Financial statements

Queensland Law Society Incorporated

Contents

*All amounts are denoted in Australian currency.

Statement of comprehensive income for the year ended 30 June 2012

		Consolidated		Parent entity	
	NOTE	2012	2011	2012	2011
		$	$	$	$
Revenue					
Membership and practitioner fees	6	8,746,933	8,103,292	8,746,933	8,103,292
Department of Justice and Attorney-General grants	1e	1,408,427	1,736,313	1,408,427	1,736,313
Rent and administration revenue	7	716,311	845,426	1,096,171	1,225,216
Membership services and events	8	4,020,206	4,144,113	4,020,206	4,144,113
Commissions and funding	1e	373,914	396,376	373,914	396,376
Insurance premiums, levies and deductibles		27,914,432	29,077,206	-	-
Investment income	5(a)	7,131,327	9,093,482	807,451	642,933
Realised gains (losses) on financial assets	5(b)	(1,156,024)	49,349	-	-
– fair value through profit or loss					
Fair value gains on financial assets	5(b)	5,053	(540,999)	-	-
– fair value through profit or loss					
Other income		130,208	105,814	130,208	105,814
Total revenue		**49,290,787**	**53,010,372**	**16,583,310**	**16,354,057**
Expenses					
Membership services and events	8	2,301,857	2,214,882	2,301,857	2,214,882
Administration expenses	9	5,555,197	5,254,373	3,248,421	3,139,005
Employee benefit expense		10,053,865	9,576,238	8,069,745	7,663,604
Council and committee costs	10	367,671	383,366	367,671	383,366
Depreciation	14	1,011,831	938,229	939,395	917,537
Law council capitation fees		934,445	877,493	934,445	877,493
Reinsurance costs		3,520,723	3,086,789	-	-
Stamp duty		1,307,536	1,250,000	-	-
Insurance claims		20,555,167	22,525,326	-	-
Insurance recoveries		2,697,835	(2,953,727)	-	-
Claims handling expense		(139,000)	(303,000)	-	-
Brokerage fees		160,000	160,000	-	-
Total expenses		**48,327,127**	**43,009,969**	**15,861,534**	**15,195,887**
Operating surplus before income tax		**963,660**	**10,000,403**	**721,776**	**1,158,170**
Income tax expense (credit)	21	(639,196)	886,718	-	-
Operating surplus after income tax		**1,602,856**	**9,113,685**	**721,776**	**1,158,170**
Other comprehensive income, net of tax	15	399,864	(105,756)	399,864	(105,756)
Total comprehensive income		**2,002,720**	**9,007,929**	**1,121,640**	**1,052,414**

The accompanying notes form part of these statements.

Statement of financial position as at 30 June 2012

	NOTE	Consolidated 2012 $	Consolidated 2011 $	Parent entity 2012 $	Parent entity 2011 $
Current assets					
Cash and cash equivalents	20(a)	59,655,211	45,364,288	20,442,838	16,630,621
Receivables	12	5,154,169	4,240,308	1,256,174	1,162,529
Income tax recoverable	22	34,179	-	-	-
Insurance contract liabilities ceded	11	2,988,000	4,326,000	-	-
Total current assets		**67,831,559**	**53,930,596**	**21,699,012**	**17,793,150**
Non-current assets					
Investment in Lexon Insurance Pte Ltd	4	-	-	19,000,000	19,000,000
Financial assets, fair value through profit or loss	5(b)	110,749,948	107,369,886	-	-
Property, plant and equipment	14	26,761,939	26,093,846	26,384,108	26,035,811
Deferred income tax asset	23	5,128,211	5,352,333	-	-
Insurance contract liabilities ceded	11	5,931,000	13,387,000	-	-
Total non-current assets		**148,571,098**	**152,203,065**	**45,384,108**	**45,035,811**
TOTAL ASSETS		**216,402,657**	**206,133,661**	**67,083,120**	**62,828,961**
Current liabilities					
Payables	13	42,639,121	34,247,480	15,022,718	11,932,338
Income tax payable	22	-	662,218	-	-
Accrued employee benefits	16	670,938	704,055	559,499	581,686
Provision for outstanding claims	11	17,548,000	19,050,000	-	-
Total current liabilities		**60,858,059**	**54,663,753**	**15,582,217**	**12,514,024**
Non-current liabilities					
Provisions	16	813,382	708,826	728,123	663,796
Deferred income tax liability	23	-	139,312	-	-
Provision for outstanding claims	11	57,694,727	55,588,000	-	-
Total non-current liabilities		**58,508,109**	**56,436,138**	**728,123**	**663,796**
TOTAL LIABILITIES		**119,366,168**	**111,099,891**	**16,310,340**	**13,177,820**
NET ASSETS		**97,036,489**	**95,033,770**	**50,772,780**	**49,651,141**
EQUITY					
Retained surplus	15	81,156,966	79,554,111	34,893,257	34,171,482
Revaluation surplus	15	15,879,523	15,479,659	15,879,523	15,479,659
TOTAL EQUITY		**97,036,489**	**95,033,770**	**50,772,780**	**49,651,141**

The accompanying notes form part of these statements.

Statement of changes in equity for the year ended 30 June 2012

Parent entity	NOTE	Revaluation surplus	Retained surplus	TOTAL
		$	$	$
Opening balance – 1 July 2010		15,585,415	33,013,313	48,598,728
Operating surplus for the period		-	1,158,170	1,158,170
Other comprehensive income		(105,756)	-	(105,756)
Closing balance – 30 June 2011	15	15,479,659	34,171,483	49,651,142
Operating surplus for the period		-	721,776	721,776
Other comprehensive income		399,864	-	399,864
Closing balance – 30 June 2012	15	**15,879,523**	**34,893,257**	**50,772,782**

Consolidated	NOTE	Asset revaluation reserve	Retained surplus	TOTAL
		$	$	$
Opening balance – 1 July 2010		15,585,415	70,440,426	86,025,841
Operating surplus for the period		-	9,113,685	9,113,685
Other comprehensive income		(105,756)	-	(105,756)
Closing balance – 30 June 2011	15	15,479,659	79,554,111	95,033,770
Operating surplus for the period		-	1,602,856	1,602,856
Other comprehensive income		399,864	-	399,864
Closing balance – 30 June 2012	15	**15,879,523**	**81,156,967**	**97,036,490**

The accompanying notes form part of these statements.

