned within 12 months	28,520,125	28,019,308
To be earned in greater than 12 months	-	-
Total unearned premiums	**28,520,125**	**28,019,308**

Premiums have been recognised in accordance with the attachment of risk. As such, the premiums relating to the next financial year are recorded as unearned.

b. Net premium liabilities

	2016 $	2015 $
Unearned premium	23,654,155	28,019,308
Unearned premium reserves	4,865,970	-
Total unearned premium	28,520,125	28,019,308
Reinsurers’ share of unearned premium reserves	(736,587)	-
Net unearned premiums	**27,783,538**	**28,019,308**

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

25. Unearned risk and premium reserves (continued)

c. Expected present value of future cash flows for future claims including risk margin

	2016 $	2015 $
Undiscounted central estimate	20,968,380	22,206,000
Discount to present value	(1,193,131)	(1,957,000)
Discounted central estimate	**19,775,249**	**20,249,000**
Reinsurance and other costs	2,437,621	1,019,308
Claims handling costs	1,780,034	1,316,000
Risk margin	4,527,221	4,489,000
Expected present value of future cash flows for future claims including risk margin	**28,520,125**	**27,073,308**
Discounted premiums	**23,654,155**	**28,019,308**
Deficiency/(surplus)	**4,865,970**	**(946,000)**

d. Liability adequacy test

The probability of adequacy of the unearned premium reserves differs from the probability of adequacy on the outstanding claims provision. The reason for the difference is that the former is a benchmark used only to test the sufficiency of the net unearned premium liability whereas the latter is a measure of the adequacy of the outstanding claims provision actually carried.

Accounting standards require the inclusion of a risk margin in insurance liabilities, but do not prescribe a minimum level of margin. Whilst there are established practices in the calculation of the probability of adequacy of the outstanding claims provision, no such guidance exists in relation to the level of risk margin to be used in determining the adequacy of net premium liabilities. The Company has adopted a risk margin of 20% to produce a 75% level of sufficiency on a net basis. This is the minimum level recognised in Australia as an industry benchmark for liability adequacy tests, in accordance with the Australian Prudential Regulatory Authority (APRA).

The application of the liability adequacy test in respect of the net unearned premium liabilities identified a deficiency at 30 June 2016 while in surplus at 30 June 2015.

Queensland Law Society Incorporated

Notes to and forming part of the financial statements for the year ended 30 June 2016

25. Unearned risk and premium reserves (continued)

e. Maturity analysis

2016	Less than 1 year	1 to 5 years	Over 5 years	Total
Unearned premium reserve	-	-	-	-
Unexpired risk reserve				
Gross central estimate	2,191,816	16,068,056	3,445,095	21,704,967
Reinsurance recoveries	(736,587)	-	-	(736,587)
Net central estimate	1,455,229	16,068,056	3,445,095	20,968,380
Discount				(1,193,131)
Risk margins				4,527,221
Duty and other costs				1,701,034
Claims handling				1,780,034
Net claims outstanding				**27,783,538**

2015	Less than 1 year	1 to 5 years	Over 5 years	Total
Unearned premium reserve	27,000,000	-	-	27,000,000
Unexpired risk reserve				
Gross central estimate	-	-	-	-
Reinsurance recoveries	-	-	-	-
Net central estimate	27,000,000	-	-	27,000,000
Discount				-
Risk margins				-
Claims handling				-
Net claims outstanding				**27,000,000**

Queensland Law Society Incorporated and Its Controlled Entities

Management Certificate for the year ended 30 June 2016

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with Section 62(1)(b) of the Act we certify that in our opinion:

a. the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and

b. the financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Law Society Incorporated and its controlled entities for the financial year ended 30 June 2016 and of the financial position of the Society as at the end that year; and

c. these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

President
William Potts

29/08/2016

Chief Executive Officer
Amelia Hodge

29/8/16

Independent Auditor's Report

To the Council of Queensland Law Society Incorporated

Report on the Financial Report

I have audited the accompanying financial report of Queensland Law Society Incorporated, which comprises the statements of financial position as at 30 June 2016, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and certificates given by the President and Chief Executive Officer of the entity and the consolidated entity comprising Queensland Law Society Incorporated and the entities it controlled at the year's end or from time to time during the financial year.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Independent Auditor's Report

To the Council of Queensland Law Society Incorporated

Opinion

In accordance with s40 of the *Auditor-General Act 2009* –

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

(b) in my opinion –

(i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects;

(ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of Queensland Law Society Incorporated and the consolidated entity for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters – electronic presentation of the audited financial report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

R W Hodson CPA

as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

QUEENSLAND
30 AUG 2016
AUDIT OFFICE