Statement of cash flows for the year ended 30 June 2012

	NOTE	Consolidated 2012 $	Consolidated 2011 $	Parent entity 2012 $	Parent entity 2011 $
Cash flows from operating activities					
Receipts from the profession		53,006,366	43,262,711	16,878,360	14,696,394
Receipts from Department of Justice		2,602,231	2,584,153	2,602,231	2,584,153
Payments to suppliers and employees		(21,412,511)	(21,172,118)	(15,492,773)	(15,319,071)
Receipts collected for Society entities		-	-	33,058,868	29,073,106
Payments to Society entities		-	-	(29,679,730)	(26,003,206)
Receipts collected for Legal Practitioners' Fidelity Guarantee Fund		3,441,104	2,822,575	3,441,104	2,822,575
Payments to Legal Practitioners' Fidelity Guarantee Fund		(3,441,104)	(2,822,575)	(3,441,104)	(2,822,575)
Reinsurance recoveries		85,532	355,107	-	-
Reinsurance payments		(3,520,723)	(3,086,789)	-	-
Claims and claims related payments		(17,604,287)	(21,321,157)	-	-
Interest received		1,903,043	1,524,674	822,368	629,799
GST refunded from ATO		1,740,705	1,409,049	711,204	682,628
GST paid to ATO		(4,200,482)	(3,755,400)	(4,200,482)	(3,755,400)
Income tax refund/(paid)	22	27,231	(838,731)	-	-
Net cash provided by/(used in) operating activities	**20(c)**	**12,627,105**	**(1,038,501)**	**4,700,046**	**2,588,403**
Cash flows from investing activities					
Net term deposits		(15,500,000)	(6,550,000)	(3,000,000)	(6,550,000)
Purchase of investments		(5,010,495)	(5,340,650)	-	-
Proceeds from investment redemptions		7,954,374	5,805,130	-	-
Payments for property, plant and equipment	14	(1,280,060)	(626,734)	(887,828)	(578,111)
Net cash provided by/(used in) investing activities		**(13,836,181)**	**(6,712,254)**	**(3,887,828)**	**(7,128,111)**
Net increase/(decrease) in cash held		**(1,209,077)**	**(7,750,755)**	**812,217**	**(4,539,708)**
Cash at the beginning of the period	**20(a)**	**36,814,288**	**44,565,043**	**10,080,621**	**14,620,329**
Cash at the end of the period	**20(a)**	**35,605,211**	**36,814,288**	**10,892,838**	**10,080,621**

The accompanying notes form part of these statements.

Notes to and forming part of the financial statements for the year ended 30 June 2012

Objectives and principal activities

The Queensland Law Society Incorporated (the Society) is the professional association for solicitors in Queensland and continues in existence under the *Legal Profession Act 2007* (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.

These accounts include the Society, other funds and subsidiaries and when combined are referred to as 'the Group'.

The Group is responsible for issuing practicing certificates, providing continuing legal education, investigating complaints of unsatisfactory professional conduct against solicitors, administering funds under the control of the Group, providing services and support to members and the general public and providing general insurance and services as licensed under the *Singapore Insurance Act*. Major sources of income for the Society include annual fees paid by its members, contributions from the Department of Justice and Attorney-General, continuing legal education to the profession, investment income and insurance premiums.

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.*

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and interpretations. In addition, the financial statements comply with the Treasurer's Minimum Reporting Requirements for the year ended 30 June 2012 and other authoritative pronouncements.

Except where stated, the historical cost convention is used.

b. The reporting entity

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

The Society controlled the following entities at reporting date:

- Law Claims Levy Fund (This Fund was wholly controlled for the whole period).
- Lexon Insurance Pte Ltd (formerly QLS Insurance Pte Ltd). This Company was established on 23 June 2001 in Singapore and is 100% owned by the Society. This Company was wholly controlled for the whole period.

c. Principles of consolidation

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

Notes to and forming part of the financial statements for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

d. Taxation

Income tax is recognised on consolidation.

The Queensland Law Society Inc (parent entity) 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 Tax 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 Performance. 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 Insurance Pte Ltd (formerly QLS Insurance Pte Ltd) 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 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 Performance date, and are recognised as income or expenses in the Statement of Comprehensive Income, except to the extent that the tax arises from a transaction which is recognised directly in equity.

e. Revenue recognition

i. Premium income

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. Interest income

Interest income is accrued on a time-proportion basis using the effective interest method.

iii. Distribution on assets

Income from distribution on assets is recognised when declared by fund managers.

iv. Other income

Revenues are recognised at fair value of the consideration received net of any amount of GST payable to the ATO. Practitioner fees are recognised when payment is received. Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges. Premium revenue is recognised in the financial statements at the commencement of the risk period covered by the policies.

Notes to and forming part of the financial statements for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

e. Revenue recognition (continued)

v. Commissions 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.

The Society receives grants from the Department of Justice and Attorney-General through the Legal Practitioners Interest on Trust Account Fund. These funds are used for regulatory functions only and any funds not spent during the year are included as a payable in Note 13.

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. The gross amounts recovered are disclosed as income. Expenses incurred on behalf of the Fund form part of the administration expenses incurred by the Society.

vii. 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.

f. Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are taken to the Statement of 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.

g. Cash and cash equivalents

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

h. 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 the 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.

Notes to and forming part of the financial statements for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

i. Financial assets

The Group classifies its financial assets at 'fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification at initial recognition and re-evaluates this designation at every reporting date.

i. Receivables

Receivables include trade and other receivables in the Statement of Financial Performance.

These financial assets are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets.

The Group assesses at each reporting date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Allowance for impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

ii. Financial assets, fair value through profit or loss

Financial assets designated as 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.

j. 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.

The Society has followed the Queensland Treasury guidelines in relation to intangible assets and software purchases less than $100,000.

ii. Depreciation

All assets including strata title buildings have limited useful lives and are depreciated using the straight line method over their estimated useful lives, taking into account estimated residual values.

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

Asset class	2012	2011
Strata title building	2.5%	2.5%
Plant and equipment	4% – 33%	4% – 33%
Computer equipment	33% – 100%	33% – 100%

Notes to and forming part of the financial statements for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

j. Property, plant and equipment (continued)

iii. Impairment of non-financial assets

Plant and equipment are reviewed for impairment annually or 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 asset's 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 asset 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 and is independently revalued every five years to ensure the carrying amount does not materially differ from the fair value at reporting date. In between independent valuations, the Society uses 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 and any excess is recognised as an expense.

k. 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.

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.

iii. Liability adequacy test

At reporting date, liability adequacy test is 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 general insurance revenue account by establishing a provision for losses arising from liability adequacy tests.

l. 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.

m. 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.

Notes to and forming part of the financial statements for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

n. Employee benefits

i. Annual leave

Current annual leave entitlements represent present obligations resulting from services provided by employees up to the balance date, calculated at undiscounted amounts based on remuneration rates that the entity expects to pay as at the reporting date including related on-costs such as employer superannuation contributions, workers compensation insurance and payroll tax.

ii. Sick leave

Prior history indicates that on average, sick leave taken in each reporting period is less than the entitlement accrued. This is expected to recur in future periods and therefore it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

iii. Long service leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in remuneration rates including related on-costs and is based on experience of employee departure per year of service. Long service leave expected to be paid in the next 12 months is recorded as a current liability in the Statement of Financial Position. Long service leave expected to be paid later than one year is recorded as a non-current liability and is discounted using the Commonwealth Bond rate at the reporting date which most closely matches the terms of maturity of the related liabilities.

iv. Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with the section 5 Addendum (issued in May 2011) to the *Financial Reporting Requirements (FRR) for Queensland Government Agencies* issued by Queensland Treasury. Refer to Note 18 (b) for the disclosures on key executive management personnel and 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.

o. 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 Comprehensive Income.

Notes to and forming part of the financial statements for the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

p. *Legal Profession Act 2007*

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.

q. Issuance of financial statements

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

r. New and revised accounting standards

The Group did not voluntarily change any of its accounting policies during 2011-12. Australian Accounting Standard changes applicable for the first time for 2011-12 have had minimal effect on the Group's financial statements, as explained below.

AASB 2010-4 Further *A*mendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] became effective from reporting periods beginning on or after 1 January 2011.

AASB 1054 Australian Additional Disclosures became effective from reporting periods beginning on or after 1 July 2011. Given the Group's previous disclosure practices, AASB 1054 had minimal impact on the Group. One of the footnotes to Note 9 Administration Expenses, regarding audit fees, has been slightly amended to identify the Group's auditor and clarify the nature of the work performed by the auditor.

The Group is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from the Treasury Department. Consequently, the Group has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. The Group applies standards and interpretations in accordance with their respective commencement dates.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 127 (revised) Separate Financial Statements
- AASB 128 (revised) Investments in Associates and Joint Ventures
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17].

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the IASB's principles should be applied by not-for-profit entities. Hence, the Group is not yet in a position to reliably determine the future implications of these new and revised standards for the department's financial statements.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the Group's activities, or have no material impact on the Group.

Notes to and forming part of the financial statements for the year ended 30 June 2012

2. Critical accounting estimates and judgments

Estimates and judgments 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.

Management discussed with the directors the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Certain critical accounting judgments 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 recoverables 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 accident cases, which one 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 year	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8
Development factor	26%	12%	9%	6.8%	4.8%	3.7%	3.0%

- The average cost per solicitor (used in the BF method) adopted is A$4,100.
- We have assumed reinsurance recoveries will be fully recoverable on a prompt basis.
- We have applied the zero-coupon yield for Commonwealth Government bonds to the expected future cashflows. This has resulted in a uniform discount rate of 2.61% per annum.
- We have assumed future inflation will be the same as past inflation, to the extent that it has been captured by the claims development data.
- We have used market benchmarks to include an allowance for claims handling expenses ('CHE').

Notes to and forming part of the financial statements for the year ended 30 June 2012

2. Critical accounting estimates and judgments (continued)

Critical accounting estimates and assumptions (continued)

- While we have calculated a central estimate, we have applied a risk margin at a 90% level of sufficiency to gain comfort with the adequacy of reserves.
- 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, we have assumed minimal development post the end of the year.

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 much less sensitive due to the aggregate limits that apply which reduce the net exposure.

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

- Reserve underestimation: The gross undiscounted unused exposure for all years totals A$19.1 million. A 10% reserve under estimation results in an additional gross undiscounted reserve of A$6.7 million and net discounted reserve (after risk margins) of A$4.3 million or 6.4% of the discounted net central estimate plus risk margins.
- Reserve overestimation: If our estimated reserves on all years improved by 10% then it would result in a decrease in gross undiscounted reserve of A$6.7 million and the total net provision (after risk margins) would decrease by A$1.9 million or 2.8% of the discounted net central estimate plus risk margins.
- Discount rate: A half a percentage point increase in discount rate (from 2.61% to 3.11%) would reduce our provision by A$0.8 million or 1.2% 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 A$0.7m or 1.1% of the discounted net central estimate plus risk margins.

3. Management of insurance and financial risk

Lexon Insurance Pte Ltd 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.

Notes to and forming part of the financial statements for the year ended 30 June 2012

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

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 creates 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
- stabilise solvency.

To achieve these 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 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 Lexon Insurance Pte Ltd main product – professional indemnity liability and the ways in which it manages the associated risks.

i. Product features

Lexon Insurance Pte Ltd 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 accident 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.

Notes to and forming part of the financial statements for the year ended 30 June 2012

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 claims bring in excess of those expected.

Claims development history

In A$	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Underwriting year	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	**Total**
Gross							
Estimate of ultimate claims							
Costs:							
– at end of reporting year	22,378	21,278	27,820	21,695	25,310	18,688	
– one year later	23,028	16,045	32,056	15,572	24,476		
– two years later	21,684	13,811	31,274	16,675			
– three years later	18,766	15,722	28,895				
– four years later	18,261	16,012					
– five years later	17,804						
Cumulative payments to date	(14,844)	(9,506)	(22,676)	(5,500)	(6,071)	(753)	
Estimate of claims reserve	2,960	6,506	6,219	11,175	18,405	17,935	**63,200**
Effect of discounting	(156)	(358)	(343)	(652)	(1,199)	(1,392)	**(4,100)**
Best estimate of claims liability	2,804	6,148	5,876	10,523	17,206	16,543	**59,100**
Liability in respect of years prior to 2006/07							**3,258**
Risk margin							**9,262**
Provision for claims handling							**3,623**
Total outstanding claims included in the balance sheet							**75,243**

Notes to and forming part of the financial statements for the year ended 30 June 2012

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)

In A$	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Total
Net							
Estimate of ultimate claims							
Costs:							
– at end of reporting year	18,000	18,000	18,000	21,695	22,500	18,688	
– one year later	18,000	16,045	18,000	15,572	22,500		
– two years later	18,000	13,811	18,000	16,675			
– three years later	18,000	15,722	18,000				
– four years later	18,000	16,012					
– five years later	17,804						
Cumulative payments to date	(14,844)	(9,506)	(22,676)	(5,500)	(6,071)	(753)	
Estimate of claims reserve	2,960	6,506	-	11,175	16,429	17,935	55,005
Effect of discounting	(156)	(358)	-	(652)	(821)	(1,392)	(3,379)
Best estimate of claims liability	2,804	6,148	-	10,523	15,608	16,543	51,626
Liability in respect of years prior to 2006/07							1,812
Risk margin							9,263
Provisions for claims handling							3,623
Total outstanding claims included in the balance sheet							66,324

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.

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.

Notes to and forming part of the financial statements for the year ended 30 June 2012

3. Management of insurance and financial risk (continued)

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 and liquidity risk.

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 and units in unit trusts which hold some minor unhedged positions.

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

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

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

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.

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.

Interest rate sensitivity

The following interest rate sensitivity depicts the outcome to the profit or loss if the interest rates were to increase by 1% linearly from the year end yield curve applicable to the Group's financial assets and liabilities which are subject to interest movements. With all other variables held constant, the profit after tax for the year would have been lower by A$1,033,124 (2011: A$832,069). A linear decrease of interest rates by 1% would result in an increase of A$1,033,124 (2011: A$832,069).

Price sensitivity

The following price sensitivity depicts the outcome to the profit or loss if all investments moved an average of 5% from the year end values. With all other variables held constant, the Group would record an increase in profit after tax of A$1,148,164 (2011: A$1,199,811) for a 5% increase in market values and a decrease in profit after tax of A$1,148,164 (2011: A$1,199,811) for a 5% decrease in market values.

Notes to and forming part of the financial statements for the year ended 30 June 2012

3. Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

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. The Group holds units in two funds which are currently unable to pay redemptions as a result of the Global Financial Crisis (this is detailed below).

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

Trade debtors relate to excesses which are due in relation to claims.

Trade debtors include a balance of A$538,705 which are more than one month past due. There is a provision of A$361,441 on these outstanding balances.

While provisions have been raised for insurance excesses, the Queensland Law Society Indemnity Rules gives power to the Queensland Law Society Inc to take action against insureds where any balances are outstanding. These matters have been referred to Queensland Law Society for follow up.

Notes to and forming part of the financial statements for the year ended 30 June 2012

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) A$	Not rated A$	Total A$
At 30 June 2012			
Cash and cash equivalents	59,653,377	1,834	59,655,211
Insurance contract liabilities ceded	8,919,000	-	8,919,000
Trade and other receivables	3,200,298	1,953,871	5,154,169
Financial assets	-	110,749,948	110,749,948
	71,772,675	**112,705,653**	**184,478,328**
At 30 June 2011			
Cash and cash equivalents	45,362,454	1,834	45,364,288
Insurance contract liabilities ceded	17,713,000	-	17,713,000
Trade and other receivables	166,911	4,073,397	4,240,308
Financial assets	-	107,369,886	107,369,886
	63,242,365	**111,445,117**	**174,687,482**

Financial asset investments are placed with the following fund managers:

- Queensland Investment Corporation
- UBS Global Asset Management
- AMP Capital Investors
- BNP Paribas Investment Partners
- BlackRock Investment Management
- Russell Investments
- Tasman Asset Management (Tyndall)
- Platinum Investment Management
- Zurich Investment Management
- Denning Pryce
- Schroder Investment Management.

Notes to and forming part of the financial statements for the year ended 30 June 2012

3. Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

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.

As at balance sheet date, the Group's financial assets and financial liabilities are all current.

The Group holds units in two funds which have frozen redemptions as a result of the Global Financial Crisis. The fair value of the funds as at balance sheet date is $3,613,881 (2011: $4,037,262). These property funds and redemptions would require disposal of real property which may be to the detriment of remaining unit holders. These funds are accounted for at fair value. These funds are not required for liquidity purposes.

A maturity analysis of insurance liabilities is provided in Note 11.

e. Capital risk

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

Lexon Insurance 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 the balance sheet date, Lexon Insurance has met the funds solvency requirement for its Offshore Insurance Fund and the minimum capital adequacy requirement of SGD$400,000.

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

f. Fair value measurements

Assets measured at fair value are classified by level using the following fair value measurement hierarchy as at balance sheet date.

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2)

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

   All financial assets at fair value through profit or loss are categorised as Level 2.

4. Critical accounting estimates and judgments in applying accounting policies

In June 2001, Lexon Insurance Pte Ltd was incorporated in Singapore as the captive insurer of the Society. The company was capitalised with $9,000,000 via surplus funds from the Society-controlled Law Claims Levy Fund. 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.

Notes to and forming part of the financial statements for the year ended 30 June 2012

5. Investments

a. Investment income

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Distributions from financial assets, fair value through profit or loss (net of fees)	5,099,220	7,561,544	-	-
Interest income	2,032,107	1,531,938	807,451	642,933
	7,131,327	**9,093,482**	**807,451**	**642,933**

b. Financial assets, at fair value through profit or loss

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Collective investment schemes				
Opening balance	107,369,886	102,879,243	-	-
Additions	5,680,000	6,000,000	-	-
Additions via reinvestment	4,641,610	6,780,971	-	-
Disposals proceeds	(5,790,577)	(7,798,678)	-	-
Gain/loss on disposal	(1,156,024)	49,349	-	-
Fair value movements	5,053	(540,999)	-	-
Closing balance	**110,749,948**	**107,369,886**	**-**	**-**

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.

6. Membership and practitioner fees

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Practising certificate fees	4,480,373	4,148,875	4,480,373	4,148,875
Member fees	3,486,940	3,274,842	3,486,940	3,274,842
PSC capping fee	410,830	331,590	410,830	331,590
Certificate of fitness	17,700	18,391	17,700	18,391
Late application levy	23,850	9,450	23,850	9,450
Corporate marketing levy	327,240	320,144	327,240	320,144
	8,746,933	**8,103,292**	**8,746,933**	**8,103,292**

Notes to and forming part of the financial statements for the year ended 30 June 2012

7. Rent and administration revenue

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Management fees	-	6,028	359,860	365,818
Law Claims Levy Fund	-	-	20,000	20,000
Legal Practitioners' Fidelity Guarantee Fund	48,000	48,000	48,000	48,000
Legal Practitioners Admissions Board	313,821	264,744	313,821	264,744
Body corporate administration fee	15,000	37,000	15,000	37,000
Rent	275,583	393,611	275,583	393,611
Car parking	63,907	96,043	63,907	96,043
	716,311	**845,426**	**1,096,171**	**1,225,216**

8. Membership services and events

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Income				
Practice management course	455,090	379,300	455,090	379,300
Publications	29,196	47,998	29,196	47,998
QLS diary	138,742	190,234	138,742	190,234
Seminars	1,956,135	2,041,444	1,956,135	2,041,444
College of Law commission	-	106,463	-	106,463
Specialist accreditation	229,172	151,819	229,172	151,819
Resources, texts and course material	484,356	459,327	484,356	459,327
School and student services	-	24,160	-	24,160
Events and functions	42,295	44,053	42,295	44,053
Proctor advertising and subscription	363,912	418,817	363,912	418,817
Marketing and sponsorship	321,308	280,498	321,308	280,498
	4,020,206	**4,144,113**	**4,020,206**	**4,144,113**
Direct expenditure (exclude staff costs)				
Practice management course	25,974	54,192	25,974	54,192
QLS diary	81,563	111,445	81,563	111,445
Seminars	1,097,110	1,028,764	1,097,110	1,028,764
Specialist accreditation	28,726	9,227	28,726	9,227
Resources, texts and course material	181,517	225,931	181,517	225,931
School and student services	14,816	10,058	14,816	10,058
Events and functions	154,067	83,095	154,067	83,095
Membership product and services	351,540	357,105	351,540	357,105
Proctor expenses	311,140	329,487	311,140	329,487
Marketing and sponsorship	55,404	5,578	55,404	5,578
	2,301,857	**2,214,882**	**2,301,857**	**2,214,882**

Notes to and forming part of the financial statements for the year ended 30 June 2012

9. Administration expenses

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Advertising	24,423	16,096	24,423	16,096
Actuarial fees	166,509	93,696	-	-
Audit fees	166,306	138,293	91,350	72,652
Bad debts	-	153	-	153
Body corporate levies	178,497	243,380	178,497	243,380
Captive managers fee	85,000	85,000	-	-
Catering, functions and entertainment	84,469	59,309	68,366	46,882
Complaints investigations	3,262	9,205	3,262	9,205
Directors' fees	334,727	309,797	-	-
Electricity	61,166	44,308	59,325	44,308
Fringe benefits tax	90,395	95,443	61,354	64,698
Fees and charges	151,154	128,124	138,853	114,641
Foreign exchange	(3,002)	25,729	-	-
Insurance	307,285	285,792	176,194	174,942
Information technology and related costs	214,590	302,719	195,098	302,719
Interest expense	64,159	(63,574)	-	-
Investment managers fees	145,542	145,772	-	-
LAWASIA	100,000	100,000	100,000	100,000
Lease payments	176,284	189,382	-	-
Liability capping scheme	183,530	236,100	183,530	236,100
Motor vehicle expenses	8,459	9,863	8,459	9,863
Offsite storage	45,928	45,185	42,953	45,185
Payroll tax	484,727	461,198	382,542	363,236
Postage and couriers	121,385	78,023	113,410	72,474
Presentations, donations and gifts	56,243	48,954	54,139	48,954
Provision for doubtful debts	(122,198)	171,711	-	-
Printing and stationery	129,562	135,569	86,047	104,181
Professional and consulting fees	942,579	709,618	372,981	273,358
Rates and taxes	217,686	120,149	217,686	120,149
Registrations and subscriptions	85,286	57,004	49,654	39,433
Regulatory audits	45,693	62,173	45,693	62,173
Repairs and maintenance	255,266	224,422	248,571	224,422
Secretarial fees	31,241	21,009	-	-
Staff – other costs	23,293	30,326	23,293	25,081
Staff amenities	34,414	28,495	27,029	22,831
Staff training	135,517	152,428	100,363	123,173
Sundry expenses	58,633	28,443	54,066	21,601
Tax consulting	109,806	28,901	-	-
Telephone	89,025	95,052	62,050	68,357
Travelling expenses	268,356	301,126	79,233	88,758
	5,555,197	**5,254,373**	**3,248,421**	**3,139,005**

Total audit fees paid and payable to the Queensland Audit Office to perform an audit of the group's transactions for 2011-12 are estimated to be $94,000 (2011: $82,480). There are no non-audit services included in this amount.

Notes to and forming part of the financial statements for the year ended 30 June 2012

10. Council and committee costs

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Travel and accommodation	62,543	67,939	62,543	67,939
Honorarium	290,667	290,667	290,667	290,667
Convocation	-	-	-	-
Catering and functions	14,461	24,760	14,461	24,760
	367,671	**383,366**	**367,671**	**383,366**

11. Provision for outstanding claims

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Opening gross outstanding claims	74,638,000	75,887,000		-
Claims incurred	21,977,023	24,098,957		-
Claims paid during the year	(21,233,296)	(25,044,957)		-
Movement in claims handling provision	(139,000)	(303,000)		-
Closing gross outstanding claims	**75,242,727**	**74,638,000**		**-**
Opening reinsurance recoveries	(17,713,000)	(17,666,857)		-
Movement in reinsurance recoveries	2,697,835	(2,598,620)		-
Reinsurance receivable	6,096,165	2,552,477		-
Closing reinsurance recoveries	**(8,919,000)**	**(17,713,000)**		**-**
Net outstanding claims	**66,323,727**	**56,925,000**		**-**
Law Claims Levy Fund	50,000	484,000		-
Lexon Insurance Pte Ltd	66,273,727	56,441,000		-
	66,323,727	**56,925,000**		**-**

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 2002.

Lexon Insurance Pte Ltd and the Law Claims Levy Fund have assessed the provisions for outstanding claims based upon an independent actuarial assessment as at 30 June 2012 by Mr Andrew Cohen (FIAA) and Mr Kane Bolton (FIAA) of Finity Consulting Pty Ltd. The key assumptions are detailed in Note 2.

Notes to and forming part of the financial statements for the year ended 30 June 2012

11. Provision for outstanding claims (continued)

Net discounted maturity analysis

2012	Less than 1 year	1 to 5 years	Over 5 years	Total
Gross central estimate	17,548,000	37,304,000	7,504,727	**62,356,727**
Reinsurance recoveries	(2,988,000)	(3,760,000)	(2,171,000)	**(8,919,000)**
Net central estimate	**14,560,000**	**33,544,000**	**5,333,727**	**53,437,727**
Risk margins				**9,263,000**
Claims handling				**3,623,000**
Net claims outstanding				**66,323,727**

2011	Less than 1 year	1 to 5 years	Over 5 years	Total
Gross central estimate	19,050,000	38,540,000	7,150,000	**64,740,000**
Reinsurance recoveries	(4,326,000)	(9,491,000)	(3,896,000)	**(17,713,000)**
Net central estimate	**14,724,000**	**29,049,000**	**3,254,000**	**47,027,000**
Risk margins				**6,136,000**
Claims handling				**3,762,000**
Net claims outstanding				**56,925,000**

12. Receivables

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Accounts receivables	1,063,246	1,190,297	297,282	393,908
Reinsurance recoverable	3,200,298	166,911	-	-
Less: provision for impairment	(361,441)	(483,639)	-	-
	3,902,103	**873,569**	**297,282**	**393,908**
Prepaid expenses and other receivables	1,252,066	3,366,739	958,892	768,621
	5,154,169	**4,240,308**	**1,256,174**	**1,162,529**

13. Payables

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Creditors	229,417	139,173	229,417	139,173
Income in advance	36,425,387	29,181,157	9,222,078	7,122,284
Other payments and accruals	5,984,317	4,927,150	5,571,223	4,670,881
	42,639,121	**34,247,480**	**15,022,718**	**11,932,338**

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.

Notes to and forming part of the financial statements for the year ended 30 June 2012

14. Property plant and equipment

Parent entity	Strata title building $	Plant and equipment $	Computer equipment $	Software $	Total $
2010/11					
Cost or valuation					
At the beginning of the year	23,767,189	4,186,862	512,493	-	**28,466,544**
Additions	126,840	51,758	29,475	370,038	**578,111**
Revaluations/other	(111,322)	-	-	-	**(111,322)**
At the end of the year	**23,782,707**	**4,238,620**	**541,968**	**370,038**	**28,933,333**
Depreciation					
At the beginning of the year	(561,679)	(1,034,706)	(389,165)	-	**(1,985,550)**
Charge for the year	(590,831)	(297,245)	(29,461)	-	**(917,537)**
Revaluations/other	5,565	–	–	-	**5,565**
At the end of the year	**(1,146,945)**	**(1,331,951)**	**(418,626)**	**-**	**(2,897,522)**
Net book value at 30 June 2011	**22,635,762**	**2,906,669**	**123,342**	**370,038**	**26,035,811**
2011/12					
Cost or valuation					
At the beginning of the year	23,782,707	4,238,620	541,968	370,038	**28,933,333**
Additions	16,138	13,350	-	858,340	**887,828**
Revaluations/other	420,907	-	-	-	**420,907**
At the end of the year	24,219,752	4,251,970	541,968	1,228,378	**30,242,068**
Depreciation					
At the beginning of the year	(1,146,945)	(1,331,951)	(418,626)	-	**(2,897,522)**
Charge for the year	(588,150)	(299,138)	(35,441)	(16,666)	**(939,395))**
Revaluations/other	(21,043)	–	-	-	**(21,043)**
At the end of the year	**(1,756,138)**	**(1,631,089)**	**(454,067)**	**(16,666)**	**(3,857,960)**
Net book value at 30 June 2012	**22,463,614**	**2,620,881**	**87,901**	**1,211,712**	**26,384,108**
Property, plant and equipment is stated as follows:					
30 June 2011					
At valuation	22,408,643	-	-	-	**22,408,643**
At cost	1,374,064	4,238,620	541,968	370,038	**6,524,690**
	23,782,707	**4,238,620**	**541,968**	**370,038**	**28,933,333**
Depreciation	(1,146,945)	(1,331,951)	(418,626)	-	**(2,897,522)**
	22,635,762	**2,906,669**	**123,342**	**370,038**	**26,035,811**
30 June 2012					
At valuation	22,829,550	-	-	-	**22,829,550**
At cost	1,390,202	4,251,970	541,968	1,228,378	**7,412,518**
	24,219,752	**4,251,970**	**541,968**	**1,228,378**	**30,242,068**
Depreciation	(1,756,138)	(1,631,089)	(454,067)	(16,666)	**(3,857,960)**
	22,463,614	**2,620,881**	**87,901**	**1,211,712**	**26,384,108**

Notes to and forming part of the financial statements for the year ended 30 June 2012

14. Property plant and equipment (continued)

Consolidated	Strata title building $	Plant and equipment $	Computer equipment $	Software $	Total $
2010/11					
Cost or valuation					
At the beginning of the year	23,767,189	4,319,017	601,096	-	**28,687,302**
Additions	126,840	51,758	46,651	401,485	**626,734**
Revaluations/other	(111,322)	-	-	-	**(111,322)**
At the end of the year	**23,782,707**	**4,370,775**	**647,747**	**401,485**	**29,202,714**
Depreciation					
At the beginning of the year	(561,679)	(1,139,294)	(475,231)	-	**(2,176,204)**
Charge for the year	(590,831)	(317,380)	(30,018)	-	**(938,229)**
Revaluations/other	5,565	-	-	-	**5,565**
At the end of the year	**(1,146,945)**	**(1,456,674)**	**(505,249)**	**-**	**(3,108,868)**
Net book value at 30 June 2011	**22,635,762**	**2,914,101**	**142,498**	**401,485**	**26,093,846**
2011/12					
Cost or valuation					
At the beginning of the year	23,782,707	4,370,775	647,747	401,485	**29,202,714**
Additions	16,138	32,022	5,276	1,226,624	**1,280,060**
Revaluations/other	420,907	-	-	0	**420,907**
At the end of the year	**24,219,752**	**4,402,797**	**653,023**	**1,628,109**	**30,903,681**
Depreciation					
At the beginning of the year	(1,146,945)	(1,456,674)	(505,249)	-	**(3,108,868)**
Charge for the year	(588,150)	(313,860)	(50,189)	(59,632)	**(1,011,831)**
Revaluations/other	(21,043)	-	-	-	**(21,043)**
At the end of the year	**(1,756,138)**	**(1,770,534)**	**(555,438)**	**(59,632)**	**(4,141,742)**
Net book value at 30 June 2012	**22,463,614**	**2,632,263**	**97,585**	**1,568,477**	**26,761,939**
Property, plant and equipment is stated as follows:					
30 June 2011					
At valuation	22,408,643	-	-	-	**22,408,643**
At cost	1,374,064	4,370,775	647,747	401,485	**6,794,071**
	23,782,707	**4,370,775**	**647,747**	**401,485**	**29,202,714**
Depreciation	(1,146,945)	(1,456,674)	(505,249)	-	**(3,108,868)**
	22,635,762	**2,914,101**	**142,498**	**401,485**	**26,093,846**
30 June 2012					
At valuation	22,829,550	-	-	-	**22,829,550**
At cost	1,390,202	4,402,797	653,023	1,628,109	**8,074,131**
	24,219,752	**4,402,797**	**653,023**	**1,628,109**	**30,903,681**
Depreciation	(1,756,138)	(1,770,534)	(555,438)	(59,632)	**(4,141,742)**
	22,463,614	**2,632,263**	**97,585**	**1,568,477**	**26,761,939**

An independent valuation of the strata title building was carried out as at 30 June 2009 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. The building has been indexed from 30 June 2009 to 30 June 2012 using the Queensland non-residential construction Index. The Council is of the opinion that this basis provides a reasonable estimate of recoverable amount.

The Society has plant and equipment with an original cost of $1,264,087 and a written down value of zero still being used in the provision of services.

Notes to and forming part of the financial statements for the year ended 30 June 2012

15. Reserves

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Revaluation surplus	15,879,523	15,479,659	15,879,523	15,479,659
Retained surplus	81,156,965	79,554,111	34,893,257	34,171,483
Closing balance at end of year	**97,036,488**	**95,033,770**	**50,772,780**	**49,651,142**

During the year the strata title building was revalued in accordance with Note 14. The revaluation increase of $399,864 (2011: decrease of $105,756) is reflected as Other comprehensive income in the Statement of comprehensive income. It is shown as the net movement in Note 14 under Revaluation/other under Cost and depreciation.

16. Accrued employee benefits

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Current				
Annual leave – opening balance	704,055	688,551	581,686	585,020
Leave taken	(708,203)	(658,821)	(558,689)	(547,595)
Leave accrued	675,086	674,325	536,502	544,261
Annual leave – closing balance	**670,938**	**704,055**	**559,499**	**581,686**
Non-current				
Provision for long service leave	708,826	647,806	663,796	617,647
Leave taken	(51,668)	(55,251)	(51,668)	(55,251)
Leave accrued	156,224	116,271	115,995	101,400
Long service leave – closing balance	**813,382**	**708,826**	**728,123**	**663,796**
Number of parent entity employees at year end			106	103
Number of full time equivalent employees at year end			91	92

17. Commitments

a. Operating leases

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Within one year	331,643	181,361	7,909	7,909
One to five years	1,103,959	717,422	1,318	9,228
	1,435,602	**898,783**	**9,227**	**17,137**

The Society maintains a motor vehicle under an operating lease. The Group's commitments include motor vehicles, a tenancy agreement and provision of computer systems.

b. Capital expenditure commitments

Capital expenditure contracted for at 30 June 2012 but not provided for was nil (2011 – nil).

Notes to and forming part of the financial statements for the year ended 30 June 2012

18. Related party transactions

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

	2012 $	2011 $
Management fees paid by Lexon Insurance Pte Ltd to parent entity	310,000	285,000
Management fees paid by Law Claims Levy Fund to parent entity	20,000	20,000
Directors fees paid by Lexon Insurance Pte Ltd to parent entity	49,860	74,790
Gross premiums received by Lexon Insurance Pte Ltd from Law Claims Levy Fund	26,250,000	25,000,000
Professional fees paid to a firm of which a director is a member		
Legal fees in the provision of claim defence costs:		
– Coyne & Associates	864,184	855,307
– Flower & Hart/Middletons	17,290	16,605
– Ferguson Cannon	3,870	-
Other non-claim professional advice provided:		
– Coyne & Associates	24,421	37,208
– Flower & Hart/Middletons	43,302	111,615
Commissions derived from renewal of insurance policies		
– Marsh (Qld) Pty Ltd	13,914	10,994
Management fees paid to a firm of which a director is a member		
– AON Insurance Managers (Singapore) Pte Ltd	85,000	85,000
Brokerage fees paid to a firm of which a director is a member		
– AON Re Australia Limited	160,000	160,000
Commission on reinsurance placement earned by a firm of which a director is a member		
– Various AON Group entities	261,564	220,339
Licence and implementation costs paid in relation to insurance IT systems for a firm of which a director is a member		
– AON Risk Services Australia Limited	407,027	-

Notes to and forming part of the financial statements for the year ended 30 June 2012

18. Related party transactions (continued)

b. Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Society during 2011-12. 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 monitor the performance of the Society.

Position	Person	Appointment date	Resignation date
President	**Peter Eardley**	1/1/2010	31/12/2010
	Bruce Doyle	1/1/2011	31/12/2011
	John de Groot	1/1/2012	
Vice President	**Raoul Guides**	1/1/2010	31/12/2011
	Ian Brown	1/1/2012	
Deputy President	**Bruce Doyle**	1/1/2010	31/12/2010
	Annette Bradfield	1/1/2012	

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	Appointment date	Resignation date
Chief Executive Officer	**Noela L'Estrange**	11/5/2009	

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2012

18. Related party transactions (continued)

b. Key executive management personnel (continued)

Remuneration packages for key executive 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 Comprehensive Income.
  - Non-monetary benefits – consisting of provision of car parking with fringe benefits tax applicable to the benefit.
- 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 that disclosed below, Council members do not receive any remuneration.

1 July 2011 – 30 June 2012

	Short term employee benefits					
Position (dates if applicable)	**Base**	**Non-monetary benefits**	**Long term employee benefits**	**Post employment benefits**	**Bonuses**	**Total remuneration**
President (1 July 2011 – 31 December 2011)	109,000	-	-	-	-	**109,000**
President (1 January 2012 – 30 June 2012)	109,000	-	-	-	-	**109,000**
Vice President (1 July 2011 – 31 December 2011)	36,333	-	-	-	-	**36,333**
Deputy President (1 January 2012 – 30 June 2012)	33,333	-	-	3,000	-	**36,333**
Chief Executive Officer	325,994	10,840	5,123	29,413	10,000	**381,370**

1 July 2010 – 30 June 2011

	Short term employee benefits					
Position (dates if applicable)	**Base**	**Non-monetary benefits**	**Long term employee benefits**	**Post employment benefits**	**Bonuses**	**Total remuneration**
President (1 July 2010 – 31 December 2010)	109,000	-	-	-	-	**109,000**
President (1 January 2011 – 30 June 2011)	109,000	-	-	-	-	**109,000**
Deputy President (1 July 2010 – 31 December 2010)	36,333	-	-	-	-	**36,333**
Vice President (1 January 2011 – 30 June 2011)	36,333	-	-	-	-	**36,333**
Chief Executive Officer	321,291	10,840	1,876	29,043	-	**363,050**

Notes to and forming part of the financial statements for the year ended 30 June 2012

19. Contingent liabilities

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

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

20. Notes to the Statement of cash flows

a. Reconciliation of cash

For the purposes of the Statement of cash flow, 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 entity	
	2012	2011	2012	2011
	$	$	$	$
Cash at bank	3,042,348	1,452,019	269,880	760,764
Cash deposit accounts	32,562,863	35,362,269	10,622,958	9,319,857
Cash included in cash flow statement	**35,605,211**	**36,814,288**	**10,892,838**	**10,080,621**
Term deposit	24,050,000	8,550,000	9,550,000	6,550,000
Total cash and cash equivalents	**59,655,211**	**45,364,288**	**20,442,838**	**16,630,621**

b. Financing facilities

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

c. Reconciliation of net cash provided by operating activities to the surplus/(deficit) for the year

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Surplus/(deficiency) for the year	**1,602,856**	**9,113,685**	**721,776**	**1,158,170**
Adjustments for investment income	(4,240,729)	(7,038,335)	-	-
Add/(less) non-cash items Depreciation	1,011,831	938,229	939,395	917,537
Change in assets and liabilities				
(Increase)/decrease in assets Accounts receivables	(2,997,073)	497,413	(93,645)	254,751
Increase/(decrease) in liabilities				
Accounts payables and unearned income	8,391,641	(3,378,861)	3,090,380	215,130
Employee benefits	71,439	76,524	42,140	42,815
Provision for outstanding claims	9,398,727	(1,295,143)	-	-
Tax related balances	(611,587)	47,987	-	-
Net cash provided by/ (used in) operating activities	**12,627,105**	**(1,038,501)**	**4,700,046**	**2,588,403**

Notes to and forming part of the financial statements for the year ended 30 June 2012

21. Income tax expense

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Tax expense attributable to profit is made up of:				
Current income tax	-	662,218	-	-
Deferred income tax (Note 23)	(639,196)	221,874	-	-
	(639,196)	**884,092**	**-**	**-**
(Over)/under provision in preceding financial years				
Current income tax	(724,006)	2,626	-	-
Deferred income tax	724,006	-	-	-
	(639,196)	**886,718**	**-**	**-**

Lexon Insurance Pte Ltd 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 profit differs from the amount that would arise using the standard tax rate due to the following:

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Profit/(loss) before tax	963,660	10,000,403	-	-
Tax calculated at a tax rate of 30% (2011: 30%)	289,098	3,000,121	-	-
Effects of:				
Income not subject to tax	(774,867)	(1,931,104)	-	-
Tax free distributions on investments (Note 23)	-	20,521	-	-
Franking credits available	(153,427)	(205,446)	-	-
	(639,196)	**884,092**	**-**	**-**

22. Current income tax liability

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Income tax at the beginning of the financial year	662,218	836,105	-	-
Income tax refunded/(paid)	27,609	(838,731)	-	-
Prior year under/(over) provision				
– current year income tax	-	662,218	-	-
– deferred tax asset	(724,006)	2,626	-	-
Income tax at the end of the financial year	**(34,179)**	**662,218**	**-**	**-**

Notes to and forming part of the financial statements for the year ended 30 June 2012

23. Deferred income tax balances

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

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Net balance at beginning of the financial year	5,213,021	5,434,895	-	-
Current year tax charge to profit or loss	639,196	(221,874)	-	-
Prior year tax (credit)/charge:				
Current income tax	(724,006)	-	-	-
Net balance at end of the financial year	**5,128,211**	**5,213,021**	**-**	**-**

The balance comprises temporary differences attributable to:

	Consolidated		Parent entity	
	2012	2011	2012	2011
	$	$	$	$
Deferred tax assets				
– Balance at beginning of the financial year	5,352,333	5,553,686	-	-
Charge to profit or loss				
– Claims handling provision	(6,623)	(74,705)	-	-
– Other timing differences	31,833	(46,616)	-	-
– Income losses utilised	(118,250)	-	-	-
– Capital losses carried forward	-	(4,470)	-	-
– Unrealised investment losses	(94,423)	(125,575)	-	-
– Allowance for impairment of receivables	(36,659)	50,013	-	-
	5,128,211	**5,352,333**	**-**	**-**
Deferred tax liabilities				
– Balance at beginning of the financial year	(139,312)	(118,791)	-	-
Charge to income statement				
– Tax-free distribution on Investments	139,312	(20,521)	-	-
	-	**(139,312)**	**-**	**-**
Net balance at end of the financial year	**5,128,211**	**5,213,021**	**-**	**-**

24. Events occurring after balance date

There are no events subsequent to the reporting date requiring disclosure in the financial report.

Declaration of Queensland Law Society Incorporated

The general-purpose financial report has been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections 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 foregoing financial statements with other information and notes to and forming part thereof are in agreement with the accounts and records of the Queensland Law Society Incorporated and its controlled entities

b. in our opinion:

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

   ii. the foregoing financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the Queensland Law Society Incorporated and its controlled entities for the financial year ended 30 June 2012 and of the financial position as at the close of that year.

President
John de Groot

Chief Executive Officer
Noela L'Estrange

31 August 2012

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 2012, the Statements of comprehensive income, Statements of changes in equity and Statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the President and accountable officer of the entity and the consolidated entity comprising the Council 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 the 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 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 judgment, 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 controls 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 is significant.

Independent Auditor's report

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 2011 to 30 June 2012 and of the financial position as at the end of that year.

Other matters – electronic presentation of the audited financial report

This auditor's report relates to the financial report of Queensland Law Society Incorporated and the consolidated entity for the year ended 30 June 2012. Where the financial report is included on the Queensland Law Society Incorporated's website the Council is responsible for the integrity of the Queensland Law Society Incorporated's website and I have not been engaged to report on the integrity of the Queensland Law Society Incorporated's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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

Denis Hugh Costello, CPA

(as Delegate of the Auditor-General of Queensland)

31 August 2011

Brisbane